Thriving together

Annual Report 2023

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 and continue to support our customers to maintain our position as the number one bank in MEA.

Our financial strength

Net profit
QR15.5 bn
+8%

Assets
QR1,231 bn
+4%

Earnings per share
QR1.55
+8%

Operating income*
QR39.1 bn
+11%

Return on Equity
17.7%

Cost-to-income
20.0%

Capital adequacy ratio (Basel III)
19.8%

*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 the largest financial institution 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.

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Board of Directors

H.E. Mr. Ali Bin 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
> 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 H A 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

H.E. Mr. Fahad Bin Mohammed Bin Fahad Buzwair

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

H.E. Mr. Mansoor Bin 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

Fatima Abdulla Al-Suwaidi

> Group Chief Risk Officer

Khaled Gamaleldin

> Group Chief Audit Executive

Riadh Al Fayech

> Group Chief Compliance Officer

Chairman of the Board of Directors' statement

Our performance and growth was driven by strong governance, strategy, leadership and disciplined execution.

8%
Growth in net profit

QR1.55
Earnings per share

17.7%
Return on equity

USD41.9 bn
Market capitalisation

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

> "We firmly believe that sound governance, prudent risk management and continuous improvement, complemented by technological innovation, are fundamental to our long-term growth."

I am delighted to report that in 2023, we continued to successfully execute upon our vision and strategy. The underlying financial performance of the Bank remained strong, and we additionally progressed on our risk, control and regulatory agendas.

Despite the major challenges facing the world economic outlook, growth forecasts gradually improved throughout the year. This was driven by a resilient US economy, a Chinese re-opening, a significant correction in commodity prices and more supportive fiscal policies that avoided a Euro-area deep downturn. Concurrently, aggressive monetary tightening started to induce a moderation of inflation across most advanced economies. However, the policy measures did not have the desired effect to reach the inflation targets of leading central banks, prompting a continuation of rate hikes throughout the year. This subsequently led to higher benchmark interest rates and a benign market environment for banks with stable funding and robust capitalisation.

In light of this, QNB Group delivered a strong performance in 2023. We achieved a net profit of QR15.5 billion, up 8% from the previous year, and an operating income of QR39.1 billion, an increase of 11%.

To reward our shareholders, the Board of Directors is recommending to the General Assembly the distribution of a cash dividend at the ratio of 65% of the nominal value of the share, equating to QR0.65 per share.

QNB is an international bank with a deep-rooted Qatari heritage. QNB's vision is to be the number one bank in MEA while aiming to be a leading MEASEA bank, which is aligned with our purpose to promote prosperity and sustainable growth across the markets we serve. Our strategy requires us to continuously uplift our capabilities to cater for an ever-changing world. As such, our strategy focuses on our core as a wholesale bank, providing a best-in-class offering to our customers. Two pillars complement our strategy. Firstly, our value proposition is supported by leveraging technology and innovation as a strategic enabler. Secondly, we firmly believe that by embedding sustainability into our business and operating model, we can make a positive contribution to our societies.

Our Board of Directors oversees the effective implementation of our strategy. As a Board, we routinely assess emerging and strategic trends to ensure that the Bank's value proposition, business objectives and operating model are aligned with market practices. We firmly believe that sound governance, prudent risk management and continuous improvement, complemented by technological innovation, are fundamental to our long-term growth.

Our governance framework ensures that the Board not only monitors the Bank’s progress, but also safeguards the business and the interests of our stakeholders. This year, we have worked diligently to enhance our risk management capabilities and risk culture, improving oversight and control, while at the same time enhancing the speed and quality of decision-making. Our prudent risk appetite allows us to capitalise on new opportunities for growth, balancing risk and reward. Furthermore, we have been able to ensure that we were successful in managing the growing risks of our network while remaining compliant with the increasing requirements across all jurisdictions. Finally, the Board strives to drive 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.

Looking ahead, we expect another year of macro volatility. In light of this, it is crucial to maintain adequate levels of capital, liquidity and asset quality. We will continue to deliver upon our strategy by investing in our capabilities to maintain our leading market position.

I would like to close by thanking our customers, partners and shareholders for their continued commitment. Our people remain the cornerstone of our success. The energy, drive and ambition of all our employees across our footprint have been instrumental to 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. The Board also expresses its appreciation for His Excellency Sheikh Mohammed bin Abdulrahman bin Jassim Al Thani, the Prime Minister and Minister of Foreign Affairs, 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.

With their support, we remain confident that we will continue to generate long-term sustainable shareholder returns and make a positive contribution to the societies in which we operate.

QNB is an international bank with a deep-rooted Qatari heritage.

Group Chief Executive Officer's statement

Our Qatari heritage and focus on delivering value to our customers helped us deliver another year of superior results.

QR1,231 bn
Assets +4%

QR857 bn
Deposits +2%

QR853 bn
Loans +6%

QR15.5 bn
Net Profit +8%

19.8%
Capital adequacy ratio

Mr. Abdulla Mubarak Al-Khalifa
Group Chief Executive Officer

> "QNB Group delivered another year of strong performance, with net profit at QR15.5 billion, up 8% from last year."

I am delighted to highlight the achievements and progress we have made in 2023. We delivered yet another year of strong performance and continued to demonstrate growth in net profit. While we have made steadfast progress, our work is not complete and we remain focused on our multi-year journey to execute upon our strategy.

Keeping an eye on the economic backdrop

The global environment continued to be affected by the negative consequences of excessive post COVID-19 pandemic policy stimulus and geopolitical tensions. Due to persistent inflation and low unemployment, global central banks continued to increase interest rates. This led to increased interest income, particularly for banks that were able to quickly re-price their portfolios. At the same time, banks' cost of funding increased, as customers began to shift their deposits to higher-yielding alternatives. Finally, higher rates are putting borrowers under pressure, potentially affecting credit quality.

GCC countries continued to benefit from elevated oil and gas prices. This further improved the macro environment for the State of Qatar. Following the successful 2022 FIFA World Cup Qatar™, the economy continued its path towards a knowledge-based economy. This supported the banking sector, which remained resilient and profitable. Qatari banks are characterised by a strong governance oversight from the regulator, robust capitalisation, stable funding and low exposure to long-dated securities. Due to this structure, the Qatari banking system was insulated from the liquidity crisis that selected banks in advanced economies faced in the first half of the year.

Delivering a strong financial performance

QNB Group delivered another year of strong performance during 2023. Total assets reached QR1,231 billion, an increase of 4% from 2022. Net profit was QR15.5 billion, up 8% compared to the same period last year, which was lifted by an increase of 11% in operating income, to QR39.1 billion.

QNB benefits from a robust balance sheet, significant capital strength and high-quality assets. 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 supported our liquidity position, resulting in a loans-to-deposits ratio of 99.5%. We maintain a healthy liquidity buffer in every market in which we operate, in both local and major foreign currencies. We also continue to be well capitalised, with a capital adequacy ratio of 19.8%, further supporting our top-tier ratings from the world's leading rating agencies.

Given the backdrop of increasing interest rates, we were able to reprice our loan interest income, but also saw an increase in our cost of funding. As a result, NIMs remained at similar levels to last year, at 2.60%. At the same time, a proactive management of our lending portfolio and working hand-in-hand with our customers allowed us to maintain a low NPL ratio of 3.0%. Despite inflationary pressures, our relentless focus on controlling costs enabled us to maintain an excellent efficiency ratio, at 20.0%. These results reflect the disciplined execution of our strategy, strong governance framework, prudent risk management and robust operating model.

Executing on our strategic objectives

Our strategy focuses on our core as a solution-led wholesale and analytics-enabled transaction bank, supported by leveraging innovation as a strategic enabler while integrating sustainability into our business and operating model.

This year, we continued to actively support Qatar's ambitious plans to strengthen its position as a key global energy player, specifically by providing support to the North Field Expansion (NFE), a monumental project expected to increase Qatar's LNG production by 64% by 2027. We financed not only the entire subcontracting value chain but also assisted in several major projects in associated sectors. Furthermore, we also supported the local economy, with particular focus on healthcare, hospitality, transport and public-private partnerships. We are fully committed to act as an incubator for private sector engagement, where we enhanced our operational capabilities with innovative solutions to position QNB as a fully-digital and automated one-stop-shop for SMEs.

We are seeing results from our analytics-enabled global transaction banking proposition, where we provide best-in-class cross-border payments, cash management and trade finance solutions. Our transaction banking fee revenues, including cash management and trade, grew by 31%. This was fuelled by a rise in transaction fee income from our international network, which today comprises 75% of our transaction banking revenues. These results were also driven by several innovations we introduced in our business, such as embedding digital third-party platforms in trade finance, introducing new green trade finance products and launching our new cash management client platform across overseas branches.

Our strategy focuses on our core as a solution-led wholesale and analytics-enabled transaction bank, supported by leveraging innovation as a strategic enabler while integrating sustainability into our business and operating model.

Group Chief Executive Officer's statement *(continued)*

Meanwhile, our retail banking business in Qatar witnessed a robust performance, supported by higher interest rates and new regulations favouring the mortgage lending business. To maintain our leading position in Qatar, we progressed on our journey to become a digital-first bank, delivering innovation across several dimensions, such as digital multichannel customer interfaces, support areas, automation and branch network. QNB is also an early adopter of innovative payment solutions. Thanks to this, transaction volumes for our iOS and Android device payment merchant offering increased by 115% this year, while we continued to build an innovative payment ecosystem through strategic partnerships.

In our asset and wealth management business, we saw an increase in AUM despite a challenging and volatile environment for asset managers worldwide. We achieved this through the quality and depth of our customer relationships and the addition of new investment solutions. We also retained our position as the leading broker in Qatar for institutional investors, thanks to our strong commitment to customer service, while stepping up our liquidity provisioning and market-making capabilities.

To reinforce our international network's contribution to the Group, we developed a dedicated strategy for our presence in the Kingdom of Saudi Arabia, where we also opened a second branch in Jeddah. Additionally, as part of our strategy, we are preparing the launch of a local digital attacker bank in Saudi Arabia for which we are awaiting the approval of the regulator. Across all other geographies of our network, we consistently delivered against our international customers' needs, expanding relationships, facilitating increased transaction volumes and successfully diversifying our funding sources.

Our subsidiary in Türkiye, QNB Finansbank, maintained its leading market position while we also played a crucial role by providing critical financing assistance during the dramatic consequences of the earthquake, during which we tragically lost four of our colleagues. To assist the domestic economy, we continued to support SMEs with our market-leading Digital Bridge suite. SMEs now account for 21% of our total loan portfolio. We have also optimised our credit pricing and deposit acquisition. In Egypt, QNB ALAHLI continued to consolidate its position as one of the largest privately owned banks in the country. We achieved a lending growth rate of 16% by supporting different business sectors and maintaining strong and longstanding relationships. As part of our digital transformation and strategy, we leveraged our digital bank, Enpara, to launch the first digital bank in Egypt. Launched as Bebasata, the new digital bank aims to drive digital transformation across the financial service sector in Egypt.

Supporting our operational performance, our customer-centric approach and investment into our brand 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 9% to reach USD7.7 billion.

Strengthening our risk and control environment

Effective risk management is essential to consistent and sustainable business performance and decision-making. QNB Group's financial and non-financial performance relies on our ability to successfully manage risk at all levels. The Group consistently strives for the highest levels of ethical and professional behaviour.

This year, we embarked on a major project to streamline and digitise the Bank's lending process. We harmonised standards and practices across international jurisdictions, introduced new credit rating models and made continuous enhancements to our operational and cybersecurity risk management capabilities.

In light of its increasing importance to QNB's franchise, we continued to uplift our capabilities regarding climate risk management. We refined our methods for identifying and assessing climate-related risks in a harmonised approach across the Group. A comprehensive review of the Bank's risk policies was conducted to ensure Climate Risk is adequately addressed. Additionally, we undertook an evaluation of the Bank's portfolio exposure to climate change scenarios covering our Head Office, international branches and all our material subsidiaries. Furthermore, the Bank has measured its Scope 3 Financed Emissions for the first time this year to evaluate the strategies that can help us to reduce the Bank's carbon footprint in preparation for future disclosure requirements.

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 launched the "Falcon Programme" to uplift our innovation capabilities. For this, we created cross-functional teams of high-performing local talent to own and deliver strategic innovation initiatives. Our objective is that this programme acts as a change agent and catalyst to nurture a culture of innovation, agility and creativity.

We recognise the importance of sustainability, which we have embedded as part of our strategy. As a bank, the most impactful way to address this topic is through our financing activities. This year, we launched our market leading QNB Group SFPF to deliver meaningful impact and to cater for our customers' increasing demand to support their ESG values and aspirations. Today, QNB Group is recognised as a leader and pioneer in ESG financing, in both Qatar and the wider region.

Continuing our journey

To continue our journey, I believe that successful execution is critical to follow through on our strategy and aspirations. I am a strong believer in concerted efforts by communicating, cooperating and collaborating to execute and work together towards a common goal.

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 appreciation 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. Your enduring support on our journey means we remain well-positioned to continue to provide long-term sustainable value to all our stakeholders.

"QNB's aspiration is to be one of the leading MEASEA banks while maintaining our number one position in MEA."

QNB at a glance

QNB is a highly-rated bank with a significant international presence, serving more than 30 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.

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.

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 5,000 machines*. These include premium banking services through QNB First and QNB First Plus, designed for our affluent clients.

*Including subsidiaries and associates

International Business

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

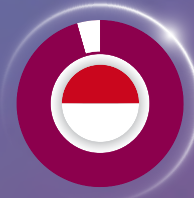
Our top-tier ratings

	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**	**50 (85th percentile)**	**23.6 (Medium risk)**	

Our subsidiaries and associates


99.88%
QNB Finansbank *(Türkiye)*


95.0%
QNB ALAHLI *(Egypt)*


95.63%
QNB Indonesia


99.99%
QNB Tunisia


100%
QNB Suisse *(Switzerland)*


100%
QNB Capital LLC *(Qatar)*


100%
QNB Financial Services *(Qatar)*


100%
DIGITAL-Q-FS Ltd *(United Kingdom)*


54.2%
Mansour Bank *(Iraq)*


50.8%
QNB Syria


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 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

1976

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

1997

Public listing on Qatar Stock Exchange

بورصة قطر
Qatar Stock Exchange

2007

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

2013

Acquisition of NSGB in Egypt

2015

Largest bank in the MEA region

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.

Operating environment

2023 was a year of positive macroeconomic surprises and demonstrated resilience in most major economies. However, imbalances remain and headwinds are expected to be more significant for the global economy in 2024.

Global economic developments

Early in the year, negative narratives from investors and analysts dominated the global macroeconomic agenda. This followed a particularly arduous 2022, when market participants had to face the hard realities of subdued activity, high inflation, and geopolitical polarization. The gloomy environment in January 2023 translated into poor economic and market expectations for the year. In fact, Bloomberg consensus forecasts at the beginning of the year pointed to a tepid global economic expansion of 2.1% for 2023, significantly below the long-term average of 3.4% and below the 2.5% mark that commonly defines a global recession.

However, this proved to be too pessimistic. Over time, as data continuously surprised to the upside in H1 2023, consensus converged to a more positive outlook. This was driven by more resilient US consumption and labour markets, a rapid Chinese "re-opening" from COVID-19 woes, a significant correction in commodity prices, and more supportive fiscal policies in the Euro area. This happened against a backdrop where supply chain disruptions normalised and aggressive monetary tightening started to pass through the rest of the economy, favouring a significant moderation of inflation across most large economies. In fact, after peaking at 9.4% in September 2022, the global composite consumer price index started to decline significantly, reaching 6.4% in December 2023.

> "Despite expectations at the beginning of the year for major central banks to cut rates, policy tightening was still the order of the day for the Fed, ECB and BoE."

The natural moderation in prices was not strong enough to push inflation back towards the target of the leading central banks. Hence, despite expectations at the beginning of the year about an early "dovish" pivot from major central banks to rate cutting, policy tightening was still the order of the day for the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England (BoE). As advanced economies have proven to be more resilient than previously expected, this justified a steady course of rate hikes from monetary authorities in 2023. Throughout the year, the Fed hiked policy rates by 100 basis points (bps) to 5.50%, while the ECB hiked by 200 bps to 4.5% and the BoE hiked by 175 bps to 5.25%.

Meanwhile, commodity markets remained volatile on the back of changing expectations about global growth and the supply uncertainty associated with geopolitical events. The Russo-Ukrainian conflict continued to loom over energy and food markets. Within crude oil markets, OPEC+ countries decided to enact output cuts in order to discipline the market and prevent a build-up of imbalances coming from higher than expected supply and the use of strategic reserves from major economies. Brent crude oil prices averaged USD 82 per barrel (p/b) for the year, 17% below the average for last year but still significantly above the 10-year average of USD 68 p/b.

Global and regional economic outlook

Moving forward, however, we believe global growth will decelerate further in the face of multiple headwinds: monetary, fiscal, and geopolitical. The estimated global growth of 2.9% for 2024 implies overall weakness, with activity below the long-term growth average.

Global consumers are unlikely to benefit from the same type of tailwinds that supported real disposable incomes in 2023. The sharp correction in commodity prices favoured a significant deceleration of inflation and inflation expectations. As a result, real wage growth and disposable incomes received a boost, which further supported consumption globally. But there is limited room for commodity prices to decline further and prices have already started to stabilise in late 2023. Global inventories are still low and supply growth should be limited, as further output increases require new investments that are not currently on the pipeline.

Additionally, higher monetary policy rates are set to negatively affect consumer spending and corporate investments further, especially as extraordinary savings built up during the pandemic have been almost fully tapped already across all major economies. As time goes by, more homeowners will be affected by costlier mortgages. A similar logic is also valid for corporate debt. As credit becomes more costly through higher interest rates, overall investment spending will dampen private sector growth contribution. Hence, monetary policy is set to slowly permeate into the real economy in a more meaningful way in 2024.

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 and whether the country is a net importer or exporter of commodities.

In advanced economies, the US "exceptionalism" of extreme consumer resilience is set to moderate. Furthermore, the Fed maintains higher interest rates for longer in order to force an adjustment in labour markets of the magnitude necessary for inflation to further converge towards the 2% target. While this is necessary to tame high inflation and re-establish the credibility of the Fed, it comes with a likelihood of a shallow recession in 2024 and a first phase of interest rate cuts. In the Euro area, activity is expected to remain stagnant on the back of tight financial conditions, weak external demand, and lasting energy vulnerability. As a result, growth in advanced economies is expected to slow to 1.4%, slightly below the 1.5% for 2023 and the 2% long-term average.

Despite a challenging year marked by a devastating earthquake and a fast-changing domestic economic climate, our subsidiary in Türkiye, QNB Finansbank, maintained its leading market position by a strong commitment to supporting our clients in all their financial needs.

Operating environment *(continued)*

Following a period of expansion after its late post-pandemic “reopening,” China’s economy is set to lose steam again on the back of weak real estate and low consumer confidence. Deflation is taking hold as households are determined to save more, real estate prices decline and government stimulus is limited. The government aims for a more balanced growth strategy, favouring long-term stability and national security rather than the aggressive policy stimulus packages of the past. Fiscal and monetary stimulus are expected to be limited, calibrated to sustain a normal level of activity but not to produce the type of investment booms that were part of the Chinese easing cycles in the past. Growth in China is therefore expected to underwhelm at 4.2% in 2024, much below last decade’s 6.2% average. This is likely to be a significant headwind to Emerging Asia in general and ASEAN economies in particular. However, this should not prevent the region from growing significantly and remaining one of the most dynamic in the world, particularly as global manufacturing partially recovers from the “deep recession” of 2022-2023. The major five ASEAN economies of Indonesia, Malaysia, the Philippines, Singapore, and Thailand are expected to grow by 4.5% in 2024, from 4.2% in 2023, as they are supported by the continuous recovery of Asian tourism and still elevated commodity prices.

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

Commodity-importing countries are mainly affected by high and rising prices for imported goods, particularly food and energy. This leads to high inflation, amplified by wider current account deficits and currency devaluations, which require import compression via measures that slow down growth. Less benign global liquidity conditions add to the downside scenario. Official international financial support and appropriate policy responses are expected to contribute to the outlook, with growth expected at 3.0% in 2024, from 1.2% in 2023.

The oil and gas exporting countries of the Gulf are set to benefit from still elevated oil prices, new investment projects and a continued expansion of international tourism. Brent crude prices are expected to remain well supported in 2024, resulting in either fiscal and current account surpluses or the execution of large investment projects. Tourism is expected to continue growing across the region, boosting local consumption, hospitality, entertainment and retail. With sustained oil prices and positive momentum across the Gulf economies, business conditions and prospects for 2024 remain positive, with growth expected at 3.7%, from 1.5% this year.

Economic performance of Qatar

The FIFA World Cup Qatar 2022™ further consolidated the country’s position as a regional and international hub for business, investments, commerce, tourism and culture. This accelerated the execution of the Qatar National Vision 2030 and assisted in the transition towards a knowledge-based economy.

In 2023, Qatar growth is estimated at 2.0%, driven by a normalization of non-hydrocarbon growth post-World Cup, the delivery of brownfield hydrocarbon projects and continued momentum in the tourism industry, as the country hosted the Formula One, the Geneva Motor Show and the Horticultural Expo.

Elevated hydrocarbon prices, alongside a prudent government budget, supported large fiscal and current account surpluses, amounting to 10.8% and 17.6% of GDP, respectively. This facilitated the payment of debts and the reduction of debt servicing costs, as well as the accumulation of additional financial assets. International reserves and foreign currency liquidity increased by 6.9%, reaching USD 67.6 bn in December 2023. As a result, government finances became even more robust, justifying the recent actions from ratings agencies to either upgrade the sovereign’s overall rating or change the outlook to positive, indicating a material likelihood of the rating being upgraded in the near future. Qatar’s sovereign ratings stand at AA (Standard & Poors), AA- (Fitch) and Aa3 (Moody’s).

In 2024, the economy is expected to expand by 2.2% on the back of continued brownfield investments to recover existing oil and gas fields, the ramp up of investments for the North Field Expansion (NFE) and the recently announced USD 19.2 bn government capex package designed to uplift the infrastructure and enhance public services.

> “The FIFA World Cup Qatar 2022™ further consolidated the country’s position as a regional and international hub for business, investments, commerce, tourism and culture.”

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 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. Qatari production will increase 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. The project will include an equivalent expansion of Qatar’s refining, downstream, petrochemical, and fertilizer capacity. Positive spill-overs from these projects will boost economic activity and spending in the broader manufacturing and services sectors.

Additionally, 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. We see continued economic expansion in 2024 and 2025, before the NFE expansion produces large one-off gains in GDP growth through 2025-2027.

More restrictive financial conditions have started to show their first effects on the global banking sector this year.

Banking sector

International financial crises over the past several decades have often developed during periods of high and rising interest rates. This resulted in severe unintended consequences, particularly as market movements become disorderly, leading to financial instability, credit and liquidity crunches as well as the economic slowdown. As a natural part of the global tightening cycle, more restrictive financial conditions have started to show their first effects on the global banking sector this year.

The first signs of financial instability started as US regional banks with large unrealised losses on their bond portfolios witnessed large deposit outflows. This lack of confidence led to rapid bank runs on more vulnerable institutions, such as California-based Silicon Valley Bank and New York-based Signature Bank. Fears of contagion then emerged, and economic authorities had to intervene to make deposits whole and create a new liquidity window. The concerns even spread beyond the US to more vulnerable banking institutions that had also suffered from large deposit drawdowns. The announced Bank Term Funding Program (BTFP) allowed US banks to post Treasuries and other government debt at par with the Fed, enabling lenders to avoid distress sales and honour deposits.

While proactive regulators have so far prevented the spread of significant banking crisis globally, tighter monetary policies in the context of high global debt levels have started to weigh on credit expansion and asset quality. As liquidity continues to be withdrawn from the global economy and interest rates are kept higher for longer, 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 capitalised, returns, profitability and capitalisation will continue to be under pressure over the coming year.

In addition, technology and new customer behaviours seem to continue to accelerate the shift towards digitisation. With the increased use of electronic products, digital services and AI, cyber and fraud risks as well as data protection became a critical threat for banks to manage. Finally, the strong focus on sustainability remained, with investors and other stakeholders placing greater emphasis on ESG matters.

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

Total assets of the local banking sector were up by 2.2% in 2023, driven mainly by strong private sector activity. As per the latest available data, banks remain well capitalised with a capital adequacy ratio of 18.1%, well above Basel III guidelines. Asset quality also remains strong with NPLs at 3.7%. Overall sector profitability is solid with ROE at 14%.

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 vision to maintain our number one position in the Middle East and Africa.

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 and strategy. Our 2025 vision is to be one of the leading MEASEA banks while maintaining our number one position in MEA.

> "Our purpose is embedded into our vision and strategy."

Delivering on our vision through our strategy

QNB's aspiration is to be one of the leading MEASEA banks while maintaining our number one position in MEA. Our group-wide strategy is to focus on our core as a solution-led international wholesale bank while strengthening our analytics-enabled global transaction banking business. Two pillars complement our strategy. On the one hand, we aim to leverage innovation as a strategic enabler. On the other hand, we seek to embed sustainability and ESG practices into our business and operating model to make a positive contribution to the societies in which we are present.

We seek to position ourselves as a solution-led international wholesale bank, with emphasis to serve our customers in a truly holistic manner. Our customer-centric approach is supported by a range of enhanced products, upgraded data infrastructure, analytical tools and ongoing development in our capabilities from a technological and human capital perspective.

Our strategic focus

QNB is the largest bank in Qatar and we strategically strive to maintain our leading position. Internationally, we intend to diversify our portfolio through organic and inorganic growth and expansion.

Domestically, we intend to protect and extend our market share in the corporate and wholesale banking business. Our offering covers wholesale as well as institutional products and services, including project finance, structured finance, trade finance, cash management and treasury solutions. This enables us to actively participate and contribute across projects in all sectors with banking solutions along the entire supply chain. We further act as an incubator for private sector engagement and SMEs in the country as the preferred banking partner of choice.

International expansion will continue to be one of our growth drivers. We aim to invest strategically in markets that will help us to expand our geographic footprint, primarily in the wider MEA region. We are very selective in our approach and carefully consider relevant new markets. We consider acquisitions on a purely opportunistic basis if suitable targets are available, in line with our strategy, and at the right quality and price.

Furthermore, we do not limit ourselves only to organic and inorganic growth opportunities but actively pursue strategic partnerships and alliances on an ongoing basis that contribute to the delivery of our overall strategy.

Besides our strong balance sheet, we focus on an asset-light, high-RoE, commission-driven approach. 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 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 recognise 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.

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 volatility in oil prices, the US-China trade war, the blockade, the pandemic, the war in Ukraine and most recently, inflation and the rise in interest rates.

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 strategy has 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 strategy are cascaded down across all QNB's divisions and subsidiaries and embedded in their annual business plans, targets and KPIs. These targets are continuously tracked through our quarterly performance management approach.

Through a clearly defined vision and strategy, QNB remains a successful and growing financial institution.

Leveraging innovation as a strategic enabler

Our innovation efforts aim to achieve long-term profitable growth and deliver substantial value by capitalising on incremental revenue opportunities and improving efficiency.

Our innovation approach

QNB focuses on adjacent innovation trends, which leverage ideas that already exist in other markets and geographies, to create a technological uplift, bear revenue or cost saving potential and were successful for other players. This approach ensures that QNB focuses on tried-and-proven new services and trends, thereby lowering the risks and uncertainty while adopting new market practices.

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

We have identified emerging, long-term trends that we see strategically as opportunities to build into our business model to continue our growth journey. As part of this approach, QNB focuses on four major strategic themes to strengthen the Bank's business and operating capabilities:

- Marketplaces and platforms (ecosystems where participants share common interests and leverage the network effect at scale to generate revenues);
- APIs (interfaces that enable different digital applications to work together to exchange information or orders);
- RPA (digitisation and automation of highly repetitive routine simple tasks and processes to generate efficiency at scale); and
- Data and analytics (leverage of advanced algorithms and machine learning to identify trends, market knowledge and business insights).

Embracing digitisation and digital transformation

As part of our efforts to leverage innovation as a strategic enabler, we pay special attention to the topic of digitisation and digital transformation. QNB started its digital journey early on through a digital transformation strategy that we implemented addressing several components. We are continuously assessing and evaluating the launch of new digital products and offerings along different customer segments. We also actively engaged in strategic partnerships, for example with Visa and Mastercard, Ooreedoo, Vodafone and the QFTH. Across our international network and our subsidiaries, we launched digital banks in Türkiye and Egypt and engaged in a strategic joint venture to launch a digital attacker bank in Saudi Arabia. Finally, our innovation lab QNBeyond in Türkiye is our incubator and accelerator, which promotes venture capital investments while at the same time acting as our digital factory.

With the outbreak of the COVID-19 pandemic, we decided to further emphasise our digital transformation efforts through a dedicated acceleration programme, QNB Digital 3.1.

The scope of this programme is to move from physical to digital and reduce physical interaction to improve the customer experience across all channels. To date, 90% of

QNB Digital 3.1

1 Moving from physical to digital

- Accelerated on-boarding of customers onto e-channels
- Reduced physical interactions to improve customer experience across all channels

2 Enhancing IT capabilities as an enabler

- Adjusted IT capability and capacity to handle increased digital requirements
- Increased security of remote interactions with staff & customers

3 Driving efficiency and automation

- Initiated a programme to drive Robotics and Process Automation (RPA) in front and back office
- Performed streamlining of customer- driven processes in Credit/ SME/ GCIB to optimise turnaround and cycle time

4 Optimizing channels and network

- Optimised physical and remote network to respond to the transition towards digital customer interaction
- Digitised physical contact points to adjust to new customer behaviour

our customer interfacing processes are already digitised. We invest in our IT capabilities as an enabler for further digitisation through the adoption of new technologies, application modernisation but also uplift of our IT and system security. We further leverage digitisation to drive efficiency and automation through Robotics, AI, ML and ongoing streamlining of our processes. Last but not least, we strive to optimise our channels and network on an ongoing basis to adjust to new customer behaviours and expectations.

Expanding our digital banking presence through Enpara

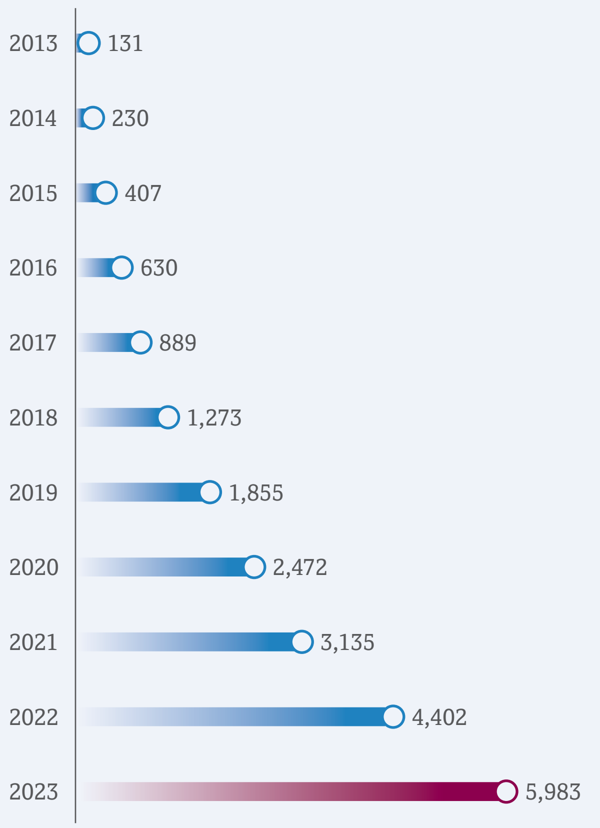
We started our digital banking journey early on with the launch of “Enpara”, the first and leading digital bank in Türkiye through QNB Finansbank. Founded in 2012, the mission was to build the bank customers want to bank with. Driven by the zeal for customer satisfaction, Enpara's core founding principles are addressing customer pain points and simplicity. A 78% NPS and close to six million customers are a reflection of the strength of Enpara’s mission and value proposition.

280%
Growth in Enpara Türkiye net profit

63%
Growth in Enpara Türkiye deposits

Enpara's growth story

Number of customers (thousands)



One of our objectives for 2023 in the field of innovation was to further drive and expand our digital banking presence and reach. Our objective is to successfully transfer winning value propositions and technological know-how across the markets where we are present. This will enable us to attack new portions of our markets with tried-and-tested products and technologies.

To do this, we are in the process of carving out and restructuring the Enpara business as a separate holding company in Europe, and are positioning this business to lead QNB’s digital banking efforts across the network. We leveraged Enpara’s intellectual capital and technology as synergies to launch “Bebasata”, the first digital bank in Egypt. We have ambitious growth plans for Bebasata to be uniquely positioned as Egypt’s leading digital bank. For more information on Bebasata, please see page 65.

To further leverage the experience of Enpara, QNB Group 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, with its brand recognised and present in more than 15 countries across the world. This agreement came as part of both Groups’ strategic plan to grow their digital banking presence and investments in Saudi Arabia. The main objective of the digital bank is to target untapped opportunities in the Saudi market, by having a dominant position in the digital financial services market with a strong and unique value proposition. We aim to have a fast-paced “Race to Market” approach to outpace upcoming intense competition in the market, enabled by leveraging QNB's digital capabilities. The new digital bank will focus on a holistic offering for retail customers and SMEs. Following this go-to-market strategy and a market-leading technology blueprint, we submitted the licence application in the first quarter of the year and are currently awaiting regulatory approval.

Uplifting our innovation capabilities

To continuously assess and validate innovation and new technologies, we adopt a group-wide innovation governance and framework to cross-pollinate opportunities throughout our network. We mapped the key activities along the value chain in all business, support and control areas to detect new innovation opportunities. From the key value generating activities, innovation themes were identified from internal and external sources. This allowed us to create a pipeline of innovation leads for proof of concept with dedicated budgets for full implementation. To date, we have reviewed more than 350 innovation opportunities that are of strategic value for QNB Group.

In addition, in 2022 we ran a dedicated strategic innovation assessment that resulted in new initiatives that are either accelerating or transforming our business and operating model. The exercise covered the entire Bank and we held over 25 innovation sessions with more than 70 senior stakeholders from QNB Head Office. Over 90 new innovation leads were generated, of which around 30 were approved for implementation. To address these strategic priorities, this year we launched the “Falcon Programme” to create ring-fenced, cross-functional teams to own and deliver the strategic initiatives. This included adopting new behaviours to nurture a culture of innovation, agility and creativity. We aim to adopt new ways of working that enables us to be flexible, agile and dynamic to allow us to respond quickly to changes in the business environment.

Leveraging innovation as a strategic enabler *(continued)*

Supporting the innovation ecosystem

The development of FinTechs and innovative financial services is crucial for the continued growth and success of a country's economy.

In line with the Qatar National Vision 2030 and to support an innovation ecosystem in the financial sector, QCB launched in March the Qatar FinTech Strategy 2023. QCB's vision for financial technology is to develop and diversify the state of Qatar's financial services sector, increasing its competitiveness and enhancing customer experience.

The strategy is based on four main axes: establishing a pioneering infrastructure, prioritizing innovation and growth in the FinTech sector, empowering companies through FinTech solutions, and making Qatar a FinTech hub. QCB plans to implement the strategy by setting regulations for digital banking, crowdfunding, open banking, insurance technologies, and emerging technologies such as cloud services and digital customer experience. The strategy will be implemented in three phases, through several initiatives aimed at making the transition towards cashless transactions smoother.

In addition, the QFTH, supported by QDB, has become a critical element of the Qatar FinTech Strategy. QFTH's primary objective is to foster the development of the FinTech industry in Qatar by collaborating with key stakeholders such as financial institutions, technology providers, payment networks, global FinTech hubs, academia, and regulators. The success of QFTH's programs is supported by a USD 100 million venture capital fund managed by QDB. QNB, as a strategic partner to the QDB and QFTH initiatives, is actively contributing to the development of FinTechs in Qatar. Through the QFTH, QNB participates in selecting and promoting innovative FinTech solutions on a country-wide level. We continued to work closely with QFTH to evaluate new FinTech solutions in the investments, crowdfunding and payments space that best fit the local market and our own aspirations.

In 2018, QNB Finansbank in Türkiye launched our Group-wide innovation centre, QNBeyond, to drive experimental innovation initiatives. QNBeyond has created momentum across the organisation, promoting innovation and best-practice through a series of successful intrapreneurship initiatives. QNBeyond is also responsible for our accelerator programme that has already engaged with 43 startups. Now in its fifth year, QNBeyond's accelerator programme has become the first choice of high potential early stage start-ups in Türkiye. We have recently completed our fifth batch. During this journey, we conducted 34 partnerships with startups and they have received investments totaling more than 45 million USD. 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.

QNBeyond's accelerator programme has become the first choice of high potential early stage start-ups in Türkiye.

Case study

Seamlessly connecting to our customers with APIs

Open Banking and APIs have been transforming the banking landscape, enabling customers to access a wider range of financial services and solutions. At QNB, we recognised the importance of this trend early on and hence were the first bank in Qatar and one of the first in the region to launch our Open Banking platform.

This year we successfully on-boarded the first clients into our API platform. Notably, we engaged with the North Oil Company, leader in oil production in Qatar, to link their enterprise system to the Bank and allowing them to access real-time data seamlessly. For example, the client is now able to access daily FX rates through our API functions, increasing their internal financial accuracy and removing previously manual processes.

This accomplishment reinforces QNB's position in the Qatari market as the largest and most innovative bank.

Our API infrastructure is now available to provide new digital solutions to our customers and other third parties, such as regulated FinTech and ERP companies, but also the customers of our customers. Services include secure data sharing, payment facilitation as well as streamlined access to statements along various dimensions. This new way of doing business enables us to interact with our customers in a fully integrated and scalable way, personalised to their specific requirements. The API infrastructure complements our corporate banking remote channel offering along and beyond the value chain.

Sustainability

We believe in the delivery of long-term value in financial, environmental, social and ethical terms, for the benefit of people and planet.

Our strategy integrates sustainability into our business and operating model. Consequently, QNB Group actively works to identify, understand and act upon the material topics related to our business, our people, our stakeholders and society, all with the aim of addressing our key impacts across the different ESG domains.

We firmly believe that sustainability serves as a driving force behind delivering long-term financial, environmental and social value for all our stakeholders. As well as delivering strong financial impact, we are deeply committed to making a substantial contribution to society that transcends conventional banking, aiming to foster a more just, inclusive, equitable and greener world.

Among others, our actions are aligned with and actively support several key sustainability initiatives and frameworks, including the Qatar National Vision 2030, the United Nations Sustainable Development Goals, the United Nations Global Compact, the Qatar National Environment and Climate Change Strategy, and, through our subsidiary QNB ALAHLI, the United Nations Environment Programme Finance Initiative and Principles for Responsible Banking.

External commitments

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

International initiatives	**UN Global Compact (UNGC)**	We continue to be a member of the UNGC, the world's largest corporate sustainability initiative. The UNGC focuses on promoting better business practices in the areas of human rights, labour, environment and anti-corruption. We publish our Communication on Progress (COP) annually in our sustainability report, available in our website.
	UN Sustainable Development Goals (UNSDGs)	The UNSDGs represent the principal global framework for sustainability. The 17 goals, supported by 169 targets, aim to protect the planet, end poverty, combat inequality and ensure prosperity. We have aligned our material topics to the UNSDGs.
	UN Guiding Principles on Business and Human Rights (UNGP)	In line with the UNGP framework, we work to prevent, address and remedy any human rights risks in our value chain. We have introduced mandatory human rights awareness training for our employees following engagement with leading external experts on UNGP and human rights.
	UN Environment Programme Finance Initiative (UNEP FI) and UN Principles for Responsible Banking (UNPRB)	The UNEP FI is a global partnership established between the United Nations Environment Programme and the financial sector. UNEP FI catalyses action across the financial system to align economies with sustainable development. Through our major subsidiary, QNB ALAHLI in Egypt, we have joined UNEP FI and become signatory to UNPRB.
	Women's Empowerment Principles (WEPs)	The WEPs is joint initiative of the UNGC and UN Women providing guidance to businesses on how to advance gender equality and women's empowerment in the workplace and community. Through our major subsidiary, QNB Finansbank in Türkiye, we are signatory to the WEPs and participated in the UN Target Gender Equality programme.
National initiatives	**Qatar National Vision (QNV) 2030**	QNV 2030 serves as a comprehensive roadmap for Qatar's future, guiding economic, social, human and environmental development over this decade. This vision is reinforced by the National Development Strategy, consisting of five-year plans to facilitate its implementation.
	Qatar's Nationally Determined Contribution (NDC)	The GCC's first UN Climate Change Conference of the Parties (COP18) was hosted by Qatar in 2012. More recently, Qatar submitted updated NDCs to the United Nations Framework Convention on Climate Change (UNFCCC). The NDC outlines the country's climate actions and efforts towards reducing GHG emissions, as part of an ongoing commitment to the Paris Agreement.
	Qatar National Environment and Climate Change Strategy (QNE)	Launched in 2021, this strategy covers five key environmental spheres: GHG emissions and air quality, biodiversity, water, circular economy and waste management, and land use. It supports Qatar's aspiration to be a model for regional sustainability and is enabled through the National Climate Change Action Plan 2030 (NCCAP).

Awards

- **Outstanding leadership in green bonds across the Middle East**
  - Global Finance
- **Outstanding leadership in sustainable project finance across the Middle East**
  - Global Finance
- **Best bank for sustainable finance in Qatar**
  - Global Finance
- **Sustainability leader**
  - Forbes Middle East

QNB sustainability framework and strategy

Our goal is to deliver sustainable financial performance by reducing risks, opening up new business opportunities, and strengthening our brand. Our sustainability framework consists of three pillars: sustainable finance, sustainable operations and beyond banking. Under each pillar we have identified the sustainability topics most material to our business and stakeholders, along with a series of action plans to improve our performance.

Sustainable finance is the integration of ESG criteria into QNB's financing activities to deliver profit with purpose. Our ambition is to help customers manage their environmental and social risks, lend to businesses that contribute towards sustainable development goals, improve access to finance for SMEs and underserved groups, and provide responsible customer service. Delivering sustainable finance is the most significant way in which QNB can support national and global sustainable development goals. Moreover, it enables us to reduce reputational risks in our portfolio and maximise business opportunities emerging from the transition to a greener, more inclusive economy. QNB's material topics identified within sustainable finance are:

> governance, compliance and risk management;

> data security and privacy;

> ESG in financing;

> climate action; and

> customer experience and responsible engagement.

Sustainable operations is the integration of ESG criteria into our business operations and across our supply chain to ensure we operate ethically and efficiently. Our ambition is to strengthen corporate governance and risk management practices, promote equality throughout our workforce and reduce carbon emissions generated by our operations. This approach keeps us compliant with increasing ESG related regulations while helping QNB to be an employer of choice. QNB's material topics identified within sustainable operations are:

> governance, compliance and risk management;

> climate action;

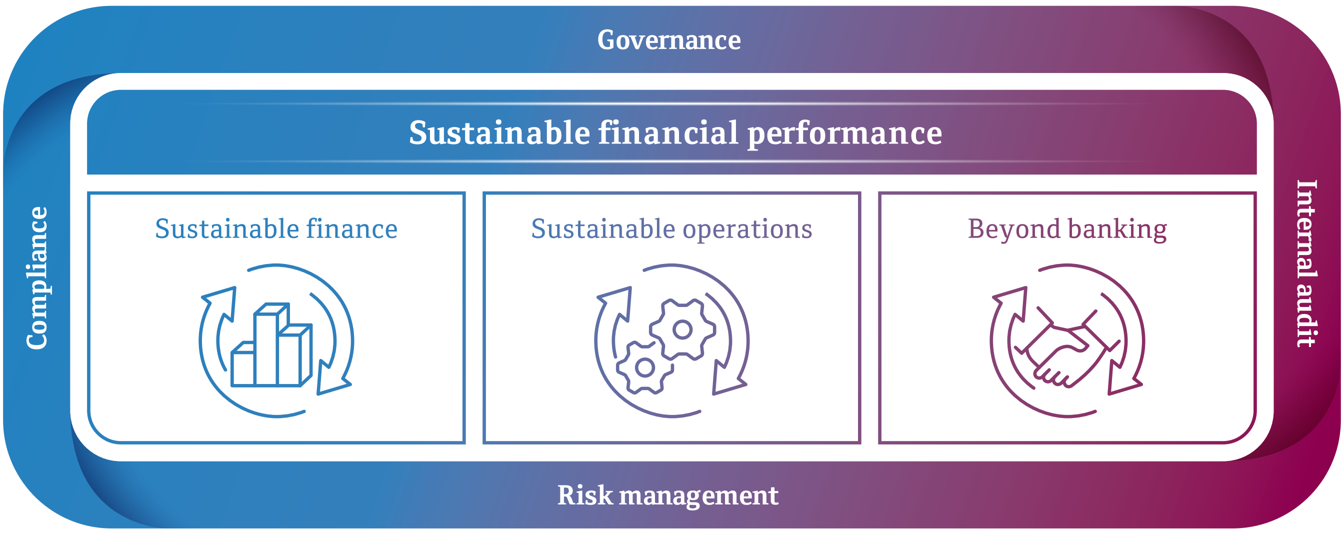
> employee value proposition;

> responsible procurement and supply chain; and

> diversity and inclusion.

Beyond banking refers to QNB's Corporate Social Responsibility (CSR) activities in the communities in which we operate. Our ambition is to make a positive contribution towards wider society with an emphasis on education and financial literacy. In addition, we support and deliver a range of initiatives within our focus areas of social and humanitarian, arts and culture, health and environment, youth and education, and sport. QNB's material topic identified within beyond banking is:

> corporate social responsibility.



WE SUPPORT

Sustainability *(continued)*

QNB Group's sustainability framework is underpinned by a foundation of robust corporate governance, compliance and risk management practices. Our steadfast commitment is to uphold and maintain the highest levels of integrity, responsibility and accountability. We operate a world-class corporate governance framework that ensures comprehensive compliance across our international network, enabling effective management of all risks. Our robust approach to risk is a critical component of our operations, safeguarding our clients, profits and reputation. Our centralised risk management strategy is further fortified by localised expertise, embedding a risk-aware culture where every team member shares responsibility for identifying and mitigating potential risks in their domain.

Sustainability governance

The Group's BOD approves the sustainability programme, which encompasses our strategy, roadmap and material ESG topics. The Board sponsor for sustainability, including climate risk, is H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani. In this capacity, he leads the BOD in overseeing the overall execution of the Group's sustainability strategy and performance, including the oversight of ESG-related risks. The BOD also links executive compensation to ESG performance through the Executive Management's Balanced Scorecard, which include KPIs for sustainability.

The Group Strategy Committee (GSC), chaired by the GCEO and attended by the Group's Executive Management team, is responsible for managing all matters relating to the Group's sustainability programme.

Responsibilities include reviewing the strategic framework and agenda, deciding on priority initiatives, monitoring performance, and assessing ESG-related risks and opportunities, including climate-related issues. Prior to escalation to decision at the GSC, accountable divisions are convened to align and develop executive-level topics. This will include appropriate representation from the risk, compliance, finance, business and operations teams as the topic requires.

The Group's sustainability team serves as the primary advisory body to the GSC and senior management for all matters related to sustainability. This dedicated team actively engages with both internal and external stakeholders, taking the lead in ESG-related reporting, disclosures and interactions with relevant institutions, investors and partners. At the heart of our diverse ESG initiatives, this team acts as the central hub for ESG projects, fostering collaboration with relevant departments.

Our commitment to sustainability is reinforced through the Group's Sustainability Policy, which is reviewed on an annual basis. During 2023, as part of our commitment to control assessment, compliance monitoring and

Sustainability governance

* The Group Sustainability team disseminates strategy, policy and priority initiatives to subsidiaries' Sustainability teams.

continuous improvement, the Group's internal audit function completed an evaluation of QNB's sustainability-related processes and activities.

The Group also has a Sustainable Finance Committee (SFC, formerly the Green, Social and Sustainability Bond Committee (GSSBC)), and is comprised of senior representatives from the sustainability, corporate banking, treasury, transaction banking, risk, finance and compliance functions. The SFC reflects the expanded scope of our approach to ESG in financing, underpinned by the QNB Group SFPF:

> governs and monitors the eligible sustainable finance portfolio;

> ensures compliance with disclosure requirements;

> endorses actions as required; and

> takes proactive steps to drive, promote and monitor sustainable finance activities across the Group, in alignment with the SFPF.

To promote transparency and best practices, we publish our sustainability-related policies and statements on our website.

Stakeholder impact and engagement

Our strategy is developed and continually enhanced through collaboration and engagement with stakeholder groups that may be impacted by QNB Group's business and operations.

QNB Group can have potential or actual impact on the economy, environment and people, including on human rights. Such impact can be positive or negative, and we recognise the need to capture and understand these wide and varying impacts to act upon or mitigate them as appropriate. As such, we continually engage with a broad range of stakeholder groups to understand impacts, needs and expectations. Through regular and open dialogue, we continue to deepen our understanding, and where appropriate, align our initiatives to act and address accordingly. Our stakeholder engagement approach includes both direct stakeholder engagement and through dialogue and feedback provided by internal champions representing key stakeholder groups. These include groups that are directly affected by our business and operations, invest in our business, have oversight and influence on our activities, are indirectly impacted in the communities we serve, as well as broader market participants.

Stakeholder group	Engagement channel	Frequency	Impacts, needs and expectations
Customers	Annual customer satisfaction survey	Annual	> 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
	Customer Care Centre	Ongoing	
	Mobile and online banking		
	Complaints management		
	Relationship managers		
Investors	Annual General Meeting	Annual	> Strong and stable returns > Robust corporate governance, risk management and ratings > Transparency and disclosure > Comprehensive approach to ESG along the value chain
	Board of Directors' meeting	Quarterly	
	Analyst calls		
	Investor days, roadshows, ongoing dialogue, and information requests	Ongoing	
Employees	Employee engagement survey	Biennial	> Competitive salaries, benefits and rewards > Professional development > Fairness, diversity and equal opportunity > Work-life balance
	Training needs analysis		
	Intranet	Ongoing	
	Induction programme		
	Learning and development programmes		
	Performance management		
	Strategy roadshows		
	Sustainability and ESG related training		
Regulators and government	Public disclosures (e.g., Annual and Corporate Governance Report)	Annual	> Compliance with all legal and regulatory requirements > Robust anti-corruption and bribery measures > Strong risk management and governance > Addressing climate change risks and opportunities
	GCEO office	Ongoing	
	Group Compliance and Audit teams		
	Regulatory working groups		
	Industry working groups		
	Banking associations		
	Ministerial and Central Bank working groups		
	Information requests		

Sustainability *(continued)*

Stakeholder group	Engagement channel	Frequency	Impacts, needs and expectations
Society	Products and services with environmental or social benefits	Ongoing	> Creating employment opportunities > Making a positive contribution to the challenges facing society > Addressing climate change risks and opportunities
	CSR activities		
	HR recruitment teams		
	NGOs		
	International and national conferences		
Suppliers	Bidding and tendering	Ongoing	> Timely payment > Fair and transparent processes > New business opportunities
	Supplier e-portal		
	Vendor worker welfare questionnaires and site visits		
	Supplier audits		
	Supplier e-portal		
	Vendor worker welfare questionnaires and site visits		
	Supplier audits		
Rating Agencies and Stock Exchange	Bilateral engagements	Annual	> Solid governance foundation for corporate consistency > Human Capital Development > Consumer Financial Protection > Access to Finance & Financial Inclusion > Increased transparency via reporting harmonization
Academia and ESG Think Tanks	Bilateral engagements/ partnerships	Ongoing	> Application of technology and innovation to support ESG goals, including environmental benefits and customer experience > Empowering and involving women > Enable climate mitigation, adaptation and social improvements via financing solutions
	Interview	Annual	
Economists	Bilateral engagements	Annual	> Job employment & leadership development > Providing liquidity to the banking sector > Providing products & services to underbanked markets with low credit rankings > Driving sustainability agenda in markets with high market share

Material topics

By identifying our broad stakeholder and market impacts, we are able to identify and prioritise the topics most material for QNB. This ensures that we focus and act on what matters most. In line with the GRI guidance to determine material topics, QNB Group regularly assesses a comprehensive list of relevant economic, ethical, social and environmental topics.

In our ongoing assessment of impacts and material topics, we examine and benchmark our performance and focus areas against both regional and international peers. This process involves conducting a comprehensive comparative analysis of key material topics, in addition to regular review of our ESG performance. We select and prioritise material topics based on their significance to stakeholders, the actual and potential impacts they may have, and the severity across the economy, environment, people and human rights.

Identify and Assess

Identify topics that may impact our stakeholders and the execution of QNB's strategy. This includes assessing potential and actual impacts, and the significance of the impacts

Prioritise

Determine and prioritise the most significant impacts to our stakeholders and our ability to promote prosperity and sustainable growth

- Direct engagement
- Internal champions
- Peer benchmark
- Market trends

Integrate and Embed

Integrate material topics to drive our sustainability agenda and focus areas for the upcoming period and beyond

- Balanced scorecard
- Business plans and KPIs
- Key ESG initiatives
- Training and awareness
- Reporting and disclosures

Our strategy and actions are aligned with, and actively support, several sustainability initiatives, such as the Qatar National Environment and Climate Change Strategy.

Sustainability *(continued)*

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

Material Topic (2023)	UNSDGs
Financial performance, stability and systemic risk management	8 Decent work and economic growth
Governance, compliance and risk management	13 Climate action; 16 Peace, justice and strong institutions
Data security and privacy	9 Industry, innovation and infrastructure; 16 Peace, justice and strong institutions
ESG in financing	2 Zero hunger; 3 Good health and well-being; 4 Quality education; 5 Gender equality; 6 Clean water and sanitation; 7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 14 Life below water; 15 Life on land; 16 Peace, justice and strong institutions
Climate action	7 Affordable and clean energy; 8 Decent work and economic growth; 12 Responsible consumption and production; 13 Climate action
Employee value proposition	3 Good health and well-being; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth
Responsible procurement and supply chain	1 No poverty; 2 Zero hunger; 3 Good health and well-being; 8 Decent work and economic growth; 10 Reduced inequalities; 12 Responsible consumption and production; 16 Peace, justice and strong institutions
Customer experience and responsible engagement	9 Industry, innovation and infrastructure; 10 Reduced inequalities
Diversity and inclusion	5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 16 Peace, justice and strong institutions
Corporate social responsibility	1 No poverty; 2 Zero hunger; 3 Good health and well-being; 4 Quality education; 8 Decent work and economic growth

Building our future legacy

These efforts, amongst many others, stand as a testament to the commitment and priority we place on sustainability and ESG initiatives within QNB Group. Our dedication is not only evident in our actions but is also recognised through international awards, top-tier external ESG ratings, and our status as a domestic champion and regional leader in sustainability.

Over the coming years, we expect the importance of the topic of ESG to continue to grow. We will continue tirelessly work to expand and develop our sustainable financing capabilities, promote financial inclusion and literacy, improve our governance mechanisms and lower our environmental footprint. All with the final objective of becoming a better corporate citizen and fulfilling our purpose to promote prosperity and sustainable growth across the markets we serve.

For further information and detail on our Sustainability journey, achievements, metrics, and ongoing initiatives, please refer to the latest QNB Group Sustainability Report.

Case study

Partnering with EBRD to support Egypt's society and economy

We aim to be a key contributor to the prosperity of Egyptian society and economy, and view strategic partnerships as a way to further elevate our contribution to the country.

Since 2015, we have built a strong partnership with EBRD that has spanned over USD 750 million worth of cooperation agreements. The partnership covers several among the most critical areas for the sustainable growth of Egypt, such as supporting SMEs, empowering entrepreneurship among women and youths, financing green and sustainable infrastructures, facilitating international trade as well providing emergency relief measures during the pandemic. The partnership, originally introduced to the Egyptian market as an innovative model of cooperation between a local commercial bank and a foreign developmental financial institution, does not involve only financing, but centers also around designing relevant policies, frameworks, products and services and providing free technical assistance and training.

This year, we announced the launch of the first green retail financing programme, in cooperation with the EBRD and with the support of the European Union and the Green Climate Fund, a fund established within the framework of the United Nations Framework Convention on Climate Change. The new programme allows households to benefit from 10% cashback on retail banking facilities such as cash loans when purchasing energy efficient, environmentally friendly products.

With this initiative, QNB ALAHLI positions itself as the first bank in Egypt to offer EBRD financing to individuals, in addition to existing agreements that develop green, energy efficiency, water efficiency, renewable energy and resource efficiency projects. This will promote the use of high-performance technologies and services in climate change mitigation and adaptation activities and will help in the transition to a green economy in Egypt. The financing programme is also fully aligned with both the Central Bank of Egypt's strategy to promote sustainability and support the transition to a greener economy and Egyptian government's plan towards a healthy, clean and carbon-free local environment.

Delivering value to our stakeholders

Delivering value to stakeholders means exceeding their expectations by executing on our objectives and creating a well-rounded value portfolio.

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.

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,

Our stakeholders

Customers
30 million customers

Investors
4 thousand investors

Regulators
28 international markets with their own regulatory bodies

Environment
1 planet

Employees
31 thousand employees

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

Suppliers
5 thousand suppliers

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 strength. 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

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. The latest employee engagement survey placed us in line with the MENA commercial bank benchmark. QNB is above or in line performance metrics such as supervision, empowerment and autonomy.

Attracting and retaining superior talent in Qatar remains crucial. 42% of our employees are women and over 87 different nationalities work across our operations. 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 5% in 2023.

Our Qatarisation drive, which supports the 2030 Qatar National Vision, has created a local Qatari workforce of 59.0% – one of the highest in the Qatari banking sector.

Our employees and talent base are paramount to our business success.

Local Qatari workforce (%)

2023	59.0%
2022	58.8%
2021	58.9%

31,000
Employees worldwide

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 2024 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 USD 7.7 billion, up 9% over the previous year, with a brand rating of AAA. QNB's brand ranked 45th of the top 50 global banking brands worldwide, while our Brand Strength Index score increased to 85, up from 83 in 2022.

Brand value (USD bn)

2023	7.7
2022	7.1
2021	6.1

4. International presence:

We are the largest bank 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.

Operational performance

We delivered yet another year of strong performance and continued to demonstrate profitable growth.

Wholesale and Commercial Banking

As per our Group-wide strategy, we focus on our core as a solution-led wholesale bank. This helps us to provide our customers with a comprehensive, focused value proposition, complemented by strong credit ratings, a solid capital position, robust risk management framework and state-of-the-art operational efficiency.

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;

> a full suite of treasury products and services;

> financial institutions, with an extensive correspondent banking network; and

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

Domestic corporate

In 2023, Qatar's economy and the domestic private sector benefitted from the continued momentum created by the successful planning and execution of the FIFA World Cup Qatar 2022™, the world's largest sport event and the biggest ever held in the region. This further solidified the country's position as a regional and international hub for business, investments, commerce, tourism, and culture, complementing the goals of the Qatar National Vision 2030 and supporting the transition towards a knowledge-based economy. Continuing on that path, Qatar was also proud to host major international iconic events in 2023, such as the Formula One, the Geneva Motor Show and the Horticultural Expo.

Qatar's economy was further supported by a favourable regional macroeconomic environment. While energy prices have declined from the peak reached in 2022, they remained elevated, providing solid external revenues resulting in strong current account and fiscal surpluses for the State of Qatar.

QNB is not only one of the leading banks in the Middle East and Africa but also the go-to-bank for corporate customers in the country. This year, we continued to focus on enhancing our existing value-proposition and corporate offering to further intensify our customer relationships. This year we also started to revamp our overall client service framework to optimise the way we engage with our corporate customers. We want to further sharpen the role of the RM as the single point of contact, complemented by dedicated product experts as well as regional coverage at the same time. The scope of our activities includes the set up of a new internal client governance mechanism, supported by explicit processes, templates and performance measures to ensure more effective collaboration across divisions and our international jurisdictions.

As the FIFA World Cup Qatar 2022™ is behind us, the country is focusing, as a next phase of growth and development, on the ramp up of its LNG capacity through the expansion of the North Field, the world's largest non-associated gas field. One of our business focus areas this year was to support as a financial intermediary Qatar's ambitious plans to strengthen its position as a key global energy player. The country aims to expand its liquefied natural gas (LNG) production through the flagship North Field Expansion (NFE) project, which consists of two phases. The first is North Field East that will increase annual production to 110 million tonnes, with the first gas 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 (LPG), helium plants, a new mega ethane cracker and the world's largest blue ammonia facility.

In summary, the NFE expansion project is expected to increase Qatar's LNG production by 64% to reach 126 million tonnes per annum by 2027. The NFE project is one of the largest capital expenditure projects in the region and globally, and it is set to boost Qatar's economy over the next several years. Besides the upstream, midstream and downstream impact, further spillover effects from this project are expected to impact non-hydrocarbon growth of Qatar's economy on a wider scale.

> "We continued to focus on enhancing our existing value-proposition and corporate offering to further intensify our customer relationships."

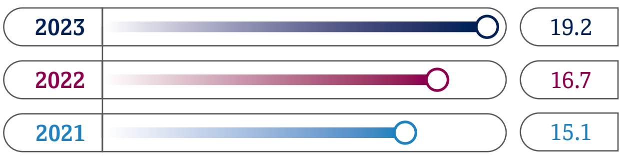
QNB is set to benefit from the NFE mainly through credit facilitation in two areas: credit to contractors working on project development and execution as well as funding of projects in adjacent downstream petrochemical industries and sectors.

In this context, QNB's domestic corporate banking team played a vital role in financing this sizable project. We supported the first phase of the NFE along the entire subcontractor value chain for major contracts in engineering, procurement, construction and installation. This includes the credit facilitation for the first two new mega-trains, each producing 8 million metric tons per year. Furthermore, we played a significant role in facilitating Qatar Energy's future expansion of their tanker fleet, being actively engaged in ensuring that their ship order book receives adequate construction slots at shipyards worldwide. Additionally, we were involved in financing transactions related to offshoot projects of the North Field, such as plants for capturing carbon dioxide produced by petrochemical activities and hydro energy initiatives.

Beyond the energy sector, Qatar's private corporate sector is experiencing sustained growth, thanks to continued structural reforms in recent years. These reforms include ownership liberalization, the promotion of foreign direct investments, labor reforms, the introduction of a permanent residency program, and efforts to achieve self-sufficiency in strategic sectors.

Our focus has been particularly strong in areas such as healthcare, hospitality, transport, and public-private partnerships, including sewage treatment plants, with a particular emphasis on maintenance and enhancement projects as the nation's infrastructure matures and evolves. As in previous years, we also saw again robust growth in food security and domestic agriculture, where our involvement has helped strengthen Qatar’s self-sufficiency on a domestic level. Finally, we have also grown our support to domestic companies successfully and increasingly expanding abroad, especially in closer regional markets such KSA, through providing financing for their operations abroad in full synergy with QNB’s international network.

Qatar corporate banking revenue (QR billion)

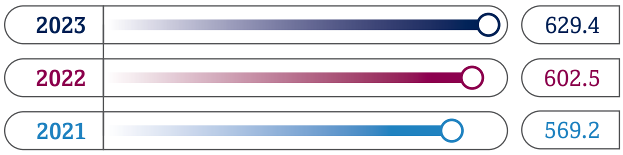


As part of our Group-wide strategy, QNB continues to embed the topic of sustainability and ESG into our overall business and operating model. As a bank, the most impactful way to address the topic of sustainability is through our financing activities. To deliver meaningful impact and to cater for our customer’s increasing demand to support ESG values, we have integrated sustainable products and services as part of our corporate banking value proposition.

In 2023, QNB has further enhanced its ESG offering for corporate banking customers through the launch of our market leading QNB Group SFPF. This initiative has enabled us to expand our domestic corporate green loan portfolio and identify, pursue, and promote opportunities related to ESG themes, with the aim of delivering a positive societal and environmental impact through a broader range of new sustainable financing products and services.

In line with our commitment to innovation as a strategic enabler, we achieved significant milestones in 2023. Thanks to our customer centric approach, QNB has been the first bank in Qatar to launch an open banking platform. This leverages an infrastructure of APIs to provide new digital solutions to our customers and other third parties. The scope of our open banking offering includes informational as well as transactional services across the corporate banking value chain, complemented by secure data sharing. We see our new open banking API offering as an innovative approach to enrich our corporate banking omni-channel offer. We this year leveraged our open banking offering to identify new business opportunities via APIs for informational services that previously were not available in a customised manner on demand. As a result, we were able to successfully onboard our first customers onto QNB’s open banking API platform (further details to be found in the global transaction banking section).

Qatar corporate loans and advances (QR billion)



Looking ahead, we foresee several avenues for further growth in Qatar's corporate market. We are already laying the groundwork for financing opportunities in the next phases of the NFE and related offshoot projects. Additionally, 2024 will witness further expansion, maintenance, and enhancement initiatives for key Qatari infrastructures, including the airport, Hamad Hospital, metro, and rail systems. We also anticipate positive repercussions from major international events in 2024, including the Horticultural Expo and the 2024 Arab Cup and Asian Cup. Furthermore, this vibrant environment will provide us the opportunity to further expand the scope of our innovation-driven capabilities, specifically in the field of Open Banking and AI, and widen the reach of our SFPF offering in the local corporate market.

Small & Medium Enterprises (SME)

Following the FIFA World Cup Qatar 2022™, the country continues its diversification efforts to accelerate the execution of the QNV 2030 towards a knowledge-based economy. A significant focus of the QNV 2030 is to promote private sector engagement across the domestic economy. Over the past decade, the country has taken significant measures to support private sector growth through structural reforms, such as the promotion of foreign direct investment incentives, labour reforms, permanent residency programmes and a relaxation of immigration rules to further support non-hydrocarbon growth.

Through our purpose, vision, and strategy, QNB is fully committed to supporting the QNV2030. We endeavour to serve as an incubator for private sector engagement and SMEs, aspiring to be the preferred banking partner of choice and a one-stop shop for this segment. With our integrated product suite, we actively nurture entrepreneurship and the development of strategic sectors, including state-of-the-art infrastructure.

Wholesale and Commercial Banking *(continued)*

In addition to providing financial services for this segment around transacting, financing, savings, and working capital management, we offer our clients an array of benefits beyond banking. These encompass market insights, skills training, personalised consulting as well as opportunities for networking within the local ecosystems.

Awards

- **Best bank in Qatar**
  - > Euromoney
- **Best SME bank – Middle East**
  - > Global Finance
- **Best SME bank – Qatar**
  - > Global Finance
- **Best bank for digital solutions in Qatar**
  - > Euromoney
- **Market leader for digitising government payments**
  - > Global Finance
- **Best bank for sustainable finance in Qatar**
  - > Global Finance
- **Outstanding leadership in green bonds across the Middle East**
  - > Global Finance
- **Outstanding leadership in sustainable project finance across the Middle East**
  - > Global Finance

In 2023, leveraging our capabilities within the evolving non-energy private sector landscape in Qatar, we strengthened our relationships with domestic SMEs, witnessing significant growth in account openings and non-government related deposits.

9%
Growth in Qatar SME account openings

7%
Growth in Qatar SME deposits

This year, as part of our group-wide Digital 3.1 programme, we continued to work on the next phase of upgrading our bespoke SME offering with the objective to become a fully digital and automated one-stop-shop. Our objective remains to position QNB as a leading digital SME provider in Qatar, providing simple and intuitive solutions that deepen our relationships with clients. We also aim to enhance our IT capabilities to ensure increased digital and remotely-secure interactions.

We continue to work on further streamlining our customer interfaces and credit processes to improve the time for approval, disbursement and response. Last but not least, we are relentlessly working to optimise our SME omni channel offering via automated solutions and applications.

In 2023, QNB was the first bank in Qatar to introduce a streamlined SME online account opening process, automating activities that previously required human intervention. As we enhanced our client-facing digital applications, we also bolstered our internal capabilities with the deployment of new SME analytics dashboards and interactive reports, in line with our strategy of leveraging innovation as a strategic enabler. These tools empower QNB's relationship managers with in-depth client insights while generating live, customizable performance reports. Simultaneously, as part of our operational efficiency efforts, we have also achieved further automation milestones in various SME processes, particularly in credit bureau inquiries, online data uploads and document submissions.

We have also launched a dedicated mobile application, enhanced the digital customer experience for online applications and further automated complex operational processes such as collection systems, dynamic pricing, check discounting, facility commitment fees and client communication. Importantly, 90% of our Qatari SMEs utilise our digital channels, demonstrating the success of our digitalization efforts. We currently offer around 60% of all our services in a digitised manner and aim to further automate our offering to the maximum extent possible.

Furthermore, as we consider sustainability integral to our overarching strategy, we are dedicated to embedding it into our SME value proposition and offerings. Concurrent with the launch of QNB's SFPF, we have initiated the development of products and services tailored for SMEs to enhance their participation in sustainable finance. As an additional theme within our sustainable financing efforts for SMEs, we continued to drive financial inclusion and private sector engagement through digitisation. 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 sell their products and services to a growing customer base.

Our commitment to nurture the private sector engagement in Qatar is further underscored by our strategic sponsorship of the 2023 SME Excellence Awards, organised by Qatar Development Bank (QDB). This event recognises and awards SMEs for their achievements, growth, profitability and contribution to the local business environment.

Looking ahead, Qatar's private sector remains poised for growth, bolstered by ongoing regulatory and legal frameworks, governance practices, market infrastructure, ease of ownership restrictions and the emergence of high quality national champions that will lift their entire local supply chain. In this context, we remain resolutely focused on making banking more accessible and seamless for SMEs, solidifying our position as their preferred banking partner in Qatar.

Case study

Helping customers move to the digital world with QNB Simplify

Confronted with an increasingly competitive environment, evolving customer expectations and more stringent regulations, Mr. Abdalla began looking for new ways to expand and innovate the Al Medahki Broker Insurance Company. Turning to QNB for help, we assisted Al Medahki in integrating QNB Simplify into the company's operations. A digital platform dedicated to helping SMEs transition to the digital world, the QNB Simplify platform allowed Al Medahki's customers to pay for their insurance premium directly through multichannel interfaces such as WhatsApp Business, SMS and emails, without the need to physically visit its offices. Additionally, QNB Simplify seamlessly integrated the payment processing with the company's SME business account, enabling our clients to send payment links and thus not requiring manual processing or physical cash collection.

Two years after having adopted QNB Simplify, Mr. Abdalla is excited about the multiple benefits that our solution unlocked for his business. First, he saw a significant growth in the insurance sales and renewal turnover, thanks to the simplicity and user-friendliness of the payment process. A significant number of existing and new customers have embraced the new and hassle-free payment method, which now intermediates approximately 30% of the total business volume. Secondly, not having to rely on cash or other third parties for the processing of payments allowed Al Medahki to lower its working capital needs, thereby reducing its overall financial expenses and improving liquidity. Moreover, the enhanced control of its cash flow allowed Al Medahki to streamline its payment processing towards the insurance companies it works with, improving its reputation and business relationship with them. Finally, operating as a licensed entity under QCB supervision, the stronger financial position strengthened the company's compliance with QCB's regulatory ratios.

"Thanks to the QNB Simplify solution and the constant support I received from QNB's SME team", says Mr. Abdalla, "I can now say that my business has significantly evolved and improved in a short period of time and I can look to the future with great expectations. This would not have happened without QNB, that I now consider my closest business partner."

Wholesale and Commercial Banking *(continued)*

Global transaction banking

Our global transaction banking value proposition is an integral part of our 2025 QNB Group-wide strategy. One of the core pillars of our strategy is to focus on analytics-enabled global transaction banking to provide best in class cross border payments, cash management, and trade finance solutions. This supports the needs of domestic and multinational corporates across the QNB network. Powered by innovation and digitisation, our business is focused on the evolving demands of our customers while ensuring robust compliance with regulatory requirements across every jurisdiction in which we operate.

Financially, we have had a robust year; our total fee revenues, including cash management and trade, grew by a promising 31%, despite a challenging macro environment marked by stagnant global trade and continuous policy rate hikes by major central banks. This upswing was largely fuelled by an 16% growth in our overseas branches and a stellar 49% rise in our subsidiaries, underlining our unwavering commitment to international expansion, which today comprises 75% of our global transaction banking revenues.

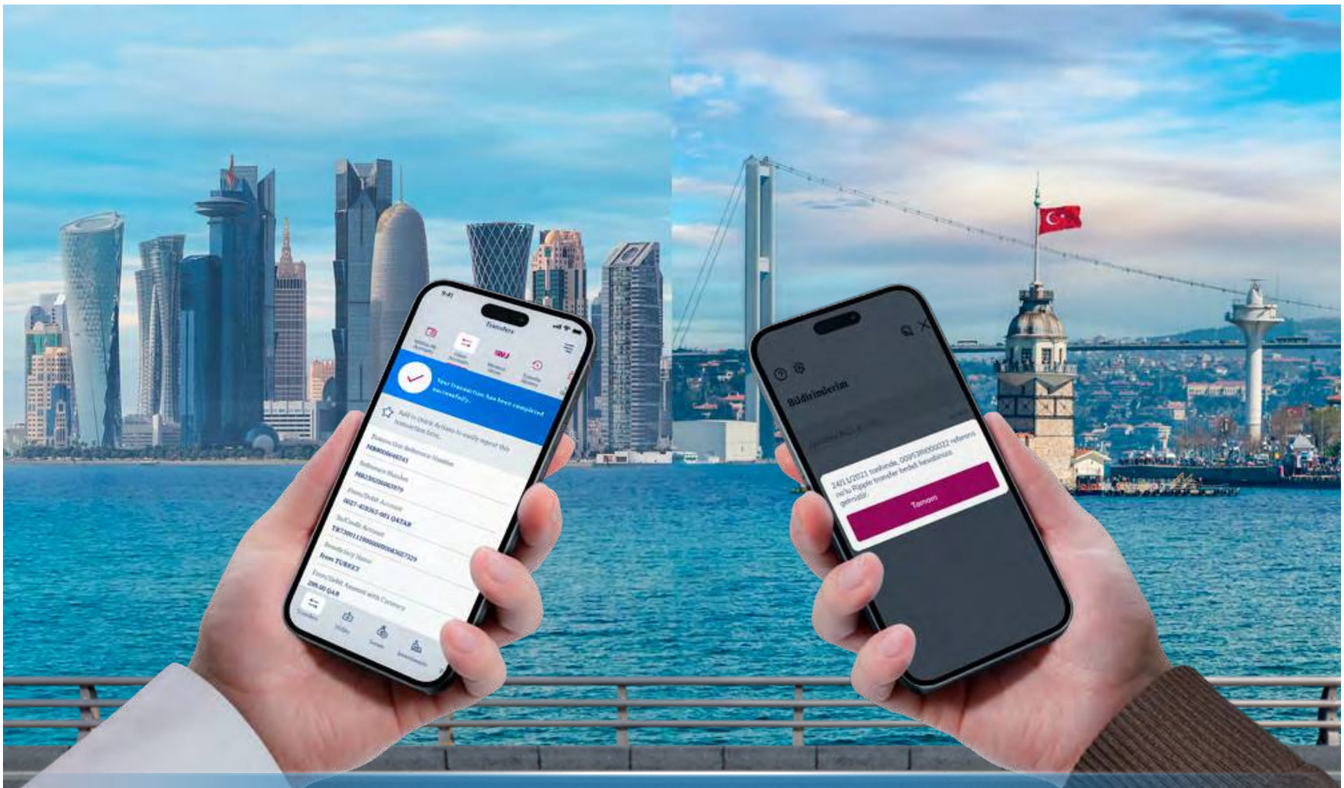
33%
Growth in transaction banking revenue

Global trade volumes have remained broadly flat due to a significant slowdown in global growth, partially driven by a deep global manufacturing recession. Tighter financial conditions, lower disposable incomes and the partial re-balancing of consumer expenditure from goods to services have accelerated a significant correction in commodity prices since their peak in 2022.

In spite of this global trade environment, our trade finance business expanded, with total trade fee revenues growing by 20%. This was fuelled by 17% growth of our international network on the back of our commodity trade finance business in Singapore and Paris. The strong performance was also supported by a 10% growth in contingent liabilities.

As part of our strategy of leveraging innovation as strategic enabler, we constantly assess how we can further add new capabilities and partners to our trade finance value proposition. We see trade finance origination platforms as a disruption to our traditional trade business origination model, and therefore we are adjusting our business and operating model by embedding this new form. Our innovation efforts target platforms as a strategic means to adjust our operating model to this new normal. We have therefore assessed several platforms and ecosystem providers that we consider to have the potential to become strategic partners. This year we onboarded a new digital marketplace, Komgo, which is a strong global network of 57 banks and 210 corporates. This will enable us to access new corporate customers and geographies to place their primary trade finance business with QNB.

Our trade finance value proposition was further enhanced by the introduction of QNB Groups' SFPF, which now integrates trade finance specific products such as green guarantees.



We continued our efforts to further digitise and automate the transaction banking value chain.

Our continued efforts to further digitise and automate the trade finance value chain consists of optimizing the end-to-end costumer trade finance application, documentation, submission and processing components. With this in mind, we have decided to overhaul our current front-end and back office trade finance solution for our customer and support operations. This solution encompasses digital trade finance and supply chain management and aims to enhance the customer user experience while at the same time increasing process and operating efficiency.

In cash management, we saw a striking 76% growth in revenues, with the increase primarily driven by international markets. Our digitally initiated volumes have grown by close to 18% this year. Furthermore, our new cash management client platform has now gone live across our overseas branches. The new platform enhances QNB's customer centric approach in a digitised manner with improved user experience to meet the demands of our corporate customers. This allows for the efficient management of cash flows, payment file upload, host-to-host connectivity and statement download functions in different file formats via internet and mobile banking. These functions, along with complex corporate user profile setups, support sophisticated corporate treasury operations via full integration with various enterprise resource planning systems.

Additionally, our earlier efforts in building capabilities for Open Banking culminated in the successful onboarding of the first clients onto our API platform. Notably, the clients conducted successful testing and proceeded with developments to integrate daily FX rates through our API functions directly into their systems. This accomplishment reinforces QNB's position in the Qatari market as the largest and most innovative bank. We are actively working on expanding our API use cases to serve our entire client base and provide unique services.

As part of our strategy, we aim to diversify our revenues and business mix by emphasizing asset light balance sheet activities through fee and commission income. With this in mind, we are embarking on a new approach to strengthen our transaction banking business across several dimensions. We aim to identify new ways to attract low cost deposits and liquidity. We also are in the process of assessing and uplifting our cash management capabilities, especially across our international network. We want to find ways of continuing to drive meaningful innovation that substantiate our strategic goals and identify additional partners to enhance our value proposition. Last but not least, we want to further leverage the SFPF to drive the topic of sustainability across our transaction banking business.

Looking ahead, we will continue the rollout of our new end-to-end trade finance and supply chain digital solution. We want to aggressively pursue winning cash management mandates and position ourselves as a full-fledged payment provider, not only domestically but also across our international network. Last but not least, we aim to reposition our client service model to fully integrate our dedicated cash management and trade finance expertise into our global relationship management approach.

Global structured finance

Tighter monetary policies with multi-decade high policy rates set a challenging environment for the global structured finance business. Consequently, global issuance and volumes remained dampened in 2023. Despite this difficult market environment, QNB managed its structured financing operations by carefully exploring opportunities across our international network.

QNB continues to deliver innovative structured finance solutions to meet the complex financial requirements of our customers on major capital projects. These include, but are not limited to, loan syndications, project and infrastructure financing, acquisition financing and real estate and asset-backed financing. We cover both conventional and Islamic facilities across our global footprint, supporting our strategic relationships, as well as, opportunistically, other selected markets.

Geographically, our influence extends from the Middle East to Asia, Europe, and Africa, while continuing to maintain our leading position in Qatar. We have reinforced our geographic presence with hubs in Singapore, London and Paris, as well as satellite teams in subsidiaries and associates in Türkiye, UAE, Egypt and Indonesia. In Saudi Arabia, we have been actively seeking and participating in opportunities supporting the Kingdom's ambitious growth plans, with particular emphasis on renewables, utilities and sustainable financings. We have robust expectations of sustained growth in the near future. These capabilities, alongside our established reputation in structured finance, position QNB as a preferred partner for corporates navigating the evolving financial and economic landscape.

Global transaction banking strategic themes

- Attracting low cost deposits through cash management
- Expanding our trade finance solutions internationally
- Enhancing our service levels to our corporate clients across the network
- Driving meaningful innovation and partnerships that play to our strategic goals
- Meeting our environmental and sustainability goals

Wholesale and Commercial Banking *(continued)*

In light of the surge in global interest rates and increased competitive pressures, we adapted our strategy, particularly within the realms of project and asset-backed financing. This ensured the maintenance of our lending portfolio's quality. Nonetheless, our commitment to several sectors remained robust, including renewables, energy, infrastructure, asset-backed, real estate, and utilities.

In line with our strategic commitment to promote sustainable financing opportunities, we maintained our position at the forefront of providing funding for a range of sustainable transactions.

Similar to the rest of the global banking industry, the structured finance sector is witnessing the advent of innovative technologies and new ways of working and transacting. In our pursuit to harness innovation as a strategic enabler for the Group, we have integrated with an automated secondary loan trading platform. This adoption not only enhances our operational speed and efficiency but also sets a new benchmark for transparency in secondary loan trading, further amplifying our business impact. Moreover, we remain proactive in identifying and assessing new platforms and technologies for potential integration into the Bank's suite of products.

Looking forward into 2024, we project a rise in both regional and international transactions, anchored by our growing network of partnerships. The integration of new platforms and technologies, together with our unwavering commitment to sustainability will be central in shaping our strategic direction for the years to come.

Treasury and financial institutions

Following the post-pandemic recovery, inflationary pressures reached multi-decade highs and continued to persist in 2023. In response, major central banks continued to tighten monetary policy by hiking rates aggressively to levels not seen in over a generation. Consequently, global money markets experienced an absorption of liquidity. This challenging context demanded flexibility, vigilance and dynamism in operation execution.

Our funding sources remained diversified across multiple geographies, reflecting a blend of currencies, tenors, and product types. Our strategy to increase local market deposits led to a systematic reduction in non-resident deposits, which provided stability against global economic shifts and the impact of global uncertainty. We also delivered a strong performance on the private placements side, which allowed us to facilitate more than USD 1 billion worth of issuances. Furthermore, we were successful in diversifying our repurchase agreement (repo) funding and in expanding our counterparty base with a volume of more than USD 2 billion. This performance is indicative of our success in diversifying funding channels, securing long-term funds, extending maturity profiles and highlights the confidence of international investors in QNB Group.

Our approach to liquidity management remained conservative, which allowed us to effectively address unforeseen business contingencies throughout the year. Buoyed by Qatar's reinforced fiscal and external position, our financial standing and robust financial health remained firm, acknowledged by a high investment-grade credit rating from leading global rating agencies. This is a testament to our rigorous risk management, sound capital reserves, consistent profitability, expansive international presence, and operational proficiency. Such strengths continue to instil confidence and trust in our stakeholders, fostering stability in an ever-changing market environment.

Throughout the year, our activities were primarily driven by a strong performance of our FX operations, the development of ESG-linked products, innovating with advancements in technology, and the finalization of the transition away from LIBOR.

On the back of the positive momentum from last year, our FX desk continued to show strong performance in 2023. Our performance was assisted by a favourable FX market, particularly in the Asian and Emerging Market currencies. Thanks to a continued investment in strengthening our FX capabilities, we have increased our agility towards our customers, allowing us to capture additional opportunities in the market. From a risk management perspective, QNB Group has a conservative risk appetite for FX proprietary trading and maintains very limited open FX positions.

To complement our strategic pillar of sustainability, we expanded our ESG treasury offerings to support our sustainable financing activities. The new SFPF has enabled us to extend our treasury-focused ESG product suite to cater for our customers' increasing appetite for this type of product. This year, we executed the first interbank green deposit in the local market. Furthermore, we have emphasised our efforts to drive green repo transactions to promote environmental leadership.

> "To complement our strategic pillar of sustainability, we expanded our ESG treasury offerings to support our sustainable financing activities."

We also strengthened our human capital capabilities and expertise across the international treasury network in 2023 by incorporating new talent to enhance our group-wide global oversight and governance. In addition, we continued to focus on technology and our system capabilities. We automated many previously manual processes, reducing our error rates and operational risks, while allowing us to execute complex transactions more efficiently.

Our correspondent banking offering provides multi-currency solutions for payment processing, trade finance, cash management, as well as custody and brokerage services. These services cater to a broad spectrum of international financial establishments, granting them direct access to the Qatari market. Given QNB Group's presence in over 28 countries, we are strategically positioned to deliver consistent and reliable correspondent banking services where partners seek domestic know-how and market insights from a leading financial institution. Our progress in 2023 builds upon the foundation set in prior years. We expanded our network of partnerships, facilitating global trade and cross-border guarantees, and intensifying our collaborations in cash clearing and sub-custody areas.

Finally, we were well-prepared for the final elements of the LIBOR transition. We finalised the migration of all currencies as well as converted the remaining contracts to the new requirements, standards and language. This was the culmination of a comprehensive multi-year project, which required the review of all of our outstanding contracts and the re-alignment of systems and processes.

Looking ahead, we will continue to observe the dynamics of global financial markets and the evolution of interest rates in order to remain agile and flexible in our response. Operationally, our objective is to optimise and harmonise our treasury systems across the entire QNB Group footprint to further digitise and automate our front and back office-related capabilities. Furthermore, to continue to act upon our strategy, we aim to further accelerate our sustainable financial product offerings as well as enhance our innovation capabilities, such as FX APIs.

QNB Capital

Driven by the developing business landscape in Qatar, QNB Capital, QNB Group's investment banking arm, demonstrated a solid performance across the year, even amidst less favourable conditions for global capital markets.

As a leading advisory service provider in Qatar, our specialised team of finance and investment banking experts has successfully expanded the QNB Capital brand while enhancing its performance and coverage. We executed several new corporate advisory projects, and we continue to serve as an essential advisor for government-led initiatives aimed at economic diversification, the attraction of foreign investment, and the development of a skilled and sustainable workforce.

In 2023, the performance of the regional capital markets was characterised by a mix of optimism and volatility. However, this enthusiasm was tempered by investor concerns about rising inflation and interest rates. Local enterprises are eager to leverage the spotlight and momentum of the capital markets, and we are assisting them in capturing foreign investments.

As corporates expand their operations and seek to raise capital, QNB Capital is advising clients on potential strategic opportunities, IPOs and direct listings. These clients operate in diverse sectors ranging from financial services, real estate, industrials, and services companies. In addition to the ongoing work for State-backed businesses, we continue to observe an increased sophistication and interest from family-owned firms in assessing strategic opportunities and taking their companies public, marking the continued maturing of these entities. These trends underscore the growth of local groups aspiring to achieve national prominence and international competitiveness.

The most notable transaction in 2023 was acting as Sole Listing Advisor on the listing of Dukhan Bank on the Qatar Stock Exchange, which commenced trading in February 2023, with a market capitalisation in excess of USD 6 billion. In spite of a more challenging market backdrop, there remain several notable Equity Capital Markets transactions in the pipeline.

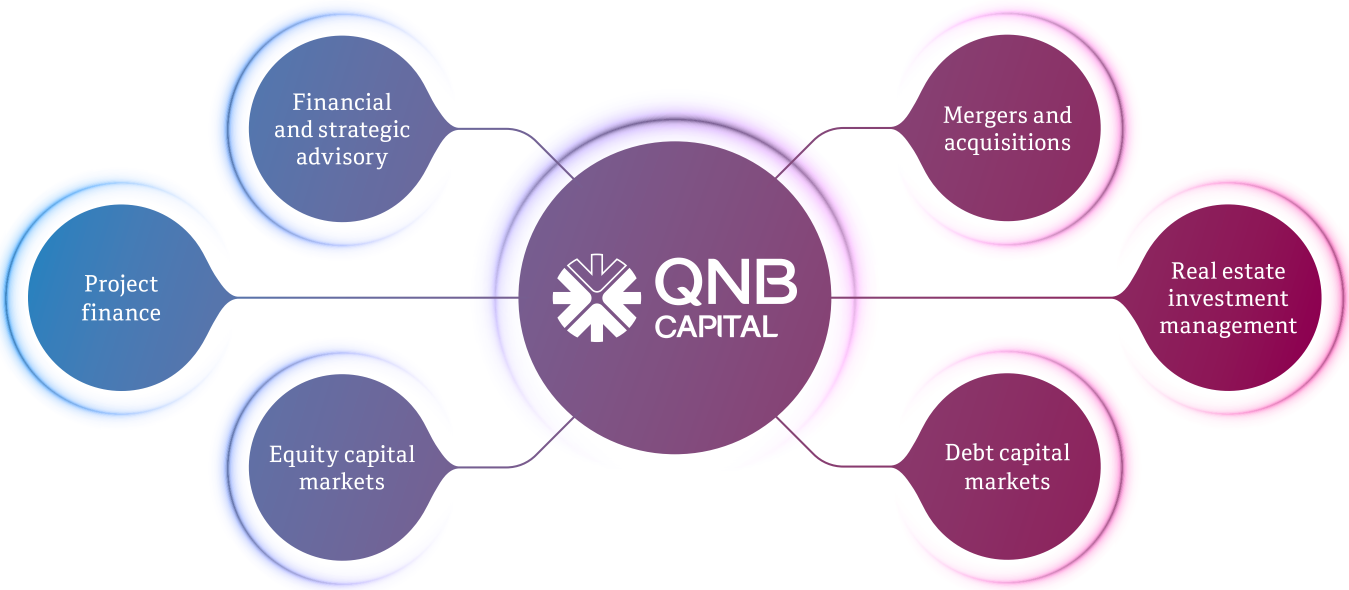
We also offered investment banking advisory to various Qatar-based entities on exploring debt capital market issuances. QNB Capital has acted as a joint lead manager on a number of local, regional and international sovereign and corporate bond and sukuk offerings totalling over USD 50 billion over the last five years.

In addition, QNB Capital advises on and undertakes the asset management of a large real estate portfolio predominantly based in Europe that includes properties such as The Shard in London.

As we look forward, in the wake of the significant expansions in LNG from the NFE project, we expect to see clients pursuing the emerging opportunities in this arena, attracting both local and international investment. We expect the NFE project to generate ancillary benefits across other industries, including petrochemicals and heavy manufacturing.

In line with the country's pivot towards a knowledge-based economy, we anticipate robust growth in new ventures, especially in the e-commerce and FinTech sectors. Evolving regulatory frameworks are likely to encourage more foreign investments and facilitate public-private partnership projects, particularly in education, healthcare and tourism.

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



Retail Banking

Our retail banking value proposition centers around providing a holistic customer offering in a fully digitised manner. We aim to combine bespoke customer service with cutting-edge technology to maintain our leading market position.

What we do

We provide a comprehensive suite of products and services through a fully integrated, omnichannel customer experience:

> 48 branches in Qatar and 918 internationally;

> more than 423 ATMs and 12 ITMs in Qatar – the largest network in the country – and 4,570 abroad;

> innovative and user-friendly mobile and internet banking platforms;

> e-commerce and payment acceptance infrastructure and services;

> 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.

Following the successful experience of the FIFA World Cup Qatar 2022™, the country has seen a remarkable surge in its population to close to 3 million residents. This demonstrates Qatar's continued appeal as a destination for expatriates and professionals seeking opportunities in various sectors, including energy, finance, hospitality, retail and construction. The inflow of residents has helped to drive growth in the local retail banking market.

Benefitting from such tailwinds, our retail banking business in Qatar has again shown a robust performance. The segment profit rose by 27%, driven by an increase in net interest income of 27%. Retail loans grew by 3%, assisted by an 2% increase in mortgages on the back of QCB's relaxation of its mortgage lending framework. Regulatory changes helped drive further momentum in Qatar's real estate and mortgage market with an increase in maximum LTVs, longer loan tenors and higher maximum loan amounts for expats. Overall, we have been successful in maintaining our domestic leading market share for retail loans.

79%
NPS of retail customers in Qatar

6%
Retail deposit growth in Qatar

Higher interest rates attracted new deposits from domestic clients seeking favourable cash yields. Retail deposits therefore grew by 6% from last year, helping us maintain our leading domestic market share.

Becoming a digital-first bank

Innovation and finding new ways to better support our customers remains at the forefront of our thinking. We aim to combine bespoke customer service with cutting-edge technology. Our thinking is digital-first. To become a digital-first bank, we continue to implement the third generation of our digital transformation programme, "Digital 3.1". This programme touches upon four main areas: move from physical to digital on the customer-facing interactions and support areas, enhancing IT capabilities as an enabler, driving efficiency and automation, and optimising the channels and network.

Developing customer journeys from physical to digital aims to increase the customer experience through simpler, more intuitive, self-service processes. One of the highlights of our digitisation efforts is that we are working towards fully digitising the new customer onboarding process. Our existing customers can open savings and call accounts using QNB Mobile app without the need to visit a branch and our aspiration is for new to bank customers to be able to open savings, current and other accounts using the QNB Mobile app without having the need to visit a branch as well. We also added features that enable our customers to perform and update their KYC details using QNB Mobile when applying for a new loan or top up an existing one. Another feature we introduced was to activate and de-activate cards using our app.

To support this drive for innovation, it was essential for us to continue to enhance our IT capabilities. By adjusting our IT capacity and moving towards an agile way of working, we have increased our go-to-market speed. By adopting an agile way of working, we were able to be the first bank in Qatar to launch a biometric facial payment acceptance solution. This solution required us to be flexible and have quick execution capabilities to leverage the proprietary facial verification technology developed by PopID, provisioned through QNB's acceptance network and supported by Visa via tokenization. This enables our customers to authenticate payments for goods and services through facial verification, without a physical card or mobile phone after initial enrolment.

95.6%
Digital channel penetration in Qatar

We also focused on further optimizing our branches and different customer channels while adopting new technologies. QNB is committed to investing in innovative solutions that help to simplify banking processes and provide customers with the flexibility and convenience they need in today's fast-paced world.

This year, we launched our newest release of our QNB Mobile and Internet Banking platforms, featuring a complete re-design. The new platforms feature a new dashboard, allowing users to create personalised quick links to perform their frequent transactions like money transfers and bill payments. Customers can access and manage all their international QNB accounts, benefit from instant transfers to several countries, share beneficiary details through a QR code, use built-in navigators to find the closest ATMs and much more.

On the physical network, we took several steps towards implementing innovative technological solutions by being the first bank in the region to implement the NCR SelfServ 62 ATM successfully. With the latest technologies such as palm authentication, cash recycling and deposits, this move further elevated QNB's capabilities of our ATMs. Additionally, we continued to take the lead with a new, multi-functional self-service machine in our flagship branch in Doha's Place Vendome Mall. The new machine is a game-changer in the banking industry, providing customers with unparalleled convenience and flexibility to manage their banking needs. Customers can access a range of services including cash withdrawals, cheque deposits, chequebook printing, cards printing and video teller. The video teller feature allows customers to communicate with a remote teller via video conference, enabling them to complete a range of banking transactions, such as cash and cheque deposits, withdrawals and transfers. The self-service machine also features the latest security technology, ensuring that all transactions are safe and secure.

As a recognition of our success in the journey of digital transformation, this year we received several awards, including the "Best digital bank in the Middle East" from the Digital Banker.

In addition to our drive for digitisation and the adoption of new technologies, we emphasise our efforts to outstanding and seamless customer service. This year, we published a customer charter, which details our commitment to providing excellent customer service and meeting customers' financial needs with quality products and services. In line with the commitments set in the charter, we aim to continually enhance our products, services and customer channels to deliver an exceptional customer experience.

Awards

- **Best digital bank in the Middle East**
  - > The Digital Banker
- **Best digital wallet**
  - > The Digital Banker
- **Best digital bank in Qatar**
  - > The Digital Banker
- **Best mobile banking app**
  - > MEED
- **Best payment innovation**
  - > MEED
- **Excellence in product marketing**
  - > MEED
- **Recognition of partnership award**
  - > Visa
- **Excellence in loyalty program in Qatar**
  - > Visa
- **Excellence in introducing new solutions in Qatar**
  - > Visa
- **E-commerce fraud protection leader in MENA**
  - > Mastercard
- **Best bank for digital solutions in Qatar**
  - > Euromoney

Growing our payment and cards businesses

QNB aims to position itself as a one-stop-shop for payment solutions in Qatar, providing retailers, corporates and consumers with operationally efficient and simple solutions that at the same time enhance the overall customer experience for all users.

Following a very successful FIFA World Cup Qatar 2022™, we continue to leverage the investments that we made in advanced technology and innovative digital platforms to continue providing best-in-class products and services to our merchants and cardholders.

This year, we saw further momentum across the cards and payment markets. This was driven by a surge in new channels supporting frictionless card acceptance, a substantial increase in e-commerce activity and the success of our digital enhancements and partnerships.

Credit card volumes increased by 10% this year, while commercial card volumes grew by 40%. The ongoing transition from cash to card resulted in greater volume spent on electronic payment products with lower average ticket sizes. This shows that consumers are embedding electronic payments in their every-day spending routine.

As the payment landscape evolves, QNB is at the forefront of this evolution as an early adopter of innovative technologies that drive a frictionless, enhanced and secure payment experience. We are putting our customer and merchant experience at the centre of everything we do, ensuring both security and ease of use.

We are committed to investing in technology, helping to nurture an extensive and secure e-commerce infrastructure. At the same time, by adhering to our successful strategic approach, we also launched new products and services that served to boost our market competitiveness. Customer demand for safe, secure and more rapid payment solutions has enabled a range of new ways to pay for goods and services. As a result, many more businesses have recognised the need to be fully present online and accept a broad spectrum of digital payments.

QNB has developed a wide array of digital payment solutions to support businesses like these, including offering contactless payments that ensure customer data remains secure. Our merchants and cardholders are enabled with a complete suite of x-pays, including Apple Pay, Google Pay and Samsung Pay, allowing transactions with an array of devices. X-pays continue to show impressive performance with transactions increasing by 111% in the year. Our reputation for providing customers with state-of-the-art technologies is one of the reasons we remain the market leader in retail banking.

Retail Banking *(continued)*

In the payment landscape, our objective is to position ourselves as a full service payment aggregator. A number of Payment Service Providers (PSPs) have been licensed by the QCB to offer payment services and solutions through electronic payment platforms for other companies and e-commerce businesses in Qatar. With the aim to expand our offering and create a seamless customer experience through ecosystem partnerships, we continued to support local Fintechs and PSP aggregators to extend payment digitisation to untapped segments through strategic partnerships, BIN sponsorships and Fintech mentorships. These strategic partnerships allowed us access to the latest payment technologies, including an advanced electronic control platform to process and review corporate transactions, capability to send financial business requests and electronic payments, and browsing analytical reports covering past or future transactions. These are unrivalled services and systems that allow our customers to easily carry out their transactions via websites with the most secure and trusted systems in Qatar. QNB also supports micro enterprises on digital payment acceptance through a low-cost acceptance solution including Tap on Phone and Soft POS initiatives. We expanded our acceptance capabilities to cover the remittance business in line with local regulations and to offer customer greater flexibility and convenience.

44%
Percentage of contactless transactions in Qatar

40%
Increase in commercial card transaction volume in Qatar

On the cards front, we continue to leverage strategic alliances and partnerships with global players in order to strengthen our value proposition. This year, focusing on our corporate and SME banking customers, we signed a new partnership agreement with Mastercard. This partnership has three goals. First, it aims to fulfil the national agenda of the QNV 2030 to drive economic diversification, digitisation and a cashless society by supporting the success of SMEs

We continue to leverage strategic alliances and partnerships with global players in order to strengthen our value proposition.

and corporates. Second, the partnership aims to leverage upon the strengths of both organisations to bring about the latest, safest and most convenient payment forms to our corporate and SME customers. Last but not least, the agreement aims to support the move from traditional payment methods to more effective and rewarding methods, in which rich data is made available to further drive efficiencies. QNB's commercial payment solutions come with highly customised merchant and card transaction control, giving companies greater agency over their payment activities.

During FIFA World Cup Qatar 2022™, QNB and Visa effectively implemented a number of innovative payment products such as deploying almost 5,500 contactless payment terminals at the venues, including the stadiums, fan zones and other payment points. About 90% of the processed transactions were on contactless basis, providing greater payment efficiency and a seamless experience for both residents and international visitors. As a testament to our efforts, this year we received the "Recognition of Partnership Award" from Visa, highlighting its remarkable role in developing and implementing innovative payment products in the market, as well the strong collaboration between the two organizations in delivering a very successful edition of the FIFA World Cup Qatar 2022™.

> "By providing our customers with a range of world-class products and services, we are able to offer an unrivalled premium value proposition."

This year, for the consumer credit and prepaid business, we continue running large-scale acquisition and usage campaigns with Visa. We have jointly given away 4 Jaguar Type-R cars, over QAR 2.6 million in cash prizes and a further QAR 4.2 million in Life Rewards during campaigns alone in 2023.

Embedding sustainability into our retail offering

To further support QNB's sustainability agenda, raise awareness in the community, and showcase the progress that we made on this topic, we have further enhanced our sustainable financing offering along our retail business.

In 2023, through the launch of our market leading QNB Group SFPF, we have been able to support our clients to "drive green". With the increase in demand for electrical vehicles and new models entering the local market, QNB launched a first-to-market product to support the drive for sustainability. This year, we aimed to accelerate the promotion of our green vehicle loan through dedicated campaigns with special conditions. Our green vehicle loan provides special lending conditions, such as reduced interest rates, 1-year's free comprehensive vehicle insurance, no management fees, fast approval and lower down payments.

These initiatives contributed to expand our retail green portfolio and identify, pursue and promote opportunities related to ESG themes, reinforcing our positive social-environmental impact through a broader range of new sustainable financing products and services.

Accelerating our premium offering with QNB First

By providing our customers with a range of world-class products and services, we are able to offer an unrivalled premium value proposition. We continue to be the bank of choice for premium clients in Qatar and provide them with a bespoke range of products, including our attractive QNB First premium credit cards, special deposit and loan products, Lifestyle Privileges, priority services, cross-border mortgages and wealth management solutions. Last but not least, we reward our customers' loyalty through our dedicated loyalty programme QNB Life Rewards that offers exceptional benefits around shopping, restaurants, hotels, travel and other services with special discounts and redemption mechanisms.

A bespoke business model helped us to sustain continuous growth in the number of QNB First customers and the volume of deposits and loans. As such, we were well positioned to retain our leading position for premium banking services in Qatar. The number of QNB First customers grew by 8%, while total deposits increased by 7% and total loans by 3% compared to year-end 2022.

7%
Growth in QNB First deposits in Qatar

In 2023, we ran several targeted campaigns through different channels, leveraging our high-quality commercial partnerships to nurture this strategic segment, including Sports Day, Ramadan, Summer and Qatar National Day. Not only did we promote our unique cross border banking services, such as global accounts and international mortgages, but we also released a new version of our flagship QNB Explorer Mobile App that further expanded our lifestyle offering through an exceptional customer experience.

We continued to enhance our premium banking value proposition, providing seamless access to exclusive lifestyle and privilege services for our QNB First customers across the globe. We have included more than 100 new partners to our lifestyle offer network in 2023, bringing the total number of domestic and international QNB First lifestyle partners to more than 400. Today, our QNB First members are indulged with exclusive offers and discounts in more than 20 major cities worldwide.

This year, we also signed an exclusive agreement with French luxury retailer Printemps, which opened the largest luxury department store in the Middle East. Under this agreement, QNB First members benefitted from private events and exclusive privileges on the world's finest luxury fashion, beauty and lifestyle brands. In addition, a dedicated in-store QNB lounge enhanced the shopping experience of the QNB First Members further. The agreement also provided the Bank with a new opportunity to increase the visibility of its brand alongside the most prestigious international luxury brands through attractive advertising campaigns.

Looking ahead, we will continue to enhance the capabilities we have built so far to complete our end-to-end digital offering and operating model, making it fully scalable across our network, and to complement it with a distinctive value proposition on sustainability. At the same time, we will actively drive the transition of our customers from physical to digital banking channels by expanding our offering on digital payments and solutions, and through dedicated campaigns and initiatives. We also aim to further enrich our services and products dedicated to QNB First, working on new versions of the QNB Explorer App to create more engagement and a better user-experience for customers and lifestyle partners.

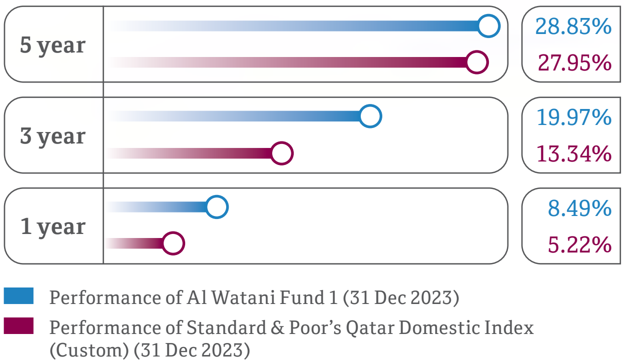
Asset and Wealth Management

Our award-winning asset and wealth management services provide institutional investors and high-net-worth clients with exclusive, tailored services at local, regional, and global levels.

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.

Performance of Al Watani Fund 1 (%)



Asset management

In 2023, higher policy rates, attractive money market yields and strong demand for low risk deposits created a challenging environment for asset managers. This further highlighted the importance of redefining and future proofing the asset management industry through product innovation and the search for more adequate risk premia and risk-adjusted returns.

Throughout the year, different asset classes presented diverging performances globally. Listed public equities had a strong performance on the back of high nominal GDP growth, resilient consumption and positive sentiment associated with technological progress on Artificial Intelligence. On the other hand, fixed income, private equity, venture capital, real estate and commodities were under stress, prompting global investors to rebalance their portfolios. In addition, the relative underperformance of traditionally low-risk fixed income disrupted conventional asset allocation models.

Our quality offering enabled us to further consolidate our leadership position in Qatar and solidify relationships with our clients. In 2023, we experienced growth in our AUM of 8%, contributing to drive our fee and commission income higher by 6%. Our in-house funds performed strongly against their respective benchmarks.

As we continuously look for ways to best serve our customers and guide them across different conditions in financial markets, service and product innovation remained a key pillar of our business model. Within our product range, we continue to develop our open architecture third-party investment platform to offer clients thematic funds, such as renewables, healthcare, infrastructure, aerospace and defence. In addition, we launched a new reverse convertible instrument fund. By investing in a pool of alternative assets, this fund democratises access and allows for customers to participate in this asset class with smaller tickets, smoothening the volatility spikes and significantly lowering single name and concentration risks. The fund was highly appreciated by our customers and contributed to our inflow performance.

We are in the process of becoming the first asset manager in the country to launch a Qatar-focused ESG ETF, reflecting the increasing interest from investors around ESG investment opportunities and the elevated importance that sustainability has in QNB's strategy and business model. Additionally, we rolled out an innovative systematic savings investment plan that conveniently allows our retail customers to build their portfolios and corporates to fund to their employees benefit and pension schemes through monthly contributions.

Moreover, we reflected the radical shifts happening in global and local markets in our asset allocation models, where we deployed a new risk-targeted model portfolio allocation approach that focuses predominantly on risk levels while being agnostic in term of asset classes.

On innovation, we continued to invest in technology to provide innovative solutions and high-quality and reliable execution to our clients. We uplifted our operating capabilities working on our straight-through processing system which allowed us to improve our trading, risk management, compliance and settlement capabilities.

Looking into 2024, our goal will remain focused on creating long-term value for our clients and providing them with the best investment opportunities tailored to their needs and risk appetite. To be able to remain on top of the market we will continue our innovation efforts, launching new products and uplifting our capabilities to continuously offer an exceptional customer experience.

> "We continued to invest in technology to provide innovative solutions and high-quality and reliable execution to our clients."

Private banking

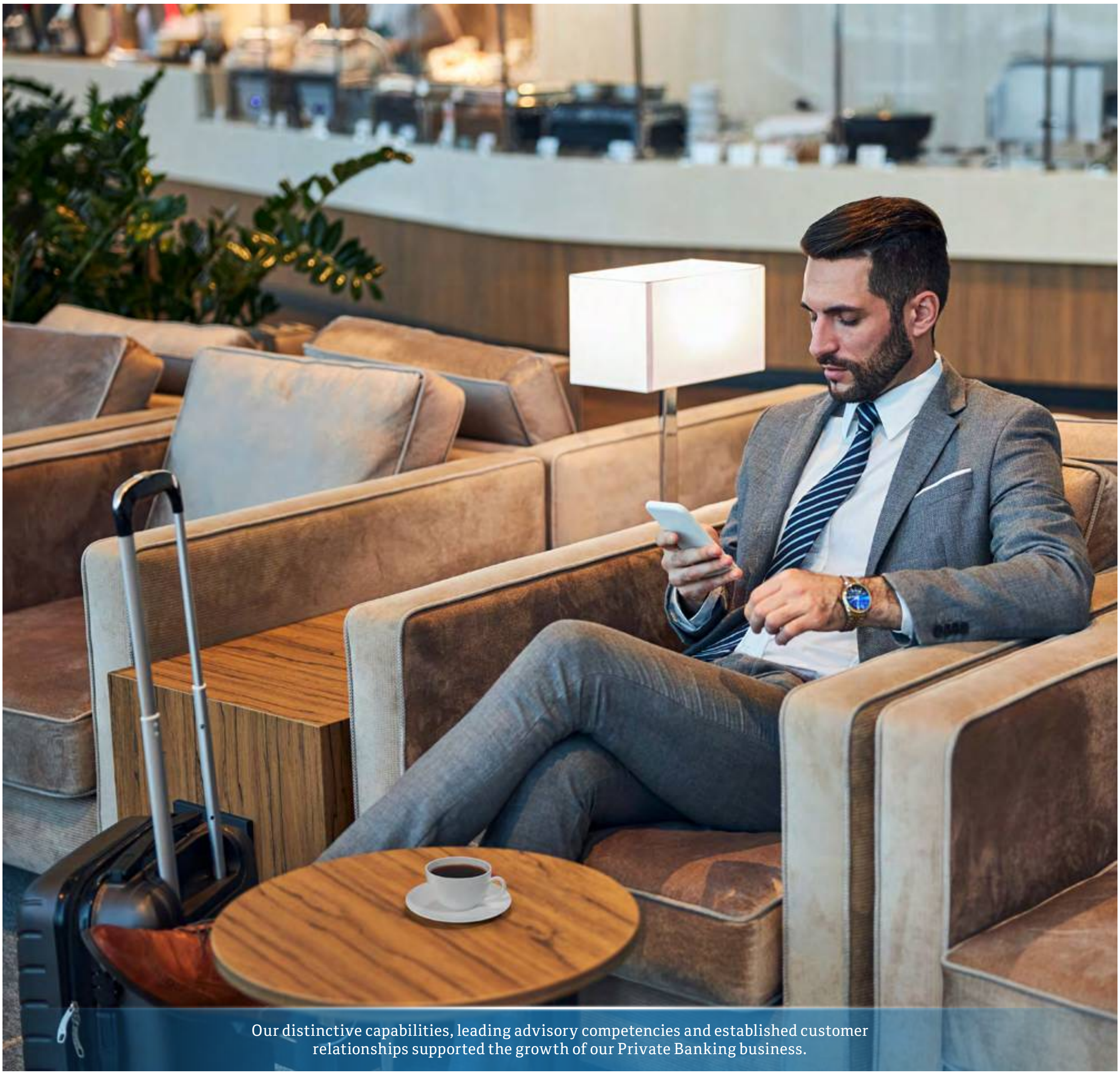
The strength of our reputation, expert team and carefully-curated range of products served to further strengthen our value proposition to our ultra-high and high-net-worth clients. We offer a comprehensive range of tailored international investment opportunities thanks to our well-established global network, in-depth market insight, and highly skilled and responsive team. Our distinctive capabilities, leading advisory competencies and established customer relationships supported the growth of our Private Banking business in 2023.

As interest rates continued to rise throughout the year, yield-hungry investors began shifting their full focus from the stock market, opting to explore opportunities in the deposit and fixed-income space. We leveraged the increased market interest around deposits to design new structured saving products with competitive yields that led to a successful origination campaign.

In front of heightened international and local competition, our team of expert advisors continued to work both on nurturing long-dated relationships with clients and their families and establishing new connections, supported by QNB's unrivalled position and reputation in the local market and our ability to anticipate and execute on clients' investment needs with a clear bespoke approach.

Our dedicated subsidiary in Switzerland, QNB (Suisse) SA, is our hub for private banking offshore services. Acting as a conduit for investment products and services, complemented by investment advisory services, it offers our high-net-worth clients an exemplary Swiss private banking experience. This year, we have managed to increase the number of customers banking with us in Switzerland thanks to the individual performance of our front-line team, coupled with ongoing success of our referral programme, particularly in Türkiye.

Our efforts were also dedicated in continuing to uplift our digital capabilities, where we worked on improving the customer experiences and the width of services available on our digital channels.



Our distinctive capabilities, leading advisory competencies and established customer relationships supported the growth of our Private Banking business.

Asset and Wealth Management *(continued)*

This year, our achievements in providing outstanding financial services and solutions to our customers were acknowledged again through prestigious awards from leading organizations, such as the Global Finance magazine and Euromoney.

Awards

- **Best private bank in the Middle East**
  > Global Finance
- **Best private bank digital solutions for clients - Middle East**
  > Global Finance
- **Best private bank in Qatar**
  > Global Finance
- **Best private bank for high-net-worth individuals in the Middle East**
  > Euromoney
- **Best private bank in Qatar**
  > Euromoney
- **Best wealth manager servicing in Qatar**
  > WealthBriefing

Looking ahead, we will continue to work to ensure that we remain the market leading private banking provider in Qatar in light of an increasingly competitive environment. As we pursue our ultimate goal to add a long-term value to our customers, we aim to continue to launch new products, step up our digital capabilities and reinforce our investment offering.

Brokerage and custody services

The remarkable success of the FIFA World Cup Qatar 2022™ has undoubtedly drawn a significant attention to Qatar, consolidating the country's position in the horizon of foreign investors. Qatar's peg to the US dollar, the outlook of elevated oil and gas prices and the NFE further supported the potential of Qatar's investment prospects and long-term economic growth.

As a wholly-owned subsidiary, QNB Financial Services (QNBFS) continued to hold its position as a leading financial broker in Qatar in 2023. We again contributed significantly to the total trade activity in the Qatar Stock Exchange (QSE), consolidating our overall market share of 33%. With our unrivalled market knowledge and product offering, we cater to institutional and individual investors, both domestic and international.

In 2023, we acted as a key catalyst in attracting foreign portfolio inflows to the local stock exchange (QSE), cementing our position of primary gateway to a market that is increasingly considered a safe haven, regionally and globally. Institutional investors confirmed QNBFS as their preferred financial provider, reflected in our 53% share of the institutional investment market, handling USD 22 billion in traded value for institutions. Additionally, we continued to dominate listed bond and T-bill transactions, with a 100% market share.

Over the past year, QNBFS focused on consolidating its market leading status in liquidity provisioning (LP) and market-making (MM) services. We now provide MM services for 29 companies, while 14 companies benefit from our LP services. This year, for example, we signed with Meeza QSTP LLC, a Qatar-based managed IT services and solutions provider that completed an IPO in August, an LP agreement for its listed shares on the QSE. Our extensive and high-quality LP and MM services contributes to provide greater price stability and enhanced liquidity in the Qatari stock market.

Our equity research team now covers 25 domestic listed companies, enabling us to provide an unmatched corporate access offering in Qatar. Our on-the-ground local market intelligence and insights are consistently leveraged through our publishing activity of high-quality research and analysis on the Qatari market and the broader GCC markets.

> "QNBFS focused on consolidating its market leading status in liquidity provisioning and market-making services."

As the primary financial services provider in Qatar, QNBFS actively participated in the preparation phases that led to the launch by QSE of covered short selling associated with lending and borrowing securities in the local market. We also started working on preparing our infrastructure for the upcoming launch of derivatives trading through a dedicated exchange established by QSE. These steps aim to further improve liquidity, bolster expectations on the performance of the QSE, eventually increase its attractiveness for institutional investors. These measures will provide QNBFS additional opportunities to add value to its clients in future years.

In our custody business, we actively engage with market participants and industry leaders in order to distinguish ourselves as a leading custodian bank in the MEA region. In 2023, we continued to move beyond serving purely domestic clients to focus on attracting and strengthening our relationship with global custodians. This enables us to capture a greater market share of non-resident portfolio inflows to Qatar and international markets. The efforts to broaden our engagement as a sub-custodian with strategic global partners this year further supported the growth of our assets under custody and the overall number of accounts we serve.

Our leadership in the market and the quality of our services was recognised by awards from prestigious publications such as Euromoney and Global Finance.

Looking ahead into 2024, we remain committed to supporting the development of the local capital market and enhancing Qatari financial market depth with our range of sophisticated products and services. In the process, we will strive to cement our leading position with institutional investors, confirming our key role in attracting growing inflows of portfolio investments from abroad.

Our ultimate goal is to add long-term value to our customers, by launching new products, stepping up our digital capabilities and reinforcing our investment offering.

International Business

We continuously strive to leverage our international network in order to promote long-term profitable growth.

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.

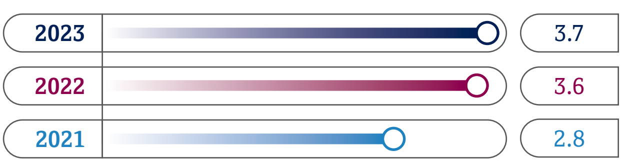
Through our organic and inorganic international expansion in previous years, QNB Group has been able to become one of the leading banks in MEA. Our international network contribution is one of the cornerstones and success criteria in the execution of our Group-wide strategy. One of our key objectives is to strengthen our profitability in markets where we are already present. We aim to achieve a diversified revenue contribution through a balanced mix between interest and non-interest income.

We have chosen to expand into these markets as they are characterised by a growing integration into the global economy, significant trade and direct investment flows as well as large infrastructure spending opportunities. Together with favourable demographics of a young, growing and increasingly educated middle class, we are convinced of the long-term growth opportunities in these markets.

Governance model and business proposition

As part of our governance model, we continuously strive to leverage our international network in order to promote long-term profitable growth. Our role is not limited to connect our network countries to our Head Office operations but also to enable them to create cross-border business opportunities within our global footprint. This supports the execution of our strategy and also ensures a consistent culture of regulatory compliance, governance and risk management. It also secures full alignment with our Group-wide capabilities with regards to policies, processes, procedures, IT systems and people practices.

International net profit (QR billion)



We position ourselves as the financial gateway to the MEA region. Our competitive advantage is to leverage our strong rating and presence in markets that are often neglected by global banks or which are underserved by other regional players. We have the capital and agility to take immediate advantage of the opportunities we see in our network markets. This enables us to create wealth, as well as facilitate trade and investment flows between these markets and our international footprint. Today, we are present in more than 28 countries across Asia, Africa and Europe.

Expanding our presence in Saudi Arabia

One of the highlights for 2023 was our effort to further cement our position in the Kingdom of Saudi Arabia. As the biggest market in the GCC, we consider KSA a significant component of our international expansion strategy with immense potential to contribute to QNB's future business growth.

We therefore developed a dedicated in-country strategy for our presence in the country. The strategy leverages our core as an international wholesale bank coupled with bespoke transaction banking services. Our focus is to serve mainly domestic and multinational corporates as one of the leading foreign banks while promoting our unique access to the MENA region, major global financial hubs as well as our broad network across Asia. We are committed to further invest on expanding our capabilities around our business offering, technology and people, to achieve a value proposition that distinguishes itself from other domestic and foreign competitors. As a result of our efforts and our strong brand recognition, we were able to quickly expand our local customer network, particularly with some of the main blue-chip corporate names in KSA and across different industries.

This year, we opened a second branch in Jeddah, following the opening of our first branch in the city of Riyadh in 2017. The city of Jeddah is one of the most important economic markets in the region, making it a valuable addition to QNB's international network. Jeddah enjoys great economic and tourism significance, as it houses the largest port overlooking the Red Sea, and makes it an ideal destination for QNB's banking business in Saudi Arabia and the region.

To support the KSA National Vision 2030 for social and economic development, QNB is preparing to launch a digital attacker bank in Saudi Arabia in a joint venture partnership with Ajlan & Bros. Holding, one of the largest retailers and manufacturers in the Middle East. Launching a digital bank will allow QNB to tap into customer segments that are not the core focus of our physical presence in the country, namely retail and SME. Our offering as a fully digital bank also allows the creation of a cost efficient presence, reaching a large range of customers with innovative products and solutions. Following the definition of our go-to market approach and technology footprint, we have already submitted our license application to the regulator.

Case study

Providing critical post-earthquake support to the Turkish people and economy

The Türkiye earthquake was a devastating event that primarily hit the Gaziantep territory, near the Syrian border, on February 6, 2023, marking one of the most significant natural disasters in the region's history. The earthquake registered a magnitude of 7.8 and resulted in a dramatic death toll of almost sixty thousand casualties in Türkiye and eight thousand in Syria. The earthquake ended up affecting around 16 million people, with 160,000 buildings containing more than half a million apartments collapsed or at serious risk, causing estimated damages of more than one hundred billion USD, or the equivalent to about 9% of Türkiye's GDP. QNB Finansbank was not immune to the impact of this natural disaster, as four of our colleagues tragically lost their lives in the event. Additionally, we had more than 900 employees working in 54 branches in the affected region.

Immediately after the event, the Bank swiftly set up a crisis desk to provide humanitarian aid and evacuation support to them and their families. Placing our customers as well the prosperity of the national society and economy at the core of our mission, QNB Finansbank did not pause any of its activities, but instead initiated a number of projects to bring relief to the region affected by the earthquake and its people.

Firstly, we signed a loan agreement with the EBRD worth USD 110 million to be made available to individuals and organizations affected by the earthquake. This facility was used for the urgent financing requirements of companies and people in need in the region and to rebuild critical facilities and infrastructures.

Secondly, as part of the successful renewal of our syndicated loan with international banks, additional sustainability criteria were added in line with the sustainability targets of the bank. Among those, we committed to dedicate part of the funding, amounting to a total USD 329 million, to extend loans to the disaster-hit region until the end of 2023, thus participating in the nation-wide relief programme for affected households and companies.

Finally, as we constantly strive to be the ideal place to work for our employees, we implemented our 'Integrated Disaster Management', in which the senior management of the Bank and its subsidiaries directly contributed. This programme helped us create a more resilient organisation to face future possible earthquakes, setting our goal to offer the safest possible working environment and uninterrupted service. The programme was implemented in phases, which included awareness-raising, training and action-oriented steps.

International Business *(continued)*

International corporate

As part of our strategy, we aim to strengthen our presence in core global financial centres. Notwithstanding a competitive and challenging macro environment, we continued to strengthen and grow our international business by harnessing group synergies, expertise and the collective power of our substantial international network. Our investments focused on further enhancing our value proposition as a wholesale banking institution, particularly in our core business hubs in the UK, France and Singapore. We have rolled out our new cash management platform to several of our international branches and ramped up our business and operational capabilities from an IT and human capital perspective. This allowed us to propel our offering as an integrated payment provider for cross-border transactions.

International markets provide both in-country business and complement QNB's global transaction banking 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 the 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. As a result, we expanded our customer base, delivered increased transaction volumes as well as growth in loans and deposits, successfully diversifying our funding sources. Specifically, the strong performances of some of our main hubs, namely Singapore, UK and France, are a testament to our relentless effort to deliver against our international customers' needs and expectations.

Awards

- **Project loan deal of the year**
  - > GFC Media Africa
- **Best syndicated loan in North Africa**
  - > EMEA Finance
- **Best restructuring in EMEA**
  - > EMEA Finance

One of our strategic pillars is to embed the concept of sustainability into our overall business and operating model. As part of our sustainability framework, sustainable finance is the most impactful way for us to address social and environmental challenges and opportunities. Given our presence in major financial centres of advanced economies, we see the biggest sustainable finance growth opportunities in these markets. As a result, we experienced a significant increase in environmental and social financing opportunities that we accessed through our SFPF and centralised credit governance mechanisms. QNB's people were also at the centre of our sustainability ambitions, as we delivered extensive trainings and upskilling programs on sustainable finance for our client-facing teams in international branches.

Despite a challenging year marked by the devastating earthquake, our subsidiary in Türkiye, QNB Finansbank, maintained its solid market position by a strong commitment to supporting our clients in all their financial needs. We were in the front line for providing assistance during the disruptive consequences of the earthquake, for which we collaborated with the EBRD to extend further financial support to most affected businesses.

For our corporate customers, we focused on expanding our value proposition by launching dedicated programmes for exporters and cross-selling initiatives based on our distinctive trade finance and cash management capabilities. We saw some positive developments from these programmes, such as a significant increase in shipping transactions and cooperation with QNB France. We also saw an uplift in international payments thanks to new remittance systems and enhancements to our correspondent account management and treasury transaction services.

As part of a comprehensive sustainability strategy, QNB Finansbank launched the "Green Transformation Package", providing free membership to the TOBB Carbon Platform in collaboration with TOBB (Union of Chambers and Commodity Exchanges of Türkiye) and Captanomy (a carbon intelligence and climate finance startup). Moreover, the green trade portfolio grew substantially, doubling in volumes compared to 2022, on the back of continuous client-focus and sustainability-centred product innovation.

QNB Finansbank continued to lead the market in terms of innovation thanks to the award-winning Digital Bridge solution. Through it, companies have a 360º view of their banking transactions and can access a wide range of digital services. New features were added to the Digital Bridge solution this year, including digital meal cards, financial status reports, robotic accounting and payment services solutions, all of which helped to increase the overall engagement with customers.

39%
Türkiye corporate loans growth

58%
Türkiye corporate deposits growth

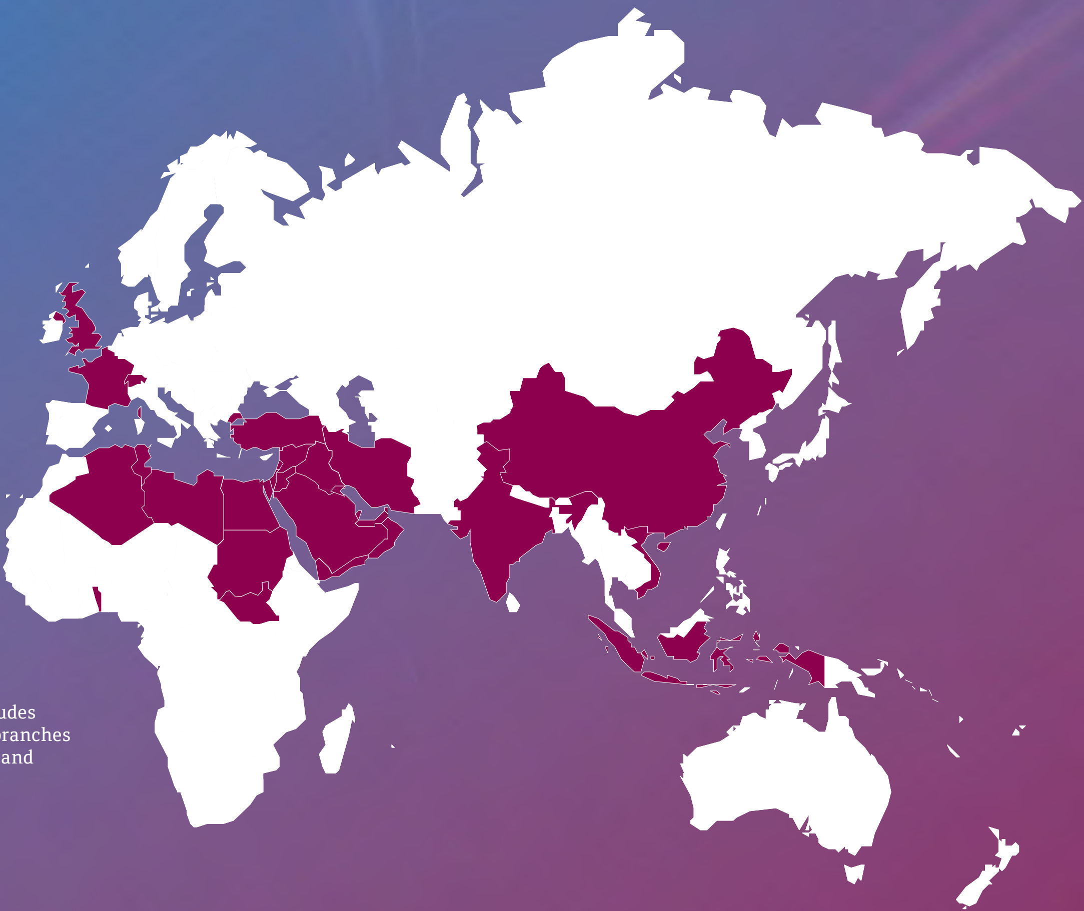
In Egypt, QNB ALAHLI continued to build on its more than 45 years of market presence and expertise to consolidate its position as one of the largest privately owned banks in the country. Our highly qualified and dedicated local corporate and investment banking team achieved a lending growth rate of 16%, supporting different business sectors and maintaining strong and longstanding relationships with prominent Egyptian corporates, multinational companies operating in the country, as well as several state-owned entities.

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 Finansbank – Türkiye
QNB Alahli – Egypt
مصرف المنصور للاستثمار Mansour Bank – Iraq
QNB – Switzerland
QNB – Indonesia
QNB – Tunisia
QNB – Syria

Associates

بنك الإسكان Housing Bank – Jordan
Ecobank The Pan African Bank – Togo
CBI – UAE

International Business *(continued)*

With our local and widely appreciated expertise in the country, we were able to originate several landmark transactions in a broad range of sectors such as agriculture, real estate, renewables, maritime, telecommunications and international operations. We also participated in one of the first future cash flow securitization transactions in Egypt, acting as lender, underwriter and custodian along with a consortium of other banks. Besides lending, QNB ALAHLI further enriched its distinctive corporate offering, with the launch of a new foreign bond safekeeping and physical cash management services.

Our market leadership in Egypt was recognised by several accolades received during the year, such as “Project Loan Deal of the Year” by GFC Media Africa awards, “Best Syndicated Loan in North Africa” and “Best Restructuring in EMEA” by EMEA Finance.

In Indonesia, we continued to focus in our strategic agenda of growing our wholesale business. We achieved a net profit growth of 85%, supported by robust margin management, strategic repricing and tight control of cost of funds and operational expenses. This reflects our business diversification efforts and a renewed emphasis on higher-income trade products.

These achievements in our international corporate banking business resulted from several business levers executed throughout the year, among which were an updated perimeter of target customer sectors, a renewed push to maximise QNB’s trade finance capabilities and cross-selling through cash management and new FX products, and an heightened focus on CASA deposits and funding sources. This was coupled with and enhanced underwriting process that ensured higher credit quality.

Our market leadership in Egypt was recognised by several accolades received during the year.

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 fuel economic growth and promote greater financial inclusion.

In Türkiye, our SME value proposition remained highly competitive thanks to a proven business model and an innovative and attractive offering. Customer-oriented services such as SME Easy Line, by which clients receive support from remote relationship managers with in-branch services available for more complex transactions, have all been the key to our success in the SME segment. Moreover, several new features were added during the year to our digital interfaces, including seamless internet and mobile channel integration and dedicated services within the Digital Bridge portal. We launched a new end-to-end digitised credit underwriting workflow, while also adding third party solutions specifically designed to enhance integration with e-commerce companies. Additionally, we introduced a new digital onboarding process, an account aggregator service, including accounts with other banks, and a cash flow monitoring and forecasting tool to help SMEs better manage their liquidity and working capital needs.

> “Our ongoing support for SMEs helps fuel economic growth and promote greater financial inclusion.”

In Egypt, as a pioneer in the local market, QNB ALAHLI continued reinforcing its leadership position in terms of providing full support to SME clients through state-of-the-art lending capabilities and a wide range of tailored lending programs covering working capital, medium term loan financing, unfunded facilities and trade services.

Among others, we launched a dedicated financing programme for doctors and a livestock lending initiative to support small farmers and entrepreneurs in both the fattening and milk production fields. We also focused on further progressing in our digital transformation journey in Egypt through different initiatives dedicated to SMEs. We launched the WhatsApp for Business solution, which enables SME customers to inquire about QNB ALAHLI’s range of products and services through the popular application, 24/7. We also enriched the SME business cards offering by bundling business packages and credit facilities to streamline the access to financial services.

International retail

In Türkiye, QNB Finansbank maintained its strong position in the local retail banking market by pursuing a strategy that prioritises customer retention and the acquisition of new customers with substantial deposit potential and a high quality credit profile. We were able to increase our market share to 10%, expand our total number of customers by 11% and grow our customer loans by 114%.

Our strategy was executed through several initiatives encompassing our whole retail value proposition and leveraging on our broad set of innovative capabilities. We placed a strong emphasis on cross-selling by better integrating with the corporate segment. For example, this year we launched the Mass and Small Business Manager (KIY) Programme, a cross-selling initiative between the Consumer and Small Business functions that unlocked several opportunities, in addition to capturing new customers through a salary service offered to leading international companies for their local operations.

As we constantly strive to offer best-in-class digital solutions, we introduced several enhancements to our digital capabilities. Key examples were a new KYC digital onboarding that eliminates the need for new customers to visit the branch to open an account, QR features that enable customers to perform main banking transactions contactless, a new in-app repository for signed documents, and an Open Banking enabled account aggregator. Other significant additions in our product suite were the buy-now-pay-later shopping loan launched in collaboration with Hepsipay and several new features in our QNB Mobile App, such as a highly user-friendly one-click loan application process for pre-approved customers, an overdraft request process for new customers and a feature to repay expenses in instalments. As a result of this, our digital channel penetration increased from 78% in 2022 to 83% in 2023.

We significantly expanded our insurance offering, having fully acquired the local bancassurance operations of Cigna, our life and health insurance and pension partner, increasing our stake from 49% to 100%, and renaming it as QNB Sigorta (QNB Insurance). The resulting increased commercial synergies enabled us to grow our market share from 4% in 2022 to 7% in 2023 in health insurance and attained a 78% growth in premium production.

As in previous years, with the support of our subsidiaries QNB Finansinvest and QNB Finans Asset Management, we continued to offer a wide range of investment instruments in line with our customers' needs and market trends. In order to allow a greater access to the local equity market to our customers, we expanded our equity mutual fund product range. We also launched different FX funds to increase QNB’s penetration of customers’ foreign currency deposits, and further broadened access for our customers to IPOs in which QNB Finansinvest acted as an arranger. We also added in our app a self-assessment functionality that allows customers to set their risk profile and consult investment opportunities most suitable to them. In Egypt, QNB ALAHLI continued to be among the leading retail banks thanks to its wide and diversified range of products and services, tailored to satisfy the various banking needs of our customers. This is supported by more than 40 years of experience, an integrated multichannel network and a continuous alignment and collaboration with the Central Bank of Egypt’s financial inclusion initiatives. As a result of our market position and innovative approach, in 2023 we achieved 20% growth in retail loans, 20% growth in retail deposits and issued more than 2 million cards.

As part of our relentless effort to innovate, we were the first bank in Egypt to launch cash loans against rental proceeds, allowing owners of commercial units to get loans against the value of their rent contracts. We also further streamlined our cash and car loan workflow, reducing the number of documents and simplifying the overall loan processing. Additionally, a new credit card buyout feature was introduced to encourage our clients to transfer their outstanding credit cards balances from other banks to their new or existing QNB ALAHLI credit card, with the possibility to pay the transferred balance on instalments.

International Business *(continued)*

Building on our partnership ecosystem, a new Visa cobranded prepaid card, targeting the youth segment, was introduced with enhanced features such as "Identification & Gate access" and cobranded with different institutions such as universities, schools and clubs. Moreover, we partnered with Egypt Air to allow QNB ALAHLI cardholders to repay their flight tickets over 10 months with interest-free instalments.

> "We constantly strive to offer best-in-class digital solutions and introduced several enhancements to our digital capabilities."

In line with our digital transformation strategy, we introduced numerous enhancements to our online services and e-banking products in Egypt. A new digital credit card loyalty point redemption feature was activated, encouraging customers to increase card spending on QNB ALAHLI cards and giving them the option to redeem their points in cash or e-voucher. We fully digitised the application processes for cash loans and credit cards secured against deposits. Furthermore, we streamlined the debit and credit card activation and PIN code reset workflow, increasing accessibility, convenience and security.

With the aim to uplift the well-being of our communities in Egypt and to contribute to the CBE financial inclusion mission, we launched "Hayat", a new full-fledged programme dedicated to serve women and empower them through customised financial services, including the Laky Package, internet card, e-banking services, safe deposit box rental, and insurance benefits.

In Indonesia, we strengthened our retail business value proposition through multiple initiatives. We focused on leveraging our QNB First services to attract new deposit and expand our wealth management business, where we enriched our offering with new products, such as mutual funds, bancassurance and government bonds. Our local QNB First value proposition was also enhanced with the addition of further benefits to our Life Rewards loyalty programme. Concurrently, efficiency initiatives were activated regarding our Indonesian retail operating model, focusing especially on cost of funds, relationship managers' productivity and branch transformation.

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 organizational 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 2023, 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.

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 2023, 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 optimised operating model while enhancing customer service and stakeholder value.

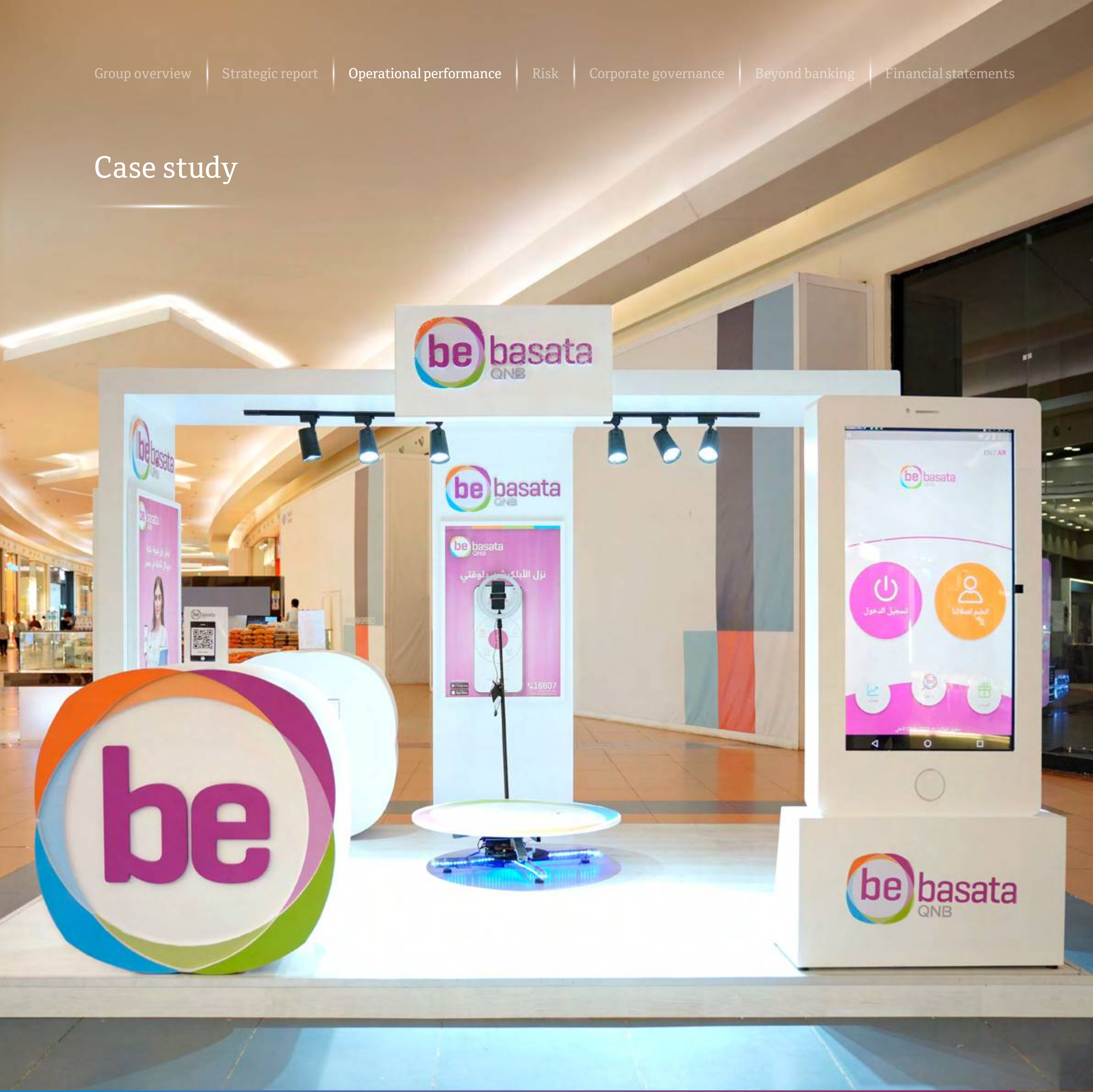
Continuing our growth in 2024 and beyond

We aim to maintain a clear focus on increasing the contribution to QNB Group's results from international business across loans, deposits and profitability. 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. This includes investing in innovative solutions that will help us further digitise and automate our data and analytics enabled transaction banking value proposition as well as to unlocking the full potential of our operational and business synergies.

Key drivers of our international growth in the future will be the continuous maturing of Bebasata in Egypt and leveraging the full potential of our businesses in KSA. Bebasata has ambitious growth plans, aiming to reach more than 170 thousand customers over the next two years. This will be supported by the launch of new products and features, such as tokenization and personal finance management tools, as well as operational excellence enabled by RPA and open banking.

Case study



Launching the first digital attacker bank in Egypt

To fully leverage on QNB's successful Enpara product platform and digital expertise, this year we launched the first fully digital banking experience in Egypt, called QNB Bebasata. A subsidiary of QNB ALAHLI, the new banking platform aims to drive financial inclusion and digital transformation across the financial service sector in Egypt. QNB Bebasata was launched in March and operates on a clear value proposition model: completely branchless, zero subscription and periodic fees, focused on customer centricity and offering high-quality competitive products such as deposits, accounts, cards, facilities, transfers, and payments. This was supported by a strong go-to-market campaign that generated exceptional client engagement and awareness.

Bebasata's launch has been well received in the Egyptian market with a successful onboarding of more than 20 thousand customers since launch. We have very ambitious targets for the next five years, aiming to be the market leader in customer experience with a unique hassle-free digital experience. We will continue to foster competitiveness through innovative products, competitive rates and pricing, while expanding the offering with new enhanced features such as tokenization and personal finance management tools.

Risk

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

Risk management

Through our risk management framework, we manage enterprise-wide risks with the objective of maximising risk-adjusted returns while remaining within our conservative risk appetite.

Effective risk management is essential to consistent and sustainable performance and is therefore an integral part of our business and decision-making processes. QNB Group's financial and non-financial performance relies on our ability to successfully manage risk at all levels. The Group Risk Management Division operates as an independent function, separate from the business, reporting to the Group Chief Risk Officer (GCRO). The GCRO reports directly to the GCEO, but also has a reporting line to the GBRC, 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 requirements. Our pro-active, collaborative approach has enabled us to apply timely, country-specific remedial actions in anticipation of emerging or intensifying 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 the clients, stakeholders and communities we serve.

Enterprise Risk Management

QNB Group's integrated approach to risk management is set out in our Enterprise Risk Management Policy (ERM Policy), that enables firm-wide alignment of sound risk management principles and standards with key ERM objectives aimed at identifying and assessing risks, ensuring appropriate risk ownership and related accountability for risk control and mitigation.

The ERM framework identifies a catalog of principal and material risks that are determined as relevant for consideration across the Group, that covers both financial and non-financial risks. An objective-centric materiality assessment informs the identification of risks, after evaluation of risk and internal control effectiveness and considering mitigation responses.

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. Risk Appetite is considered in the determination of strategy, and on-going alignment with the Group's vision and strategy is ensured by tracking current performance against risk appetite metrics.

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.

The RAS formalise our attitude and tolerance towards risk-taking and is regularly reviewed as part of QNB Group's strategic and financial planning process. Our risk appetite setting and compliance monitoring processes are consistent with the best-practice principles that govern our overall approach to risk management and culture. This approach is actively enforced through the "Three lines of defence and control" model.

> "Our risk appetite is consistent with best-practice principles that govern our overall approach to risk management and culture."

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 implemented by 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 their 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.

Through regular updates on the Group's risk profile, the Board is able to supervise the 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 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, 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's Risk function 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 Risk function is headed by the GCRO and 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. The GALCO is also responsible for policies relating to balance sheet management, liquidity, capital adequacy, and exposures related to foreign exchange, interest rate, and tax.

Risk identification, monitoring, and control

The identification of principal risks is a process overseen by the Group Risk Management Division. 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.

The ERM 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. As an example, increased prominence has recently been allocated to Model Risk and Climate Risk in light of increasing importance of these risks to QNB's franchise.

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, with every employee in the Group 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 employees' performance scorecards. The 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

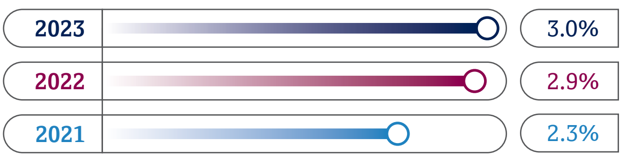
Expert judgement, experience and data play a central role in informing our risk-taking and portfolio management decisions.

The most significant measurable risk QNB faces arises from our daily activities in our various businesses activities, which include lending to retail, corporate and institutional customers.

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations with QNB in accordance with agreed terms. We adopt a set of policies, frameworks and procedures that delineate the measurement, appetite and management of how credit risk should be managed.

The environment of high inflation and increasing interest rates posed a particularly challenging backdrop for credit portfolios worldwide for 2023. This environment led to an increased borrowing cost for our customers, highlighting the importance of having strong risk management practices. Despite this challenging backdrop, our high quality, diversified portfolio and prudent management of credit risk ensured the Bank maintained its financial resilience through the period, with our NPL ratio remaining broadly stable at 3.0%.

NPL ratio (%)



Managing our credit risk

Our credit function operates as an integral part of our risk management framework 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.

> "We adopt a set of policies, frameworks and procedures that delineate the measurement and appetite of how credit risk should be managed."

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.

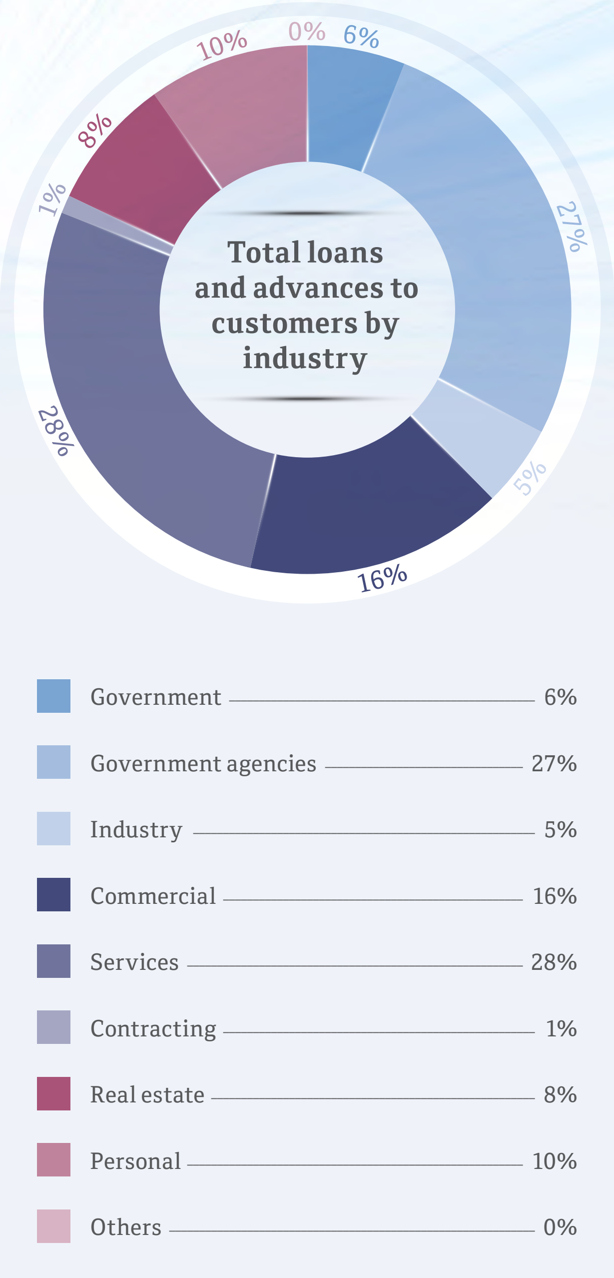
During the past year, QNB realised a steady reduction in legacy NPLs booked in Doha, while our remedial team continued to provide support and guidance to international branches and subsidiaries. In particular, joint efforts amongst various Head Office divisions in the turnaround of our operations in Indonesia and Tunisia ensured they remain a focus for the Group. Close collaboration between the credit and remedial teams has contributed to greater credit risk oversight and detection of credit weaknesses, which in turn led to early risk mitigation and exits of weak credit positions.

We continued to implement new controls and strengthen the oversight of our portfolios in the various regions in which we operate. This included enhancing the management of the portfolios to ensure we avoided being reactive to situations that arose in our various geographies, but rather managing potential downsides and being pro-active to the impact that news and events had on our clients.

Meanwhile, we continued to build on our successful Qatarisation programme. Our commitment to providing continuous professional development for Qatari nationals within the risk functions 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 39% of the Head Office credit function's staff.

Continuing to enhance our ESRM policy and framework

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.



We constantly review and upgrade our risk rating models at the Group level as part of our drive for continuous improvement. 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. In our ambition to become a more sustainable corporate citizen, this year we further enhanced our Group-wide ESRM policy framework by formalizing the framework into our Wholesale Group Policy.

The policy and 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. The ESRM framework complements our credit policy with regard 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. Aligning our goals and objectives across the Group ensures best practices are applied for assessing environmental and social risk and decision-making. We have a dedicated team specialising in the area of ESRM risk management, which together with our scoring tool, have helped to enhance our overall credit screening and assessment processes for ESRM qualifying transactions.

Improving our international credit governance and oversight

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 close collaboration between the credit and strategic risk management teams 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.

In Türkiye, NPL figures remained broadly constant, reflecting the resilient performance of our business. Given the strong performance this year of QNB Finansbank and QNB ALAHLI, we have continued to build provisions to continue to prepare for potential challenges in these markets going forward.

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 continuously review and benchmark local regulatory requirements and IFRS9 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.

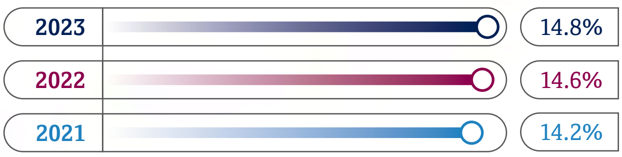
As part of our commitment to a greener future, we intend to continue to build on the successes of this year and further incorporate ESG-related criteria into our overall credit decision-making framework.

Strategic risk

We deploy a robust and comprehensive risk management approach to better inform our strategic decision-making.

The Group's strategic risk management function oversees strategic, enterprise, market, ALM, liquidity risks, credit portfolio 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.

Fully loaded CET1 ratio (%)



0.054%
VaR limit as a proportion of capital

The strategic risk management team continuously monitors the environment in which we operate, proactively alerting management of any perceived emerging or escalating threats and providing recommendations as to 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 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.

Climate risk

We recognise the significance of climate risk and its impact on the environment, our stakeholders and the Bank. As such, 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 TCFD.

In 2023, we supported the Bank's climate ambitions in four main different ways. First, like last year, we undertook an evaluation of the Bank's portfolio exposure to climate change scenarios. Whilst previous iterations covered the Bank and its international branches, this year we have expanded the scope to include the material subsidiaries and have expended additional effort to improve the relevance and quality of inputs. Second, we conducted for the first time a bank-wide assessment of Scope 3 financed emissions for the loan and investment portfolio. This will stand us in good stead as we meet the challenge of Scope 3 reporting obligation, which come into force in 2024. Third, we have reviewed the Bank's policies and added climate-related considerations where relevant. Fourth, we undertook the preparatory work necessary to build an internal awareness of climate disclosures and to understand what gaps the Bank would need to remedy prior to publication.

Change agenda

This year, we have embarked on a major project to streamline and digitise the Bank's lending process. The project seeks to deliver a swifter, more robust and fully auditable lending process covering a substantial proportion of our lending portfolio.

In addition, we again improved the content and delivery mechanism for the communication of risk information to various stakeholders within the Bank. This will continue to evolve as technology and the Bank's technical landscape develop.

Key enhancements have also been made in relation to setting and cascading risk appetite, including the identification of top and emerging risks, the delivery of quarterly dashboards to the executive and Board committees and the review of business unit strategies and forecasts.

Market risk

The 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.

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 VaR limit as a proportion of capital stands at 0.054% while average VaR utilisation is at 8.3% of its limit.

Liquidity risk

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

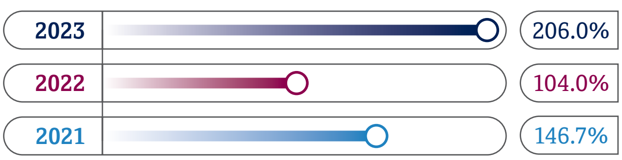
The responsibility for liquidity management ultimately resides with the Board of Directors, with operational oversight delegated to the GALCO and day-to-day management to the Group's treasury function. The risk management oversight process provides assurance that the Group's liquidity resources are sufficient 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

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

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.

We use data analysis tools that rely on forensic detail to identify patterns in deposits across our entire portfolio, including all of our branches, giving better insights into liquidity trends and behaviours in different market circumstances.

Liquidity coverage ratio (%)



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, the Qatar business environment is expected to continue to perform well and benefit from elevated energy prices.

Stress testing, ICAAP and model risks

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 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.

This year, we have delved into a range of stress scenarios, in part drawn from macro events (e.g., Russo-Ukrainian conflict, tighter global financial conditions) as well as more specific banking sector stresses (e.g., a Silicon Valley Bank type scenario) and more localised pressure points.

The Bank has also enhanced the scope of its model risk review and validation. Of note has been an improved harmonization of standards and practices across international jurisdictions, particularly concerning models used in the IFRS9 processing chain. Also relevant to IFRS9 - and of broader application to the Bank's underwriting practices - the Bank introduced new credit rating models that better evaluate specific business activities. The performance of rating models across the entire portfolio has improved with the use of these more specific models.

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

Looking ahead

In a turbulent global environment, QNB will continue to be pro-active and vigilant. This has implications for stress testing and early warning indicators and implies a dynamic risk-sensitive approach to calibrating the Bank's risk appetite.

As the Bank's ambitions and complexity continues to grow, we expect to further leverage innovation and new ways of working with data to further support QNB's growth prospects domestically and internationally. We will seek to continue developing our capabilities with respect to climate risk, both in terms of how to incorporate this risk into our commercial decision-making process and how we assess and control this rapidly-evolving risk. We will also continue to execute a number of change initiatives in 2024, such as streamlining and digitising the Bank's lending process.

Operational risk

We proactively ensure resiliency and flexibility in our approach to operational risk management, appropriately adapting to changes in our operational environments.

Across our 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.

Our overseas branches are fully integrated and aligned with our operational risk framework while our subsidiaries and affiliates are robustly aligned to the core principles and best practices of the Group. 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 GMRC, where all seven risks are routinely reported, analysed, monitored, resolved and followed-up upon.

64%
Decrease in the Group's net operational risk losses

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.

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

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

> "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."

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.

In 2023, our mission was to drive forward the advancement of our operational risk management strategies, systems and tools, keeping pace with international best practices and leveraging any lessons learned from the challenges posed by the COVID-19 pandemic and the demands of the FIFA World Cup Qatar 2022™.

New product approval process

A key highlight of the year was the creation of a new group-wide New Product Approval Process (NPAP). We recognise that launching new financial products and services can be a complex process that requires input from multiple stakeholders. As such, QNB has established a new robust process incorporating New Product Assessments (including Structured Financial Products) under a consistent set of assessment templates, unified governance structure and approval mechanism.

The NPAP template is designed to be product, service, department and geographically agnostic, consistently used across the Group, and uniform in terms of the type of risks to be considered, despite the differences in detail and materiality between various product and service proposals.

We look to quantify the introduction of the new product in terms of estimated number of unique customer engagements, revenue, costs and resources. This is important to capture and will be referenced 12 months post launch as part of Product Post Launch Review (PPLR) as a measure of the product having met expectations and relative success.

Operational risk *(continued)*

All new product proposals, with the accompanying NPAP assessment template, are now approved by the New Product Approval Committee (NPAC) which may be called as and when needed.

Potential decision outcomes of the NPAC	
Approved	Product is deemed to have incorporated sound commercial objectives and customer outcomes, operates within the confines of the Bank's risk appetite and has had no material operating performance concerns, or other relevant risk, compliance or finance related concerns
Conditional approval	Product is to be considered approved subject to specific modifications to the product design, pricing, marketing, sales, operating model, technology requirements, or risk and compliance management. All conditional requirements are to be minuted by the NPAC secretariat and added to the final template by the new product owner
Rejected	The product is rejected by the committee as it is deemed not to have met its commercial or customer objectives or is deemed outside of the Bank's risk appetite or operational capacity

Only once a financial product or service is approved by the NPAC will the process for defining operational and IT requirements begin. No new product may be launched before first having been approved by the NPAC.

The NPAC is composed of senior executives (SEVP and/or EVP) from risk management, legal, compliance, IT, operations and finance, in addition to the product owner and accountable executive (SEVP). Members have the expertise and knowledge to evaluate and approve or reject new financial products. Any unresolved or material concerns with the decision taken by the NPAC is escalated to the GMRC.

Third-Party Risk Management and sustainability

We use a 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 & Continuity, Financials, Information Security, Data Privacy, Compliance & 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 enable 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.

In 2023, we further enhanced the TPRM process by introducing service levels across QNB Group to centrally manage and measure the response times. Additionally, we assessed the feasibility of harmonizing processes in order to identify supplier risks at an earlier stage. To continue to support our commitment to the communities where we operate in, we are assessing the feasibility to enhance and extend our Vendor Worker Welfare approach to our international branch network.

Card and merchant risk

The growth in e-commerce continued to deliver an upsurge in digital transactions. As more transactions are processed without a physical card, the risk of potential fraud increases. We closely monitor card and merchant acquiring risk, and, in the event of any possible fraud, take immediate corrective action to protect our customers and secure any potential loss.

Throughout 2023, our mission was to ensure that we adopted best practices and processes within our card risk management systems ultimately aimed at staying ahead of evolving threats and industry trends. 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. To achieve this, we focused on real-time monitoring and social engineering fraud prevention. 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.

Internationally, we implemented additional controls and processes across relevant countries aimed at improving our card risk capabilities and performance.

On merchant risk, we continued establishing a robust set of controls to evaluate our e-commerce cybersecurity risks and remediate them with tailored solutions. As many more Qatari firms now accept online payments, we expanded our risk management controls and guidelines to ensure best practice, including a more comprehensive evaluation and stricter requirements for applicants. This was supported by our payment facilitator sponsorship programme, which reinforced the safety and security of our payment infrastructure.

Despite the challenges posed by a considerable rise in e-commerce and e-wallet transactions in recent years, we have been able to keep card fraud losses stable compared to previous years.

We have a Third-Party Supplier Code of Conduct, which is issued to suppliers with the goal of enhancing our due diligence in our supply chain and promoting ESG-related topics.

Cybersecurity

We protect our internal and external stakeholders with a robust cybersecurity strategy and framework underpinned by the right people, processes and technology.

The COVID-19 pandemic in 2020 accelerated long-term trends in working patterns, e-commerce activity and cloud adoption. These long-term trends have increased the overall importance of cybersecurity. The banking sector, in particular, remains a prime target, with cybercriminals continuously looking for new ways to exploit banking systems. Threats such as phishing, ransomware, and DDoS attacks have evolved rapidly and are now more frequent and sophisticated than ever. With ever more systems and data being stored in cloud service providers, such attacks have increased in scope and size and are today one of the most prevalent cyber threats to the banking industry.

Cybersecurity governance and strategy

As today's attackers become more sophisticated, well-funded, highly organised and trained, the topic of cybersecurity remains at the top of our agenda. 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 framework, with a dedicated governance model and 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. Through the GCSC, we define and monitor the implementation of our IT security and cybersecurity governance 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 customers and 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 invest 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 2023, 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.

Cloud adoption is growing, particularly in Qatar, where service providers are investing in establishing local data centers as they continue to expand their services in the country. This year, we created a master blueprint for cloud design that has become a benchmark for the banking industry in Qatar. This was presented to QCB and all peer banks in the country. Our key priorities were to ensure that the cloud infrastructure is configured securely to protect the systems and data hosted. This will help drive cloud adoption not only in QNB, but also in Qatar's financial industry in general.

Our approach is to always start with security before building out our services in the cloud. 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 that is both agile and secure. This design was also reviewed and certified by a third party specialist firm.

In line with industry trends, QNB is making increased use of Application Programming Interfaces (APIs). These help enhance customer experience, support regulatory initiatives such as PSD2 and increase collaboration with other Fintech providers. QNB has made considerable investments to ensure that these APIs are protected from cyberattacks.

> "Keeping the Bank secure and our customers and reputation safe from cyberattacks is a critical element of QNB Group's approach to risk management."

In compliance with data residency regulation, this year we also ramped up our resources and capabilities in the Kingdom of Saudi Arabia. We created a new data centre and considerably strengthened our cybersecurity capabilities, planning ahead for the future increase in operational complexity that we are expecting from our business in Saudi Arabia.

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 end, we also enhanced our penetration testing framework and vulnerability scanning processes. We have introduced a programme of continuous penetration testing of all our most important customer facing applications.

In line with our objective of optimizing our testing framework to assess every new digital service launched by the Group and check for security vulnerabilities, we changed the mechanism with which we release code. Our agility in this competitive area is crucial. As the number and complexity of new digital services increases, 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 this 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. To do this, 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 user testing or production.

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 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 further enhance our strategic approach. The Bank is one of 50 global corporations to be part of Gartner's influential research board, which plays an important role in defining the roadmap for technological developments and assesses upcoming threats. In 2023, a major focus of the discussions within Gartner's research board centred on AI and its cybersecurity implications for businesses.

QNB maintains an ISO 27001 certification, which is an independently certified methodology used to operate, monitor, and improve the information security management system (ISMS) in the Bank. QNB also achieved PCI DSS certification which is a further testament to the strength of the controls.

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 and customers are aware of cybersecurity risks 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 among our customers through regular campaigns.

Looking ahead

In 2024, our priorities will be directed to enhancing the identity and access management for both internal personal and external contractors, implementing a new mechanism to automate provisioning of IT equipment and deploying the cloud for selected applications. In addition, we will further enhance our capabilities on API as well as AI security.

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 and systems in place throughout our global network.

Protecting our customers and our reputation from cybercrime is not just about deploying the best technology available, but also about making sure our employees and customers are aware of cybersecurity risks.

Corporate governance

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

Corporate governance

Corporate governance at QNB Group goes well beyond the application of regulations and laws, as the Group uses sound corporate governance principles to guide its behavior with shareholders, regulators and other stakeholders, as well as to garner greater opportunities for prosperity and growth.

QNB Group recognises 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.

> "QNB Group integrates intrinsic principles such as accountability, transparency, responsibility and fairness into its corporate governance framework and related practices."

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 a governance structure that assigns clear roles, responsibilities, powers and rights upon the BOD and Executive Management members."

QNB Group has issued a separate Corporate Governance Report, as a supplement to the 2023 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.

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. The BOD members shall elect their Chairman and Vice-Chairman among its members by a majority secret vote of the Board.

Induction for BOD members

All new members go through an induction programme, which covers the duties and obligations of each individual member and the delegated responsibilities of the different Board committees. Briefing sessions and presentations are given to members by senior management and subject matter experts on key topics pertaining to the Bank, its supporting functions and general relevant topics for the banking industry.

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.

> "Effective implementation of good corporate governance practices significantly contributes to the advancement of overall company performance, fostering enduring economic growth and stability."

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.

Board committees

As per corporate governance practices and regulatory requirements, the BOD of QNB Group has established committees to assist with 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 Nomination, Remuneration, Governance and Policies Committee (GBNRGPC)
3. Group Board Audit and Compliance Committee (GBACC)
4. Group Board Risk Committee (GBRC)

Composition of the Group's BOD Committees

H.E. Mr. Ali Bin Ahmed Al Kuwari	Chairman of Board of Directors

Group Board Executive Committee

H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani	Committee Chairman
Mr. Bader Abdullah Darwish Fakhroo	Member
Mr. Adil Hassan H A Al-Jufairi	Member

Group Board Nomination, Remuneration, Governance and Policies Committee

H.E. Mr. Fahad Bin Mohammed Bin Fahad Buzwair	Committee Chairman
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	Committee Chairman
Mr. Abdulrahman Mohammed Y Jolo	Member
Mr. Ali Yousef H A Kamal	Member

Group Board Risk Committee

H.E. Mr. Mansoor Bin Ebrahim Al-Mahmoud	Committee Chairman
Mr. Bader Abdullah Darwish Fakhroo	Member
Mr. Adil Hassan H A Al-Jufairi	Member

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 policies and ensure that the remuneration of the Board of Directors, Executive Management and employees are in line with the criteria and limits set forth by QCB and Commercial Companies Law;

> monitor 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.

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.

"The Board of Directors has a vital role in overseeing the Bank's management and business strategies to achieve long-term value creation."

Board meetings

In 2023, the BOD held six 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 ten days 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 them 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	11/01/2023	07/03/2023	11/01/2023	07/03/2023	07/03/2023
2	07/03/2023	04/05/2023	12/02/2023	02/05/2023	07/05/2023
3	02/05/2023	18/06/2023	10/04/2023	20/06/2023	20/06/2023
4	20/06/2023	05/09/2023	17/05/2023	10/09/2023	14/09/2023
5	10/09/2023	21/11/2023	10/07/2023	26/11/2023	26/11/2023
6	28/11/2023		24/08/2023		
7			10/10/2023		
8			14/11/2023		
Total	**6**	**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. Moreover, the policy takes into consideration malus and clawback in circumstances where misconduct, failures or poor performance have resulted in, contributed to, or failed to prevent a loss to the business or expose it to a major risk. This policy applies to the Chairman, Board members, Senior Executive Management and employees of QNB Group.

The BOD will adhere 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 will present 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 adopted a 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 2023, 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 Article of Association, Qatar Central Bank (QCB) circular (18/2014) and Qatar Financial Markets Authority (QFMA) circular (76/2023) issued in June 2023 related to Remuneration Determination for Board of Directors in the Listed Entities. Moreover, the remuneration amount is approved by QCB and the 2024 General Assembly.

GCEO and Executive Management remuneration

Elements	In 2023
Executive Management total remuneration To attract and retain key talent through competitive market compensation and rewarding ongoing contribution to role	Salaries and other benefits: QR44.5 million End of service indemnity benefits: QR1.4 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. Four executives report directly to the GCEO:

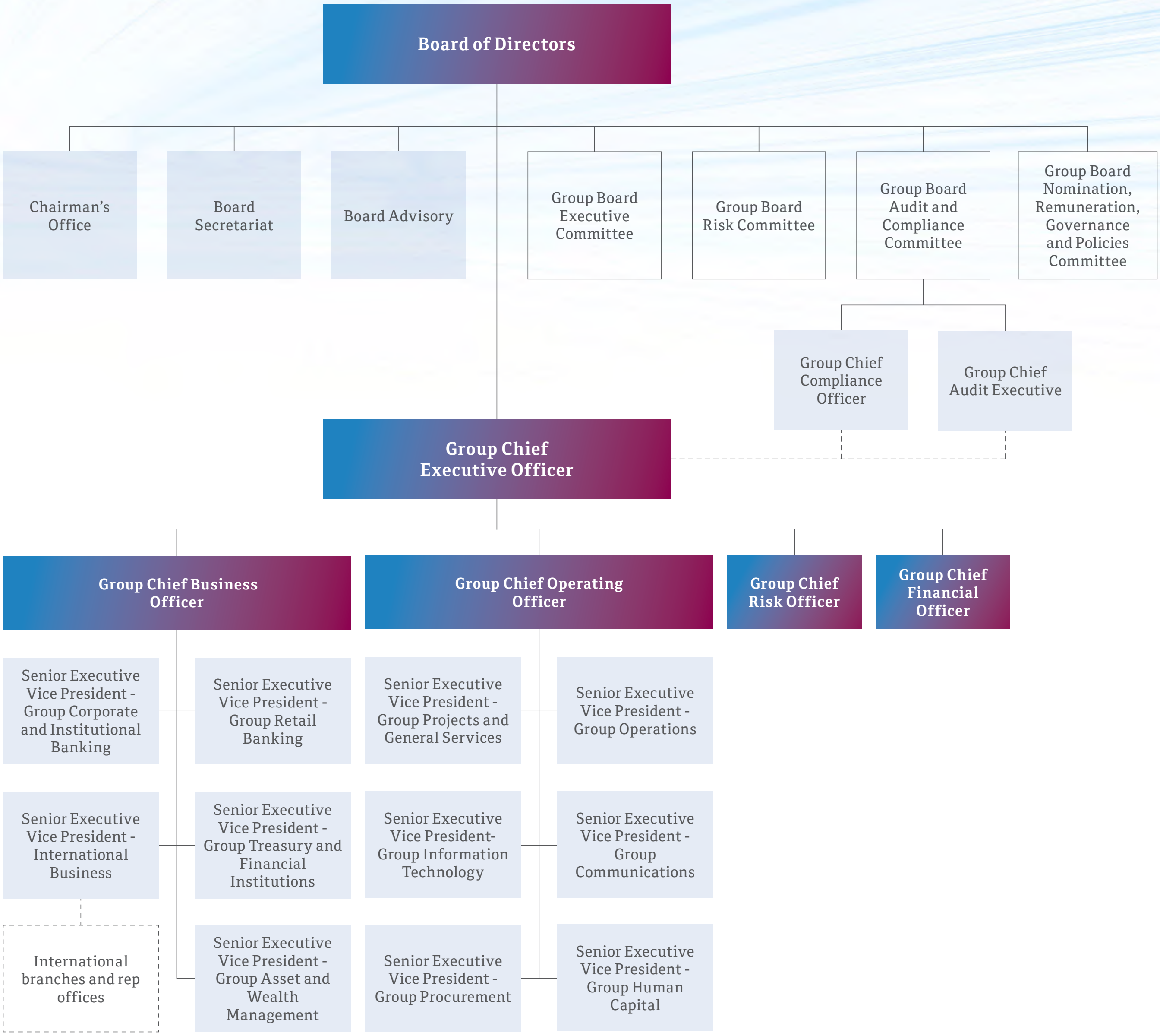
> Group Chief Business Officer (GCBO);
> Group Chief Operating Officer (GCOO);
> Group Chief Risk Officer (GCRO); and
> Group Chief Financial Officer (GCFO).

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.

QNB Group recognises that to achieve its medium and long-term strategic goals, economic growth and social well-being must occur.

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%	16%	66%	18%
GCOO	100%	20%	62%	18%
GCRO	100%	20%	62%	18%

Corporate governance *(continued)*

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

> Tier 1 'Executive Committees', the 'decision-making' committees (which include ALCO, Procurement Tender, Credit, Cyber Security, Risk, Senior Management, Strategy and Financial Recovery Management) 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) report to the parent committee in Tier 1; and

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 Division 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.

Sustained sound corporate governance practices at QNB Group

The importance of corporate governance has increased rapidly in recent times due to the international pressure placed on different economies around the world caused by volatile inflation and high interest rates along with market uncertainty. Recognizing this, QNB has ingrained international leading practices and sound corporate governance principles into its documentation infrastructure and corporate governance-related practices. The following paragraphs describe key corporate governance activities carried out during 2023 to enhance the Bank's corporate governance framework.

Performed the annual Board independency and conflict of interest assessment for 2023

During 2023, QNB conducted the annual BOD independency and conflict of interest (COI) assessment to examine both independency and assess any perceived COI situation affecting impartiality vis-à-vis independency.

Conducted the annual Board performance assessment for 2023

During 2023, QNB Group conducted the annual BOD performance assessment to measure Board effectiveness and member engagement during the year. The assessments findings showed that there was a high degree of efficiency in the operative nature of BOD decision-making, flow of information from BOD committees to the Board, committee engagement and sound BOD member behaviour.

Assessed QNB overseas branches' corporate governance structure and related practices

QNB Group updated its corporate governance guidelines for overseas branches during 2023 by including various organizing principles to help overseas branches with their management committee practices. In turn, QNB assessed overseas branches implementation of these corporate governance guidelines, working to find any apparent gaps between the guidelines and overseas branches to properly coordinate/guide them to address said gaps.

> "QNB has ingrained international leading practices and sound corporate governance principles."

Created an ethical-structured environment for disclosures

QNB maintains a robust Disclosure and Transparency Policy that governs the type of actions Group divisions must take to disclose important information for shareholders, regulators and other stakeholders timely and ethically, as to ensure disclosures are accurate and clear.

In adherence to this policy and during 2023, QNB Group used its official website to disclose all vital information such as meeting minutes, agenda and voting results following its General Assembly Meeting (GAM), the annual reports, the quarterly financial results, etc. All the information were published on a timely manner and in line with regulatory requirements and the international best practices.

Established 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.

QNB Tier 1 & 2 Committees

✓ Member
● Chairman
○ Vice-Chairman
□ Non-Voting Member
♦ Secretary/vice-secretary

	Senior Management Committee	Group Strategy Committee	Group ALCO	Group Management Risk Committee	Procurement Tender Committee	Group Cyber Security Committee	Group Credit Committee	Group IT Committee	Group Business Development Committee	Group Operations and Services Committee	Group Human Capital Committee	Group Financial Recovery Management Committee
Group Chief Executive Officer	●	●	●	●		●	●					●
Group Chief Business Officer	✓	○	✓	✓	✓	✓	✓		●			✓
Group Chief Operating Officer	✓	✓	✓	✓	✓	○		●		●	●	□
Group Chief Risk Officer	✓	✓	✓	○	●	✓	○□					○
Group Chief Financial Officer	✓	✓	○	✓	○							✓
SEVP Group Strategy	♦	✓	✓	✓				✓	✓		✓	
SEVP Group Procurement					✓							
SEVP Group Treasury and Financial Institutions			✓						✓			□♦
SEVP Group Operations								✓		○		
SEVP Group Retail Banking								✓	✓	✓	✓	
SEVP Group Corporate and Institutional Banking			✓				✓		○	✓		□
SEVP Group International Business								✓	✓	✓	✓	
SEVP Group Administration and General Services								✓		✓		
SEVP Group Asset & Wealth Management							✓		✓			
SEVP Group Human Capital											○	
EVP Domestic Corporate Banking							□					
EVP Group Credit							✓					
SVP Regional Credit*							✓✓□					
SEVP Group IT						✓		○		✓		
SEVP Group Communication									✓			
EVP Financial Strategy and Business Planning												♦
EVP Group Information Security						✓♦						
Group Chief Audit Executive				□	□	□						
Group Chief Compliance Officer				□	□							
EVP Strategy and Business Development		♦										
EVP Trading Group Treasury			♦									
EVP Group Strategic Risk Management				♦								
EVP Group Operational Risk								✓		□		
SVP IT strategy & Governance								♦				
EVP Central Operations										□		
EVP Treasury & Assets Operations										□		
EVP International Operations Affairs										□		
EVP Operations Excellence										✓		
EVP Operations Control										✓		
EVP HR Strategy & Integration											✓	
EVP HR Services											✓	
SVP International HR Integration											✓	
VP Operations Excellence										♦		
AVP Operations Excellence										♦		
AVP HR Change and Integration											♦	
Senior Staff, Group Risk							♦					
SVP Global Cash Management									♦			
SVP IT Security Operations						♦						
EVP Infrastructure Services								✓				
EVP Development and User Services								✓				
CEO, QNB Capital									✓			
Executive Secretary Group Procurement					♦							
Number of Meetings held during 2023	12	4	18	4	–	4	30	4	6	4	4	–

*There are 3 SVP Regional Credit members in this committee where two of them are voting-members while one of them is a non-voting member.

QNB's 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 the 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, and 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, 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 minimise 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.

Measuring design, implementation and operating effectiveness of internal control

For the financial year 2023, 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, 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 Group has undertaken a formal evaluation of the adequacy of the design, implementation and operating effectiveness of the system of ICOFR.

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 and Application 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 of 31 December 2023.

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

Report on the Description of the Processes and Internal Controls and Suitability of the Design, Implementation and Operating Effectiveness of Internal Controls over Financial Reporting

Introduction

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority (QFMA) Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over the Group's description of the processes and internal controls and assessment of suitability of the design, implementation and operating effectiveness of Qatar National Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together referred as the "Group") internal controls over financial reporting as at 31 December 2023 (the "Report on Internal Control over Financial Reporting").

Responsibilities of the Board of Directors and Those Charged with Governance

The Board of Directors of the Bank is responsible for preparing the Report on Internal Control over Financial Reporting that covers at the minimum the requirements of Article 4 of the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016 (the 'Code').

The Board of Directors approved the Report on Internal Control over Financial Reporting, which was shared with Ernst & Young on 11 January 2024, and to be included in the annual report of the Group, includes the following:

> the Group's assessment of the suitability of design, implementation and operating effectiveness of internal control framework over financial reporting;

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

> the control objectives; identifying the risks that threaten the achievement of the control objectives;

> designing and implementing controls that are operating effectively to achieve the stated control objectives; and

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

The Board of Directors is responsible for establishing and maintaining internal financial controls based on the criteria of framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO framework").

These responsibilities include the design, implementation, operation and maintenance of adequate internal financial controls that if operating effectively would ensure the orderly and efficient conduct of its business, including:

> adherence to Bank's policies;

> the safeguarding of its assets;

> the prevention and detection of frauds and errors;

> the accuracy and completeness of the accounting records;

> the timely preparation of reliable financial information; and

> compliance with applicable laws and regulations, including the QFMA's law and relevant legislations and the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016.

Our Responsibilities

Our responsibilities are to express a reasonable assurance opinion on the fairness of the presentation of the " Group's report" on the description and on the suitability of the design, implementation and operating effectiveness of the Bank's internal controls over financial reporting of Significant Processes" presented in the Report on Internal Control over Financial Reporting to achieve the related control objectives stated in that description based on our assurance procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB'). This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Group's description of the processes and internal controls over financial reporting is fairly presented and the internal controls were suitably designed, implemented and operating effectively, in all material respects, to achieve the related control objectives stated in the description.

An assurance engagement to issue a reasonable assurance opinion on the description of the processes and internal controls and the design, implementation and operating effectiveness of internal controls over financial reporting at an organization involves performing procedures to obtain evidence about the fairness of the presentation of the description of the processes and internal controls and the suitability of design, implementation and operating effectiveness of the controls. Our procedures on internal controls over financial reporting included, for all significant processes:

> obtaining an understanding of internal controls over financial reporting for all significant processes;

> assessing the risk that a material weakness exists; and

> testing and evaluating the design, implementation and operating effectiveness of internal control based on the assessed risk.

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to affect the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: 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 and Application Controls, and Disclosure Controls.

In carrying out our engagement, we obtained understanding of the following components of the internal control system:

1. Control Environment
   > Integrity and Ethical Values
   > Commitment to Competence
   > Board of Directors and Audit Committee
   > Management's Philosophy and Operating Style
   > Organizational Structure
   > Assignment of Authority and Responsibility
   > Human Resource Policies and Procedures
2. Risk Assessment
   > Bank-wide Objectives
   > Process-level Objectives
   > Risk Identification and Analysis
   > Managing Change
3. Control Activities
   > Policies and Procedures
   > Security (Application and Network)
   > Application Change Management
   > Business Continuity/Backups
   > Outsourcing
4. Information and Communication
   > Quality of Information
   > Effectiveness of Communication
5. Monitoring
   > Ongoing Monitoring
   > Separate Evaluations
   > Reporting Deficiencies

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the suitability of design, implementation and operating effectiveness, whether due to fraud or error. Our procedures also included assessing the risks that the Group's description of the processes and internal controls is not fairly presented and that the controls were not suitably designed, implemented and operating effectively to achieve the related control objectives stated in the Report on Internal Control over Financial Reporting.

An assurance engagement of this type also includes evaluating the Group's assessment of the suitability of the control objectives stated therein. It further includes performing such other procedures as considered necessary in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on the Bank's internal control system over financial reporting.

Meaning of Internal Controls over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. An entity's internal control over financial reporting includes those policies and procedures that:

1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;
2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of the management of the entity; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements, which would reasonably be expected to impact the decisions of the users of financial statements.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

Because of the inherent limitations of internal controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Therefore, internal controls over financial reporting 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.

In addition, projections of any evaluation of the internal controls over financial reporting to future periods are subject to the risk that the internal control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Furthermore, the controls activities designed, implemented and operated during the period covered by our assurance report will not have retrospectively remedied any weaknesses or deficiencies that existed in relation to the internal controls over financial reporting prior to the date those controls were placed in operation.

Many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain audit trail. It is also noticeable that the design of compliance procedures would follow best practices that vary from one entity to another and from one country to another, which do not form a clear set of criteria to compare with.

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

Our Independence and Quality Control

In carrying out our work, 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) issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm also applies International Standard on *Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information to be included in the Bank's Annual Report 2023 which are expected to be made available to us after the date of this report. The Report on Internal Control over Financial Reporting and our reasonable assurance report thereon will be included in the Annual Report 2023.

Our conclusion on the Report on Internal Control over Financial Reporting does not cover the other information and we do not and will not express any form of assurance conclusion thereon. We have been engaged by the Bank to provide a separate limited assurance report on the Group's assessment on compliance with the Qatar Financial Markets Authority's Law and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority (QFMA) Board pursuant to Decision No. (5) of 2016, to be included within the Corporate Governance Report 2023.

In connection with our engagement on the Report on Internal Control over Financial Reporting, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Report on Internal Control over Financial Reporting or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete Annual Report 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Conclusions

In our opinion, based on the results of our reasonable assurance procedures:

a) the Report on Internal Control over Financial Reporting fairly presents the Group's system that had been designed as at 31 December 2023; and

b) the controls related to the control objectives were suitably designed, implemented and operating effectively as at 31 December 2023,

in all material respects, based on the COSO framework.

21 January 2024	Ziad Nader
Doha	of Ernst and Young
State of Qatar	Auditor's Registration No. 258

The Board of Directors is responsible for establishing and maintaining internal financial controls based on the criteria of the COSO framework.

Compliance

We remain committed to strengthening our compliance function within an ever-changing regulatory landscape using a myriad of tools and mechanisms.

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, and misinterpretation of facts.

> "QNB Group's compliance function has a pivotal role in aligning the Bank's operations with the regulations and fulfills various key commitments made to shareholders, depositors and other stakeholders."

QNB Group has a number of policies established to reinforce the spirit of compliance and maintain good governance. The following represents some these key policies:

- Group Board Policy;
- Anti-Bribery and Corruption (ABC) Policy;
- Conflict of Interest and Insider Dealing Policy;
- Whistleblowing Policy;
- Transparency and Disclosure Policy;
- AML and CTF Policy;
- Know Your Customer (KYC) Policy;
- Stakeholders' Rights Policy;
- Fraud Control Policy;
- Data Protection Policy;
- Code of Conduct (Ethics);
- ICOFR;
- Third Party Risk Management;
- Procurement and Supplier Management Policy;
- Management Succession;
- 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 to 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 a robust Anti-Money Laundering and Combating Terrorist Financing (AML/CTF) framework maintained under Group Compliance division to combat, detect and escalate financial crimes and corruption in its many forms.

In 2023, FATF issued assessment reports on the State of Qatar, where QNB Group received positive feedback from local regulatory authorities. According to FATF, Qatar has a good overall understanding of threats associated with money laundering and terrorism financing (ML/TF). Qatar's national risk assessment (NRA) evaluated major proceeds-generating crimes and ML/TF channels using an effective methodology, and the country's AML/CTF framework is considered robust, complying with the FATF Standards.

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

QNB Group's ABC Framework is comprised of two mutually reinforcing principles, the Anti-Bribery & Corruption Policy, which governs ethical behaviour and assigns roles and responsibilities to all QNB employees, and, the Anti-Bribery & Corruption assessment programme, which aims to deter, detect, and prevent bribery and corrupt payments across the Group. During 2023, QNB Group refreshed its Anti-Bribery and Corruption (ABC) self-assessment programme.

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 compliance function 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 strong compliance culture is disseminated across QNB Group through various initiatives such as policies and procedures, circulars, staff training and awareness sessions.

Compliance *(continued)*

International 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 programmes imposed by UN, EU, US and UKHMT in order to avoid disrupting customer service or jeopardizing QNB's strong market reputation.

Robust fraud control framework

QNB Group has established a comprehensive fraud control framework, programme and investigative capabilities demonstrating the expectations of the Board of Directors and Executive Management and their commitment toward high integrity and ethical values regarding fraud risk management.

The Group's compliance function 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.

> "QNB Group relies on a strong compliance function to uphold a professional regulatory framework and safeguard its reputation effectively."

Automatic exchange of tax information requirements

The Group facilitates the exchange of tax-related data with the relevant regulatory bodies, as it recognises that banks play an important role in furthering tax transparency in a more global scale. Therefore, we worked to ensure that FATCA 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 compliance function validates that we have adequate measures that combat tax evasion. In 2023, 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 FATCA 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 internal control framework. 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 ICOFR into its business processes.

In 2023, we successfully implemented an automated Compliance Management and Internal Control System to monitor and record compliance with all relevant regulatory risks and requirements, which enhanced the internal control efficiency.

Global data protection and privacy programme

QNB recognises that complex data protection laws and regulations may affect its operations. Therefore, the Group places a strong emphasis on protecting the personal data of its customers, depositors and various stakeholders as doing so is of paramount importance.

In 2023, we integrated machine learning and AI technologies in our data privacy systems, facilitating stronger controls and the automation of privacy tasks. We have also incorporated AI regulations into our current roles and responsibilities to validate the impact of AI on the privacy of QNB's data subjects.

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 QFC in addition to the FATF recommendation. In 2023, QNB Group exerted extensive efforts to ensure that all necessary regulatory actions and State of Qatar directives and recommendations were appropriately implemented.

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

Compliance training and awareness programmes cover all of the important aspects to ensure employees are aware of the compliance, regulatory and reputational risks faced by the Group.

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 used various supervision and monitoring tools and systems to examine overseas entities' compliance activities and ensure that their practices remain in compliance with QNB Head Office and with their own regulatory environment.

In line with QNB's strategies and the annual compliance plan, the Group's compliance function conducted governance and regulatory compliance offsite / onsite reviews on overseas branches, including both large international subsidiaries and small and medium subsidiaries. This is part of our plan to ensure that overseas entities have complied with applicable laws, regulations and standards.

> "The Group's compliance function continues to embrace more innovative systems, solutions and mechanisms to strengthen the internal control environment established at QNB's overseas entities."

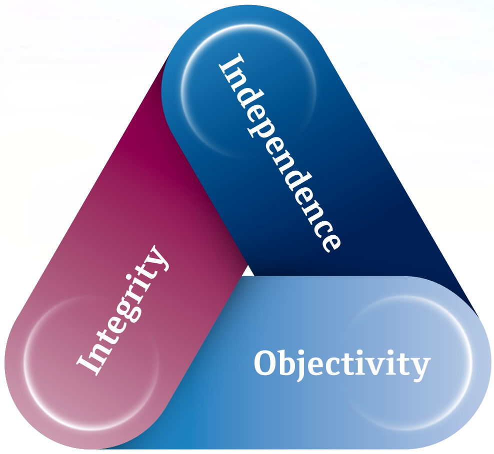
Internal audit

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

The Group's internal audit function was established by the BOD to provide an independent and objective assurance on the adequacy and effectiveness of governance, risk management and internal control processes implemented by management. This is a critical component to help the BOD protect the assets, reputation and sustainability of the Group. 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.

> "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."

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.



QNB Group, through an effective Three Lines of Defence model, identifies and remediates any potential risks on an ongoing basis. Continuous improvement is part of our DNA and is reflected in our business-as-usual approach. This ensures the effective management of risks throughout the whole business lifecycle.

Our responsibility, scope and approach

The principal responsibility of QNB's internal audit function is to evaluate the adequacy and effectiveness of the governance, risk management systems and internal controls implemented by the Group. We also assess whether any risks that may hinder the Group from achieving its objectives are adequately evaluated, managed and controlled. Our internal audit function provides a risk-based and objective assurance, advice and insight to enhance and protect our organizational values and assist the Group's Executive Management to achieve its objectives.

Continual professional development

QNB's internal audit team members regularly improve their expertise, knowledge and skills through continued professional education.

Quality assurance and improvement programme

QNB's internal audit team has an established quality assurance and improvement programme covering all aspects of internal audit.

Resource management

QNB's internal audit team is resourced adequately with the right skills to achieve the approved plan.

Risk management and process enhancement

QNB's internal audit team contributes to the risk management and internal control improvement.

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 and to stay abreast of the impact of emerging developments including digitalisation and increase in adoption of technology by the financial industry. 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 IPPF issued by the IIA and the Basel Committee recommendations and other leading standards. Under the IPPF, a qualified, independent assessor must conduct an external quality assessment of an internal audit activity at least once every five years. This assurance was provided in 2023, when an external party conducted a comprehensive quality assessment. This certified that we conform to the Standards and the IIA Code of Ethics.

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 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's 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, emerging risks and the internal control framework and assurance structure;

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

> key IT and security risks and controls.

Our achievements and highlights of 2023

Our internal audit function continued to support the Bank to navigate through challenging environments, such as increasing interest rates and hyperinflation in some of our operating markets. In light of the effects and uncertainties caused by hyperinflation, this year we established a new risk-based annual audit approach. This approach allowed us to effectively monitor and assure our controls and processes when dealing with hyperinflationary markets. We also considered the impact of rising interest rates on our loan portfolio and customer deposits.

We performed an internal quality assurance review to reconfirm the Bank's continuous adherence to the IIA standards and code of ethics. The review programme was also implemented across our subsidiaries. The findings of the external and internal assessments were presented to the GBACC and to the respective audit committees in our subsidiaries along with the actions required to ensure full conformance with said standards.

We also 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), outsourcing arrangements, cybersecurity, risks associated with implementation of technology 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, as well as the scope of coverage through further training and continued to implement the baseline testing programme.

Internal audit *(continued)*

In 2023, QNB reviewed the organisational structure and staff job descriptions of the internal audit function to ensure that it is adequately resourced in line with regulatory requirements, standards and best practice. The Group's internal audit organisational structure was expanded through the creation of a new quality assurance section, thus ensuring continuous quality improvement and further supporting the fulfilment of our audit objectives. We also created a new team that focuses on digital audit to assist the Bank in its journey for digital acceleration. The new team will focus on providing assurance and giving insights on risks, control design and effectiveness on the digital space.

We also performed an assessment of the governance and oversight model implemented by the Head Office support functions over international branches and international subsidiaries, helping us 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.

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

> implementation of a new software solution for the management of key aspects of the internal audit process including risk assessment, planning, documentation, reporting and follow-up;

> improvement of an agile audit approach for responding to urgent audit coverage needs while ensuring audit quality;

> enhancement of our stakeholder engagement by revamping our audit follow-up process, including the introduction of informative and insightful dashboards;

> 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;

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

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

Evolving our digital 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 recognised frameworks such as ITAF (ISACA Professional Practices Framework for IS Audit/Assurance) and COBIT.

"We do our part in making our communities safer through a continuous review of the Bank's systems and processes implemented to combat financial crime."

Our part in fighting financial crime

We do our part in making our communities safer through a continuous review of the Bank's systems and processes implemented to combat financial crime, including AML, terrorism financing, tax evasion and other laws and regulations that apply. Such reviews span through QNB's network and subsidiaries. We have expanded the resources involved in performing these reviews.

Environmental, Social and Governance

We recognise the importance of ESG disclosures and the quality of data underpinning it. In 2023, we held awareness sessions for staff to be able to embed the ESG drivers in the scope of their audits. We aim to continue to update our audit approach in line with the developments and maturity of ESG programmes in the Bank and overall banking industry.

Focus of our future activities for internal audit

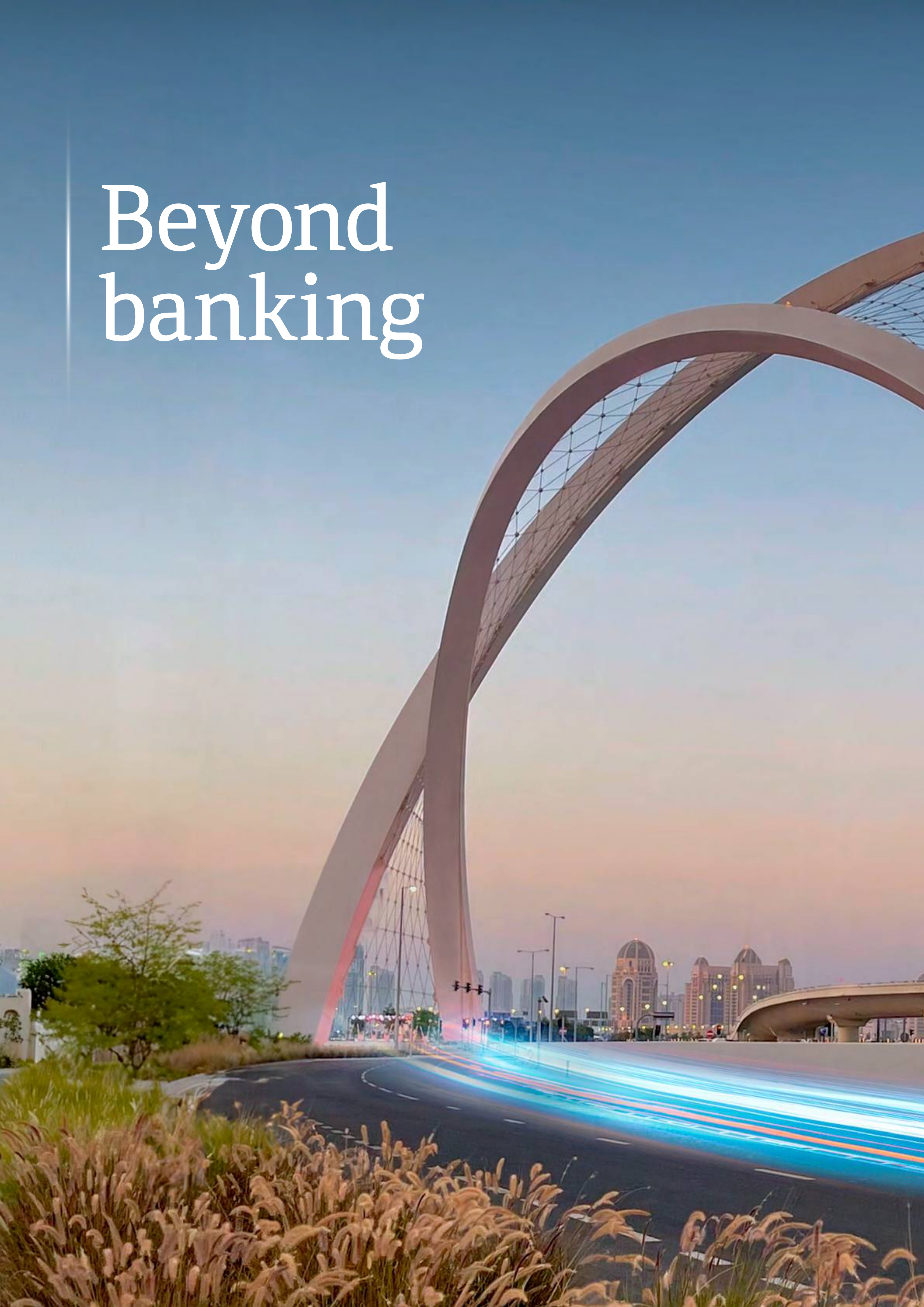
In 2024, we aim to stay current with the rapidly-changing business and regulatory environment by continuing to focus on regulatory change programmes, such as the Basel III reforms, and other prudential regime requirements, such as capital adequacy and risk assessment, financial crime, fraud risk management and cybersecurity. This will help us anticipate new risks, provide advice and help to accelerate positive change.

We will continue to invest in developing our digital and cloud audit capabilities in line with the Bank's digital strategy and aspirations. This includes focusing on governance, regulatory and cybersecurity. Data-driven audit will be a strategic theme next year, where we will be further embedding data in the culture of our audits to bring better value and coverage to our stakeholders.

Regarding our methodology and tools, next year we aim to optimise the utilization of our newly implemented audit management system to improve the effectiveness of our audit practices.

QNB Group's internal audit function provides our stakeholders with a mix of assurance and advisory services.

Beyond banking



The Bank's CSR activities are centred on our ability to foster opportunities for individuals, corporates and communities.

Beyond banking – Corporate Social Responsibility

We are uniquely positioned to create a positive impact on our society.

Awards

🏆 **The best bank in corporate social responsibility (CSR) in Qatar**
> Qatar CSR Summit 2023

Thriving together goes beyond banking and business. 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.

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 31,000 people across the QNB Group. We are committed to attracting and retaining the very best talent, with more than 87 nationalities working in over 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 94% and the number of women employed is above 42%.

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. Our staff graciously donate their time and expertise on dozens of initiatives from simple fundraising and keep-clean rallies, to coaching and education sessions on basics of finance and money management. 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.

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.

Society and humanitarian affairs

Social and humanitarian work is material to our wider CSR engagement. Communities, corporates and individuals are all the direct recipients of our commitment to build a better society.

This year, we collaborated with Hamad Medical Corporation, sponsoring and organising a Ramadan Iftar for elderly patients and their families at "Daam" Specialized Care Centre and a buffet event on World Alzheimer's Day in support of Alzheimer patients and their families.

> "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."

In addition, we provided support for the "Eid outfit" campaign for people with disabilities, in cooperation with the Qatar Society for the Rehabilitation of Special Needs.

As a further commitment to be a leading innovative supporter of SMEs beyond the direct boundaries of financial services, QNB ALAHLI renewed for another year its sponsorship of the creative design Incubator hub at Nile University under the CBE's "NilePreneurs" initiative. 37 startups were selected under the themes of "Creative products & furniture design" and "Reviving culture and heritage, sustainable product design". Moreover, we also launched another programme in Egypt dedicated to women in business, aiming to facilitate their access to banking services and meet their business and personal needs, with a wide range of banking and non-banking products.

Finally, as we strive to spread the CSR subject to different audiences across the society, we were the Official Sponsor of Qatar CSR Summit 2023 hosted by Qatar University. This represented a valuable opportunity for us to discuss international guidelines and best practices for the development of corporate policies towards social responsibility.

Health and environment

Thriving communities are a reflection of the wellbeing of people and their environment. For this reason, we believe that promoting healthcare and healthy behaviours, as well as the protection of the environment, are key for our social responsibility mandate. This year, we supported different initiatives across the geographies where we operate.

In Qatar, we sponsored significant events that promoted and elevated the importance of sustainability for the country and the wider society. We were the strategic banking partner of Expo 2023 Doha Qatar™, the first International Horticultural Exhibition in MENA. Under the theme of "Green Desert, Better Environment", the event promoted sustainable practices and brought awareness to the global challenges associated with the environment.

QNB's CSR activities were recognised by being awarded "The best bank in corporate social responsibility (CSR) in Qatar".

Beyond banking – Corporate Social Responsibility
(continued)

We were the strategic banking partner of Expo 2023 Doha Qatar™.

We were Gold Sponsor of Tarsheed 2023, a competition launched by Qatar General Electricity and Water Corporation (Kahramaa) to generate innovative ideas for the adoption of best practices to rationalise energy and water consumption. As the strategic sponsor of the Ministry of Transport's "Sustainable Transportation Legacy for Generations Conference & Exhibition", QNB attended the event with its own pavilion, leveraged as a unique platform to display our achievements in contributing to sustainable growth, in line with the Qatar National Vision 2030 and the UN Sustainable Development Goals.

To further leverage the strong sense of social responsibility of our people, we organised our annual blood donation campaign for our employees in cooperation with Hamad Medical Corporation's Blood Donor Centre. Similarly, QNB Tunisia sponsored a Blood Donation Day in cooperation with the National Centre of Blood Transfusion.

In Egypt, building on strong relationships with key local entities, QNB ALAHLI continued its support to the healthcare system by both donating medical equipment and funding the establishment of medical units in public and university hospitals.

Youth and education

QNB is fully aware that the development of a knowledge-based economy and society is built on a strong foundation of a holistic education and financial literacy. 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.

The Future Assets Programme broadened students' knowledge about the financial sector.

Our staff graciously donate their time and expertise on dozens of initiatives.

This year, we organised the Future Assets Programme, in partnership with Qatar Finance and Business Academy (QFBA), an initiative aimed to broaden high school students and graduates' knowledge about the financial sector. During the one-week programme, we offered a special opportunity for the students to visit our offices, where they not only learned about our business and operations, but were also informed about our scholarship opportunities.

> "Our traditions and culture shape who we are and what we want to become."

Furthermore, QNB was the Diamond Sponsor of QFBA's Kawader 2023 Graduates Programme, aimed to professionally empower Qatari nationals who have recently graduated or who have recently joined the labour market in the fields of finance and business.

In Egypt, QNB ALAHLI activities focused on facilitating access to education of young people, through the renovation of two schools in the Dakahlia Governorate in partnership with local associations. Moreover, we collaborated again with the EBRD in the "Youth in Business" programme, offering young entrepreneurs access to critically-needed financing and technical assistance to grow their micro and small businesses.

Arts and culture

QNB firmly believes that 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.

In a way to promote cultural awareness within QNB, we organised a staff arts competition where the winners were awarded with a sustainable staff tote bag printed with their art designs. During the holy month of Ramadan, we also distributed bags made of eco-friendly and sustainable materials to celebrate the Garangao night. For the same occasion, we visited children with special needs at Al Shafallah centre.

In 2023, we continued our partnership with the "edutainment" city of Kidzania in Doha, where we organised the "Sustainability Arts Summer Camp" as part of an initiative designed to engage children in creative sustainability practices connected to their everyday lives.

Sport

Sport bridges the gap between social, economic and human development. Following a crucial year for sports in Qatar, where we were the Official Middle East and Africa Supporter of the FIFA World Cup 2022™, in 2023 we proudly continued our contribution to the sector through strategic initiatives.

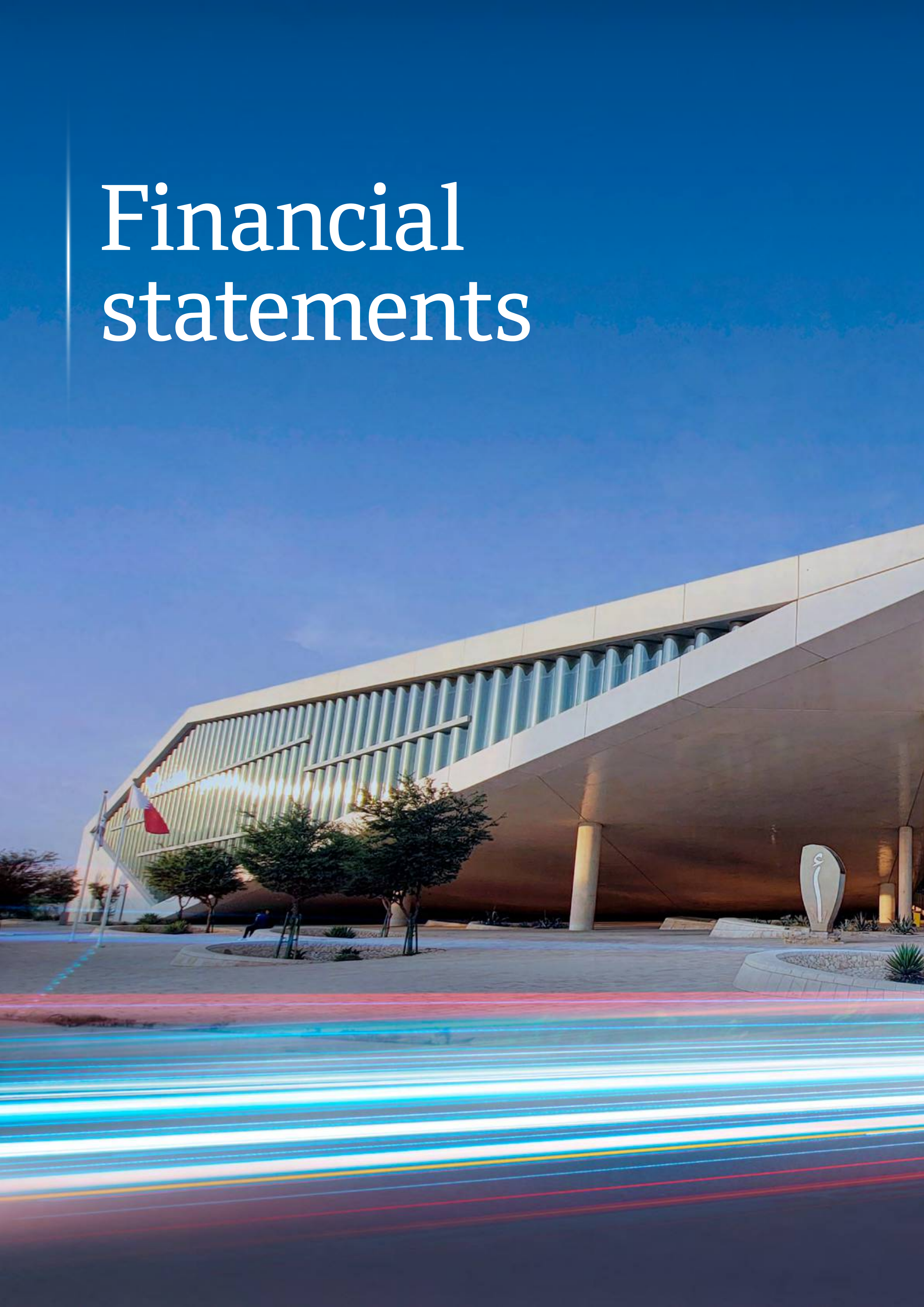
Paying respect to the role that sport has within the Qatar's culture and history, we confirmed again our partnership with important competitions that celebrate the local sport heritage, such as the H.H. The Amir Sword Festival, organised by The Qatar Racing and Equestrian Club.

QNB also sponsored international events that took place in Qatar, supporting the position of the country as a prime destination for the professional sport community. Specifically, we were the Gold Sponsor of the two flagship tennis tournaments in the country, the Qatar TotalEnergies Open 2023 and the Qatar ExxonMobil Open 2023. We have also sponsored the H.H. the Amir Cup 2023 for Football by QFA.

Believing that sport can play a significant role in uplifting a community's well-being and enhance inclusion, QNB partnered with Qatar Paralympic Committee during the West Asian Goalball Championship for the blind to empower people with special needs. Furthermore, we sponsored the Be Aktive event at Kidzania and We Run Doha organised by PSG, supporting efforts to elevate sport participation from the local communities, starting especially from the young people. Similarly, we organised padel and football tournaments for our staff in celebration of Qatar National Sport Day, and the QNB football team participated in the Banks and Financial Institutions Championship hosted by Aspire Academy.

We confirmed again our partnership with important competitions that celebrate the local sport heritage, such as the H.H. The Amir Sword Festival.

Financial statements



Our performance and growth was driven by strong governance, strategy, leadership and disciplined execution.

Building a better working world

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

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor, whose audit report dated 17 January 2023, expressed an unmodified audit opinion on those consolidated financial statements.

Key audit matters

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

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

Qatar National Bank (Q.P.S.C.)
Independent auditors' report
To the shareholders of Qatar National Bank (Q.P.S.C.)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	

At 31 December 2023, the Group reported total gross loans and advances of QR 870 billion (2022: QR 825 billion) and QR 34.2 billion of expected credit loss provisions (ECL) (2022: QR 29.8 billion), comprising QR 7.8 billion of ECL against Stage 1 and 2 exposures (2022: QR 6.5 billion) and QR 26.3 billion against exposures classified under Stage 3 (2022: QR 23.3 billion).
 	
The process of estimating Expected Credit Losses (ECL) on credit risk associated with loans and advances in accordance with IFRS 9 Financial instruments (IFRS 9) involves use of complex models, significant management judgement and is subject to a high degree of estimation uncertainty. Considering this and the significance of the balances described above, it has been considered as a key audit matter.
 	
Notes 4(b) and 10 to the consolidated financial statements provide details of material accounting policies and more details about the loans and advances and the related ECL.
	Our audit procedures included the following, among others:
	
	• Evaluated the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, our business understanding, and industry practice.
	
	• Considered, assessed and tested relevant controls over credit initiation, monitoring and settlement, and those relating to the calculation of impairment allowances.
	
	• Involved our internal specialist to assess the reasonableness of the ECL methodology including model risk parameters and challenge the significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates including any impact of the economic uncertainties.
	
	• We have checked the completeness of the data used as input for the ECL model and the mathematical accuracy through the modelling processes.
	
	• For a sample of exposures, we performed procedures to evaluate:
	  • correctness of exposure at default and appropriateness of probability of default and loss given default in the calculation of ECL;
	  • timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and
	  the ECL calculation.

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers (continued)	
	• Assessed the impairment allowance for individually impaired loans and advances (stage 3) in accordance with IFRS 9. • Assessed the disclosures included in the consolidated financial statements and assessed their compliance with the requirements of IFRS.

Other information
Other information consists of the information included in the Group's annual report (the "Annual Report"), other than the Group's consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Qatar National Bank (Q.P.S.C.)
Independent auditors' report
To the shareholders of Qatar National Bank (Q.P.S.C.)

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

Building a better working world

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ziad Nader
of Ernst & Young
Qatar Auditors Registry Number 258

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Doha - State of Qatar
Date: 21 January 2024

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Financial Position
As at 31 December 2023

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2023	2022
ASSETS			
Cash and balances with central banks	8	87,820,365	91,563,936
Due from banks	9	86,476,920	96,259,687
Loans and advances to customers	10	852,987,250	807,601,336
Investment securities	11	172,732,325	159,913,041
Investments in associates	12	7,849,360	7,902,221
Property and equipment	13	6,713,427	6,941,495
Intangible assets	14	2,642,601	3,178,417
Other assets	15	13,762,765	15,858,879
Total assets		**1,230,985,013**	**1,189,219,012**
LIABILITIES			
Due to banks	16	156,991,401	142,814,699
Customer deposits	17	857,106,277	842,278,655
Debt securities	18	36,288,867	35,152,720
Other borrowings	19	29,400,073	25,593,253
Other liabilities	20	40,991,301	37,322,900
Total liabilities		**1,120,777,919**	**1,083,162,227**
EQUITY			
Issued capital	22	9,236,429	9,236,429
Legal reserve	22	25,326,037	25,326,037
Risk reserve	22	12,000,000	11,000,000
Fair value reserve	22	(587,777)	890,129
Foreign currency translation reserve	22	(29,157,890)	(26,833,105)
Other reserves	22	(820,506)	(381,451)
Retained earnings	22	73,102,343	65,848,784
Total equity attributable to equity holders of the bank		**89,098,636**	**85,086,823**
Non–controlling interests	23	1,108,458	969,962
Instruments eligible for additional Tier 1 Capital	24	20,000,000	20,000,000
Total equity		**110,207,094**	**106,056,785**
Total liabilities and equity		**1,230,985,013**	**1,189,219,012**

These consolidated financial statements were approved by the Board of Directors on 11 January 2024 and were signed on its behalf by:

Ali Bin Ahmed Al-Kuwari
Chairman of the Board of Directors

Abdulla Mubarak Al-Khalifa
Group Chief Executive Officer

The attached notes 1 to 40 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 2023

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2023	2022
Interest income	25	97,133,328	59,671,733
Interest expense	26	(66,716,288)	(30,807,135)
Net interest income		**30,417,040**	**28,864,598**
Fee and commission income	27	6,299,126	4,824,073
Fee and commission expense		(2,518,224)	(1,449,655)
Net fee and commission income		**3,780,902**	**3,374,418**
Net foreign exchange gain	28	3,332,022	1,871,625
Income from investment securities	29	484,256	369,859
Other operating income		462,884	79,827
Operating income		**38,477,104**	**34,560,327**
Staff expenses	30	(4,108,382)	(3,643,564)
Depreciation	13	(660,050)	(624,388)
Other expenses	31	(3,044,632)	(2,656,265)
Net ECL / impairment losses on loans and advances to customers	10	(8,691,980)	(8,785,090)
Net ECL / impairment losses on investment securities		(23,521)	(62,057)
Net ECL / impairment losses on other financial assets		(937,611)	(296,761)
Amortisation of intangible assets		(132,569)	(77,546)
Other provisions		(59,830)	(45,227)
		(17,658,575)	**(16,190,898)**
Share of results of associates	12	646,384	544,199
Profit before income taxes and net monetary loss arising from hyperinflation		**21,464,913**	**18,913,628**
Income tax expense	32	(2,296,519)	(2,719,245)
Profit before net monetary loss arising from hyperinflation		**19,168,394**	**16,194,383**
Net monetary loss arising from hyperinflation		(3,503,094)	(1,745,116)
Profit for the year		**15,665,300**	**14,449,267**
Attributable to:			
Equity holders of the Bank		15,511,337	14,348,860
Non–controlling interests		153,963	100,407
Profit for the year		**15,665,300**	**14,449,267**
Basic and diluted earnings per share (QR)	33	1.55	1.44

The attached notes 1 to 40 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 2023

(All amounts are shown in thousands of Qatari Riyals)

	2023	2022
Profit for the year	**15,665,300**	**14,449,267**
Other comprehensive income that is or may be reclassified to the consolidated income statement in subsequent periods:		
Foreign currency translation differences for foreign operations	(4,849,983)	(7,373,195)
Share of other comprehensive income of associates	(439,718)	(428,674)
Effective portion of changes in fair value of cash flow hedges	(571,322)	1,168,493
Effective portion of changes in fair value of net investment in foreign operation	(165,428)	518,864
Investments in debt instruments measured at FVOCI		
– Net change in fair value	(139,086)	419,030
– Net amount transferred to income statement	(39,988)	(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	(569,331)	(42,681)
Effects of hyperinflation	2,494,032	3,938,484
Total other comprehensive loss for the year, net of income tax	**(4,280,824)**	**(1,804,176)**
Total comprehensive income for the year	**11,384,476**	**12,645,091**
Attributable to:		
Equity holders of the Bank	11,269,591	12,761,554
Non–controlling interests	114,885	(116,463)
Total comprehensive income for the year	**11,384,476**	**12,645,091**

The attached notes 1 to 40 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 2023
(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 2023	9,236,429	25,326,037	11,000,000	890,129
Total comprehensive income for the year				
Profit for the year	–	–	–	–
Total other comprehensive loss	–	–	–	(1,477,906)
Total comprehensive income for the year	**–**	**–**	**–**	**(1,477,906)**
Transfer to risk reserve	–	–	1,000,000	–
Transfer to social and sports fund	–	–	–	–
Transactions recognised directly in equity				
Dividend for the year 2022 (note 22)	–	–	–	–
Dividend appropriation for instruments eligible for additional capital	–	–	–	–
Other movements	–	–	–	–
Total transactions recognised directly in equity	–	**–**	**–**	**–**
Balance at 31 December 2023	**9,236,429**	**25,326,037**	**12,000,000**	**(587,777)**
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	–	–	–	–
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**

The attached notes 1 to 40 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
	(26,833,105)	(381,451)	65,848,784	85,086,823	969,962	20,000,000	106,056,785
	–	–	15,511,337	15,511,337	153,963	–	15,665,300
	(2,324,785)	(439,055)	–	(4,241,746)	(39,078)	–	(4,280,824)
	(2,324,785)	**(439,055)**	**15,511,337**	**11,269,591**	**114,885**	**–**	**11,384,476**
	–	–	(1,000,000)	–	–	–	–
	–	–	(294,911)	(294,911)	–	–	(294,911)
	–	–	(5,541,857)	(5,541,857)	–	–	(5,541,857)
	–	–	(1,150,000)	(1,150,000)	–	–	(1,150,000)
	–	–	(271,010)	(271,010)	23,611	–	(247,399)
	–	**–**	**(6,962,867)**	**(6,962,867)**	**23,611**	**–**	**(6,939,256)**
	(29,157,890)	**(820,506)**	**73,102,343**	**89,098,636**	**1,108,458**	**20,000,000**	**110,207,094**
	(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**

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Cash Flows
For the year ended 31 December 2023

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2023	2022
Cash flows from operating activities			
Profit before income taxes		17,961,819	17,168,512
Adjustments for:			
Interest income	25	(97,133,328)	(59,671,733)
Interest expense	26	66,716,288	30,807,135
Depreciation	13	660,050	624,388
Net ECL / impairment losses on loans and advances to customers	10	8,691,980	8,785,090
Net ECL / impairment losses on investment securities		23,521	62,057
Net ECL / impairment losses on other financial assets		937,611	296,761
Other provisions	21	126,553	122,095
Dividend income	29	(107,412)	(55,285)
Net gain on sale of property and equipment		(41,166)	(6,919)
Net gain on sale of investment securities	29	(280,756)	(265,986)
Amortisation of intangible assets		132,569	77,546
Net amortisation of premium or discount on investments		(6,202,390)	(3,351,819)
Net share of results of associates	12	(473,347)	(370,978)
Net monetary loss arising from hyperinflation		3,503,094	1,745,116
		(5,484,914)	**(4,034,020)**
Changes in:			
Due from banks		(135,741)	583,859
Loans and advances to customers		(82,454,092)	(83,925,088)
Other assets		(3,536,405)	(31,078,344)
Due to banks		17,038,038	35,275,224
Customer deposits		44,976,013	111,275,723
Other liabilities		2,701,078	6,553,034
Cash (used in) / from operations		**(26,896,023)**	**34,650,388**
Interest received		90,063,723	53,620,058
Interest paid		(59,178,859)	(26,824,083)
Dividends received		107,412	55,285
Income tax paid		(2,553,677)	(2,314,547)
Other provisions paid	21	(77,216)	(68,487)
Net cash from operating activities		**1,465,360**	**59,118,614**
Cash flows from investing activities			
Acquisition of investment securities		(193,983,510)	(89,976,146)
Proceeds from sale / redemption of investment securities		177,496,441	65,297,786
Additions to property and equipment	13	(1,243,961)	(1,335,072)
Proceeds from disposal of property and equipment		79,450	119,201
Net cash used in investing activities		**(17,651,580)**	**(25,894,231)**
Cash flows from financing activities			
Payment of coupon on instruments eligible for additional Tier 1 Capital		(1,082,917)	(1,000,000)
Proceeds from issuance of debt securities	18	3,685,243	1,591,695
Repayment of debt securities	18	(2,261,848)	(5,739,025)
Proceeds from issuance of other borrowings	19	7,987,291	4,167,335
Repayment of other borrowings	19	(3,472,552)	(3,558,972)
Payment of lease liabilities		(203,591)	(192,591)
Dividends paid		(5,540,393)	(5,079,312)
Net cash used in financing activities		**(888,767)**	**(9,810,870)**
Net (decrease) / increase in cash and cash equivalents		**(17,074,987)**	**23,413,513**
Effects of exchange rate fluctuations on cash held		(2,110,827)	(2,760,347)
Cash and cash equivalents at 1 January		127,313,626	106,660,460
Cash and cash equivalents at 31 December	39	**108,127,812**	**127,313,626**

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023

(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	95.6
QNB Financial Services	Qatar	2011	100
Al–Mansour Investment Bank	Iraq	2012	54.2
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(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.

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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 Loss (ECL) or impairment.

(vi) Associates

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

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

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

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

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

(vii) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements, except when the Group controls the entity. Information about the Group's funds management is set out in note 37.

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 as at FVPL:

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

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

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

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

All other financial assets are classified as measured at FVPL.

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

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

> The stated policies and objectives for the portfolio and the operation of those policies in practice;
> How the performance of the portfolio is evaluated and reported to the Group's management;
> The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
> How managers of the business are compensated; and
> The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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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 as at FVOCI, where this difference is recognised in OCI and is not recognised in the consolidated income statement on derecognition of such securities.

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

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

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

3. Significant accounting policies (continued)

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

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

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3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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.

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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 the consolidated income statement as a reclassification adjustment in the same period as the hedged cash flows affect the consolidated income statement and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated income statement.

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

Hedges of a net investment in foreign operation

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

Other non–trading derivatives

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

3. Significant accounting policies (continued)

Hedges directly affected by interest rate benchmark reform

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.

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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
The Group makes a provision for all termination indemnity payable to eligible 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

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

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

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3. Significant accounting policies (continued)

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

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

t) Taxation
Taxes are calculated based on tax laws and regulations in jurisdictions in which the Group operates. The amount of the tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. The parent company operations inside Qatar are not currently 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.

(All amounts are shown in thousands of Qatari Riyals)

3. Significant accounting policies (continued)

z) Appropriations for Instruments Eligible for Additional Capital

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

aa) Leases

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

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

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

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

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

ab) 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 a 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 2023	1,859.38
31 December 2022	1,128.45

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 in 2022 included the cumulative impact of prior years.

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3. Significant accounting policies (continued)

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.

ac) 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
IFRS 17 Insurance Contracts and 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
International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	1 January 2023

The adoption of these new standards do not have significant impact on the consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12
Qatar, the jurisdiction of the parent company has committed to adopt and implement the Base Erosion and Profit Shifting (BEPS) Pillar Two Anti Global Base Erosion ("GloBE") Rules, which have multiple mechanisms that aim to ensure that large multinational enterprises pay a minimum tax of 15% calculated on the profits / income in every jurisdiction that they operate in. Currently, Qatar operations of the parent company are exempted from income tax, as disclosed in note 32.

On 2 February 2023, Law No. 11 of 2022 was published which affirmed the State of Qatar's obligations with respect to combating international tax avoidance. The Law further stated that Executive Regulations specifying the necessary provisions to meet the State's obligations provided that the minimum tax rate is not less than 15%, will be issued in due course.

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

Note 32 of the consolidated financial statements specifies the income which is currently not subject to income taxes and is likely to be impacted once the Pillar Two Rules are enacted.

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.

Amendment to standards	Effective date
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non–current	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

4. Financial risk management

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.

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.

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4. Financial risk management (continued)

	Gross maximum exposure	
	2023	2022
Cash and balances with central banks (excluding cash on hand)	75,893,118	74,052,215
Due from banks	86,476,920	96,259,687
Loans and advances to customers	852,987,250	807,601,336
Investment securities (debt)	170,140,768	158,223,758
Other assets	9,123,323	12,706,277
	1,194,621,379	**1,148,843,273**
Guarantees	66,412,802	60,943,057
Letters of credit	52,073,480	41,136,929
Unutilised credit facilities	128,681,127	96,764,655
Total	**1,441,788,788**	**1,347,687,914**

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 2023	Net maximum exposure 2023	Gross maximum exposure 2022	Net maximum exposure 2022
Government	208,992,414	–	209,064,950	–
Government agencies	211,621,965	208,631,372	206,615,751	137,608,743
Industry	43,900,155	37,536,523	46,193,049	40,086,274
Commercial	136,655,889	86,330,482	127,298,757	87,165,623
Services	381,590,067	371,411,591	365,202,363	353,447,986
Contracting	12,344,713	9,659,928	13,510,489	10,724,266
Real estate	112,650,245	56,331,229	108,812,740	47,039,470
Personal	82,686,525	63,017,825	70,908,668	50,826,014
Others	4,179,406	3,924,830	1,236,506	981,930
Guarantees	66,412,802	66,412,802	60,943,057	60,943,057
Letters of credit	52,073,480	52,073,480	41,136,929	41,136,929
Unutilised credit facilities	128,681,127	128,681,127	96,764,655	96,764,655
Total	**1,441,788,788**	**1,084,011,189**	**1,347,687,914**	**926,724,947**

Credit quality
The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten–scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non–performing.

Within performing, ORR 1 to 4– represents investment grade, ORR 5+ to 7+ represents sub–investment grade and 7 and 7– represent watch list. ORR 8 to 10 represents sub–standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavours continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non–performing assets.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment grade – ORR 1 to 4	141,800,094	–	–	141,800,094
Sub–investment grade – ORR 5 to 7	17,799,415	2,845,994	–	20,645,409
Substandard – ORR 8	–	–	–	–
Doubtful – ORR 9	–	–	583,622	583,622
Loss – ORR 10	–	–	–	–
	159,599,509	**2,845,994**	**583,622**	**163,029,125**
Loss allowance				(659,087)
Carrying amount				**162,370,038**

	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**

	2023			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade – ORR 1 to 4	661,798,437	4,681,513	–	666,479,950
Sub–investment grade – ORR 5 to 7	150,077,446	44,296,365	–	194,373,811
Substandard – ORR 8	–	–	1,259,464	1,259,464
Doubtful – ORR 9	–	–	10,355,110	10,355,110
Loss – ORR 10	–	–	14,739,930	14,739,930
	811,875,883	**48,977,878**	**26,354,504**	**887,208,265**
Loss allowance				(34,221,015)
Carrying amount				**852,987,250**

	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**

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4. Financial risk management (continued)

	2023			
Investment securities (debt)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade – ORR 1 to 4	110,136,090	–	–	110,136,090
Sub–investment grade – ORR 5 to 7	59,688,826	315,872	–	60,004,698
Substandard – ORR 8	–	–	82,257	82,257
Doubtful – ORR 9	–	–	11,109	11,109
Loss – ORR 10	–	–	60,702	60,702
	169,824,916	**315,872**	**154,068**	**170,294,856**
Loss allowance				(315,100)
Carrying amount				**169,979,756**

	2022			
	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**

	2023			
Loan commitments and financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade – ORR 1 to 4	140,655,132	608,088	–	141,263,220
Sub–investment grade – ORR 5 to 7	101,849,768	4,548,862	–	106,398,630
Substandard – ORR 8	–	–	47,748	47,748
Doubtful – ORR 9	–	–	437,443	437,443
Loss – ORR 10	–	–	166,922	166,922
	242,504,900	**5,156,950**	**652,113**	**248,313,963**
Loss allowance				(1,146,554)
Carrying amount				**247,167,409**

	2022			
	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**

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 2023 is QR11,725 million (2022: QR6,377 million).

The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2023 is QR3,155.1 million (2022: QR399.7 million).

Inputs, assumptions and techniques used for estimating impairment

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

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

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

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

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.

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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:

	2023	2022
Average oil price range (USD / Barrel)	46 – 82	46 – 77
GDP growth rate	1.6% to 2.4%	2.2% to 3.2%
Inflation	0.8% to 3.2%	0.8% to 2.5%

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

	2023	2022
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.

	2023	2022
100% Upside case, loss allowance would be higher / (lower) by	(1,026,368)	(1,246,000)
100% Base case, loss allowance would be higher / (lower) by	(189,068)	(227,000)
100% Downside case, loss allowance would be higher / (lower) by	1,039,873	1,264,000

These estimates are based on comparisons performed during the year.

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

> probability of default (PD);
> loss given default (LGD); 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 realized on the day of default adjusted for time value.

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

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

Loss allowance

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

	2023			
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	135,609	12,470	–	148,079
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(15,999)	15,999	–	–
Transfers to Stage 3	–	(115,782)	115,782	–
ECL / impairment allowance for the year, net	170,860	108,309	236,268	515,437
Amounts written off	–	–	–	–
Foreign currency translation	(3,137)	(1,302)	10	(4,429)
Balance at 31 December	**287,333**	**19,694**	**352,060**	**659,087**

	2022			
	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**

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4. Financial risk management (continued)

	2023			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL/ impairment**
Balance at 1 January	2,511,635	4,030,285	23,327,375	29,869,295
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(8,442)	8,442	–	–
Transfers to Stage 3	–	(586,610)	586,610	–
ECL / impairment allowance for the year, net	1,196,439	2,132,152	7,054,587	10,383,178
Amounts written off	–	–	(3,891,415)	(3,891,415)
Foreign currency translation	(847,907)	(595,838)	(696,298)	(2,140,043)
Balance at 31 December	**2,851,725**	**4,988,431**	**26,380,859**	**34,221,015**

	2022			
	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**

	2023			
Investment securities (debt)	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL/ impairment**
Balance at 1 January	129,198	17,959	144,733	291,890
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(113)	113	–	–
Transfers to Stage 3	–	–	–	–
ECL / impairment allowance for the year, net	22,860	662	(1)	23,521
Amounts written off	–	–	–	–
Foreign currency translation	(195)	(5)	(111)	(311)
Balance at 31 December	**151,750**	**18,729**	**144,621**	**315,100**

	2022			
	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**

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

	2023			
Loan commitments and financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL/ impairment**
Balance at 1 January	405,529	161,498	114,548	681,575
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,112)	3,112	–	–
Transfers to Stage 3	–	14,616	(14,616)	–
ECL / impairment allowance for the year, net	265,082	56,090	221,488	542,660
Amounts written off	–	–	–	–
Foreign currency translation	(87,592)	(4,843)	14,754	(77,681)
Balance at 31 December	**579,907**	**230,473**	**336,174**	**1,146,554**

	2022			
	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**

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	
		2023	**2022**
Market indices			
Qatar exchange	±5	**31,848**	**11,503**

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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 2023:						
Assets	301,316,366	566,116,751	93,980,216	47,707,740	221,863,940	**1,230,985,013**
Liabilities and equity	300,146,089	567,137,237	94,035,781	48,184,234	221,481,672	**1,230,985,013**
Net exposure	**1,170,277**	**(1,020,486)**	**(55,565)**	**(476,494)**	**382,268**	**–**
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**	**–**

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	%	2023	2022
US$	+2	(20,410)	(82,789)
Euro	+3	(1,667)	(291)
Pound Sterling	+2	(9,530)	(6,789)
Egyptian Pound	+3	208,445	23,318
Turkish Lira	+3	(34,357)	2,897
Other currencies	+3	(162,620)	138,633
US$	–2	20,410	82,789
Euro	–3	1,667	291
Pound Sterling	–2	9,530	6,789
Egyptian Pound	–3	(208,445)	(23,318)
Turkish Lira	–3	34,357	(2,897)
Other currencies	–3	162,620	(138,633)

(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 on the basis of contractual pricing. The following table summarises the repricing profile of the Group's assets, liabilities and off–balance sheet exposures:

	Within 3 months	3–12 months	1–5 years	More than 5 years	Non–interest sensitive	Total	Effective interest rate
As at 31 December 2023:							
Cash and balances with central banks	23,790,082	–	–	–	64,030,283	87,820,365	
Due from banks	66,183,374	1,872,892	1,180,170	2,160,038	15,080,446	86,476,920	3.66%
Loans and advances	514,688,281	253,625,877	22,028,943	18,777,655	43,866,494	852,987,250	7.82%
Investments	82,679,045	31,054,603	39,072,001	13,358,976	14,417,060	180,581,685	11.97%
Other assets	–	–	–	–	23,118,793	23,118,793	
Total assets	**687,340,782**	**286,553,372**	**62,281,114**	**34,296,669**	**160,513,076**	**1,230,985,013**	
Due to banks	112,542,491	41,676,895	584,879	–	2,187,136	156,991,401	3.07%
Customer deposits	511,737,405	208,092,695	38,264,394	7,274,177	91,737,606	857,106,277	6.69%
Debt securities	4,634,350	5,954,928	15,184,587	9,995,139	519,863	36,288,867	3.87%
Other borrowings	29,177,269	9,785	3,667	–	209,352	29,400,073	6.08%
Other liabilities	–	–	–	–	40,991,301	40,991,301	
Total equity	–	–	–	–	110,207,094	110,207,094	
Total liabilities and equity	**658,091,515**	**255,734,303**	**54,037,527**	**17,269,316**	**245,852,352**	**1,230,985,013**	
Balance sheet items	29,249,267	30,819,069	8,243,587	17,027,353	(85,339,276)	–	
Off–balance sheet items	(473,697)	(1,320,610)	(5,941,981)	7,952,400	(216,112)	–	
Interest rate sensitivity gap	**28,775,570**	**29,498,459**	**2,301,606**	**24,979,753**	**(85,555,388)**	**–**	
Cumulative interest rate sensitivity gap	**28,775,570**	**58,274,029**	**60,575,635**	**85,555,388**	**–**	**–**	
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**	**–**	**–**	

Other assets includes property and equipment and intangible assets.

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4. Financial risk management (continued)

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

2023	Increase in basis points	Sensitivity of net interest income	Decrease in basis points	Sensitivity of net interest income
Currency				
Qatari Riyal	10	85,160	10	(85,160)
US$	10	30,203	10	(30,203)
Euro	10	(10,181)	10	10,181
Pound Sterling	10	1,482	10	(1,482)
Other currencies	10	(2,828)	10	2,828
2022				
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

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

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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 2023:						
Cash and balances with central banks	27,988,326	–	–	–	59,832,039	87,820,365
Due from banks	76,406,119	3,733,367	2,059,990	2,091,873	2,185,571	86,476,920
Loans and advances	143,972,788	44,258,743	96,611,990	388,329,638	179,814,091	852,987,250
Investments	39,956,344	13,267,232	29,236,669	59,637,961	38,483,479	180,581,685
Other assets	13,834,660	303,987	468,364	5,781,708	2,730,074	23,118,793
Total assets	**302,158,237**	**61,563,329**	**128,377,013**	**455,841,180**	**283,045,254**	**1,230,985,013**
Due to banks	53,967,018	32,113,604	45,398,000	25,431,622	81,157	156,991,401
Customer deposits	332,486,016	116,934,802	202,634,716	195,247,021	9,803,722	857,106,277
Debt securities	298,855	4,619,534	6,195,975	15,180,409	9,994,094	36,288,867
Other borrowings	3,620,319	188,440	6,765,868	18,825,103	343	29,400,073
Other liabilities and equity	25,937,342	2,631,675	8,455,124	989,224	113,185,030	151,198,395
Total liabilities and equity	**416,309,550**	**156,488,055**	**269,449,683**	**255,673,379**	**133,064,346**	**1,230,985,013**
On–balance sheet gap	**(114,151,313)**	**(94,924,726)**	**(141,072,670)**	**200,167,801**	**149,980,908**	**–**
Contingent and other items	**113,434,553**	**15,883,680**	**78,205,823**	**26,512,855**	**29,042,396**	**263,079,307**
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	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**

Other assets includes property and equipment and intangible assets.

The liquidity coverage ratio maintained by the Group as at 31 December 2023 is 206% (2022: 104%), as against the minimum requirement of 100% for the year ended 31 December 2023 (100% for 31 December 2022) as per QCB regulations.

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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 2023:						
Due to banks	54,174,948	33,080,849	56,902,167	37,926,698	3,479,856	185,564,518
Customer deposits	345,032,744	116,992,284	213,065,952	200,035,424	18,405,539	893,531,943
Debt securities	141,010	4,684,496	6,621,840	18,053,595	10,564,967	40,065,908
Other borrowings	3,631,572	214,776	10,430,840	19,791,474	–	34,068,662
Lease liabilities	11,516	11,871	56,565	301,888	194,912	576,752
Derivative financial instruments						
Contractual amounts						
– Payable – forward contracts	41,686,393	45,394,366	51,515,131	2,130,577	–	140,726,467
– Receivable – forward contracts	(41,227,767)	(45,205,555)	(51,336,425)	(2,078,553)	–	(139,848,300)
– Payable/(receivable) – Others	(106,965)	(1,094,961)	649,454	1,157,904	79,527	684,959
Total liabilities	**403,343,451**	**154,078,126**	**287,905,524**	**277,319,007**	**32,724,801**	**1,155,370,909**
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**

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

	2023	2022
Common Equity Tier 1 (CET 1) capital	82,829,469	81,042,880
Eligible Additional Tier 1 (AT1) capital instruments	20,000,000	20,000,000
Additional Tier 1 capital	80,842	67,542
Additional Tier 2 capital	5,935,517	5,856,732
Total eligible capital	**108,845,828**	**106,967,154**
Risk weighted assets for credit risk	466,982,415	462,311,477
Risk weighted assets for market risk	1,825,370	8,127,525
Risk weighted assets for operational risk	50,230,820	46,674,379
Total risk weighted assets	**519,038,605**	**517,113,381**
CET 1 ratio*	**14.8%**	**14.6%**
Tier 1 capital ratio*	**18.7%**	**18.5%**
Total capital ratio*	**19.8%**	**19.6%**

*The above ratios are calculated based on Total Eligible Capital, net of proposed dividends.

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

	Without Capital Conservation Buffer	Capital Conservation Buffer	Additional DSIB charge	ICAAP Capital Charge	Total
Minimum limit for CET 1 ratio	6.0%	2.5%	2.5%	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.

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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 2023:				
Derivative assets	–	7,128,139	–	7,128,139
Investment securities	31,754,032	24,756,630	–	56,510,662
Total	**31,754,032**	**31,884,769**	**–**	**63,638,801**
Derivative liabilities	40	5,492,025	–	5,492,065
Total	**40**	**5,492,025**	**–**	**5,492,065**
As at 31 December 2022:				
Derivative assets	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	5,909	6,049,176	–	6,055,085
Total	**5,909**	**6,049,176**	**–**	**6,055,085**

There have been no transfers between Level 1 and Level 2 (2022: 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 fund managers is controlled through respective regulations and the Group's aggregate economic interest in each fund is not significant. As a result, the Group has concluded that it acts as an agent for the investors in these funds, and therefore has not consolidated these funds.

(ix) Provision for employee's end of service benefits
The Group measures its obligation for the post–employment benefits of its employees based on the provisions of the Qatar Labour Law and contractual obligations. These results are not materially different from the requirements of IAS 19.

6. Operating segments

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

Corporate banking
Corporate banking includes loans, deposits, investment and advisory services and other products and services with corporate customers and undertaking the Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short–term placements and corporate and government debt securities.

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

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6. Operating segments (continued)

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

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

	Qatar operations					
	Corporate banking	Consumer banking	Asset and wealth management	Unallocated and intra-group transactions	International banking	Total
As at 31 December 2023:						
Revenue:						
Net interest income	16,918,621	869,555	753,733	244,055	11,631,076	30,417,040
Net fee and commission income	1,101,252	357,435	307,565	8,757	2,005,893	3,780,902
Net foreign exchange gain	414,082	173,086	156,420	4,818	2,583,616	3,332,022
Income from investment securities	94,812	–	–	–	389,444	484,256
Other operating income	–	122	503	722	461,537	462,884
Share of results of associates	646,216	–	–	–	168	646,384
Total segment revenue	**19,174,983**	**1,400,198**	**1,218,221**	**258,352**	**17,071,734**	**39,123,488**
Reportable segment profit	**10,156,942**	**744,363**	**1,011,026**	**(115,887)**	**3,714,893**	**15,511,337**
Reportable segment investments	105,846,480	–	5,196	–	66,880,649	172,732,325
Reportable segment loans and advances	629,430,385	10,169,262	37,609,517	–	175,778,086	852,987,250
Reportable segment customer deposits	414,648,186	38,570,429	42,840,874	–	361,046,788	857,106,277
Reportable segment assets	905,556,289	41,329,570	45,127,704	(322,527,344)	561,498,794	1,230,985,013
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

(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 2023:							
Cash and balances with central banks	–	–	–	–	87,820,365	87,820,365	87,820,365
Due from banks	–	–	–	–	86,476,920	86,476,920	86,476,920
Loans and advances	–	–	–	–	852,987,250	852,987,250	851,042,353
Investment securities:							
– At fair value	134,438	612,807	53,784,667	1,978,750	–	56,510,662	56,510,662
– At amortised cost	–	–	–	–	116,221,663	116,221,663	114,527,688
Total	**134,438**	**612,807**	**53,784,667**	**1,978,750**	**1,143,506,198**	**1,200,016,860**	**1,196,377,988**
Due to banks	–	–	–	–	156,991,401	156,991,401	156,991,401
Customer deposits	–	–	–	–	857,106,277	857,106,277	857,968,763
Debt securities	–	–	–	–	36,288,867	36,288,867	36,302,361
Other borrowings	–	–	–	–	29,400,073	29,400,073	29,351,374
Total	**–**	**–**	**–**	**–**	**1,079,786,618**	**1,079,786,618**	**1,080,613,899**
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**

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8. Cash and balances with central banks

	2023	2022
Cash	11,927,247	17,511,721
Cash reserve with Qatar Central Bank	31,647,844	27,042,115
Other balances with Qatar Central Bank	9,750,000	13,070,993
Balances with other central banks	34,463,847	33,940,856
Accrued interest	45,731	7,638
Allowance for impairment	(14,304)	(9,387)
Total	**87,820,365**	**91,563,936**

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 QR28,184 million (2022: QR27,701 million) which cannot be used to fund the Group's day–to–day operations.

9. Due from banks

	2023	2022
Current accounts	15,309,438	15,523,929
Placements	59,942,907	70,180,985
Loans	9,375,671	9,300,895
Accrued interest	2,493,687	1,392,570
Allowance for impairment	(644,783)	(138,692)
Total	**86,476,920**	**96,259,687**

10. Loans and advances to customers

a) By type

	2023	2022
Loans	794,959,967	747,316,827
Overdrafts	70,017,196	74,035,156
Bills discounted	5,278,895	3,746,873
	870,256,058	**825,098,856**
Accrued interest	17,039,054	12,417,405
Deferred profit	(86,847)	(45,630)
Expected credit losses – performing loans and advances to customers – Stage 1 and 2	(7,840,156)	(6,541,920)
Impairment on non–performing loans and advances to customers – Stage 3	(26,380,859)	(23,327,375)
Net loans and advances to customers	**852,987,250**	**807,601,336**

Allowance for impairment of loans and advances to customers includes QR5,141 million of interest in suspense (2022: QR3,783 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 2023:				
Government	48,025,998	44,642,938	–	92,668,936
Government agencies	215,387,839	1,860,172	–	217,248,011
Industry	38,199,775	1,697,197	431,785	40,328,757
Commercial	126,737,326	5,639,763	1,434,817	133,811,906
Services	223,758,305	9,649,124	2,522,797	235,930,226
Contracting	11,772,860	523,062	133,073	12,428,995
Real estate	66,275,423	2,944,585	749,134	69,969,142
Personal	81,196,679	3,031,706	–	84,228,385
Others	644,816	28,649	7,289	680,754
Total	**811,999,021**	**70,017,196**	**5,278,895**	**887,295,112**
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**

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 2023	23,294,098	1,514,477	4,984,146	76,574	29,869,295
Foreign currency translation	(1,295,706)	(181,085)	(657,607)	(5,645)	(2,140,043)
Allowances made during the year	9,710,104	398,557	1,851,701	4,767	11,965,129
Recoveries during the year	(1,091,045)	(134,340)	(351,075)	(5,491)	(1,581,951)
Written off / transfers during the year	(3,700,950)	(22,149)	(168,240)	(76)	(3,891,415)
Balance as at 31 December 2023	**26,916,501**	**1,575,460**	**5,658,925**	**70,129**	**34,221,015**
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**

ECL / impairment allowance and recoveries for the year includes interest in suspense and recoveries of balances previously written off amounting to QR1,691 million (2022: QR1,229 million).

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10. Loans and advances to customers (continued)

d) Net ECL / impairment during the year

	2023	2022
Corporate lending	(7,135,055)	(8,251,427)
Small business lending	(158,764)	105,051
Consumer lending	(1,399,504)	(626,623)
Residential mortgages	1,343	(12,091)
Total	**(8,691,980)**	**(8,785,090)**

Impairment loss excludes interest in suspense.

11. Investment securities

	Notes	2023	2022
Investments measured at fair value through profit or loss (FVPL)	11a	747,245	348,855
Investments measured at fair value through other comprehensive income (FVOCI)	11b	54,952,070	36,939,459
Investments measured at amortised cost (AC), net	11c	113,056,867	118,250,846
Accrued interest		3,976,143	4,373,881
Total		**172,732,325**	**159,913,041**

The carrying amount and fair value of securities under repurchase agreements amounted to QR39,842 million and QR40,316 million respectively (2022: QR 34,338 million and QR 34,147 million respectively).

a) Investments measured at fair value through profit or loss

	2023		2022	
	Quoted	Unquoted	Quoted	Unquoted
Mutual funds and equities	612,807	–	217,294	–
Debt securities	134,438	–	131,561	–
Total	**747,245**	**–**	**348,855**	**–**

b) Investments measured at fair value through other comprehensive income

	2023		2022	
	Quoted	Unquoted	Quoted	Unquoted
Mutual fund and equities	1,703,948	274,802	1,144,061	327,928
State of Qatar debt securities	20,376,306	–	22,646,203	–
Other debt securities	32,597,014	–	12,821,267	–
Total	**54,677,268**	**274,802**	**36,611,531**	**327,928**

Fixed rate securities amounted to QR50,614 million (2022: QR33,106 million) and floating rate securities amounted to QR2,360 million (2022: QR2,362 million).

The above is net of impairment allowance in respect of debt securities amounting to QR Nil (2022: QR Nil).

Expected credit loss of QR26.6 million (2022: QR19.5 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

	2023		2022	
	Quoted	Unquoted	Quoted	Unquoted
By issuer				
State of Qatar debt securities	25,711,897	–	26,739,952	–
Other debt securities	40,576,111	46,768,859	48,410,797	43,100,097
Total	**66,288,008**	**46,768,859**	**75,150,749**	**43,100,097**
By interest rate				
Fixed rate securities	60,414,131	402,023	69,036,921	220,880
Floating rate securities	5,873,877	46,366,836	6,113,828	42,879,217
Total	**66,288,008**	**46,768,859**	**75,150,749**	**43,100,097**

The above is net of impairment allowance in respect of debt securities amounting to QR288.5 million (2022: QR272.4 million).

12. Investments in associates

	2023	2022
Balance as at 1 January	7,902,221	7,467,009
Foreign currency translation	(31,366)	(31,256)
Share of results	646,384	544,199
Cash dividend	(173,037)	(173,221)
Other movements / disposals	(494,842)	95,490
Balance as at 31 December	**7,849,360**	**7,902,221**

			Ownership %	
Name of associate	**Country**	**Principal business**	**2023**	**2022**
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 (note 12.1)	Türkiye	Pension Fund	100.0	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 2023					
Housing Bank for Trade and Finance	44,582,202	37,968,877	6,613,325	287,838	17.49
Commercial Bank International	18,572,635	15,754,643	2,817,992	69,195	0.60
Ecobank Transnational Incorporated	96,996,994	90,718,304	6,278,690	278,060	0.07
Balance as at 31 December 2022					
Housing Bank for Trade and Finance	43,432,562	36,967,661	6,464,901	250,649	19.00
Commercial Bank International	20,980,964	18,305,991	2,674,973	94,241	0.84
Ecobank Transnational Incorporated	105,589,677	98,210,329	7,379,348	153,771	0.09

12.1 In January 2023, QNB Finansbank acquired the remaining stake of Cigna Finans, making it a subsidiary of QNB Finansbank. The transaction resulted in recognition of gain on step acquisition of QR 252.8 million, reported in other operating income and of intangible assets of QR 260.3 million. The company was renamed as QNB Saglik Hayat Sigorta ve Emeklilik.

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13. Property and equipment

	Land and buildings	Leasehold improvements	Equipment and furniture	Motor vehicles	Total
Cost:					
Balance as at 1 January 2023	6,940,467	1,266,298	4,968,782	180,175	13,355,722
Additions	347,013	16,319	862,316	18,313	1,243,961
Disposals	(88,807)	(36,603)	(80,560)	(2,732)	(208,702)
Foreign currency translation / others	(783,471)	37,478	32,002	(8,657)	(722,648)
	6,415,202	**1,283,492**	**5,782,540**	**187,099**	**13,668,333**
Accumulated depreciation:					
Balance as at 1 January 2023	1,302,996	1,148,392	3,880,170	82,669	6,414,227
Charged during the year	193,496	38,376	409,989	18,189	660,050
Disposals	(58,138)	(36,241)	(74,156)	(1,883)	(170,418)
Foreign currency translation / others	(98,118)	20,060	132,132	(3,027)	51,047
	1,340,236	**1,170,587**	**4,348,135**	**95,948**	**6,954,906**
Net carrying amount as at 31 December 2023	**5,074,966**	**112,905**	**1,434,405**	**91,151**	**6,713,427**
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**

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 2023	375,059	4,005	18,839	397,903
Additions	153,427	85	704	154,216
Disposals	(22,453)	–	–	(22,453)
Depreciation	(108,621)	(1,784)	(5,496)	(115,901)
Foreign currency translation / others	(54,829)	260	(6,633)	(61,202)
Balance as at 31 December 2023	**342,583**	**2,566**	**7,414**	**352,563**
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**

(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 2023	1,369,266	932,907	1,804,457	4,106,630
Foreign currency translation / others	(300,851)	–	(363,157)	(664,008)
Additions (note 12.1)	–	–	279,136	279,136
Balance as at 31 December 2023	**1,068,415**	**932,907**	**1,720,436**	**3,721,758**
Accumulated amortisation				
Balance as at 1 January 2023	–	(782,462)	(145,751)	(928,213)
Amortisation charge	–	(75,465)	(75,479)	(150,944)
Balance as at 31 December 2023	**–**	**(857,927)**	**(221,230)**	**(1,079,157)**
Net book value as at 31 December 2023	**1,068,415**	**74,980**	**1,499,206**	**2,642,601**
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**

Impairment tests for goodwill and intangible assets with indefinite lives

Net book value of goodwill as at 31 December 2023 includes QR872.8 million (2022: QR1.1 billion) in respect of QNB ALAHLI, QR53.8 million (2022: QR89.6 million) in respect of QNB Indonesia, QR100.3 million (2022: QR111.9 million) in respect of Mansour Bank and QR41.5 million (2022: 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 (2022:Nil).

The intangible assets with finite lives have a remaining amortisation period ranging between 1 to 4 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 18.3% (2022: 23.82%) and a terminal growth rate of 3.8% (2022: 2.5%) were used to estimate the recoverable amount.

15. Other assets

	2023	2022
Prepaid expenses	2,141,545	1,058,296
Positive fair value of derivatives (note 36)	7,128,139	10,594,540
Sundry debtors	873,124	1,468,179
Deferred tax asset (note 32)	955,291	391,474
Properties acquired against debt	267,290	461,404
Accrued fees and commission	144,781	289,559
Transition / clearing balances	977,279	353,999
Income taxes receivable	13,032	–
Other taxes receivable	505	1,435
Capital expenditure in progress	127,310	156,800
Others	1,134,469	1,083,193
Total	**13,762,765**	**15,858,879**

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16. Due to banks

	2023	2022
Balances due to central banks	1,679,493	290,209
Current accounts	507,643	611,340
Deposits	122,946,025	113,401,377
Repurchase agreements	27,356,549	25,918,894
Interest payable	4,501,691	2,592,879
Total	**156,991,401**	**142,814,699**

17. Customer deposits

a) By type

	2023	2022
Current and call accounts	154,839,177	170,439,559
Saving accounts	24,097,026	24,636,799
Time deposits	668,465,517	642,575,381
Interest payable	9,704,557	4,626,916
Total	**857,106,277**	**842,278,655**

b) By sector

	2023	2022
Government	52,168,239	69,561,898
Government agencies	183,711,100	173,030,583
Individuals	137,169,081	140,247,157
Corporate	474,353,300	454,812,101
Interest payable	9,704,557	4,626,916
Total	**857,106,277**	**842,278,655**

18. Debt securities

	2023	2022
Face value of bonds	35,783,161	34,650,046
Less: Unamortised premium / discount	(14,157)	(13,924)
Interest payable	519,863	516,598
Total	**36,288,867**	**35,152,720**

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

	2023	2022
Balance as at 1 January	35,152,720	40,088,927
Issuances during the year	3,685,243	1,591,695
Repayments	(2,261,848)	(5,739,025)
Interest accrued	417,640	330,565
Other movements	(704,888)	(1,119,442)
Balance as at 31 December	**36,288,867**	**35,152,720**

(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	2023	2022
2023	–	3,434,287
2024	11,114,364	8,383,163
2025	6,142,987	5,814,232
2026	4,722,070	4,717,134
2027	3,637,650	3,635,796
2028	677,702	678,655
2032	1,101,303	–
2047	3,073,529	2,927,170
2048	3,369,302	3,204,284
2060	2,449,960	2,357,999
Total	**36,288,867**	**35,152,720**

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:

	2023	2022
Balance as at 1 January	25,593,253	26,138,239
Issuances during the year	7,987,291	4,167,335
Repayments	(3,472,552)	(3,558,972)
Other movements/foreign exchange translation	(841,255)	(1,288,039)
Interest accrued	133,336	134,690
Balance as at 31 December	**29,400,073**	**25,593,253**

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

Year of maturity	2023	2022
2023	–	11,894,438
2024	10,574,627	6,914,867
2025	6,703,871	6,682,598
2026	12,070,296	52,054
2027	50,080	49,296
2028	856	–
2029	343	–
Total	**29,400,073**	**25,593,253**

The above are mainly denominated in USD, EUR and EGP 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 (2022: 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.

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20. Other liabilities

	2023	2022
Expense payable	2,101,583	1,752,749
Other provisions (note 21)	518,574	608,826
Negative fair value of derivatives (note 36)	5,492,065	6,055,085
Unearned revenue	4,024,005	4,323,487
Social and sports fund	294,911	268,382
Deferred tax liability (note 32)	43,096	47,851
Margin accounts	1,703,144	1,381,711
Allowance for impairment for loan commitments and financial guarantees	1,146,554	681,575
Lease liabilities	530,501	573,951
Sundry creditors	1,242,522	1,455,481
Acceptances	12,148,525	11,008,705
Pay warrants	309,568	114,177
Liability for coupon payment on additional tier 1 capital	1,150,000	1,082,917
Items in the course of transmission	1,749,228	930,527
Income tax payable	1,139,363	1,081,727
Other tax payable	547,794	403,732
Provision for insurance policyholders' rights	733,639	774,177
Others	6,116,229	4,777,840
Total	**40,991,301**	**37,322,900**

Lease liabilities include current and non–current liabilities amounting to QR73.5 million (2022: QR72.9 million) and QR457.0 million (2022: QR501.0 million), respectively.

21. Other provisions

	Staff indemnity	Legal provision	Other Provision	Total
Balance as at 1 January 2023	448,765	72,907	87,154	608,826
Foreign currency translation	(105,734)	(19,715)	(14,140)	(139,589)
Provisions made, net	66,723	13,507	46,323	126,553
	409,754	**66,699**	**119,337**	**595,790**
Provisions paid, written off or transferred	(39,973)	(36,934)	(309)	(77,216)
Balance as at 31 December 2023	**369,781**	**29,765**	**119,028**	**518,574**
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**

(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 for 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 2023	346,876	200,570	342,683	890,129
Foreign currency translation	–	(114,724)	(141,976)	(256,700)
Revaluation impact	(165,428)	(456,598)	(559,951)	(1,181,977)
Reclassified to income statement	–	–	(39,939)	(39,939)
Other movements	–	229	481	710
Net movement during the year	(165,428)	(456,369)	(599,409)	(1,221,206)
Balance as at 31 December 2023	**181,448**	**(370,523)**	**(398,702)**	**(587,777)**
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**

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:

	2023	2022
General reserve	1,684,341	1,675,541
Share of changes recognised directly in associates' equity, excluding share of profit	(2,504,847)	(2,056,992)
Total	**(820,506)**	**(381,451)**

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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 65% of the nominal share value (QR0.65 per share) for the year ended 31 December 2023 (2022: cash dividend 60% of the nominal share value (QR0.60 per share). The amounts are subject to the approval of the General Assembly and Qatar Central Bank.

23. Non–controlling interests

Represents the non–controlling interest in QNB Syria amounting to 49.2% (2022: 49.2%) of the share capital, 4.4% (2022: 7.5%) in QNB Indonesia, 45.8% (2022: 45.8%) in Al–Mansour Investment Bank, 0.01% (2022: 0.01%) in QNB Tunisia, 5.0% (2022: 5.0%) in QNB ALAHLI and 0.12% (2022: 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 call date being six years from date of issuance.

These Notes rank junior to the QNB's existing unsubordinated obligations including existing depositors, pari–passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank. These Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstances and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write–off the Note, if a "loss absorption" event is triggered. These Notes have been classified within total equity.

25. Interest income

	2023	2022
Due from central banks	1,122,496	651,880
Due from banks	7,099,732	2,838,732
Debt securities	16,014,853	12,855,055
Loans and advances	72,896,247	43,326,066
Total	**97,133,328**	**59,671,733**

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

	2023	2022
Financial assets measured at amortised cost	91,148,105	56,724,353
Financial assets measured at fair value	5,985,223	2,947,380
Total	**97,133,328**	**59,671,733**

26. Interest expense

	2023	2022
Due to banks	10,959,180	5,522,025
Customer deposits	49,460,408	22,513,831
Debt securities	1,414,386	1,185,565
Others	4,882,314	1,585,714
Total	**66,716,288**	**30,807,135**

Others include interest expense related to leased liabilities amounting to QR30.9 million (2022: QR 36.8 million).

(All amounts are shown in thousands of Qatari Riyals)

27. Fee and commission income

	2023	2022
Loans and advances	707,898	772,031
Off–balance sheet items	820,634	715,710
Bank services	4,113,180	2,871,678
Investment activities for customers	440,328	407,430
Others	217,086	57,224
Total	**6,299,126**	**4,824,073**

28. Net foreign exchange gain

	2023	2022
Dealing in foreign currencies	884,772	576,970
Revaluation of assets and liabilities	3,188,692	1,835,234
Revaluation of derivatives	(741,442)	(540,579)
Total	**3,332,022**	**1,871,625**

29. Income from investment securities

	2023	2022
Net gain from sale of investments measured at fair value	280,756	265,986
Dividend income	107,412	55,285
Changes in fair value of financial assets measured at fair value through profit or loss	96,088	48,588
Total	**484,256**	**369,859**

30. Staff expenses

	2023	2022
Staff costs	3,951,910	3,513,889
Staff pension fund costs	89,749	52,807
Staff indemnity costs	66,723	76,868
Total	**4,108,382**	**3,643,564**

31. Other expenses

	2023	2022
Training	75,135	55,078
Advertising	480,750	363,523
Professional fees	265,489	202,304
Communication and insurance	485,169	480,776
Occupancy and maintenance	450,031	421,473
Computer and IT costs	757,415	707,604
Printing and stationery	61,512	84,086
Directors' fees	16,940	16,940
Others	452,191	324,481
Total	**3,044,632**	**2,656,265**

Occupancy costs include expenses related to leases other than interest expense amounting to QR33.9 million (2022: QR 30.7 million).

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32. Income taxes

	2023	2022
Current income tax	2,716,094	3,056,630
Deferred tax benefit	(489,511)	(353,790)
Adjustments to prior periods corporate taxes	69,936	16,405
Income tax expense	**2,296,519**	**2,719,245**

Profit before tax	**17,961,819**	**17,168,512**
Less: Profit not subject to tax	(12,315,312)	(12,030,483)
Profit subject to tax	**5,646,507**	**5,138,029**
Effective tax rate	24.69%	28.36%
Tax calculated based on the current tax rate (effective rate)	1,393,927	1,456,955
Effect of income not subject to taxation	2,242	8,539
Effect of expenses not deductible for tax purposes	830,414	1,237,346
Adjustments to prior periods corporate taxes	69,936	16,405
Income tax expense	**2,296,519**	**2,719,245**

Movement in deferred tax balances

		Recognised in		Deferred tax		
As at and for the year ended 31 December 2023	**Net balance as at 1 January 2023**	**income statement**	**other comprehensive income**	**Net**	**Asset**	**Liability**
Expected credit losses	534,220	270,104	–	804,324	824,843	(20,519)
Property and equipment	(52,281)	382,831	–	330,550	330,550	–
Employee related accruals	158,349	(29,962)	2,274	130,661	130,661	–
Unearned revenue	49,934	25,146	–	75,080	75,080	–
Investment securities	208,077	(356,570)	59,782	(88,711)	(88,711)	–
Tax losses carried forward	136,802	(85,188)	–	51,614	51,614	–
Others	(691,478)	283,150	17,005	(391,323)	(368,746)	(22,577)
Deferred tax assets / (liabilities)	**343,623**	**489,511**	**79,061**	**912,195**	**955,291**	**(43,096)**

		Recognised in		Deferred tax		
As at and for the year ended 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)**

(All amounts are shown in thousands of Qatari Riyals)

32. Income taxes (continued)

Expiry of deferred tax recognised on carried forward tax losses	2023	2022
2024 – 2028	51,614	129,600
Never expire	–	7,202
	51,614	**136,802**

There are no material tax assessments pending as at 31 December 2023 (2022: 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.

	2023	2022
Profit for the year attributable to equity holders of the Bank	15,511,337	14,348,860
Less: Dividend appropriation for instruments eligible for Additional Tier 1 Capital	(1,150,000)	(1,082,917)
Net profit for the year attributable to equity holders of the Bank	**14,361,337**	**13,265,943**
Weighted average number of shares	9,236,428,570	9,236,428,570
Earnings per share (QR) – basic and diluted	**1.55**	**1.44**

34. Contingent liabilities

	2023	2022
Unutilised credit facilities	129,278,050	97,096,361
Guarantees	66,720,876	61,151,974
Letters of credit	52,315,037	41,277,881
Others	14,765,344	14,152,894
Total	**263,079,307**	**213,679,110**

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.

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35. Geographical distribution

	Qatar	Other GCC countries	Europe	North America	Others	Total
Balance as at 31 December 2023						
Cash and balances with central banks	49,575,393	2,692,459	20,659,849	–	14,892,664	87,820,365
Due from banks	24,824,384	1,487,709	26,964,793	14,400,573	18,799,461	86,476,920
Loans and advances to customers	677,209,164	14,815,079	100,004,623	8,061,909	52,896,475	852,987,250
Investments	97,843,966	7,964,291	25,703,466	1,052,966	48,016,996	180,581,685
	849,452,907	**26,959,538**	**173,332,731**	**23,515,448**	**134,605,596**	**1,207,866,220**
Other assets						23,118,793
Total assets						**1,230,985,013**
Due to banks	21,037,852	37,548,324	54,455,085	1,779,195	42,170,945	156,991,401
Customer deposits	496,059,489	22,609,469	174,758,947	6,793,507	156,884,865	857,106,277
Debt securities	–	–	27,107,040	–	9,181,827	36,288,867
Other borrowings	–	3,326,330	23,058,617	–	3,015,126	29,400,073
	517,097,341	**63,484,123**	**279,379,689**	**8,572,702**	**211,252,763**	**1,079,786,618**
Other liabilities						40,991,301
Total equity						110,207,094
Total liabilities and equity						**1,230,985,013**
Guarantees	40,000,189	1,508,858	18,774,106	–	6,437,723	66,720,876
Letters of credit	41,256,680	1,404,452	4,268,956	–	5,384,949	52,315,037
Unutilised credit facilities	21,200,494	1,924,868	91,183,366	–	14,969,322	129,278,050
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

Other assets includes property and equipment and intangible assets.

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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 2023:							
Derivatives held for trading:							
Forward foreign exchange contracts	1,320,932	224,024	144,785,751	89,363,821	53,190,281	2,231,649	–
Interest rate swaps	439,999	335,008	78,536,702	9,682,421	8,106,473	42,368,418	18,379,390
Cross currency swaps	248,311	92,771	54,465,496	50,381,989	3,991,633	91,874	–
Options / Others	9,395	35,785	3,861,669	2,132,435	1,708,100	21,134	–
Derivatives held as cash flow hedges:							
Interest rate swaps	778,562	91,063	32,510,904	7,962,971	5,042,921	16,430,631	3,074,381
Cross currency swaps	180,009	912,005	41,778,539	2,305,731	9,949,672	24,896,889	4,626,247
Derivatives held as fair value hedges:							
Interest rate swaps	3,795,061	3,796,371	16,958,935	97,736	2,180,098	417,443	14,263,658
Cross currency swaps	355,870	5,038	553,879	107,226	172,278	274,375	–
Total	**7,128,139**	**5,492,065**	**373,451,875**	**162,034,330**	**84,341,456**	**86,732,413**	**40,343,676**
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	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**

Cash collaterals given for derivative transactions amounted to QR6,217 million (2022: QR20,340 million) which is included under Due from Banks in Note 9. Collaterals received for derivative transactions amounted to QR1,445 million (2022: QR17,022 million) which is included under Due to Banks in Note 16.

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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.

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37. Mutual funds

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

	2023	2022
Funds marketed	**151,922**	**142,941**

The Group's investment activities also include management of certain investment funds. As at 31 December 2023, third party funds under management amounted to QR 36,227 million (2022: QR27,659 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:

	2023	2022
Statement of financial position items		
Loans and advances	3,561,825	3,421,567
Deposits	1,576,395	1,610,328
Contingent liabilities and other commitments	35,276	37,632
Income statement items		
Interest and commission income	204,012	127,459
Interest and commission expense	81,389	33,711

	2023	2022
Associates		
Due from banks	1,256,738	1,623,880
Interest and commission income	69,778	57,482
Due to banks	1,648	147,546
Interest and commission expense	19,196	600

The Group also has significant commercial transactions with the Government of Qatar amounting to QR89,091 million included in loans and advances and (31 December 2022: QR94,228 million) and QR26,864 million included in customer deposits (31 December 2022: QR45,317 million).

All the transactions with the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

	2023	2022
Compensation of key management personnel is as follows:		
Salaries and other benefits	46,708	48,345
End of service indemnity benefits	2,071	1,121

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39. Cash and cash equivalents

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

	2023	2022
Cash and balances with central banks	27,988,326	36,820,885
Due from banks maturing in three months	80,139,486	90,492,741
Total	**108,127,812**	**127,313,626**

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

40. Comparative figures

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

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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:

	2023	2022
ASSETS		
Cash and balances with central banks	55,898,275	62,266,190
Due from banks	82,323,815	92,460,607
Loans and advances to customers	743,432,169	697,706,184
Investment securities	119,035,802	111,739,923
Investments in subsidiaries and associates	34,384,332	33,036,070
Property and equipment	3,571,555	3,432,586
Other assets	10,409,893	12,077,068
Total assets	**1,049,055,841**	**1,012,718,628**
LIABILITIES		
Due to banks	177,068,535	165,206,999
Customer deposits	704,293,313	692,381,901
Other borrowings	25,766,302	22,104,674
Other liabilities	28,116,590	24,162,063
Total liabilities	**935,244,740**	**903,855,637**
Equity		
Issued capital	9,236,429	9,236,429
Legal reserve	25,326,037	25,326,037
Risk reserve	12,000,000	11,000,000
Fair value reserve	(474,504)	169,848
Foreign currency translation reserve	(1,765,982)	(1,728,509)
Other reserves	(734,813)	(286,958)
Retained earnings	50,223,934	45,146,144
Total equity attributable to equity holders of the Bank	**93,811,101**	**88,862,991**
Instruments eligible for Additional Tier 1 Capital	20,000,000	20,000,000
Total equity	**113,811,101**	**108,862,991**
Total liabilities and equity	**1,049,055,841**	**1,012,718,628**

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Parent company (continued)

(ii) Income statement for the year ended 31 December:

	2023	2022
Interest income	64,080,645	34,272,431
Interest expense	(44,155,241)	(17,033,852)
Net interest income	**19,925,404**	**17,238,579**
Fee and commission income	2,904,582	2,523,067
Fee and commission expense	(921,277)	(887,061)
Net fee and commission income	**1,983,305**	**1,636,006**
Net foreign exchange gain	819,058	829,949
Income from investment securities	298,551	345,604
Other operating income	954	4,635
Operating income	**23,027,272**	**20,054,773**
Staff expenses	(1,949,422)	(1,768,537)
Depreciation	(181,472)	(185,008)
Other expenses	(1,338,339)	(1,121,995)
Net ECL / impairment losses on loans and advances to customers	(5,911,457)	(5,747,382)
Net ECL / impairment losses on investment securities	(27,765)	(53,725)
Net ECL / impairment losses on other financial assets	(701,921)	(117,340)
Other provisions	(33,197)	(3,866)
Profit before income taxes	**12,883,699**	**11,056,920**
Income tax expense	(81,126)	(52,225)
Profit for the year	**12,802,573**	**11,004,695**

(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.

BASEL PILLAR 3 DISCLOSURES

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Overview of risk management, key prudential metrics and RWA: DIS20

Key metrics (at consolidated group level): KM1

		T	T-2	T-4
		31 December 2023	30 June 2023	31 December 2022
Available capital (amounts)				
1	Common Equity Tier 1 (CET1)*	76,825,790	70,204,353	75,501,023
1a	Fully loaded ECL accounting model	–	–	–
2	Tier 1	96,906,632	90,273,668	95,568,564
2a	Fully loaded ECL accounting model Tier 1	–	–	–
3	Total capital	102,842,149	95,876,504	101,425,296
3a	Fully loaded ECL accounting model total capital	–	–	–
Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	519,038,605	503,833,753	517,113,381
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	14.8%	13.9%	14.6%
5a	Fully loaded ECL accounting model CET1 (%)	14.8%	13.9%	14.6%
6	Tier 1 ratio (%)	18.7%	17.9%	18.5%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.7%	17.9%	18.5%
7	Total capital ratio (%)	19.8%	19.0%	19.6%
7a	Fully loaded ECL accounting model total capital ratio (%)	**19.8%**	**19.0%**	**19.6%**
Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	–	–	–
10	Bank D-SIB additional requirements (%)	2.5%	2.5%	2.5%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	5.0%	5.0%	5.0%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.8%	2.9%	3.6%
Leverage Ratio				
13	Total leverage ratio measure	1,284,519,184	1,255,662,475	1,259,123,906
14	Leverage ratio (%) (row 2/row 13)	7.5%	7.2%	7.6%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2a/row 13)	–	–	–
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	**7.5%**	**7.2%**	**7.6%**
Liquidity Coverage Ratio				
15	Total HQLA	180,297,026	166,673,442	159,471,322
16	Total net cash outflow	87,471,202	114,170,879	152,824,688
17	LCR ratio (%)	**206.1%**	**146.0%**	**104.3%**
Net Stable Funding Ratio				
18	Total available stable funding	722,770,397	705,572,127	652,706,087
19	Total required stable funding	685,906,347	667,223,440	680,575,029
20	NSFR ratio (%)	**105.4%**	**105.7%**	**95.9%**

*Figures are net of dividend. CET1 in the published financials are reported gross of dividend.

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Bank risk management approach: OVA

Overview

QNB Group faces various financial and non-financial risks in its business and operations, including capital, credit, liquidity, market (trading and banking book), compliance, legal and operational risks. In order to manage these risks, QNB has developed procedures (Risk Policies and Procedures) designed to ensure that appropriate risk governance is exercised at several levels of QNB Group, including the Board of Directors, the Group Executive Committees, the Senior Management team and through various management committees.

QNB Group's Risk Policies and Procedures document the framework for the identification and measurement of a much wider array of risk types as set out above, prescribe appropriate risk limitations, monitor and record the incidence of such risks on an ongoing basis and prescribe appropriate remedial action. QNB Group has established a risk management framework, which is reviewed on an annual basis. At the same time, QNB Group maintains its compliance with Basel III and other regulatory guidelines. A comprehensive, centralised and proactive risk management approach is exercised at all levels of QNB Group.

Risk Management Framework

Risk is inherent in QNB Group's activities, but it is managed through a process of established mechanisms that identify, assess, monitor and control those risks. The success of QNB Group's risk management framework is focused largely on encouraging pre-determined roles and responsibilities from the Board of Directors and Group Board Risk Committee (GBRC) level, down to the various executive managers, senior managers and individual employees. This process of risk management is critical to QNB Group's continuing profitability and sustainability, and each individual within the QNB Group is accountable for the risk exposures relating to his or her responsibilities in accordance with the "Three lines of defence" principle. QNB uses a risk adjusted return on capital (RAROC) methodology (based on the Basel foundation internal rating-based approach) alongside Moody's risk rating and portfolio management systems to assess corporate credits, as well as risk-based decision-making processes to drive allocation, utilisation and management of capital resources. These tools and techniques provide the Risk Committee and the Board of Directors with the ability to control risk appetite, capital allocations and the active monitoring of strategic targets.

QNB uses a leading asset-liability management and liquidity management solution to help optimise the management of the balance sheet and ensure that risk monitoring and controls are of the highest standards.

Operational risk management has been enhanced with further implementation of data security systems, continuous training and awareness, improved business continuity infrastructure and disaster recovery sites. The same risk governance impetus is scheduled to continue in line with the continued implementation of QNB Group's business strategy.

QNB Group strategic risk management function has group-wide responsibility for portfolio management, enterprise risk standards, asset/liability risk management, liquidity and market risk management, risk systems, projects, Internal Capital Adequacy Assessment Process (ICAAP) and regulatory relationships. Enterprise risk management standards are established in order to direct the overall internal control and governance activities, including risk model validations, and the establishment of relevant group policies in relation to principle risks and overall group risk classification.

Risk Measurement Systems

Risk is inherent in QNB's activities and managed through a process to identify, assess, control, report and manage those risks. QNB adopts a centralized approach, which is complimented by local expertise to ensure proactive risk management at a consolidated and local level. The Bank employs three lines of defence approach to risk management, supported by risk governance and enabled by a risk-minded culture. As a key part of Pillar I risks, QNB manages its credit risk as per established credit risk policies, internal credit ratings, regular obligor credit reviews and active monitoring at a credit portfolio level. Diversification of credit risk is managed with concentration limits at the individual, industry, geography and product level. Other credit risk mitigation occurs through the use of collateral, guarantees, credit structures and appropriate credit documentation.

The Bank manages its market risk exposures in line with market risk policies. Key traded risk mitigation occurs through a detailed framework of risk limits across open positions, Value at Risk (VaR), sensitivities and stop-loss limits. Daily reporting on mark-to-market profit and loss is performed in addition to periodic stress testing. QNB seeks to minimize actual or potential losses from operational risk failure in accordance with policies and procedures. Controls include, but are not limited to, segregation of duties, system controls, authorization and reconciliation procedures, staff education and assessment processes. Other tools employed include Risk Control Self-Assessment (RCSA), key risk indicators and a system to log all incidents and track ongoing risk mitigating actions. The Bank complies with the Qatar Central Bank (QCB) approach for assessment of Risk Weighted Assets (RWA) for Credit, Market and Operational Risk and Capital requirements. QNB maintains adequate capital levels as per its risk appetite statement. QNB considers Credit Concentration risk, Interest Rate Risk in the Banking Book (IRRBB) and Strategic risk in its Pillar II framework. The Bank manages credit concentration risk through diversification of lending activities and compliance with defined risk appetite limits. QNB's exposure to IRRBB is managed through hedging, monitoring of the re-pricing of assets and liabilities in addition to periodic stress testing. Funding liquidity risk is managed in line with established policies, cash flow planning, detailed limit framework and regular monitoring. Other material risks including compliance, regulatory and legal risk, and reputational risk are managed through comprehensive policies & procedures and well-established processes for assessment, monitoring and mitigation of these risks.

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Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Board and Management Committees for Risk Management

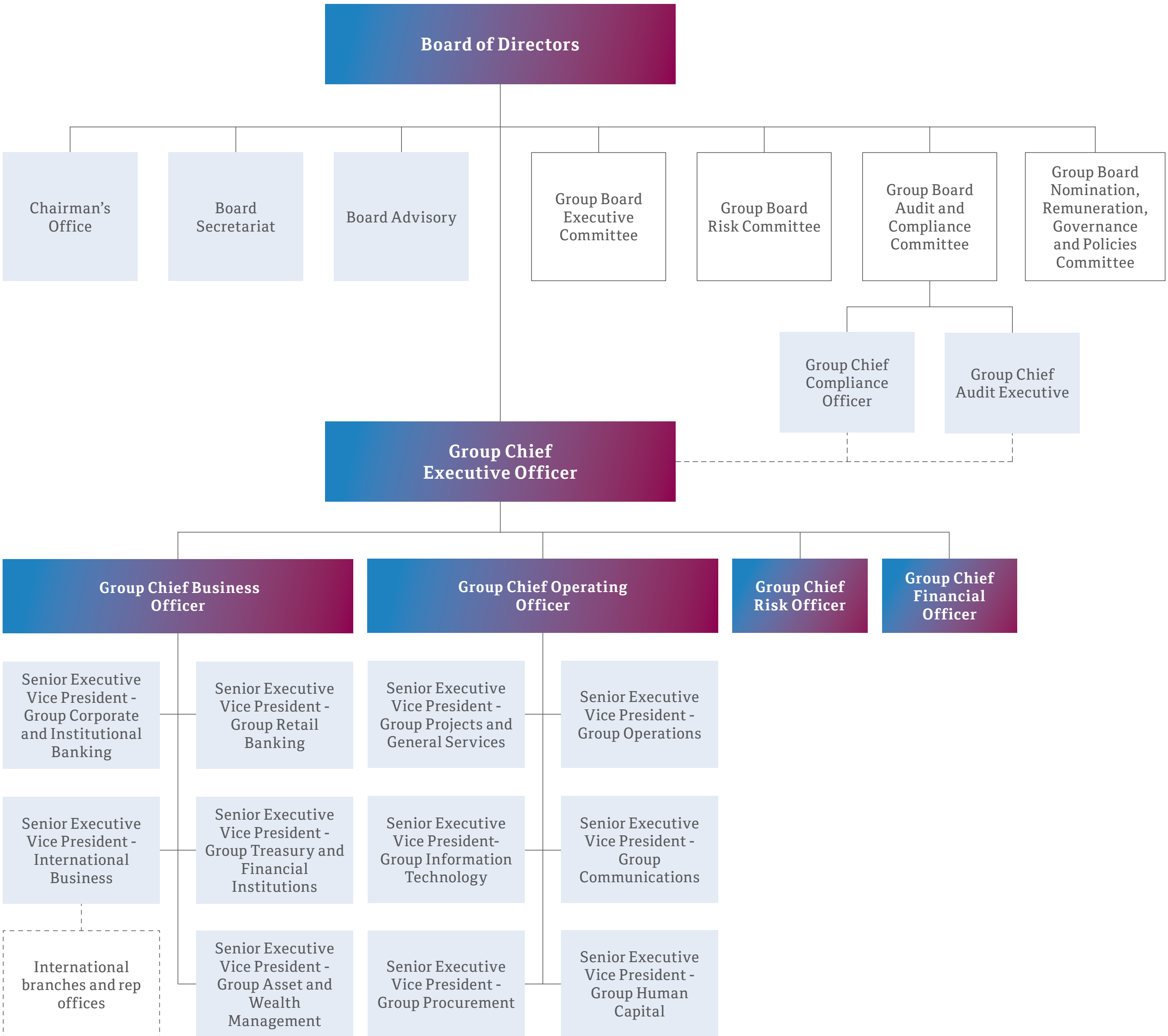
An overview of QNB Group's Risk Management Committee structure is set out below. The committees are further organised into committees at the Board of Directors level and at the management level.

Board of Directors

The Board of Directors of QNB heads QNB Group's governance structure. The Group Board Risk Committee evaluates and oversees QNB Group's risk profile in coordination with the Group Chief Executive Officer, the Group Management Risk Committee (GMRC) and the Group Credit Committee. The Board of Directors, in its entirety, takes responsibility for all aspects of QNB Group's risk management, including the management of credit, market and operational risks.

The Board of Directors has set forth the policy objectives and framework for the QNB Group on all risk-related issues and the executive management committees maintain the day-to-day oversight of all risks. These committees are responsible for formulating QNB Group's risk management policies, in line with the overall guideline and objectives set by the Board of Directors. The Group Risk Division, headed by Group Chief Risk Officer, carries out the implementation of such policies.

Organizational Structure



Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Board Committees

Group Board Audit and Compliance Committee (GBACC)

The Group Board Audit and Compliance Committee (GBACC) sets QNB Group's policy on all audit and compliance issues and maintains an oversight of both external and internal audit processes. The committee consists of three elected board members. The Group Chief Audit Executive (GCAE) and Group Chief Compliance Officer report to the GBACC and are therefore required to be present at the GBACC meetings. In addition to these members, certain other members of the executive management may also participate in committee meetings when required, including the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer and external auditors of QNB.

The GBACC carries out responsibilities relating to financial statements, internal controls, internal and external audits and compliance matters. These responsibilities include reviewing significant accounting and reporting issues (including complex or unusual transactions) in light of regulatory directives and professional pronouncements and conducting an analysis of the impact on the QNB Group financials. The committee also directly oversees audit compliance of the QNB Group. The committee reviews QNB Group annual report, notes thereto, related regulatory filings, and considers the accuracy and completeness of the information prior to release.

QNB Group risk management processes are audited by the internal audit function, which examines the adequacy of, and QNB Group's compliance with, the procedures. The internal audit team discusses the results of all assessments with management and reports its findings and recommendations to the GBACC.

Group Board Risk Committee (GBRC)

Group Board Risk Committee is the highest management authority in the QNB Group for various risk-related issues. The GBRC, among other matters:

> Reviews and endorses for Board approval the risk management strategy of QNB Group as well as risk appetite and portfolio strategies recommended by the Group Management Risk Committee (GMRC), and reviews any changes that arise in the QNB Group's risk strategy and/or risk appetite;
> Reviews and compares the QNB Group portfolio risk profile with the approved risk appetite and endorses GMRC-recommended portfolio strategies for approval by the Board of Directors;
> Approves risk frameworks and QNB Group risk policies and control structures in accordance with the approved strategy by the Board of Directors and oversees implementation of policies pertaining to QNB internal control system;
> Ensures the effectiveness of the risk control framework and oversees the GMRC's evaluation outcomes;
> Approves and oversees stress testing scenarios and results, as well as management action plans;
> Approves the QNB Group's capital management framework and any further enhancement proposed by the GMRC;
> Oversees the monitoring process performed by the GMRC and controls the risk management framework and the defined related roles and responsibilities across the QNB Group;
> Evaluates the monitoring process carried out by the GMRC in respect of QNB Group entities in the identification of operational, credit, market, strategic, legal and reputational risks, and the action plans implemented to monitor and manage these risks;
> Approves the Contingency Funding Planning document;
> Ensures that no material impact and/or risk identified by GMRC relates to anti-money laundering and/or terrorist financing; and also ensures the satisfaction of 'know your customer' requirements; and
> Reviews any breaches of risk limits or internal control failures (if any) and reviews investigation results performed by the GMRC.

Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC)

The GBNRGPC consists of three Board members, the majority of whom are non-executive and independent members. The committee is primarily responsible for:

> Identifying and assessing eligible and qualified candidates for Board and executive management positions according to the "fit-and-proper" criteria set by the committee, in addition to requirements for independent and non-executive directors;
> Monitoring the induction, training and continuous professional development of the QNB Group's directors with regard to corporate governance matters;
> Approving and reviewing QNB Group's remuneration and incentives guidelines and ensuring that the remuneration of the Board and executive management is in line with the criteria and limits set forth by the QCB and the Commercial Companies Law; and
> Directing and overseeing the preparation and update of QNB Group's corporate governance manual, in collaboration with executive management and the GBACC.

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Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Group Board Executive Committee (GBEC)

The Group Board Executive Committee is composed of three Board members and one of the Board members is selected by the Board of Directors as Chairman. The Group Chief Executive Officer attends all meetings, without voting powers. The committee is primarily responsible for;

> Reviewing and endorsing for Board approval QNB Group's long-term strategy, annual business plans and budgets, based on economic and market conditions and Board directives;
> Reviewing and approving credit proposals as per QNB Group's approved authority matrix;
> Reviewing and approving QNB Group's corporate social responsibility strategy, in light of brand values across the QNB Group;
> Reviewing and consolidating QNB Group's marketing, communications and resource distribution plans to support business development and growth; and

Reviewing and recommending action to be taken in respect of impaired loans, in line with delegated limits and authorities as approved by the Board and in line with QCB regulations.

Management Committees

Group Management Risk Committee (GMRC)

The GMRC establishes, reviews, and recommends QNB Group's risk management strategy and defines risk policies. It reviews the processes and control framework for the management of risks and defines related roles and responsibilities across the QNB Group. The GMRC also reviews the QNB Group portfolio risk profile, recommends portfolio risk management strategies to the GBRC for endorsement in order to obtain approval from the Board of Directors, reviews the effectiveness of the operation of the risk control framework and submits to the Group Board Risk Committee the annual evaluation for approval by the Board of Directors. The GMRC monitors risk management activities from several perspectives: enterprise-wide, operational, credit portfolio, liquidity, market, strategic, legal and reputational.

The review of the GMRC's policies and supervision of its activities falls under the responsibilities of the Board of Directors. The GMRC reviews compliance with policies and procedures, audit recommendations and regulatory requirements, including combating Money Laundering and Counter Terrorist Financing requirements. The GMRC implements and manages the Crisis Management Plan and framework and provides strategic directions during a crisis, including the management of external communications with media, regulatory authorities, emergency services and government agencies. The GMRC also provides the Group Risk Report and regularly reports to the GBRC.

Group Asset and Liability Committee (GALCO)

The GALCO has authority delegated by the Board of Directors for developing policies related to all asset and liability management matters, including balance sheet structure, funding, pricing, hedging and investment limits. Under the overall risk management framework, the Group ALCO is a key component of risk management within the QNB Group. The Group ALCO, among other matters:

> Reviews and recommends strategy, policies and procedures relating to asset and liability management across the QNB Group to the Group Board Executive Committee and the Board of Directors.
> Monitors and reviews the performance of all treasury activities across the QNB Group including the grouping and trading book portfolios in terms of profitability, credit performance, other risks, volatility and volumes.
> Monitors and reviews the management of interest rate risk across the QNB Group, particularly the interest rate gap reports, projected net interest income reports and current hedging strategy.
> Monitors and reviews the management of liquidity and foreign exchange risks across the QNB Group.
> Oversees the inter-group transfer pricing policy for cost of funds allocation within the management information system.
> Establishes and amends the base rates applicable to each entity in the QNB Group and related changes in deposits and risk asset interest rate structures.
> Monitors monthly financial performance and budget targets.

The Group Chief Executive Officer serves as the Chairman of the Group ALCO and the Group Chief Financial Officer serves as the Vice-Chairman.

Group Cyber Security Committee (GCSC)

This committee is mandated with responsibility to monitor, amend and implement the QNB Group's cyber security strategy in line with the expectations of the Board.

The committee monitors the implementation of the IT Security and Cyber Security governance framework, including strategy, plans, policies, controls, capabilities, skills, roles, and responsibilities across the QNB Group. GCSC has oversight over QNB's IT security programme and is comprised of responsible parties from various functions and levels within the QNB Group.

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Group Financial Recovery Management Committee (GFRMC)

The Group Financial Recovery Management Committee is the formalization of the crisis governance structure in relation to the Board-approved Group Recovery Plan. The structure will come into effect upon activation of predefined capital and liquidity triggers or any escalation arising from individual financial crisis plans (i.e. Contingency Funding Plan (CFP) and/or Capital Contingency Plan (ICAAP)). The committee consists of four key executive members who will call on relevant management who may be closely involved in the execution of options. The GCRO/GCFO can call an immediate meeting of the GFRMC upon verification of the breach of recovery trigger(s). The meeting can also be called due to an “expert call” by one or more of the members of the GFRMC.

The GFRMC is specifically authorized to:

> Select which recovery options should be deployed in the emerging crisis with direct access to Group Board to approved execution the selected option(s).
> Oversee, monitor and manage the implementation of crisis actions and accordingly report to the Group Board.
> Initiate the related communications to media, regulatory authorities, government agencies, investors.
> Decide whether to stand down on crisis actions (with agreement of authorities).

The GFRMC streamlines the regular procedures for information sharing with the Board of Directors to ensure that there is timely information sharing with Board of Directors, and relevant management teams with regard to the potential recovery measures and other mitigating plans during activation of the respective plans.

Management Sub-Committees

Group Operational Risk Management Committee (GORMC)

The Group Operational Risk Management Committee (Risk Management Committee) is charged with the responsibility of establishing, maintaining and reviewing procedures at a management and operational level to identify, monitor, review and mitigate operational risk in accordance with the QNB Group’s risk oversight and management policies.

The Risk Management Committee is a proactive strategic committee and does not replace executive management responsibility and accountability for the day-to-day management of operational risk and the enactment of business continuity processes in the event of an incident.

The Risk Management Committee, covering both domestic and international branches shall, among other core risk management activities:

> Develop and review a Group-wide methodology for the assessment of ‘Material Operational Risks’ by measuring the impact of risks, likelihood and corrective action plans across each individual business, function and international branch;
> Review and report on non-compliance with operational risk policy and procedures;
> Review and monitor all operational risk events across the group; and
> Review the annual ‘Risk Control Self-Assessment’ plan, ongoing execution and any outstanding tasks.

Risk Model Validation and Usage Committee (RMAUC)

Serving as technical advisers, and under the delegation of the GMRC for the review and approval of risk models, the responsibilities of the RMAUC in relation to model validation and governance activities cover several perspectives in relation to the approval of all existing models in use, newly proposed model development or refinement/redevelopment requirements that include:

> Assessing evaluation reports submitted by independent model validation units, whether internal or external, to the Bank;
> Review of recommendations whilst performing an assessment of severity, performed by model validation units in their evaluation of the technical soundness of models and its application in business/risk processes; and
> Regular reporting to the GMRC on the status of model inventory and of approved models.

Risk Appetite

Risk appetite is the aggregate amount of risk that the QNB Group is willing to accept in pursuit of its mission, vision, business objectives and strategic goals that is commensurate with its risk capacity as well as its culture, desired level of risk, risk management capability and business strategy. The QNB Group’s risk appetite statement serves to articulate the risk culture, boundaries and governance of the QNB Group and provides a framework for the QNB Group’s attitudes towards risk-taking. QNB’s risk appetite is reviewed, reassessed and agreed alongside QNB’s strategy, business and financial planning and budgeting processes. QNB also employs a Country Risk Management Framework, which aims to distribute global capital capacity in an optimal manner across countries and regions. Country risk limits establish the absolute level of risk appetite at individual country level, as annually approved by the Board.

The Board of Directors expresses its preferred risk appetite through a set of metrics, key among them being RAROC. Apart from its use for competitive risk-based pricing, RAROC is used for communicating and cascading risk appetite as a performance metric throughout QNB. Regular risk appetite assessments comparing the QNB Group’s risk profile with defined risk appetite is presented to the GMRC. Regular updates, prompt review and discussion of risk-taking activity in the pursuit of business strategy.

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Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Stress Testing

Following the principles set out in the Basel III Accord by the Basel Committee on Banking Supervision, QNB has in place an advanced framework for stress testing, which is wholly integrated with QNB's decision-making process based on the Basel III principles. The key components of the QNB stress testing framework emphasise the use of stress testing and integration within QNB's risk governance, the methodologies being applied at each level of testing, the scenarios being used at each level of testing and stress testing of specific risks and products of QNB.

Various levels of stress testing and scenario analysis is performed to inform a holistic assessment of risk, probe loss potential, augment risk identification and monitoring. These include:

i. Top-down stress testing which informs strategic decisions, for example capital adequacy, and aids articulation and challenge of enterprise-level risk appetite and Strategic Risk Objectives; and

ii. Bottom-up stress testing which informs tactical risk-specific actions, by way of portfolio monitoring, risk profitability measurement and reviewing appetite thresholds for enhanced internal controls. QNB's suite of scenarios covers various historical, forward-looking, sensitivity stresses and what-if scenarios. Stress testing and scenario analysis can be performed at various levels of granularity. Organization scope includes:

> Group Consolidated: scenarios developed and executed at Group level covering positions across the Group including overseas branches, subsidiaries (local and international) and all business units.
> QNB Local: scenarios developed and executed at the Local level (excluding international branches)
> QNB Solo: scenarios developed and executed at the QNB solo level (including international branches)
> International subsidiaries: scenarios developed and executed at the subsidiary level specifically
> Overseas branches: scenarios developed and executed at the branch level specifically
> Business units: scenarios developed and executed at the business unit level specifically

Stress testing and scenario analysis are key tools in day-to-day risk management. They provide useful insight into the specific vulnerabilities and risk characteristics of a particular portfolio or business unit. In addition, stress testing is a core aspect of the risk appetite calibration process linking bottom-up business plans and top-down Board appetite and capacity. Various emerging risks in the short-term could pose a threat to strategic goals. Group-wide stress tests and scenario analysis probe the loss potential of plausible downturn scenarios. The impact on the credit outlook and market risk factors are calibrated and the potential volatility in QNB's earnings and capital adequacy are quantified. In addition to quantifying loss potential, outcomes from stress tests facilitate management actions and discussions with branch and subsidiary CROs (e.g. reduce risk appetite, introduce operating level limits etc.). In addition, scenarios and stress testing are also used to assess the capital and liquidity adequacy of the Bank (including subsidiaries and branches) as required by local regulators, and for internal risk management purposes. Scenario analysis is essential in strategic and financial planning purposes.

In accordance with IFRS 9 guidelines for determining applicable credit impairment losses, the methodology incorporates forward-looking indicators in both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of expected credit loss (ECL). The Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF), and selected private-sector and academic forecasters.

QNB's stress tests take into account a range of scenarios across QNB's business and its written policies and procedures for the stress tests are sufficiently granular for the purposes of Basel III. The stress-testing framework at QNB covers all of the risks under Pillars I and II of Basel III, with special emphasis on risk materiality. Reverse stress testing is already being utilised within QNB to identify and to update QNB's risk profile and risk strategy. On a monthly basis, the mitigation framework is reviewed by the risk team and considered for further improvement. The Bank has also developed a recovery plan in line with industry best practice and regulatory requirements.

Credit Risk Mitigation

The Group has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees and/or insurance. Examples of the types of Credit Risk Mitigation (CRM) include collateral and security, guarantees and other non-contractual support. The Group ensures that all documentation is binding on all parties and is legally enforceable in all relevant jurisdictions. The Group also ensures that all the documents are reviewed by appropriate authority and have appropriate legal opinions to verify and ensure its enforceability. QNB has historically implemented a conservative credit policy. QNB believes that its conservative approach to lending ensures that there is an adequate spread of the risk through a diverse product range and customer base (by geography, industry and obligor type). QNB also believes that its conservative credit policy promotes the application of effective credit risk limits in its business, while providing adequate returns on the risk that is on par with the management's expectations. The Bank's effective monitoring of its risk, together with a conservative internal risk rating system and a timely recovery strategy, further augments QNB's approach to risk mitigation.

(All amounts are shown in thousands of Qatari Riyals)

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Overview of Risk Weighted Assets (RWA): OV1

		RWA	Minimum capital requirements	RWA	Minimum capital requirements
		31 December 2023		30 June 2023	
1	**Credit risk (excluding counterparty credit risk)**	**459,655,166**	**73,544,827**	**433,314,983**	**69,330,397**
2	Of which: standardised approach (SA)	459,655,166	73,544,827	433,314,983	69,330,397
3	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–	–
4	Of which: supervisory slotting approach	–	–	–	–
5	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–	–
6	**Counterparty credit risk (CCR)**	**3,780,595**	**604,895**	**5,387,825**	**862,052**
7	Of which: standardised approach for counterparty credit risk	–	–	–	–
8	Of which: CEM	3,780,595	604,895	5,387,825	862,052
9	Of which: other CCR	–	–	–	–
10	**Credit valuation adjustment (CVA)**	**2,762,562**	**442,010**	**2,755,165**	**440,826**
11	**Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period**	**–**	**–**	**–**	**–**
12	**Equity investments in funds - look-through approach**	**784,092**	**125,455**	**–**	**–**
13	**Equity investments in funds - mandate-based approach**	**–**	**–**	**–**	**–**
14	**Equity investments in funds - fall-back approach**	**–**	**–**	**–**	**–**
15	**Settlement risk**	**–**	**–**	**–**	**–**
16	**Securitisation exposures in banking book**	**–**	**–**	**–**	**–**
17	Of which: securitisation IRB approach	–	–	–	–
	(SEC-IRBA)	–	–	–	–
18	Of which: securitisation external ratings-based approach	–	–	–	–
	(SEC-ERBA), including internal assessment approach (IAA)	–	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)	–	–	–	–
20	**Market risk**	**1,825,370**	**292,059**	**12,144,960**	**1,943,194**
21	Of which: standardised approach (SA)	1,825,370	292,059	12,144,960	1,943,194
22	Of which: internal model approach (IMA)	–	–	–	–
23	**Capital charge for switch between trading book and banking book**	**–**	**–**	**–**	**–**
24	**Operational risk**	**50,230,820**	**8,036,931**	**50,230,820**	**8,036,931**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**–**	**–**	**–**	**–**
26	Output floor applied	–	–	–	–
27	Floor adjustment (before application of transitional cap)	–	–	–	–
28	**Floor adjustment (after application of transitional cap)**	**–**	**–**	**–**	**–**
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**519,038,605**	**83,046,177**	**503,833,752**	**80,613,400**

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Composition of capital and TLAC: DIS25

Main features of regulatory capital instruments: CCA

		Quantitative/Qualitative information	Quantitative/Qualitative information
1	Issuer	Qatar National Bank (Q.P.S.C.)	Qatar National Bank (Q.P.S.C.)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement 1	Private placement 2
3	Governing law(s) of the instrument	State of Qatar	State of Qatar
	Regulatory treatment	–	–
4	Transitional arrangement rules (i.e. grandfathering)	–	–
5	Post-transitional arrangement rules (i.e. grandfathering)	–	–
6	Eligible at solo/group/group and solo	–	–
7	Instrument type (types to be specified by each jurisdiction)	Perpetual Bond (AT1 Note)	Perpetual Bond (AT1 Note)
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	QAR 10 billion	QAR 10 billion
9	Nominal amount of instrument	QAR 50 million	QAR 50 million
9a	Issue price	–	–
9b	Redemption price	–	–
10	Accounting classification	Equity	Equity
11	Original date of issuance	June 2016	December 2018
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Callable every 6 years	Callable every 6 years
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends	–	–
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	6.0%	5.5%
19	Existence of a dividend stopper	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	–	–
21	Existence of step-up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	Writedown feature	Yes	Yes
25	If writedown, writedown trigger(s)	Point of Non Viability (PONV)	Point of Non Viability (PONV)
26	If writedown, full or partial	Full	Full
27	If writedown, permanent or temporary	Permanent	Permanent
28	If temporary write-own, description of writeup mechanism	N/A	N/A
28a	Type of subordination	Statutory, Contractual	Statutory, Contractual
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Rank junior to all Senior Obligations of QNB; rank pari passu with all Pari Passu Obligations of QNB; and rank senior to all Junior Obligations of QNB	Rank junior to all Senior Obligations of QNB; rank pari passu with all Pari Passu Obligations of QNB; and rank senior to all Junior Obligations of QNB.
30	Non-compliant transitioned features	N/A	N/A
31	If yes, specify non-compliant features	N/A	N/A

(All amounts are shown in thousands of Qatari Riyals)

Composition of capital and TLAC: DIS25 (continued)

Composition of regulatory capital: CC1

		31 December 2023	30 June 2023
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	9,236,429	9,236,429
2	Retained earnings	67,098,664	60,092,530
3	Accumulated other comprehensive income (and other reserves)	6,759,864	6,046,933
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	–	–
5	Common share capital issued by third parties (amount allowed in group CET1)	461,675	406,759
6	**Common Equity Tier 1 capital before regulatory deductions**	**83,556,632**	**75,782,651**
Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	–	–
8	Goodwill (net of related tax liability)	5,951,595	4,774,129
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	–	–
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	968,322	764,829
11	Cash flow hedge reserve	(189,075)	39,340
12	Securitisation gain on sale	–	–
13	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–
14	Defined benefit pension fund net assets	–	–
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	–	–
16	Reciprocal cross-holdings in common equity	–	–
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
20	Amount exceeding 15% threshold	–	–
21	Of which: significant investments in the common stock of financials	–	–
22	Of which: deferred tax assets arising from temporary differences	–	–
23	QCB specific regulatory adjustments	–	–
24	**Total regulatory adjustments to Common Equity Tier 1**	**6,730,842**	**5,578,298**
25	**Common Equity Tier 1 capital (CET1)**	**76,825,790**	**70,204,353**
Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	20,000,000	20,000,000
27	Of which: classified as equity under applicable accounting standards	20,000,000	20,000,000
28	Of which: classified as liabilities under applicable accounting standards	–	–
29	Directly issued capital instruments subject to phase-out from additional Tier 1	–	–
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	80,842	69,315
31	Of which: instruments issued by subsidiaries subject to phase-out	–	–
32	**Additional Tier 1 capital before regulatory adjustments**	**20,080,842**	**20,069,315**

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Composition of capital and TLAC: DIS25 (continued)

		31 December 2023	30 June 2023
Additional Tier 1 capital: regulatory adjustments			
33	Investments in own additional Tier 1 instruments	–	–
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
36	QCB specific regulatory adjustments	–	–
37	Total regulatory adjustments to additional Tier 1 capital	–	–
38	**Additional Tier 1 capital (AT1)**	**20,080,842**	**20,069,315**
39	**Tier 1 capital (T1= CET1 + AT1)**	**96,906,632**	**90,273,668**
Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	–
41	Directly issued capital instruments subject to phase-out from Tier 2	–	–
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	98,237	84,611
43	Of which: instruments issued by subsidiaries subject to phase-out	–	–
44	Provisions	5,837,280	5,518,225
45	**Tier 2 capital before regulatory adjustments**	**5,935,517**	**5,602,835**
46	**Tier 2 capital: regulatory adjustments**	**–**	**–**
47	Investments in own Tier 2 instruments	–	–
48	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	–
49	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
50	QCB specific regulatory adjustments	–	–
51	**Total regulatory adjustments to Tier 2 capital**	**–**	**–**
52	**Tier 2 capital (T2)**	**5,935,517**	**5,602,835**
53	**Total regulatory capital (TC = T1 + T2)**	**102,842,149**	**95,876,504**
54	**Total risk-weighted assets**	**519,038,605**	**503,833,753**
55	**Capital ratios and buffers**	**–**	**–**
56	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**14.8%**	**13.9%**
57	**Tier 1 (as a percentage of risk-weighted assets)**	**18.7%**	**17.9%**
58	**Total capital (as a percentage of risk-weighted assets)**	**19.8%**	**19.0%**
59	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**5.0%**	**5.0%**
60	Of which: capital conservation buffer requirement	2.5%	2.5%
61	Of which: bank-specific countercyclical buffer requirement	–	–
62	Of which: higher loss absorbency requirement (DSIB)	2.5%	2.5%
63	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement**	**3.8%**	**2.9%**
64	**The QCB Minimum Capital Requirement**	**–**	**–**
65	Common Equity Tier 1 minimum ratio	11.0%	11.0%
66	Tier 1 minimum ratio	13.0%	13.0%
67	Total capital minimum ratio	16.0%	16.0%

(All amounts are shown in thousands of Qatari Riyals)

Composition of capital and TLAC: DIS25 (continued)

Reconciliation of regulatory capital to balance sheet: CC2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to Financial Statements
	31 December 2023	31 December 2023	
Assets			
Cash and Balances with Central Banks	87,820,365	87,788,938	8
Due from Banks	86,476,920	84,628,016	9
Loans and Advances to Customers	852,987,250	858,111,983	10
Investment Securities	172,732,325	169,044,708	11
Investment in Associates	7,849,360	7,849,360	12
Property and Equipment	6,713,427	6,713,427	13
Intangible Assets	2,642,601	2,642,601	14
Other Assets	13,762,765	37,317,378	15
Total assets	**1,230,985,013**	**1,254,096,411**	
Liabilities			
Customer's deposits	857,106,277	847,401,720	17
Due to banks and financial institutions	156,991,401	152,489,711	16
Debt Securities	36,288,867	35,769,004	18
Other Borrowings	29,400,073	29,266,737	19
Other Liabilities	40,991,301	94,137,030	20
Total liabilities	**1,120,777,919**	**1,159,064,202**	
Shareholders' equity			
Share capital	9,236,429	9,236,429	22
Legal Reserve	25,326,037	25,326,037	22
Risk Reserve	12,000,000	11,000,000	22
Fair Value Reserve	(587,777)	(587,777)	22
Foreign Currency Translation Reserve	(29,157,890)	_	22
Other Reserves	(820,506)	(29,978,396)	22
Retained earnings	73,102,343	60,035,917	22
Non-controlling interests	1,108,458	_	23
Instruments Eligible for Additional Tier I Capital	20,000,000	20,000,000	24
Total shareholders' equity	**110,207,094**	**95,032,209**	

Notes: The difference between the published Balance Sheet and Regulatory scope of consolidation mainly relates to reporting of ECL/Provisions under Other Liabilities for regulatory purposes.

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Capital distribution constraints: DIS26

Capital distribution constraints: CDC

		a	b
		CET1 capital ratio that would trigger capital distribution constraints (%)	**Current CET1 capital ratio (%)**
1	CET1 minimum requirement plus capital buffers (not taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	8.5%	14.8%
2	CET1 capital plus capital buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	11.0%	14.8%
		Minimum Leverage ratio requirement (%)	**Current Leverage Ratio (%)**
3	Leverage ratio	3.0%	7.5%

Remuneration: DIS35

Remuneration Policy: REMA

Purpose

The remuneration system within QNB Group forms 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.

This policy is aligned with the best practices, in particular, the guidelines and requirements of Commercial Companies Law - Financial Stability Board, Basel Committee for Banking Supervision, QCB and any other relevant regulatory requirements.

Scope

This policy is applicable to but not limited to the Chairman, Board members, Senior Executive Management and Employees of QNB Group.

Governance

In order to ensure effective governance of remunerations and compensation within QNB Group the following will be considered:

> The Board of Directors ("BOD") is fully responsible to enhance corporate governance and sound practices of granting financial bonus and incentives at the Group level.
> The BOD through the GBNRGPC will actively oversee the remuneration system's design and operation and ensure that it operates with adequate controls as intended.
> The BOD will ensure the existence of a system and communication channels among employees and senior officers to take notice and action on any complaints raised in this regard and to address any such genuine grievances.
> Employees engaged in control functions (Internal Audit, Risk, Compliance, Financial Control) must be independent and compensated in a manner that is independent of the business areas they oversee.
> The GBNRGPC consists of three Board members, the majority of whom are non-executive and independent members.

The committee is primarily responsible for:

> Identifying and assessing eligible and qualified candidates for Board and executive management positions according to the "fit-and-proper" criteria set by the committee, in addition to requirements for independent and non-executive directors;
> Monitoring the induction, training and continuous professional development of the QNB Group's directors with regard to corporate governance matters;
> Approving and reviewing QNB Group's remuneration and incentives guidelines and ensuring that the remuneration of the Board and executive management is in line with the criteria and limits set forth by the QCB and the Commercial Companies Law; and
> Directing and overseeing the preparation and update of QNB Group's corporate governance manual, in collaboration with executive management and the GBACC.

Effective Supervisory Oversight and Framework on Remunerations

The BOD will follow regulatory guidelines on compensation and remuneration. The following are principles of QNB remuneration framework.

The GBNRGPC will review the way compensation is paid by looking at all possible components of compensation.

Remuneration: DIS35 (continued)

This policy will be aligned with the risk management framework of the bank, updated accordingly and reviewed on annual basis internally by the relevant stakeholders. The review shall include assessment on adequacy of the policy to be consistent and aligned with latest international best practices and publications such as Financial Stability Board, Basel Committee for Banking Supervision and QCB instructions and guidelines. The GBNRGPC will be responsible for the preparation of recommendations to the BOD regarding the remunerations of the BOD members, Executive Management and all other staff.

The GBNRGPC will ensure that the remuneration framework and principles in place are in line with the remuneration policy and the Board's guidelines taking into consideration the balancing between achieved and realized profits and risk associated with the business activities. The GBNRGPC will approve and review the Group's remuneration and incentives guidelines and ensure that the remunerations of the Board of Directors and Executive Management are in line with the criteria set forth by QCB/QFMA and Commercial Companies law. In all cases, BOD remuneration will be subject to the limits set forth by Commercial Companies Law provisions and QCB/QFMA instructions and limitations in this regards. GBNRGPC will ensure adoption of Basel guidelines and other international best practices while setting remuneration criteria in the Group. GBNRGPC will ensure that the remuneration of the BOD members should be approved by QCB before being approved by the shareholders in the Annual General Assembly of the bank and before the payment.

GBNRGPC will assess on an annual basis the adequacy and appropriateness of the remuneration policy including the remuneration plans, processes and outcomes. The GBNRGPC will have access to advice, either internal or external, that is independent of advice provided by executive management. The GBNRGPC may consider the findings while determining the aspects related to granting bonus and incentives in an objective and independent manner. The GBNRGPC will have unfettered access to information and analysis required to discharge its responsibilities from control functions (Risk, Financial Control, Compliance, Internal Audit). The GBNRGPC will review a number of possible scenarios to test how their remuneration system will react to future external and internal events. Remuneration of Independent functions, such as Internal Audit and Compliance, will be reviewed by Group Board Audit and Compliance Committee (GBACC) to ensure their performance assessment and remuneration is in line with the Group related policies, charters and practices.

Criteria for Directors & Executive Management Remuneration

The GBNRGPC will be in charge of all aspects linked to the remuneration of the Board members.

The basis of deciding the bonus and incentives of the members of the board of directors and executive management will be based on their performance evaluation in consistency with the bank's long-term performance not only over the current year period.

The basis of granting bonus and incentives will stand on objective performance assessment system, according to the financial and non-financial standards, such as those pertaining to operating systems, internal control, compliance with laws and regulatory instructions, environmental and social issues, and matters related to governance, financial inclusion, digital transformation and management of all types of risks when evaluating and measuring the performance of board members and executive management.

There will be a formal and transparent process for fixing the remuneration packages of non-executive directors. Levels of remuneration will be sufficient to attract, retain and motivate non-executive directors of the quality required to add value to the Group. Levels of remuneration for non-executive directors will reflect the time, commitment and responsibilities of the role, including involvement at BOD level committees. Remuneration for independent directors will not include share options. The Board of Directors' remuneration will be treated as an operating expense.

Regulatory Requirements

In accordance 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, this remuneration policy for the BOD is in line with the said regulations, whereby 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. The General Assembly will approves the remuneration of the members of the Board of Directors within the limits stipulated by the regulators. The maximum limits for the BOD Chairman and BOD members would be aligned with the remuneration limits stipulated by QCB. In case the BOD member is a member of any BOD committee at the same time, he or she can be eligible for additional remuneration as decided by the Board in accordance with QCB guidelines. The Board members' yearly remuneration shall not exceed 5% of the Bank's net profit after deduction of reserves, legal deductions, and distribution of the dividends (in cash and in kind) to shareholders.

This policy will remain effective till any material change is needed due to change in regulatory guidance or any other need as deemed fit by the Board or management of the Group.

Additional Controls

Any reward or allowances received by the Board's Chairman or members during the year are to be deducted from the above mentioned remuneration limits. The remuneration shall be paid only in case the bank realises net profit after the deduction of reserves and distribution of a minimum 5% dividend to the shareholders.

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Remuneration: DIS35 (continued)

The remuneration shall only be paid after obtaining the approval of QCB. The remuneration should be in line with Article no. 119 of the Commercial Companies Law no. 11/2015 requirements which stipulate that remuneration should not exceed 5% of the net income after legal reserves, approved deductions and dividends of at least 5% of the paid capital.

Criteria for Employees Remuneration
The remuneration for QNB Employees will be in line with the principles set out in this policy.

Basis and Method
The design and objective of the remuneration policy must take into consideration the bank's desire to attract, retain and reward employees with high level of technical knowledge, experience, skills and expertise. Contracts signed by employees shall have a legal basis to link their remuneration with the mechanism of performance evaluation.

Compensation outcomes will be symmetric with the risk outcomes and the overall performance of the bank including indicators of profitability, liquidity, capital adequacy and operational performance.

There will be no discrimination in bonus and incentives payment to employees based on any personal grounds outside the boundaries of this policy.

The following will be considered while setting the Goals & Objectives (G&O):

> All types of risks will be considered while deciding bonus and incentives for QNB as a whole so that total income or profit should not be the only parameter to measure the performance.
> There should be balance between profits and risk levels in the business activities which generate such profits.
> All types of risk are taken into account such as liquidity risk, reputation risk, burden on capital and complexity of risks of related activities, and whether they are difficult or easy to quantify.
> Staff will be required to complete their individual G&Os which will be assessed in line with the KPI's set by their business divisions which will be evaluated on a semi-annual basis. The results of which will be used to calculate the total compensation for each employee after considering any negative factors.
> In order to achieve QNB's strategic Goals and Objectives (G&O); each division will set the short, medium and long team goals and objectives at both divisional and individual level of their employees and outline the Key Performance Indicators (KPIs) that helps in the proper assessment of their performance.

Payment of the Compensations and Remunerations
Employees' incentive payments will be linked to the contribution of the individual and business to such performance. Compensation pay-out schedule shall be sensitive to the time horizon of risks. Payments of remuneration will be in line with the regulatory requirements and will consider best practices and international standards.

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 is 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 2023, 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 applicable QCB regulations. Moreover, the remuneration amount is subject to approval by the QCB and General Assembly.

(All amounts are shown in thousands of Qatari Riyals)

Remuneration: DIS35 (continued)

Remuneration awarded during the financial year: REM1

Remuneration Amount			Senior Management FY2023	Senior Management FY2022
1	Fixed Remuneration	Number of employees	7	8
2		**Total fixed remuneration (3 + 5 + 7)**	**19,679**	**19,866**
3		Of which: cash-based	19,679	19,866
4		Of which: deferred	–	–
5		Of which: shares or other share-linked instruments	–	–
6		Of which: deferred	–	–
7		Of which: other forms	–	–
8		Of which: deferred	–	–
9	Variable Remuneration	Number of employees	7	8
10		**Total variable remuneration (11 + 13 + 15)**	**29,100**	**29,600**
11		Of which: cash-based	29,100	29,600
12		Of which: deferred	–	–
13		Of which: shares or other share-linked instruments	–	–
14		Of which: deferred	–	–
15		Of which: other forms	–	–
16		Of which: deferred	–	–
17	**Total Remuneration**		**48,779**	**49,466**

Special payments: REM2
Not applicable

Deferred remuneration: REM3
Not applicable

Asset encumbrance: DIS31

Asset encumbrance: ENC

	a	b	c	d
		[Optional]		
31 December 2023	Encumbered assets	Central bank facilities	Unencumbered assets	Total Assets
Total Asset encumbrance	39,842,323	–	1,191,142,690	1,230,985,013

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Credit risk: DIS40

General qualitative information about credit risk: CRA

Credit Risk

QNB Group manages its credit risk exposure through diversification of its lending and financing, investments and capital markets activities to avoid undue concentrations of risk with individuals or groups of customers in specific locations or business lines. QNB Group also ensures that adequate collateral is obtained wherever possible, including cash, treasury bills, guarantees, bonds, mortgages over real estate properties and pledges over shares. QNB Group uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products. Formal sustainability requirements are integrated within the wholesale credit policy and the QNB Group has incorporated environmental, social and governance due diligence into the QNB Group's credit review practices.

QNB Group, acting through the Group Credit Committee, has implemented corporate credit approval processes governing all lending by the QNB Group. Management believes that the QNB Group's success in achieving low levels of non-performing loans has been due to the Group's strict adherence to this approval process. Before any credit exposure can be incurred by the QNB Group, the relationship manager for the respective customer must provide a credit application, in a prescribed format, to the Group Credit Risk Department, which will review, analyse and prepare an independent credit assessment and a recommendation for consideration by the Group Credit Committee. The credit presentation must include a detailed background on the borrower, including its intermediate and ultimate owners, sector, business operations, non-financial risks, historical financial statements, forward-looking financial information, the facility structure, relevant documentation and available collateral. Each credit application also includes a calculation of the RAROC at both facility and customer level and an obligor risk rating and facility risk rating in accordance with QNB Group's group-wide corporate risk rating policy.

QNB operates a highly centralised credit approval process with limited delegated authorities. Any credit approval which would lead to aggregate obligor group exposure for an amount over QAR 70 million equivalent must be submitted to and approved by the Group Credit Committee. If the credit application is within the Group Credit Committee limits, being less than 5.5% of the Group's eligible capital, the committee may approve the loan without further reference. Otherwise, the credit application is further submitted to the Group Board Executive Committee, with the Group Credit Committee's recommendation. The Group Board Executive Committee comprises three members of the Board of Directors and is chaired by the Vice-Chairman of the QNB Group. Any approval by the GBEC is then reported to the Board of Directors for their information.

QNB is active in the credit approval process of its subsidiaries, either through requiring submission of credit applications (after the initial approval by the subsidiary credit committee) to the QNB Group's Credit Division for a final decision or through QNB senior management representation on the subsidiary credit committee or supervisory board (through consultation). Credit Authorities delegated to subsidiary credit committees are set at levels determined by the obligor risk rating and tenor, with exclusions for certain sectors deemed high risk from time to time.

Any credit approval request recommended by a division for an amount below QAR 70 million equivalent may be approved by "Group Credit", which has been delegated approval authority by the Group Credit Committee. Group Credit also has the authority to approve renewal of previously approved credit facilities with a credit rating of 6- or better, provided there has been no adverse change in the business and/or financial condition of the borrower, nor deterioration of the terms and conditions of the credit facility, including security and collateral and where there has been no more than a one-level adverse change in the credit rating.

In addition to the credit approval threshold levels described above, QNB Group has established elements of "approval philosophy" to govern the entire credit approval process. In order for each credit to be approved.

> The borrower's primary source of repayment must be from business cash flows and not from proceeds of the sale of any collateral or insurance policy (which are considered secondary sources of repayment);
> The borrower must provide complete, accurate and current financial information and, where appropriate, satisfactory collateral or security; and
> The transaction must not fall within the scope of activities that are against the QNB Group's policies.

(All amounts are shown in thousands of Qatari Riyals)

Credit risk: DIS40 (continued)

Internal Risk Ratings and Related Credit Exposure

It is the QNB Group's policy to maintain accurate and consistent risk ratings across its credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the QNB Group's rating policy. The attributable risk ratings are assessed and updated regularly, and the system consists of a 10-scale credit rating system with positive and negative modifiers, giving a total scale range of 22 (compared to QCB's five-scale credit rating system), of which 19 (with positive and negative modifiers) relate to "performing", and three to "non-performing", as follows:

ORR	1 Yr PD	Minimum PD	Maximum PD	Equivalent Moody's Rating	Grades
1	0.01%	0.00%	0.01%	Aaa	Investment Grade
2+	0.02%	0.01%	0.02%	Aa1	
2	0.02%	0.02%	0.03%	Aa2	
2-	0.04%	0.03%	0.05%	Aa3	
3+	0.06%	0.05%	0.07%	A1	
3	0.09%	0.07%	0.11%	A2	
3-	0.14%	0.11%	0.18%	A3	
4+	0.22%	0.18%	0.27%	Baa1	
4	0.34%	0.27%	0.42%	Baa2	
4-	0.53%	0.42%	0.66%	Baa3	
5+	0.82%	0.66%	1.03%	Ba1	Sub-Investment Grade
5	1.28%	1.03%	1.59%	Ba2	
5-	1.99%	1.59%	2.48%	Ba3	
6+	3.09%	2.48%	3.85%	B1	
6	4.80%	3.85%	5.98%	B2	
6-	7.46%	5.98%	9.30%	B3	
7+	11.59%	9.30%	14.45%	Caa1	
7	18.02%	14.45%	22.46%	Caa2	Watch List
7-	28.00%	22.46%	99.99%	Caa3 to C	
8	–	–	–	20% Specific Provision	Default Grade
9	–	–	–	50% Specific Provision	
10	–	–	–	100% Specific Provision	

Non-Performing Credit Facilities - Classification and Provisioning

QNB classifies problem loans as "Substandard" (8), "Doubtful" (9) and "Bad Debt" (10). The overall management of problem loans is the responsibility of the Remedial Department, which reports to the Group Chief Credit Officer. Interest payments in respect of problem loans are suspended automatically when the underlying loans have not been serviced for 90 days and, consequently, such loans are downgraded. If a borrower has more than one credit facility with the QNB Group, a downgrade of any single facility will lead to a full assessment of all outstanding credit with that borrower and will require the Remedial Department to recommend a plan of recovery.

The following are considered indications of non-performance under a credit facility:

> Failure to pay amounts due under the credit facility in full and on time and such payments remain outstanding for more than 90 days past due.
> Failure to pay amounts due in full and on time under other credit facilities that the Bank may have with the obligor
> The obligor has exceeded a credit limit by 10% or more with no agreement and with no acceptable explanation
> Where an obligor has defaulted on a facility with another financial institution and a cross-default clause may be invoked
> Where the customer enters in to a rescheduling agreement or analogous arrangement.

When QCB, or other competent regulator, requests that an asset be classified in one of the non-performing categories, including as a special mention asset then, as a matter of policy, the rating requested by the regulator shall be the one used by the Bank.

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Credit risk: DIS40 (continued)

Restructuring of Credit facilities

In line with industry best practices and widely approved regulatory standards, QNB typically defines an existing obligor with a 90 Days Past Due instance over his credit commitments (and / or repayments) as in default. Besides, as cited in the Basel supervisory framework; if the bank considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as liquidating collateral (if collateral is held) the obligor will be classified as default as well. Conditions describing unlikeliness to pay comprise a wide range of events including but not limited to cross-default, being classified as default in another financial institution, adverse market information etc. However, specific conditions of remedial cases, as defined under the Wholesale and Institutional Banking Credit Policy, apply for obligors in default, ORR 8, 9, and 10 must be used with due approvals from designated Credit Officers / Credit Committee.

The Policy recognises that supervisory rules relevant at local / jurisdictional level may be different from the 'standard' 90 days Past-Due definitions.

Restructuring: Asset modification due to commercial reasons

Loans modified purely because of non-stress reasons like retaining a reputed customer etc. are regarded as the commercially modified assets. The Bank does not incur material losses due to these kind of restructures. The losses due to these kind of restructures would be compensated for by future benefits. Some examples of Restructured cases where asset modification due to commercial reasons occurs are as follows:

> Any changes in interest rates including the changes done for strategic reasons.
> Any payment holidays declared for particular groups due to strategic or at behest of regulator.
> Any change to maturity that is initiated by the customer, who is in no financial difficulty, and the Bank is comfortable that even if the modification is not done, the client would be able to service the debt. Such assets that are modified due to commercial reasons can be treated as Stage 1 as there are no signs of significant increase of credit risk.

Credit Risk Reporting

The QNB Group has monitoring procedures put in place for all of its loans. These procedures include an annual (or more frequently on adverse developments) credit review by the Credit Department and monthly credit portfolio reporting. Any required change to a credit rating is performed immediately as deemed necessary. As part of the monitoring process, a reporting system is also in place that includes monthly Management Information System reports sent to the responsible heads of business sections along with monthly reporting to senior management at the QNB Group and periodic reporting to the QCB.

International branch portfolios and QNB subsidiary portfolios are closely monitored at a monthly meeting of QNB Senior Risk staff (including the QNB Group Chief Risk Officer), at which concentrations, rating migration, non-performing loans, restructurings and watch list trends are reviewed and action and/or direction is given as appropriate. Risk dashboards are maintained for each branch/entity.

QNB uses staging rules to categorize each facility or customer on a monthly basis. Stage allocation is based on the qualitative, quantitative and back-stop criteria assessment. All performing facilities will be categorized as either Stage 1 or Stage 2 whereas non-performing facilities will be allocated to Stage 3. Annual Expected Credit Loss is calculated for Stage 1 facilities, whereas for Stage 2 and 3 facilities the Lifetime Expected Credit Loss (LECL) is used. Both annual and life time calculations takes into account three macroeconomic scenarios. Stage-3 loan loss provisions are made by the QNB Group, following an automatic suspension of interest after non-servicing of the debt for a period of 90 days to reflect the potential loss from the borrowing relationship as follows: for credit rated '8' a provision of 20% loss is applied; for credit rated '9' a provision of 50% loss is applied; and for credit rated '10' a provision of 100% loss is applied.

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Credit risk: DIS40 (continued)

Additional disclosure related to the credit quality of assets: CRB

a) The scope and definitions of past due and impaired exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

Common definitions are used for both accounting and regulatory purposes. Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. Neither past due nor impaired and past due but not impaired comprise the total performing financing.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

There are no such exposures. Bank considers the past due exposures for more than 90 days as impaired.

c) Description of methods used for determining impairments.

Financing past due for more than 90 days are treated as impaired. The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as releasing collateral (if held).

d) The Bank's own definition of a restructured exposure.

A loan in respect of which the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider.

Geographic analysis of credit quality assets: CRB

Loans and advances	
Qatar	677,209,164
Other GCC countries	14,815,079
Europe	100,004,623
North America	8,061,909
Others	52,896,475
Total	**852,987,250**

Industry analysis of credit quality assets: CRB

Description	
(01) Public Sector	**309,739,897**
Government	92,654,092
Government Institutions	217,085,805
(02) Private Sector	**543,247,353**
Industry	38,651,847
Commercial	131,546,926
Services	228,765,183
Contractors	7,522,404
Real Estate	62,108,775
Consumption	74,375,596
Other	276,622
Total	**852,987,250**

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Credit risk: DIS40 (continued)

Residual Maturity analysis of credit quality assets: CRB

Loans and advances	
Within One month	143,972,788
1 - 3 Months	44,258,743
3 - 12 Months	96,611,990
1 - 5 Years	388,329,638
More than 5 Years	179,814,091
Total	**852,987,250**

Exposures by Industry and related ECL/Provision: CRB

	Exposures before CCF and CRM				
Industry Sector	**Stage-1**	**Stage-2**	**Stage-3**	**Total gross amount**	**Impairment allowances**
Government Agencies	306,174,752	3,742,196	–	**309,916,948**	**177,051**
Industry	36,540,989	2,586,394	1,201,374	**40,328,757**	**1,676,910**
Commercial	127,468,624	4,596,312	1,746,970	**133,811,906**	**2,264,980**
Service	216,579,243	15,176,628	4,174,355	**235,930,226**	**7,165,043**
Contracting	6,139,164	1,983,832	4,305,999	**12,428,995**	**4,906,591**
Real Estate	48,867,665	14,327,752	6,773,725	**69,969,142**	**7,860,367**
Consumption	69,848,540	6,404,691	7,975,154	**84,228,385**	**9,852,789**
Others	343,753	160,073	176,927	**680,753**	**404,131**
Total	**811,962,730**	**48,977,878**	**26,354,504**	**887,295,112**	**34,307,862**

Exposures by Country and related ECL/Provision: CRB

	Exposures before CCF and CRM				
Countries	**Stage-1**	**Stage-2**	**Stage-3**	**Total Exposure**	**Total Allowance**
Qatar	649,790,559	29,630,051	19,470,320	**698,890,930**	**21,681,766**
Other GCC	14,370,009	432,566	1,020,067	**15,822,642**	**1,007,563**
Europe	95,432,150	8,169,434	2,942,687	**106,544,271**	**6,539,648**
North America	8,085,303	–	18,687	**8,103,990**	**42,081**
Others	44,284,709	10,745,827	2,902,743	**57,933,279**	**5,036,804**
Total	**811,962,730**	**48,977,878**	**26,354,504**	**887,295,112**	**34,307,862**

Ageing analysis of days for past due credit risk exposures: CRB

	Past due credit risk exposures			
	<30 days	**31-60 days**	**61-90 days**	**Total**
Total past due credit risk exposures:	**5,565,770**	**118,724**	**355,223**	**6,039,717**

Credit risk: DIS40 (continued)

Qualitative disclosure related to credit risk mitigation techniques: CRC

a) Core features of policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.

Not Applicable.

b) Core features of policies and processes for collateral evaluation and management.

The Bank, in the ordinary course of financing activities, holds collateral as security to mitigate credit risk in financing. Collaterals mostly include customer deposits and other cash deposits, highly rated sovereign securities issues in major currencies, financial guarantees, local and international equities listed in major indexes, real estate and other property and equipment. The collateral is held mainly against commercial and consumer financing and managed against relevant exposures related to financing. Enforceability, value and the volatility of the value of the asset, and the liquidity of the assets are the key considerations for the eligible collaterals. The fair value of collateral is based on valuation performed by the independent experts, quoted prices in regulated exchanges and the common valuation techniques. Valuation methods and valuation frequencies complies with relevant regulatory rules. Experts have used various approaches in determining the fair value of real estate collateral including market comparable approach based on recent actual sales or discounted cash flow approach taking into account risk adjusted discount rates, rental yields and terminal values.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

It is essential to manage credit risk mitigation through the use of collateral, guarantees, credit structures and the protection of the Bank's position through proper use of the appropriate credit documentation; collateral, security and other support and legal documentation. Concentrations must be taken into account when accepting collateral or security assets which might be highly correlated to the exposure that it is securing. QNB aims to diversify security assets and achieve low Loan to Value thresholds which can help mitigating the risk of collateral value depreciation and provides cushion for adverse market conditions.

The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks to individuals or groups of customers in specific geographical locations or economic sectors, which is achieved through Risk Appetite thresholds, Target Market Criteria and Risk Acceptance Criteria.

Credit Risk Mitigation
The credit risk exposure in respect of a debtor, counterparty or other obligor is mitigated or reduced by taking various types of collateral. Every effort is made to ensure that any collateral provided by a potential client is perfected in accordance with local legal requirements before credit is provided against that collateral. Such collateral is also maintained in a secure format, and valuations are undertaken as required during the lifetime of the credit exposure.

QNB Group has historically implemented a conservative credit policy. The QNB Group believes that its conservative approach to lending ensures that there is an adequate spread of the risk through a diverse product range and customer base (by geography, industry and obligor type). The QNB Group also believes that its conservative credit policy promotes the application of effective credit risk limits in its business, while providing adequate returns on the risk that is on par with the management's expectations. The QNB Group's effective monitoring of its risk, together with a conservative internal risk rating system and a timely recovery strategy, further strengthens QNB Group's belief that it adequately meets and exceeds all regulatory limits and guidelines to which its business is subject.

Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk: CRD

a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;

Moody's and other internationally reputed rating agencies.

b) The asset classes for which each ECAI or ECA is used;

Externally rated corporates, banks and other institutions.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book;

Not applicable.

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply);

Refer to the QCB mapping table for rating equivalents presented under (DIS40-CRA) on page 198.

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Credit risk: DIS40 (continued)

Credit quality of assets: CR1

		Gross carrying values of		Of which ECL/Specific accounting provisions for credit losses on Standardised Approach (SA) exposures			
		Defaulted exposures (a)	Non- defaulted exposures (b)	Allowances/ Impairments (c)	Allocated in regulatory category of Specific (d)	Allocated in regulatory category of General (e)	Net values (a+b-c)
1	Loans	26,354,504	860,853,761	34,221,015	33,675,288	545,727	852,987,250
2	Debt securities and Banks	737,690	332,586,291	974,187	974,187	–	332,349,794
3	Off-balance sheet exposures	652,113	247,661,850	1,146,554	1,146,554	–	247,167,409
4	**Total**	**27,744,307**	**1,441,101,902**	**36,341,756**	**35,796,029**	**545,727**	**1,432,504,453**

Changes in the stock of defaulted Loans, Debt securities, Due from Banks and Other Assets: CR2

		31 December 2023
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**23,829,570**
2	Loans and debt securities that have defaulted since the last reporting period	8,359,722
3	Returned to non-default status	(75,161)
4	Amounts written off	(3,891,415)
5	Other changes	(1,130,522)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4-5)**	**27,092,194**

Credit risk mitigation techniques - overview: CR3

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	–	–	579,501,695	–	–	–	–
Debt securities	–	–	–	–	–	–	–
Total	**–**	**–**	**579,501,695**	**–**	**–**	**–**	**–**
Of which defaulted	–	–	–	–	–	–	–

No significant changes over the reporting period and the key drivers of such changes.

(All amounts are shown in thousands of Qatari Riyals)

Credit risk: DIS40 (continued)

Standardised approach - credit risk exposure and CRM effects: CR4

	Exposures before CCF and CRM		Exposures post-CCF		RWA and RWA density	
Asset classes	**On-balance sheet**	**Off-balance sheet**	**On-balance sheet**	**Off-balance sheet**	**RWA**	**RWA density**
Sovereigns and their central banks	280,357,477	3,870,727	190,546,841	1,215,515	34,567,397	18.0%
Public Sector Entities	206,742,168	1,597,458	10,451,356	801,966	11,253,323	100.0%
Multilateral development banks	–	–	–	–	–	–
Banks	86,926,469	23,120,949	86,926,469	18,693,332	28,558,154	27.0%
Securities firms	–	–	–	–	–	–
Corporates	493,663,453	123,621,185	207,337,366	59,440,801	266,778,167	100.0%
Regulatory retail portfolios	82,428,927	7,781,340	75,354,767	6,334,070	68,158,873	83.4%
Secured by residential property	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–
Equity Investment	7,266,361	–	7,266,361	–	14,920,407	205.3%
Past-due loans	–	315,939	–	63,189	72,875	115.3%
Higher-risk categories	–	–	–	–	–	–
Other assets	48,829,913	–	42,286,755	6,543,159	42,673,218	87.4%
Total	**1,206,214,768**	**160,307,598**	**620,169,915**	**93,092,032**	**466,982,415**	**65.5%**

Standardised approach - Exposures by asset classes and risk weights: CR5

Risk weight → / **Asset Classes ↓**	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereigns	156,895,519	–	–	598,880	–	34,267,957	–	–	**191,762,356**
PSEs	–	–	–	–	–	11,253,323	–	–	**11,253,323**
MDBs	–	–	–	–	–	–	–	–	**–**
Banks	–	81,394,802	–	24,058,305	–	–	166,694	–	**105,619,801**
Securities	–	–	–	–	–	–	–	–	**–**
Corporates	–	–	–	–	–	266,778,167	–	–	**266,778,167**
Retail	–	–	–	–	52,114,956	27,567,204	–	–	**79,682,160**
Residential property	–	–	–	–	2,004,897	–	–	–	**2,004,897**
Commercial Real estate	–	–	–	–	–	1,780	–	–	**1,780**
EIFs	–	–	–	–	–	1,019,198	1,716,698	4,530,465	**7,266,361**
Past dues	–	–	–	–	–	43,814	19,374	–	**63,188**
Higher-risk	–	–	–	–	–	–	–	–	**–**
Other assets	11,927,238	965,769	–	–	–	35,936,906	–	–	**48,829,913**
Total	**168,822,757**	**82,360,571**	**–**	**24,657,185**	**54,119,853**	**376,868,349**	**1,902,766**	**4,530,465**	**713,261,946**

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Counterparty Credit Risk: DIS42

Analysis of CCR exposures by approach: CCR1

		a	b	c	d	e	f
31 December 2023		**Replacement cost**	**Potential future exposure**	**Effective EPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	CCR (for derivatives)	4,897,554	3,244,655		1.4	18,679,179	3,780,595
2	Internal Model Method (for derivatives and SFTs)						–
3	Simple Approach for credit risk mitigation (for SFTs)						–
4	Comprehensive Approach for credit risk mitigation (for SFTs)						–
5	Value-at-risk (VaR) for SFTs						–
6	**Total**						**3,780,595**

CVA capital charge: CCR2

		a	b
31 December 2023		**EAD post-CRM**	**RWA**
	Total portfolios subject to the Advanced CVA capital charge	6,187,998	2,762,563
1	(i) VaR component (including the 3×multiplier)	–	–
2	(ii) Stressed VaR component (including the 3×multiplier)	–	–
3	All portfolios subject to the Standardised CVA capital charge	–	–
4	**Total subject to the CVA capital charge**	**6,187,998**	**2,762,563**

Standardised approach - CCR exposures by regulatory portfolio and risk weights: CCR3

31 December 2023	a	b	c	d	e	f	g	h	i
Regulatory portfolio ↓ / Risk weight →	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	–	–	–	–	–	234,232	–	–	**234,232**
Non-central government public sector entities	–	–	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–	–	–
Banks	–	–	153,848	2,460,525	–	647,491	–	–	**3,261,864**
Securities firms	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	9,756	–	274,194	–	–	**283,950**
Regulatory retail portfolios	–	–	–	–	550	–	–	–	**550**
Other assets	–	–	–	–	–	–	–	–	–
Total	**–**	**–**	**153,848**	**2,470,281**	**550**	**1,155,917**	**–**	**–**	**3,780,595**

Composition of collateral for CCR exposure: CCR5
Not Applicable

Credit derivatives exposures: CCR6
Not Applicable

Securitisation: DIS43

Securitisation: SECA
Group does not have Securitisation exposure in Banking or Trading Books.

Market risk: DIS50

General qualitative disclosure requirements related to market risk: MRA

Overview
Market risk is the risk to the change in QNB Group's earnings or capital due to changes in interest rates, foreign exchange rates, equity and bond security prices that generally arise as a result of the Bank's day-to-day business activities. The QNB Group's exposure to market risk arises due to positions held in both trading and banking books. Market risk is monitored using a range of metrics within tightly defined limits and within closely defined product mandates, reflecting QNB's conservative approach to market risk.

The management of market risks is defined by Board approved Group policies, where oversight of market risk is delegated by the Board to the Group ALCO, which in turn defines the limits and mandates to the first line of defence functions in the Group. Second line of defence oversight is provided by the Group Strategic Risk Management team within Group Risk, which monitors all market risks within the Group ALCO-approved delegated authority limits and product mandates. Group Internal Audit acts as the third line of defence in this management process. The market risk limits are set at very conservative levels to reflect a limited appetite for this type of risk exposure.

QNB Group's Exposures to Market Risk
Market risk exposures primarily relate to interest rate risk in the banking book and FX risks that generally arise as a result of the Bank's day-to-day business activities. These risks are generated through the course of the Group's primary activity of making loans and investments funded via liabilities with different profiles - primarily with respect to interest rates and currency (FX). These mismatches between interest rate and currencies are the primary drivers of market risk for QNB. The majority of QNB's market risk is Interest Rate Risk in the Banking Book (IRRBB), which is considered specifically in Disclosure IRRBBA. The FX risk from the above activity results in most of the risk in the Trading Book.

FX and interest rate derivatives are used in both the Trading and Banking Book, primarily for the purposes of hedging to ensure that market risk remains within risk appetite and management limits. Derivatives are used to manage risk at a transaction or "back to back" level as well as to manage overall positions. The exposures to market risk are measured and monitored via a number of metrics against management limits and described in detail in the next section.

Governance, Monitoring, Reporting and Limits Framework
The Board-approved Group Trading Book, Non-Traded Market Risk and Investment Policies collectively define the requirements for the management of the different sources of market risk across the Group. Under policy, the management of market risk is delegated by the Board of Directors to the Group ALCO. The First line of defence functions, such as Group Treasury, are responsible for the day to day management of these risks and ensuring that QNB operates within its management limits, product mandates and overall Risk Appetite.

The independent Second line of defence monitoring and reporting of market risk exposures against management limits is performed by the Strategic Risk Management team within Group Risk. Exposures against limits are reported to Management in the first line of defence and Group ALCO. Compliance with Group and Board level limits is also independently reported to the GMRC and GBRC. Group Internal Audit, as part of its role as the third line of defence, undertake routine reviews of the first and second line of defence functions.

The GBRC defines the overall market risk appetite in terms of acceptable activity and maximum limits. QNB has a conservative appetite towards market risk. The Group ALCO define business and entity level limits and the Group product mandate. These limits are in turn cascaded to more granular areas of business activity, international branches, etc.

The QNB Group applies standard and internal methodologies to measure the market risk on positions in both the trading and banking books and potential for market related, portfolio level losses. QNB has defined limits on the level of market risk that may be accepted. These include but are not limited to:

> Basis point value of interest rate positions (overall and bucketed).
> Net and gross currency open positions.
> Value at Risk (VaR) - measured based on a 99% confidence interval and 1 day holding period.
> Daily and monthly stop loss limits.
> Concentration and other position exposures.

Limits are monitored by Strategic Risk Management on a daily basis with results reported to first line of defence and Executive Management. Any breaches of Group ALCO or Board limits are immediately escalated to relevant Executive stakeholders.

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Market risk: DIS50 (continued)

In addition, the above metrics are supplemented with regular stress testing analysis based upon a range of historical and hypothetical severe but plausible events, as well as "forward looking" ad-hoc scenario analysis to assess the potential impacts of evolving market issues.

Periodic reports are provided to the Board of Directors, Group ALCO and GMRC summarizing key exposure measurements versus limits as well as summaries and recommendations with respect to new and emerging risks.

Market risk under the standardised approach: MR1

		31 December 2023	30 June 2023
		Risk Weighted Assets	Risk Weighted Assets
1	General interest rate risk	597,799	2,141,795
2	Equity risk	85,740	–
3	Commodity risk	609,772	–
4	Foreign exchange risk	532,059	10,003,165
5	Credit spread risk - non-securitisations	–	–
6	Credit spread risk - securitisations (non-correlation trading portfolio)	–	–
7	Credit spread risk - securitisation (correlation trading portfolio)	–	–
8	Default risk - non-securitisations	–	–
9	Default risk - securitisations (non-correlation trading portfolio)	–	–
10	Default risk - securitisations (correlation trading portfolio)	–	–
11	Options	–	–
12	Simplified Approach	–	–
13	Delta Plus Method	–	–
14	Residual risk add-on	–	–
15	**Total**	**1,825,370**	**12,144,960**

Operational risk: DIS60

General qualitative information on a bank's operational risk framework: ORA

Overview of Operational Risk

Definition of Operational Risk

The Bank has adopted the definition of the Basel III Accord, whereby "Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition specifies the broad categories of operational risk sources and in particular:

> Processes: refers to losses that have been incurred due to a deficiency in an existing procedure, or the absence of procedure documentation. Losses in this category can result from human error or failure to follow an existing procedure. Process-related losses are regarded as unintentional.
> People: refers to losses associated with intentional violation of internal policies by current or former employees. In some specific cases, this category may include independent contractors, people employed by outsourcers or people who are being considered for employment.
> Systems: reflects losses that are caused by breakdowns in existing systems or technology. Losses in this category are considered as unintentional (IT risk fall in this category). If intentional technology related losses occur, they should be categorized in either the People or External category.
> External events: reflects losses occurring because of natural or man-made forces, or the direct result of a third party's action.

Key Operational Risk Exposures

Every year QNB Group undertakes an assessment of the top Operational Risks facing the Banking industry as identified by Senior Industry Practitioners. This assessment is internally known as the Material Operational Risk Assessment. The top ten operational risks that are being monitored include Regulatory non-compliance; Cybersecurity risk; Change Management risk; Manual processing errors; People risk (Capacity & Capability); Information security risk; Technology & Infrastructure risk; Business continuity & Operational resilience risk; Fraud risk (Internal & External); and Third Party risk & Vendor management.

Operational risk: DIS60 (continued)

Operational Risk Governance Structure

QNB Group's ORM governance structure is based on the Three lines of defence model, which has been designed to effectively manage operational risk. In particular;

> The first line of defence includes all the Bank's Business / Functions and staff, each one directly responsible for controlling and minimizing the operational risk within their business activities in compliance with the Bank's policies and procedures. The effective management of operational risk by the first line of defence should include existing products, business processes, activities, and those risks presented by new business and change activity.
> The second line of defence is defined by the roles and responsibilities of the Group Operational Risk Department (GORD). GORD is primarily responsible for the development of Operational Risk Management methodologies, tools and guidance to be used at the business and functional unit level for the management of operational risk.
> The third line of defence is the Group Internal Audit Division (GIAD).

The key Governance Committees of Operational Risk Management at QNB are as follows:

> Group Board Risk Committee (GBRC) - Sets and approves Group wide Risk Policies including the QNB Group Operational Risk Policy.
> Group Management Risk Committee (GMRC) - Responsible for oversight and review of all risk functions including the Operational Risk Framework.
> Group Operational Risk Management Committee (GORMC) - Mandated by GMRC, this is a dedicated committee to provide operational risk oversight and review at a Group Level, domestically and internationally chaired by the Group Chief Risk Officer (GCRO).
> Group Operational Risk Department (GORD) - GORD is situated at Group level and reports to GCRO.

Operational Risk Management Framework

QNB Group has implemented an operational risk framework to identify, assess, control, manage, and report Operational risk across the Group. The framework includes a tool for escalation of material risks and events to the Group Management Risk Committee and appropriate senior management staff. Effective operational risk management is essential to reducing the impact of operational risk events. The framework is continually evolving to reflect changes in the Group and to respond to the changing regulatory and business environment.

The primary responsibility for the management of operational risk is with the Group's Business and Functions; they are directly responsible for controlling and minimizing the operational risk within their business activities in compliance with the Bank's policies and procedures. The effective management of operational risk by the Business and Functions includes existing products, business processes and activities, and those risks presented by new business and change activity.

The QNB Group Operational Risk Framework is comprised of eight interconnected elements; (i) Policy & Governance, (ii) Risk Appetite & KRI's, (iii) Risk and Control Self-Assessment (RCSA), (iv) Operational Risk Response, (v) Control Assurance Framework (Non-ICOFR), (vi) Event Loss Data Management (ELDM), (vii) Operational Resiliency (with dedicated sub-elements on Business Continuity Management, Third Party Risk Management and Technology Risk Management), and (viii) Risk Reporting and Analysis.

Risk Identification and Assessment Strategies

The Material Operational Risk Assessment (MORA) serves as an annual internal evaluation conducted by the bank to appraise the ten most significant operational risks, as acknowledged by senior industry experts. Positioned at a high level, the MORA functions as an assessment tool to gauge the bank's stance on the industry-identified top ten operational risks. Complementing the MORA is the bank's Risk and Control Self-assessment (RCSA) process, formulated by the Group Operational Risk Department (Second line of defence). This process empowers the bank's business units and functions (First line of defence) to pinpoint and evaluate operational risks inherent in specific business segments, including products, processes, and activities. Operational risks identified and assessed through the RCSA are inherently more detailed and granular compared to those incorporated in the MORA.

Operational Risk Response Strategies

QNB proactively manages the operational risks faced by the bank and aim to ensure that an appropriate control environment is maintained. This means the Bank must understand and report on residual risk exposures and ensure appropriate operational risk responses are in place to mitigate or transfer any risks, which are not accepted.

> Risk Mitigating Actions (RMA) aims to resolve control gaps or weaknesses and reduce risk exposures that have not been accepted. This process includes the identification, capture, ownership, closure and reporting of RMAs. RMAs are part of the interconnected operational risk framework and anything that results in the reassessment of a risk could lead to a requirement to create an RMA. In addition to RMA's resulting directly from the RCSA process, it is also possible they will result from reassessment of risk because of triggers such as Operational Risk events. RMA's are recorded in the Operational Risk Management System.
> Exceptions to Policy (ETP) aims to record a decision that is made not to implement or fully implement a mandatory control as defined within a QNB Policy, Procedure, and Framework or against industry best practice. Such ETPs represent accepted risks and are recorded for all the Business / Functions in the Operational Risk Management System.

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Operational risk: DIS60 (continued)

> As a means to supplement risk mitigation and acceptance decisions, QNB utilises Operational Risk related Insurance Policies to transfer operational risk losses in part or in full. QNB currently has the following insurance policies in place: (i) Bankers Blanket Bond (BBB) Policy, (ii) Property All Risk (PAR) Policy, (iii) Electronic Equipment (EE) Policy, (iv) Third Party Liability (TPL) Policy, (v) Cyber Liability (CL) Policy.

Event Loss Data Management

The Bank requires accurate knowledge of operational risk related losses and has therefore established an appropriate event escalation process, known as the QNB Notifiable Event Process (QNEP), which forms part of the ELDM element of the Operational Risk Framework. Loss events are identified, recorded and classified according to the Bank's Impact Classification Matrix, causal categories and Risk Taxonomy. QNB has invested in risk management software to support its operational risk management policy and framework by keeping track of operational risk event information and loss data.

Dedicated operational risk reports are developed for review and oversight within the GORMC, GMRC and GBRC. Among other content, these reports include the bank's operational risk profile including individual and aggregated risks, events, losses and the status of risk mitigating actions. In addition to reports that are presented to Governance Committees, GORD compiles and distributes various Management Reports to a broad audience across the bank at various frequencies.

Interest rate risk in the banking book: DIS70

IRRBB risk management objectives and policies: IRRBBA

IRRBBA - Interest rate risk in the banking book (IRRBB) risk management objective and policies

a) A description of how the bank defines IRRBB/PRRBB for purposes of risk control and measurement.

Interest Rate Risk in the Banking Book (IRRBB) refers to the risk to QNB Group's capital and earnings arising from the adverse movements in interest rates on its banking book. When interest rates change, the present value and timing of future cash flows change, impacting upon the economic value of QNB's balance sheet. Changes in interest rates affect QNB Group's earnings by altering interest rate-sensitive income and costs, impacting its Net Interest Income (NII). In general, the sources of Interest Rate Risk can include gap risk, yield curve risk, basis risk and option risk.

b) A description of the bank's overall IRRBB/PRRBB management and mitigation strategies. Monitoring of EVE and NII in relation to established limits, hedging practices, conduct of stress testing, outcomes analysis, the role of independent audit, the role and practices of the Group ALCO, the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions.

The Board believes that effective IRRBB management is an essential component of safe and sound banking practices and has a direct impact on the QNB Group's earnings and equity. The QNB Board is ultimately responsible for the Risk management of the Group through provision of overall strategy and oversight. Specifically, the Group operates under its Board approved Non-Traded Market Risk Policy, which covers the management of IRRBB. It also sets the overall Risk Appetite for QNB. QNB Board policy is executed via delegated authority to the Group Management Committees, which includes the GALCO and GMRC. These Committees are responsible for the setting, approval and implementation of limits that are within their Board-approved authority. They are also responsible for ensuring that appropriate processes and controls are in place so that all risks are identified, measured and reported against approved risk limits as well as to authorize appropriate action (as required) if there is a limit breach. These Committees also delegate operational mandates and authorities to individual business and functional unit managers.

IRRBB Limit Framework

The Group Risk Division is responsible for the oversight of the risk process. This includes ensuring that appropriate risk limits are set (consistent with Risk Appetite), managing a robust risk control and reporting process, and the escalation of risk limit breaches. The aggregated risk limits across the QNB Group are aligned and consistent with the overall Group Risk IRRBB limit framework. Board approved limits are cascaded to GALCO and then throughout the organization via the various ALCOs and management committees across the Group. Both economic value and earnings based measurements are used to measure IRRBB and monitor this risk against limits. This includes Board limits for sensitivity to earnings (EaR - Earnings at Risk) and economic value impacts upon the balance sheet (EVE - Economic Value of Equity). To provide a consistent Group wide measurement basis, these limits are defined based upon the standardized stress scenarios consistent with the guidelines set by the QCB. These measurements and limits are further supported with additional GALCO level operational limits, such as PV01 ladder limits, with standard measurements regularly monitored and reported to GALCO on a monthly basis. These Group wide standard metrics are complemented with entity and location specific stress testing and other measurements (as appropriate) at intermediate or sub-consolidation and branch levels.

Interest rate risk in the banking book: DIS70 (continued)

Governance, Oversight and Controls
QNB Group operates a "Three lines of defence" model with respect to the management and governance of risk and the segregation of duties with respect to responsibilities, governance and controls. This includes management and controls around IRRBB. The GALCO oversees the management of IRRBB at a QNB Group level, with international ALCOs and management committees overseeing the management at each location. The Business units and Treasury are the first line functions responsible for the management of the risk, whilst the Risk and Financial control units are the second line. The independent Internal Audit function, as the third line function, undertakes regular audits and reviews of the management and controls processes. The Non Traded Market Risk Policy sets out the guidelines for the governance and management of interest rate risk in the Banking Book.

Risk mitigation and hedging practices
The objective of managing IRRBB is to manage the exposure to interest rate risk in the Banking Book within acceptable limits using approved products within the mandates available to the first line functions. Where possible, risks are managed via the on balance sheet matching of assets and liabilities and the central aggregation of risk. However, Treasury can also hedge specific transactions and residual exposures through the use of derivatives. Significant hedging or risk management initiatives are approved by GALCO.

c) The periodicity of the calculation of the bank's IRRBB/PRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB/PRRBB.

QNB regularly monitors the evolution of IRRBB at an operational level. The key standard measurements used across the Group are:

> EVE based on predefined standardized shocks.
> Sensitivity to Net Interest Income (NII) over a 12-month horizon and based on predefined shocks calibrated for significant currencies.
> Re-pricing GAP reports (measured against PV01 ladder limits).
> Credit Spread Risk in Banking Books (CSRBB) sensitivities.

Daily controls are operated to monitor daily movements in the IRRBB profile. Additional metrics, such as hedging ratio, effective duration of equity or local regulatory measurements are also used at an entity level to supplement the common Group wide measurements.

The calculation of the Group's IRRBB measurements are reported on a monthly basis to the GALCO. The impact of interest rates shocks is also factored as part of the Bank's formal Stress Tests and within ICAAP and the results are presented to senior management.

d) A description of the interest/profit rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.

The prescribed QCB standardized interest rate shock scenarios are used in line with the QCB guidelines. As part of a broader stress-testing framework, additional stress scenarios based upon historical market events and severe but plausible hypothetical scenarios are also undertaken. As required, scenarios are also developed to assess potential impacts of emerging risks.

e) Where significant modelling assumptions used in the bank's internal system (i.e. the EVE metric generated by the bank for purposes other than disclosure, e.g. for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in the table below, the bank should provide a description of those assumptions and of their directional implications and explain its rationale for making those assumptions (e.g. historical data, published research, management judgment and analysis).

QNB applies the QCB standardized scenarios in a manner consistent with the requirements defined in the QCB guidelines. These scenarios are viewed by QNB as consisting of very extreme shocks and used as the basis of assessing Pillar 2 capital requirements as directed under the QCB guidelines. Additional stress testing undertaken by QNB consists of less extreme, severe but plausible scenarios.

f) A high-level description of how the bank hedges its IRRBB/PRRBB, as well as the associated accounting treatment.

QNB IRRBB exposures are managed by the Treasury function. Where appropriate, exposures are centralized for management by Group Treasury. Where possible, risks are managed via the on balance sheet matching of assets and liabilities and the central aggregation of risk. However, Treasury will also hedge specific transactions through the use of derivatives.

Most derivatives residing in the banking book are in the form of Interest Rate or Cross Currency Swaps which qualify for Cash Flow Hedge accounting treatment.

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Interest rate risk in the banking book: DIS70 (continued)

g) A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in the table below, which includes:

> For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used.
> How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behavior).
> The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.

Any other assumptions (including for instruments with behavioral optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in the table below, including an explanation of why these are material.

The approach to modelling assumptions for the purposes of evaluating ΔEVE and ΔNII is consistent with the guidelines set out by the QCB. These relate mainly to the treatment of non-maturing deposits and assets where the use of historical data is used to model key homogenous cohorts to arrive at a sensitivity to key macro factors, stable/non-stable segments and effective duration. With respect to early redemptions of deposits and prepayment of loans, when applicable, the speed is determined based on historical behaviors and sensitivities to key macro factors. Other assumptions based on specific product characteristics, such as optionality are taken into consideration as part of the evaluation process.

Commercial margins and other spread components have been excluded in the cash flows used in the computation. The discount rates used are from observed market Cash and Interest Rate Swap rates for each material currency.

Quantitative disclosures

1. Average repricing maturity assigned to NMDs - 1.3 Years
2. Longest repricing maturity assigned to NMDs - 10.0 Years

Quantitative information on IRRBB: IRRBB1

QAR Millions

In reporting currency	ΔEVE		ΔNII	
Period	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Parallel up	(1,349)	(1,853)	(600)	(895)
Parallel down	(2,398)	(2,941)	(3,546)	(2,955)
Steepener	(1,324)	(216)	–	–
Flattener	(324)	(422)	–	–
Short rate up	(749)	(796)	–	–
Short rate down	(2,663)	(486)	–	–
Maximum	(2,663)	(2,941)	(3,546)	(2,955)
Tier 1 capital*	96,907	95,569	96,907	95,569
% of capital	-2.7%	-2.4%	-3.7%	-3.6%
RWA	519,038	517,113	519,038	517,113
% of RWA	-0.5%	-0.4%	-0.7%	-0.6%

*Figures are net of dividend. CET1 in the published financials are reported gross of dividend.

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Leverage ratio: DIS80

Summary comparison of accounting assets vs leverage ratio exposure measure: LR1

		31 December 2023	30 June 2023
1	Total consolidated assets as per published financial statements	1,230,985,013	1,202,056,172
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–	–
4	Adjustments for temporary exemption of central bank reserves (if applicable)	–	–
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	–	–
7	Adjustments for eligible cash pooling transactions	–	–
8	Adjustments for derivative financial instruments	8,142,209	8,309,700
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	–	–
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	86,548,873	82,450,304
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(34,426,069)	(31,575,403)
12	Other adjustments	(6,730,842)	(5,578,298)
13	**Leverage ratio exposure measure**	**1,284,519,184**	**1,255,662,475**

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Leverage ratio: DIS80 (continued)

Leverage ratio common disclosure: LR2

		31 December 2023	30 June 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,169,263,806	1,144,574,576
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(6,730,842)	(5,578,298)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**1,162,532,964**	**1,138,996,278**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,897,554	6,337,315
5	Add-on amounts for potential future exposure (PFE) associated with all derivatives transactions	3,244,655	1,972,385
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
8	(Exempted central counterparty, or CCP, leg of client-cleared trade exposures)	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11	**Total derivative exposures (sum of rows 4 to 10)**	**8,142,209**	**8,309,700**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	27,295,138	25,906,193
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
14	Counterparty credit risk exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**27,295,138**	**25,906,193**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	160,307,598	169,001,455
18	(Adjustments for conversion to credit equivalent amounts)	(73,758,725)	(86,551,151)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**86,548,873**	**82,450,304**
Capital and total exposures			
20	**Tier 1 capital**	**96,906,632**	**90,273,668**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**1,284,519,184**	**1,255,662,475**
Leverage ratio			
22	**Basel III leverage ratio (%)**	**7.5%**	**7.2%**

Liquidity: DIS85

Liquidity risk management: LIQA

a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.

Liquidity risk is the risk that an institution is unable to meet its funding obligations as they fall due, leading to an inability to support normal business activity or to incur unacceptable costs. QNB considers the prudent management of liquidity essential to ensuring a sustainable and profitable business and retaining the confidence of the financial markets. The Group Board has overall responsibility for ensuring that liquidity risk is appropriately managed. These expectations, including the delegation of roles and responsibilities is covered in the Group Liquidity Risk Management Policy. Board liquidity tolerance is defined within the Group Statement of Risk Appetite. The GALCO has delegated responsibility for overseeing Group Treasury practices to ensure that liquidity risk is prudently managed globally across the Business.

b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.

QNB operates a funding strategy to meet the objectives of the Group Liquidity Risk Policy and Statement of Risk Appetite whilst meeting the requirements for current and projected budget and regulatory requirements. Treasury actively manages a diversified funding structure by sourcing funding across a range of tenors, product types, geographies, currencies, counterparty and customer types. This approach enables the Bank to maintain overall funding levels through a range of operating conditions. International entities are expected to operate on a basis of being self-sufficient on meeting their funding needs, although these operations are closely coordinated under Group Treasury to ensure alignment with the wider Group funding strategy.

c) Liquidity risk mitigation techniques.

Liquidity risk is actively managed to forecast requirements to meet its obligations under normal and stressed conditions. Risks are mitigated via its diversified funding strategy to meet obligations under most expected scenarios, along with the maintenance of a buffer of High Quality Liquid Assets (HQLA) and other readily marketable securities that can be drawn upon to manage requirements during stress conditions.

d) An explanation of how stress testing is used.

Liquidity risk can materialise as a result of firm-specific, industry-wide and market-wide liquidity events which may lead to cash outflows and may disrupt the availability of existing sources of funding. Stress testing of the potential events enables QNB to identify key risk drivers, as well as provide an indication of the performance of liquid asset buffers held to help mitigate risks. To supplement stress testing analysis, QNB also monitors a series of Early Warning Indicators (EWIs), to assist with the timely identification of potential emerging conditions of funding stress.

e) An outline of the bank's contingency funding plans.

QNB Group also maintains a Contingency Funding Plan that details its plan of action in emergency and stress situations. The plan defines the roles and responsibilities, procedures and immediate actions that would be taken in response to a stress event, to ensure that QNB continues to meet its obligations. Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank. In addition to regulatory liquidity metrics, QNB monitors a number of internal metrics as part of a broader liquidity Key Risk Indicator (KRI) framework. These metrics include maturity mismatch projections, measurements of areas of key concentrations by counterparty type, geography, product type, etc.

f) Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.

Liquidity assumptions are reviewed effectively & efficiently and approved by ALCO for the aim of effective monitoring of liquidity issues.

g) Concentration limits on collateral pools and sources of funding (both products and counterparties).

QNB monitors and complies with all regulatory requirements and a part of its broader Key Risk Indicator (KRI) framework monitors concentration levels of different funding sources, such as counterparty, geography, product type, tenor, etc.

h) Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.

International entities are expected to operate on a self-sufficient basis to meet their own funding needs. This also includes managing compliance with any local regulatory liquidity requirements and limits. Each entity is responsible for monitoring its own risks and reporting its position to local senior management and Group Management via its local ALCO, which also provides a mechanism for escalating liquidity and funding risks to Head Office functions, including Group Treasury and GALCO.

i) Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

Please refer to published consolidated financial statements.

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Liquidity: DIS85 (continued)

Liquidity Coverage Ratio (LCR): LIQ1

		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
		31 December 2023		30 Jun 2023	
High-quality liquid assets					
1	**Total HQLA**	**184,667,785**	**180,297,026**	**170,421,908**	**166,673,442**
Cash outflows					
2	**Retail deposits and deposits from small business customers, of which:**	**137,169,081**	**10,011,422**	**143,273,809**	**10,649,279**
3	Stable deposits	–	–	–	–
4	Less stable deposits	137,169,081	10,011,422	143,273,809	10,649,279
5	**Unsecured wholesale funding, of which:**	**284,642,366**	**155,552,607**	**324,367,469**	**198,045,790**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	63,455,311	63,455,311	103,092,516	103,092,516
7	Non-operational deposits (all counterparties)	9,551,986	949,693	17,844,104	1,698,172
8	Unsecured debt	211,635,069	91,147,603	203,430,849	93,255,102
9	**Secured wholesale funding**	**–**	**–**	**–**	**–**
10	**Additional requirements, of which:**	**19,047,109**	**19,047,109**	**13,231,603**	**13,231,603**
11	Outflows related to derivative exposures and other collateral requirements	72,074.30	72,074.30	–	–
12	Outflows related to loss of funding of debt products	18,975,034	18,975,034	13,231,603	13,231,603
13	Credit and liquidity facilities	–	–	–	–
14	**Other contractual funding obligations**	**–**	**–**	**–**	**–**
15	**Other contingent funding obligations**	**74,341,827**	**15,206,399**	**72,818,807**	**16,454,407**
16	**TOTAL CASH OUTFLOWS**	**515,200,382**	**199,817,537**	**553,691,688**	**238,381,079**
Cash inflows					
17	**Secured lending**	**–**	**–**	**–**	**–**
18	Inflows from fully performing exposures	137,921,697	107,211,539	145,602,600	119,836,515
19	Other cash inflows	5,134,797	5,134,797	4,373,685	4,373,685
20	**TOTAL CASH INFLOWS**	**143,056,494**	**112,346,336**	**149,976,285**	**124,210,200**
Total adjusted value					
21	**Total HQLA**	**–**	**180,297,026**	**–**	**166,673,442**
22	**Total net cash outflows**	**–**	**87,471,202**	**–**	**114,170,879**
23	**Liquidity coverage ratio (%)**	**–**	**206.1%**	**–**	**146.0%**

(All amounts are shown in thousands of Qatari Riyals)

Liquidity: DIS85 (continued)

Net Stable Funding Ratio (NSFR): LIQ2

		Unweighted value by residual maturity				Weighted value 31 December 2023	Weighted value 30 June 2023
		No maturity	<6 months	6 months to <1 year	≥1 year	T	T-1
	Available stable funding (ASF) item						
1	**Capital: 2+3**	**109,393,912**	**–**	**–**	**–**	**109,393,912**	**101,302,575**
2	Regulatory capital	83,556,632	–	–	–	83,556,632	75,782,651
3	Other capital instruments	25,837,280	–	–	–	25,837,280	25,519,924
4	**Retail deposits and deposits from small business customers:**	**70,500,828**	**42,840,200**	**13,865,771**	**9,962,282**	**114,402,839**	**118,800,832**
5	Stable deposits	–	–	–	–	–	–
6	Less stable deposits	70,500,828	42,840,200	13,865,771	9,962,282	114,402,839	118,800,832
7	**Wholesale funding:**	**98,043,483**	**283,136,392**	**152,791,248**	**257,352,337**	**498,973,646**	**485,468,719**
8	Operational deposits	–	–	–	–	–	–
9	Other wholesale funding	98,043,483	283,136,392	152,791,248	257,352,337	498,973,646	485,468,719
10	Liabilities with matching interdependent assets	–	–	–	–	–	–
11	**Other liabilities:**	**193,274,292**	**–**	**–**	**–**	**–**	**–**
12	NSFR derivative liabilities	–	–	–	–	–	–
13	All other liabilities and equity not included in the above categories	193,274,292	–	–	–	–	–
14	**Total ASF 1+4+7+11**	**471,212,515**	**325,976,592**	**166,657,019**	**267,314,619**	**722,770,397**	**705,572,126**
	Required stable funding (RSF) item						
15	**Total NSFR high-quality liquid assets (HQLA)**	**81,455,851**	**33,289,132**	**12,659,239**	**57,097,460**	**–**	**–**
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–	–
17	**Performing loans and securities:**	**111,672,590**	**151,200**	**254,987,657**	**625,519,008**	**591,167,838**	**582,138,930**
18	Performing loans to financial institutions secured by Level 1 HQLA	109,246,899	–	–	–	5,462,345	4,203,294
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	2,425,691	151,200	–	–	1,235,525	446,304
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	–	254,987,657	174,686,149	575,195,643	566,081,854
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	–	–	441,558,534	287,013,047	304,864,084
22	Performing residential mortgages, of which:	–	–	–	–	–	–
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	–	–	–	–	–

Qatar National Bank (Q.P.S.C.)
Basel Pillar 3 Disclosures
31 December 2023

(All amounts are shown in thousands of Qatari Riyals)

Liquidity: DIS85 (continued)

		Unweighted value by residual maturity				Weighted value 31 December 2023	Weighted value 30 June 2023
		No maturity	<6 months	6 months to <1 year	≥1 year	T	T-1
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	9,274,325	9,274,325	11,407,478
25	Assets with matching interdependent liabilities	–	–	–	–	–	–
26	**Other assets:**	**–**	**–**	**–**	**–**	**78,594,858**	**68,611,727**
27	Physical traded commodities, including gold	–	–	–	–	–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	–	–	–	–	–
29	NSFR derivative assets	–	–	–	–	–	–
30	NSFR derivative liabilities before deduction of variation margin posted	–	–	–	–	–	1,357,160
31	All other assets not included in the above categories	–	–	–	–	78,594,858	67,254,567
32	**Off-balance sheet items**	**–**	**–**	**–**	**–**	**16,143,651**	**16,472,783**
33	**Total RSF 15+17+26**	**193,128,441**	**33,440,332**	**267,646,896**	**682,616,468**	**685,906,347**	**667,223,440**
34	**Net Stable Funding Ratio (%)**	**–**	**–**	**–**	**–**	**105.4%**	**105.7%**

Key terms and abbreviations

ABC	Anti-Bribery and Corruption
AI	Artificial Intelligence
ALCO	Asset and Liability Committee
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
AVP	Assistant Vice President
AWM	Asset and Wealth Management
BFTP	Bank Term Funding Program
BIN	Business Incubation
bn	Billion
BOD	Board of directors
BoE	Bank of England
bps	Basis Points
CAMS	Certified Anti-Money Laundering Specialist
CASA	Current Accounts and Savings Accounts
CBE	Central Bank of Egypt
CBI	Climate Bonds Initiative
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CET	Common Equity Tier
CFT	Combating the Financing of Terrorism
CIA	Certified Internal Auditor
COBIT	Control Objectives for Information and Related Technology
COI	Conflict of Interest
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
DDoS	Distributed Denial-of-Service
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECA	Export Credit Agency
ECB	European Central Bank
EGP	Egyptian Pound
EPC	Engineering, Procurement and Construction
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
ESRM	Environmental and Social Risk Management
ETF	Exchange Traded Fund
EU	European Union
EVP	Executive Vice President
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
Fed	Federal Reserve
FX	Foreign exchange
GALCO	Group Asset and Liability Committee
GAM	General Assembly Meeting
GBACC	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
GCBO	Group Chief Business Officer
GCCO	Group Chief Compliance Officer
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GCIB	Group Corporate and Institutional Banking
GCOO	Group Chief Operations Officer
GCRO	Group Chief Risk Officer
GCSC	Group Cybersecurity Committee
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIAD	Group Internal Audit Department
GLP	Green Loan Principles
GMRC	Group Management Risk Committee
GORD	Gulf Organisation for Research and Development
GORMC	Group Operational Risk Management Committee
GRI	Global Reporting Initiative
GSAS	Global Sustainability Assessment System
GSC	Group Strategy Committee
GSF	Global Structured Finance
GSSB	Green, Social and Sustainability Bond
GSSBC	Green, Social and Sustainability Bond Committee
HNWI	High-net-worth individual
HR	Human Resources
IAA	Institute of Internal Auditors
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Markets Association
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
IIA	Institute of Internal Auditors
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
ISSB	International Sustainability Standards Board
IT	Information Technology
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
LPG	Liquefied Petroleum Gas
LTV	Loan To Value
MDR	EU Mandatory Disclosure Regime
MEA	Middle East and Africa
MEASEA	Middle East, Africa and Southeast Asia
MENA	Middle East and North Africa
ML	Machine Learning
MM	Market Making
MOECC	Qatar Ministry of Environment and Climate Change
MoU	Memorandum of Understanding
MSCI	Morgan Stanley Capital International
MSME	Micro, Small, and Medium Enterprises
NDC	Nationally Determined Contribution
NFE	North Field Expansion
NGO	Non-Government Organisation
NIM	Net Interest Margin
NPAC	New Product Approval Committee
NPAP	New Product Approval Process
NPL	Non-Performing Loan
NPS	Net Promoter Score
NRA	National Risk Assessment
NSGB	National Societe Generale Bank
OCR	Optical Character Recognition
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
p/b	per barrel
PCI DSS	The Payment Card Industry Data Security Standard
PIN	Personal Identification Number
PoC	Proof of Concept
PoS	Point of Sale
PPLR	Product Post Launch Review
PPP	Private Public Partnerships
PRA	Prudential Regulation Authority
PRB	Principles for Responsible Banking
PSD	European Union Payment Services Directive
PSP	Payment Service Providers
QAR or QR	Qatari Rial
QBIC	Qatar Business Incubation Center
QCB	Qatar Central Bank
QDB	Qatar Development Bank
QETF	Qatar Exchange Traded Fund
QFBA	Qatar Finance and Business Academy
QFC	Qatar Financial Centre
QFMA	Qatar Financial Markets Authority
QIA	Qatar Investment Authority
QFTH	Qatar Fintech Hub
QNE	Qatar National Environment and Climate Change Strategy
QNBFS	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
SASB	Sustainability Accounting Standards Board
SBG	Sustainability Bond Guidelines
SBP	Social Bond Principles
SC	Strategy Committee
SEVP	Senior Executive Vice President
SFC	Sustainable Finance Committee
SFPF	Sustainable Finance and Product Framework
SLBP	Sustainability-Linked Bond Principles
SLL	Sustainability-Linked Loans
SLLP	Sustainability-Linked Loan Principles
SLP	Social Loan Principles
SME	Small and Medium-sized Enterprises
SPO	Second Party Opinion
SVP	Senior Vice President
TCFD	Task Force on Climate-Related Financial Disclosures
TOBB	Union of Chambers and Commodity Exchanges of Türkiye
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
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
UNGP	United Nations Guiding Principles on Business and Human Rights
UNPRB	United Nations Principles for Responsible Banking
UNSDG	United Nations Sustainable Development Goals
USD	United States Dollar
VaR	Value at Risk
VP	Vice President
VWWS	Vendor Worker Welfare Self-Assessment
WEP	Women's Empowerment Principles

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