



Doha Bank Q.P.S.C.

Consolidated Financial Statements

31 December 2021

Draft for QCB Approval

Doha Bank Q.P.S.C.

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Independent auditor's report

To the Shareholders of Doha Bank (Q.P.S.C.)

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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 Bank's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of financial assets subject to credit risk

See [Notes 3\(g\), 4\(b\), 5\(a\), 5\(b\), 8, 9, 10, 11, 14 and 19](#) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>We determined this to be a key audit matter because:</p> <ul style="list-style-type: none">• Impairment of financial assets subject to credit risk involves:<ul style="list-style-type: none">- complex accounting requirements, including assumptions, estimates and judgements underlying the determination of impairment;- Expected Credit Loss ("ECL") modelling risk over methodology and design decisions;- susceptibility to management bias when making judgements to determine expected credit loss outcomes; and- complex disclosure requirements.• The COVID-19 pandemic has significantly impacted management's determination of ECL. The assumptions regarding the economic outlook are more uncertain which increases the level of judgement required by the Group in calculating the ECL, and the associated audit risk.• The Group's financial assets, both on and off-balance sheet, subject to credit risk were QAR 116,642 million, as at 31 December 2021 (2020: QAR 121,199 million), hence a material portion of the consolidated statement of financial position. Furthermore, the net impairment recognized by the Group on these financial assets amounted to QAR 1,485 million, in the year ended 31 December 2021 (2020: QAR 1,365 million), hence a material portion of the consolidated statement of income.	<p>Our audit procedures in this area included the following, among others:</p> <ul style="list-style-type: none">• Evaluating the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, our business understanding and industry practice.• Confirming our understanding of management's processes, systems and controls implemented, including controls over ECL model development.• Identifying and testing the relevant controls.• Involving information technology audit (ITA) specialists to test IT systems and relevant controls.• Evaluating the reasonableness of management's key judgements and estimates made in ECL calculations, including selection of methods, models, assumptions and data sources in light of the impact of the COVID-19 pandemic.• Involving Financial Risk Management (FRM) specialists<ul style="list-style-type: none">○ to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates, including the impact of the COVID-19 pandemic; and○ for evaluating the appropriateness and testing the mathematical accuracy of ECL models applied.• Involving valuation specialists to evaluate the inputs, assumptions and techniques used by the valuers engaged by the Group for the valuation of real estate collateral, relating to the determination of ECL including the impact of the COVID-19 pandemic.

- Assessing the completeness, accuracy and relevance of the input data used for ECL calculations.
- Evaluating the reasonableness of and testing the post-model adjustments particularly in light of the volatility caused due to impact of the COVID-19 pandemic.
- Performing detailed credit risk assessments of a sample of performing and non-performing loans and advances.
- Assessing the adequacy of the Group's disclosures in relation to impairment of financial assets subject to credit risk by reference to the requirements of the relevant accounting standards.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's annual report (the "Annual Report"), but does not include the Bank's consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Board of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

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

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

Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry Number 251

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	Notes	2021	2020
ASSETS			
Cash and balances with central banks	8	5,887,367	6,895,185
Due from banks	9	5,364,929	3,673,577
Loans and advances to customers	10	62,667,285	65,450,036
Investment securities	11	25,082,873	24,667,333
Investment in an associate	12	10,758	10,176
Property, furniture and equipment	13	689,273	714,212
Other assets	14	1,400,746	2,129,753
TOTAL ASSETS		101,103,231	103,540,272
LIABILITIES			
Due to banks	15	22,511,391	23,036,764
Customer deposits	16	50,355,949	55,053,996
Debt securities	17	1,891,734	328,208
Other borrowings	18	9,737,521	8,217,193
Other liabilities	19	2,350,683	3,109,541
TOTAL LIABILITIES		86,847,278	89,745,702
EQUITY			
Share capital	20 (a)	3,100,467	3,100,467
Legal reserve	20 (b)	5,094,607	5,094,574
Risk reserve	20 (c)	1,029,600	849,600
Fair value reserve	20 (d)	163,693	152,992
Foreign currency translation reserve	20 (e)	(65,550)	(62,587)
Retained earnings		933,136	659,524
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		10,255,953	9,794,570
Instruments eligible as additional capital	20 (g)	4,000,000	4,000,000
TOTAL EQUITY		14,255,953	13,794,570
TOTAL LIABILITIES AND EQUITY		101,103,231	103,540,272

The consolidated financial statements were approved by the Board of Directors on 9 February 2022 and were signed on its behalf by:



Fahad Bin Mohammad Bin Jabor Al Thani
Chairman



Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director



Dr. Raghavan Seetharaman
Group Chief Executive Officer

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

	Notes	2021	2020
Interest income	21	3,557,575	3,743,770
Interest expense	22	(972,390)	(1,423,979)
Net interest income		<u>2,585,185</u>	<u>2,319,791</u>
Fee and commission income	23	460,355	416,434
Fee and commission expense	24	(157,226)	(112,094)
Net fee and commission income		<u>303,129</u>	<u>304,340</u>
Gross written premium		42,580	40,827
Premium ceded		(18,263)	(16,144)
Net claims paid		(31,377)	(21,446)
Net (loss) / income from insurance activities		<u>(7,060)</u>	<u>3,237</u>
Net foreign exchange gain	25	153,622	105,843
Net income from investment securities	26	32,012	183,677
Other operating income	27	39,567	20,221
		<u>225,201</u>	<u>309,741</u>
Operating income		3,106,455	2,937,109
Staff costs	28	(466,905)	(441,234)
Depreciation	13	(105,100)	(117,290)
Net impairment reversal / (loss) on investment securities		14,918	(34,680)
Net impairment loss on loans and advances to customers	10	(1,419,481)	(1,368,742)
Net impairment (loss) / reversal on other financial assets		(80,422)	38,299
Other expenses	29	(303,911)	(309,119)
		<u>(2,360,901)</u>	<u>(2,232,766)</u>
Profit before share of results of associate and tax		745,554	704,343
Share of results of associate	12	765	(50)
Profit before tax		746,319	704,293
Income tax expense	30	(42,545)	(1,269)
		<u>703,774</u>	<u>703,024</u>
Profit			
Earnings per share:			
Basic and diluted earnings per share (QAR)	31	0.23	0.16

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

	Note	2021	2020
Profit		703,774	703,024
Other comprehensive income			
Items that are or may be subsequently reclassified to income statement:			
Foreign currency translation differences for foreign operations		(2,963)	(3,741)
<i>Movement in fair value reserve (debt instruments – IFRS 9):</i>			
Net change in fair value	20 (d)	(261,138)	631,133
Net amount transferred to consolidated statement of income	20 (d)	253,635	(635,935)
		(10,466)	(8,543)
Items that will not be reclassified subsequently to statement of income			
Net change in fair value of equity investments designated at FVOCI (IFRS 9)	20 (d)	18,204	2,751
Total other comprehensive income / (loss)		7,738	(5,792)
Total comprehensive income		711,512	697,232

	Total equity attributable to equity holders of the Bank						Instrument eligible as additional Tier 1 capital	Total equity
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign exchange translation reserve	Retained earnings		
Balance at 1 January 2021 (Audited)	3,100,467	5,094,574	849,600	152,992	(62,587)	659,524	9,794,570	4,000,000
<i>Total comprehensive income:</i>								
Profit	-	-	-	-	-	703,774	703,774	-
Other comprehensive income	-	-	-	10,701	(2,963)	-	7,738	-
Total comprehensive income	-	-	-	10,701	(2,963)	703,774	711,512	-
Transfer to legal reserve	-	33	-	-	-	(33)	-	-
Transfer to risk reserve	-	-	180,000	-	-	(180,000)	-	-
Contribution to social and sports fund	-	-	-	-	-	(17,594)	(17,594)	-
Transactions with shareholders:								
Dividends paid	-	-	-	-	-	(232,535)	(232,535)	-
Balance at 31 December 2021	3,100,467	5,094,607	1,029,600	163,693	(65,550)	933,136	10,255,953	4,000,000
								14,255,953

The Group has proposed a distribution on the Tier 1 capital notes amounting to QAR 196.5 million for the year ended 31 December 2021 which is subject to approval of the QCB.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

	Total equity attributable to equity holders of the Bank						Instrument eligible as additional Tier 1 capital	Total equity
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign exchange translation reserve	Retained earnings		
Balance at 1 January 2020 (Audited)	3,100,467	5,092,948	849,600	155,043	(58,846)	178,702	9,317,914	4,000,000 13,317,914
<i>Total comprehensive income:</i>								
Profit	-	-	-	-	-	703,024	703,024	- 703,024
Other comprehensive loss	-	-	-	(2,051)	(3,741)	-	(5,792)	- (5,792)
Total comprehensive income	-	-	-	(2,051)	(3,741)	703,024	697,232	- 697,232
Transfer to legal reserve	-	1,626	-	-	-	(1,626)	-	-
Transfer to risk reserve	-	-	-	-	-	-	-	-
Distribution for Tier 1 capital notes	-	-	-	-	-	(203,000)	(203,000)	- (203,000)
Contribution to social and sports fund	-	-	-	-	-	(17,576)	(17,576)	- (17,576)
<i>Transactions with shareholders:</i>								
Dividends paid	-	-	-	-	-	-	-	-
Balance at 31 December 2020	<u>3,100,467</u>	<u>5,094,574</u>	<u>849,600</u>	<u>152,992</u>	<u>(62,587)</u>	<u>659,524</u>	<u>9,794,570</u>	<u>4,000,000</u> <u>13,794,570</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2021

QAR '000s

	Notes	2021	2020
Cash flows from operating activities			
Profit before tax		746,319	704,293
<i>Adjustments for:</i>			
Net impairment loss on loans and advances to customers	10	1,419,481	1,368,742
Net impairment (reversal) / loss on investment securities		(14,918)	34,680
Net impairment charge / (reversal) on other financial assets		80,422	(38,299)
Depreciation	13	105,100	117,290
Amortisation of financing cost		18,698	24,995
Net Income from investment securities	26	(7,751)	(155,471)
(Profit) / loss on sale of property, plant and equipment		(11)	171
Share of results of an associate	12	(765)	50
Profit before changes in operating assets and liabilities		2,346,575	2,056,451
Change in due from banks		(326,980)	2,795,095
Change in loans and advances to customers		1,303,632	(3,283,569)
Change in other assets		757,463	(561,034)
Change in due to banks		(525,373)	(1,000,184)
Change in customer deposits		(4,698,047)	(3,409,837)
Change in other liabilities		(861,088)	277,281
Social and sports fund contribution		(17,576)	(18,848)
Income tax paid		(39,978)	(1,560)
Net cash used in operating activities		(2,061,372)	(3,146,205)
Cash flows (used in) / from investing activities			
Acquisition of investment securities		(7,084,136)	(5,064,170)
Proceeds from sale of investment securities		6,701,384	7,076,464
Acquisition of property, furniture and equipment	13	(31,956)	(48,335)
Proceeds from the sale of property, furniture and equipment		13	17
Net cash (used in) / from investing activities		(414,695)	1,963,976
Cash flows from financing activities			
Proceeds from other borrowings	18	1,520,328	1,358,144
Proceeds from / (repayment of) debt securities		1,544,828	(169,846)
Distribution on Tier 1 capital notes		-	(203,000)
Dividends paid		(232,535)	-
Net cash from financing activities		2,832,621	985,298
Net increase / (decrease) in cash and cash equivalents		356,554	(196,931)
Cash and cash equivalents as at 1 January		7,001,746	7,198,677
Cash and cash equivalents at 31 December	33	7,358,300	7,001,746
Operational cash flows from interest and dividend:			
Interest received		3,554,742	3,753,833
Interest paid		934,837	1,642,954
Dividends received	26	24,261	28,206

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

1 Reporting entity

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

Doha Bank is engaged in conventional banking activities and operates through its head office in Qatar (Doha) and has 24 local branches, six overseas branches in the United Arab Emirates (Dubai & Abu Dhabi), State of Kuwait (Kuwait City), the Republic of India (one branch each in Mumbai, Kochi and Chennai) and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany, Australia, Hong Kong, Canada, Bangladesh, South Africa, Sri Lanka and Nepal. The consolidated financial statements for the year ended 31 December 2021 comprise the Bank and its subsidiaries (together referred to as "the Group").

The principal subsidiaries of the Group are as follows:

Company's name	Country of incorporation	Company's capital	Company's activities	Percentage of ownership	
				2021	2020
Sharq Insurance L.L.C.	Qatar	100,000	General Insurance	100%	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	100%	100%
DB Securities Limited	Cayman Island	182	Derivatives Transactions	100%	100%

2 Basis of preparation**a) Statement of compliance**

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

b) Basis of measurement

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

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

c) Functional and presentation currency

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

2 Basis of preparation (continued)

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, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as described in note 3(a).

a) New, amended standards and interpretations

The following amendments to standards, which became effective as of 1 January 2021, are relevant to the Group:

- Interest Rate Benchmark Reform - Phase 2, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Effective on 1 January 2021)

The adoption of the above did not result in any changes to previously reported net profit or equity of the Group.

IBOR Transition

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

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

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

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

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

3 Significant accounting policies (continued)

a) New, amended standards and interpretations (continued)

IBOR Transition (continued)

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

Standards issued but not yet effective

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

- Annual Improvements to IFRS Standards 2018-2020 (Effective on 1 January 2022)
- Reference to the Conceptual Framework (Amendments to IFRS 3) (Effective on 1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (Effective on 1 January 2022)
- Classification of liabilities as current or non-current (Amendments to IAS 1) (Effective on 1 January 2023)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (Effective on 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Effective on 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (Effective on 1 January 2023)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12) (Effective on 1 January 2023)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Available for optional adoption / effective date deferred indefinitely)

3 Significant accounting policies (continued)

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("the Group") as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

3 Significant accounting policies (continued)

c) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

d) Associates

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

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

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

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

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

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

Company name	Country of incorporation and operation	Ownership interest %		Principal activity
		2021	2020	
Doha Brokerage and Financial Services Limited	India	44.02%	44.02%	Brokerage and asset management

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2021**

3 Significant accounting policies (continued)

e) Foreign currency

Foreign currency transactions and balances

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

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

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

f) Foreign operations

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

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

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

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

g) Financial assets and financial liabilities

i) Recognition and initial measurement

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

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

ii) Classification

Financial assets

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

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

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

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

Financial assets (continued)

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest ("the SPPI test"), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration of the time value of money. Instruments failing SPPI will be measured at FVTPL.

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification takes place from the start of the first reporting period following the change.

Financial liabilities

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

iii) Derecognition

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 and consideration received including any new asset obtained less any new liability assumed is recognised in profit or loss.

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

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

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

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

iv) Modification of financial assets and liabilities

Financial assets

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

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

iv) Modification of financial assets and liabilities (continued)

Financial assets (continued)

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

Financial liabilities

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

v) Offsetting

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

vi) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2021**

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

vi) Measurement principles (continued)

Fair value measurement (continued)

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

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

vii) Identification and measurement of impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

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.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

vii) Identification and measurement of impairment (continued)

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

i) Due from banks and loans and advances to customers

Due from banks and 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.

Due from banks and loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except for the financial assets which are classified to be measured at FVTPL.

Write-off of loans and advances to customers

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

3 Significant accounting policies (continued)

j) Investment securities

The 'investment securities' include:

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

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

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

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

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

k) Derivatives

Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be *highly effective* in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect consolidated income statement.

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

3 Significant accounting policies (continued)

k) Derivatives

Hedge Accounting

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

Fair value hedges

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

Other non-trading derivatives

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

Derivatives held for trading purposes

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

k) Property and equipment

Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

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

Subsequent costs

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

3 Significant accounting policies (continued)

I) Property and equipment (continued)

Depreciation

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

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

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

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

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

I) Impairment of non-financial assets

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

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

m) Provisions

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

n) Onerous contracts

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

o) Financial guarantees

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

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

3 Significant accounting policies (continued)

p) Employee benefits

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

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

q) Short-term employee benefits

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

r) Share capital and reserves

i) Share issue costs

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

ii) Dividends on ordinary shares

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

s) Revenue recognition

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

Interest income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available -for-sale and fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liabilities.

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

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

Premium on insurance

Premium on insurance contracts are recognized as revenue (earned premiums) proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability on a 1/365 days basis.

3 Significant accounting policies (continued)

t) Revenue recognition (continued)

Fees and commission income and expense

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

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

Income from investment securities

Gains or losses on the sale of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

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

Income from held to maturity investment securities is recognised based on the effective interest rate method.

Dividend income

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

u) Tax expense

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

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

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

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

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

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

3 Significant accounting policies (continued)

u) Tax expense (continued)

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

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

v) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group, adjusted for coupons declared on Tier 1 capital note, by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

w) Segment reporting

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

x) Fiduciary activities

Assets held in a fiduciary capacity are not treated as assets of the Group and accordingly are not part of the consolidated statement of financial position.

y) Repossessed collateral

Repossessed collateral against settlement of customer debts are stated within the consolidated statement of financial position under "Other assets" at their acquired value net of allowance for impairment and allowance for depreciation.

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

z) Comparatives

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

3 Significant accounting policies (continued)

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

4 Financial risk management

a) Introduction and overview

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The key risks Group is exposed are to credit risk, liquidity risk, operational risk and market risk, which includes trading and non-trading risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

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

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

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

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

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

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

b) Credit risk

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

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

i) Credit risk measurement

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

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

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

4 Financial risk management (continued)

b) Credit risk (continued)

i) Credit risk measurement (continued)

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

Whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash, mortgages, local and international equities, financial guarantees and other tangible securities. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

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

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

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

	2021	2020
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	5,364,029	5,594,258
Due from banks	5,364,929	3,673,577
Loans and advances to customers	62,667,285	65,450,036
Investment securities – debt	24,219,004	24,161,021
Other assets	1,117,994	1,807,206
Total as at 31 December	<u>98,733,241</u>	<u>100,686,098</u>
Other credit risk exposures (gross of impairment) are as follows:		
Guarantees	11,166,636	12,392,098
Letters of credit	2,940,328	3,670,942
Unutilised credit facilities	829,152	1,093,753
Total as at 31 December	<u>14,936,116</u>	<u>17,156,793</u>
	<u>113,669,357</u>	<u>117,842,891</u>

4 Financial risk management (continued)

b) Credit risk (continued)

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

Geographical sectors

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

	Qatar	Other GCC	Other Middle East	Rest of the World	2021 Total
Balances with central banks	5,066,163	250,549	-	47,317	5,364,029
Due from banks	1,672,157	1,025,333	1,015,730	1,651,709	5,364,929
Loans and advances to customers	54,362,573	4,847,875	263,794	3,193,043	62,667,285
Investment securities - debt	21,206,964	2,087,100	156,780	768,160	24,219,004
Other assets	<u>1,061,822</u>	<u>6,198</u>	<u>-</u>	<u>49,974</u>	<u>1,117,994</u>
	<u>83,369,679</u>	<u>8,217,055</u>	<u>1,436,304</u>	<u>5,710,203</u>	<u>98,733,241</u>

	Qatar	Other GCC	Other Middle East	Rest of the World	2020 Total
Balances with central banks	4,374,226	1,170,483	-	49,549	5,594,258
Due from banks	1,054,407	842,202	403,767	1,373,201	3,673,577
Loans and advances to customers	56,138,705	5,858,315	274,858	3,178,158	65,450,036
Investment securities - debt	21,710,412	1,497,081	269,726	683,802	24,161,021
Other assets	<u>1,747,419</u>	<u>5,948</u>	<u>-</u>	<u>53,839</u>	<u>1,807,206</u>
	<u>85,025,169</u>	<u>9,374,029</u>	<u>948,351</u>	<u>5,338,549</u>	<u>100,686,098</u>

	Qatar	Other GCC	Other Middle East	Rest of the World	2021 Total
Guarantees	5,843,485	1,817,612	326,043	3,179,496	11,166,636
Letters of credit	2,148,534	79,723	281,584	430,487	2,940,328
Unutilised credit facilities	<u>707,702</u>	<u>83,677</u>	<u>-</u>	<u>37,773</u>	<u>829,152</u>
	<u>8,699,721</u>	<u>1,981,012</u>	<u>607,627</u>	<u>3,647,756</u>	<u>14,936,116</u>

	Qatar	Other GCC	Other Middle East	Rest of the World	2020 Total
Guarantees	6,786,241	2,273,281	146,519	3,186,057	12,392,098
Letters of credit	3,032,973	68,859	41,625	527,485	3,670,942
Unutilised credit facilities	<u>875,877</u>	<u>169,037</u>	<u>-</u>	<u>48,839</u>	<u>1,093,753</u>
	<u>10,695,091</u>	<u>2,511,177</u>	<u>188,144</u>	<u>3,762,381</u>	<u>17,156,793</u>

4 Financial risk management (continued)

b) Credit risk (continued)

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

Industry sectors

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

	2021	2020
<i>Funded and unfunded</i>		
Government and related agencies	36,236,092	38,329,779
Industry	1,070,343	925,474
Commercial	10,000,920	10,599,716
Services	18,415,687	17,424,616
Contracting	5,692,531	5,223,118
Real estate	18,110,044	18,253,031
Personal	7,648,155	7,389,271
Others	1,559,469	2,541,093
Guarantees	11,166,636	12,392,098
Letters of credit	2,940,328	3,670,942
Unutilised credit facilities	829,152	1,093,753
	<hr/> 113,669,357	<hr/> 117,842,891

4 Financial risk management (continued)

b) Credit risk (continued)

iv) Credit quality

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

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

Cash and Balances with Central Banks (excluding Cash on Hand) and Due from Banks	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	7,949,488	304,267	-	8,253,755
Sub-investment grade – Ba1 to Ca3	1,157,266	1,322,807	-	2,480,073
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Loss allowance	(4,444)	(426)	-	(4,870)
Carrying amount	9,102,310	1,626,648	-	10,728,958

Cash and Balances with Central Banks (excluding Cash on Hand) and Due from Banks	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	8,328,524	-	-	8,328,524
Sub-investment grade – Ba1 to Ca3	328,083	613,243	-	941,326
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Loss allowance	(1,704)	(310)	-	(2,014)
Carrying amount	8,654,903	612,933	-	9,267,836

4 Financial risk management (continued)

b) Credit risk (continued)

iv) Credit quality (continued)

<i>Loans and Advances to Customers</i>	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	22,798,699	1,586,387	-	24,385,086
Sub-investment grade – Ba1 to Ca3	20,134,188	17,593,598	-	37,727,786
Substandard	-	-	845,377	845,377
Doubtful	-	-	656,493	656,493
Loss	-	-	2,012,694	2,012,694
Loss allowance	(146,709)	(906,752)	(1,906,690)	(2,960,151)
Carrying amount	42,786,178	18,273,233	1,607,874	62,667,285

<i>Loans and Advances to Customers</i>	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	24,794,926	1,319,852	-	26,114,778
Sub-investment grade – Ba1 to Ca3	20,542,188	18,026,279	-	38,568,467
Substandard	-	-	1,426,981	1,426,981
Doubtful	-	-	909,172	909,172
Loss	-	-	1,778,446	1,778,446
Loss allowance	(138,241)	(988,162)	(2,221,405)	(3,347,808)
Carrying amount	45,198,873	18,357,969	1,893,194	65,450,036

<i>Investment Securities – debt</i>	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	22,999,679	-	-	22,999,679
Sub-investment grade – Ba1 to Ca3	1,025,129	181,550	-	1,206,679
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	20,760	20,760
Loss allowance	(1,640)	-	(6,474)	(8,114)
Carrying amount	24,023,168	181,550	14,286	24,219,004

<i>Investment Securities – debt</i>	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	22,873,793	-	-	22,873,793
Sub-investment grade – Ba1 to Ca3	944,427	332,799	-	1,277,226
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	16,922	16,922
Loss allowance	(446)	-	(6,474)	(6,920)
Carrying amount	23,817,774	332,799	10,448	24,161,021

4 Financial risk management (continued)

b) Credit risk (continued)

iv) Credit quality (continued)

<i>Loan commitments and financial guarantees</i>	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	7,218,577	620,044	-	7,838,621
Sub-investment grade – Ba1 to Ca3	3,493,712	2,766,320	-	6,260,032
Substandard	-	-	837,463	837,463
Doubtful	-	-	-	-
Loss	-	-	-	-
Loss allowance	(8,594)	(5,451)	(343,527)	(357,572)
Carrying amount	10,703,695	3,380,913	493,936	14,578,544

<i>Loan commitments and financial guarantees</i>	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – Aaa to Baa3	8,550,224	613,017	-	9,163,241
Sub-investment grade – Ba1 to Ca3	3,625,701	3,661,627	-	7,287,328
Substandard	-	-	706,224	706,224
Doubtful	-	-	-	-
Loss	-	-	-	-
Loss allowance	(15,125)	(22,226)	(171,307)	(208,658)
Carrying amount	12,160,800	4,252,418	534,917	16,948,135

Collateral

The Group obtains collateral and other credit enhancements in the ordinary course of business from counterparties. On an overall basis, during the year there was no discernible deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group.

The collateral of the Bank aggregated to QAR 69,793 million as at 31 December 2021 based on valuations of these collaterals undertaken in line with the related internal approved policy of the Bank (2020: QAR 74,156 million). The value of the collateral held against credit-impaired loans and advances as at 31 December 2021 is QAR 2,429 million (2020: QAR 2,959 million). The Bank does however assume haircuts on these valuations for the purpose of provisioning / ECL calculations, which results in a fair value of QAR 35,776 million and QAR 1,241 million respectively as at 31 December 2021 (2020: QAR 38,160 million and QAR 1,501 million respectively).

4. Financial risk management (continued)

b) Credit risk (continued)

Repossessed collateral

The Group's acquired properties held as collateral in settlement of debt has a carrying value of QAR 102 million as at 31 December 2021 (2020: QAR 102 million).

Write-off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB approval.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions are generally based on a product-specific past due status. The amount written off on loans and advances during the year was QAR 1,928 million (2020: QAR 3,978 million). Subsequent recoveries from such write offs are recognized on a cash basis.

v) Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

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

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

- i. Two notches downgrade for ratings from Aaa to Baa or one notch downgrade for ratings from Ba to Caa
- ii. Facilities restructured during previous twelve months
- iii. Facilities overdue by 60 and 30 days as at the reporting date for corporate and retail loans respectively

The Bank continues to assess borrowers for other indicators of unlikelihood to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

In response to the QCB support program the Bank has initiated a programme of payment relief for its impacted customers by deferring installments. These payment reliefs are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments.

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

Credit risk grades

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

4 Financial risk management (continued)

b) Credit risk (continued)

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

Generating the term structure of Probability of Default (PD)

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

Renegotiated financial assets

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

Definition of default

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

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

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

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

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

Incorporation of forward looking information

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

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

The Group has performed an assessment of COVID-19 in light of the available guidance of the IFRS and QCB which has resulted in the changes to the expected credit loss methodology and judgements as at and for the year ended 31 December 2021.

4 Financial risk management (continued)

b) Credit risk (continued)

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

Incorporation of forward looking information (continued)

The Bank has considered the effect the probable uncertainties due the pandemic through the stressed scenario construction and weights. The Bank has used latest economic forecasts published in October 2021, which includes the impact of economic contraction due to the pandemic followed by reasonable recovery. Hence, further stress on the Base scenario for including the effects of pandemic has not been considered. The cumulative probability of all the plausible downturn scenario considering the Base forecast as the starting point has been considered as the probability weight of the stressed scenario to address worries of further economic downturn due the re-emergence of pandemic and low demand.

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

In addition to the base economic scenario, the Bank's Credit risk team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure plausible events are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2021 and 31 December 2021, for all portfolios the Bank concluded that three scenarios that appropriately captured the uncertainties in the macro-economic forecasts i.e. Base scenario: considering the published macro-economic forecasts, improved scenario and stressed scenario: considering the long term observed volatility in macro-economic forecast. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking in account the range of possible outcomes each chosen scenario is representative of. The scenario weights considered for the ECL calculation as of 31 December 2021 are Base Scenario: 65%, Improved Scenario: 10% and Stressed Scenario: 25% (2020: Base Scenario: 65%, Improved Scenario: 10% and Stressed Scenario: 25%). The assessment of SICR is performed based on credit risk assessment following QCB rule and management assessment under each of the base, and the other scenarios, multiplied by the associated scenario weightings. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a 12-month ECL (Stage 1), or lifetime ECL (Stages 2). These ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

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

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 were Oil prices (2022: \$75/Barrel, 2023: \$65/ Barrel) and Private Sector Credit Concentration % (2022: 64.6%, 2023: 65.9%).

Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

4 Financial risk management (continued)

b) Credit risk (continued)

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

Measurement of ECL (continued)

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on a consistent rate for unsecured facilities and considers the impact of collateral for secured facilities.

Loss allowance

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

4 Financial risk management (continued)

b) Credit risk (continued)

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

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures subject to ECL – as at 31 December				
- Loans and advances to customers 42,932,887 - Investment securities (debt) 24,024,808 - Loan commitments and financial guarantees 10,712,289 - Due from banks and balances with central Banks 9,106,754 86,776,738				
	19,179,985	3,514,564	24,227,118	14,936,116
	181,550	837,463	10,733,828	115,524,498
Opening balance of ECL / impairment - as at 1 January				
- Loans and advances to customers 138,241 - Investment securities (debt) 8,904 - Loan commitments and financial guarantees 15,125 - Due from banks and balances with central Banks 1,704 163,974				
	988,162	2,221,405	57,811	3,347,808
	42,433	171,307	208,658	2,014
	22,226	310	-	3,616,291
Net charge and transfers for the year (net of foreign currency translation)				
- Loans and advances to customers* 8,468 - Investment securities (debt) 2,182 - Loan commitments and financial guarantees (6,531) - Due from banks and balances with central Banks 2,740 6,859				
	(81,410)	1,998,719	1,925,777	(14,918)
	(17,100)	100,872	77,566	2,856
	116	-	-	1,991,281
Write offs and other				
- Loans and advances to customers** - - Investment securities (debt) - - Loan commitments and financial guarantees** - - Due from banks and balances with central Banks - -				
	-	-	(2,313,434)	(2,313,434)
	-	-	-	-
	-	71,348	71,348	-
	-	-	-	-
	-	-	(2,242,086)	(2,242,086)
Closing balance of ECL / impairment - as at 31 December				
- Loans and advances to customers 146,709 - Investment securities (debt) 11,086 - Loan commitments and financial guarantees 8,594 - Due from banks and balances with central Banks 4,444 170,833				
	906,752	1,906,690	2,960,151	42,893
	25,333	6,474	357,572	4,870
	5,451	343,527	-	-
	426	-	-	-
	937,962	2,256,691	3,365,486	-

* stage 3 provision includes interest in suspense

** stage 3 provision includes a net transfer of provision from loans and advances to loan commitments and financial guarantees amounting to QAR 37.7 million (2020: QAR 56.3 million), transfer of provision from loan commitments and financial guarantee to loans and advances amounting to QAR 17.9 million (2020: 51.0 million) and transfer from other liability to loan commitments and financial guarantees amounting to QAR 59.2 million (2020: Nil)

4 Financial risk management (continued)

b) Credit risk (continued)

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures subject to ECL – as at 31 December				
- Loans and advances to customers	45,337,114	19,346,131	4,114,599	68,797,844
- Investment securities (debt)	23,818,220	332,799	16,922	24,167,941
- Loan commitments and financial guarantees	12,175,925	4,274,644	706,224	17,156,793
- Due from banks and balances with central Banks	8,656,607	613,243	-	9,269,850
	89,987,866	24,566,817	4,837,745	119,392,428
Opening balance of ECL / impairment - as at 1 January				
- Loans and advances to customers	144,711	1,425,438	3,559,422	5,129,571
- Investment securities (debt)	9,429	7,263	25,032	41,724
- Loan commitments and financial guarantees	17,595	101,148	125,543	244,286
- Due from banks and balances with central Banks	7,909	609	-	8,518
	179,644	1,534,458	3,709,997	5,424,099
Net charge and transfers for the year (net of foreign currency translation)				
- Loans and advances to customers*	(6,470)	(437,276)	2,695,986	2,252,240
- Investment securities (debt)	(525)	35,170	35	34,680
- Loan commitments and financial guarantees	(2,470)	(78,922)	40,508	(40,884)
- Due from banks and balances with central Banks	(6,205)	(299)	-	(6,504)
	(15,670)	(481,327)	2,736,529	2,239,532
Write offs and other				
- Loans and advances to customers**	-	-	(4,034,003)	(4,034,003)
- Investment securities (debt)	-	-	(18,593)	(18,593)
- Loan commitments and financial guarantees**	-	-	5,256	5,256
- Due from banks and balances with central Banks	-	-	-	-
	-	-	(4,047,340)	(4,047,340)
Closing balance of ECL / impairment - as at 31 December				
- Loans and advances to customers	138,241	988,162	2,221,405	3,347,808
- Investment securities (debt)	8,904	42,433	6,474	57,811
- Loan commitments and financial guarantees	15,125	22,226	171,307	208,658
- Due from banks and balances with central Banks	1,704	310	-	2,014
	163,974	1,053,131	2,399,186	3,616,291

* stage 3 provision includes interest in suspense

** stage 3 provision includes a transfer of provision from loans and advances to loan commitments and financial guarantees

4 Financial risk management (continued)**c) Liquidity risk**

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

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

The Liquidity Coverage Ratio (LCR) computed as per Basel III guidelines adopted by QCB was 169.87% as at 31 December 2021 (31 December 2020: 99.61%).

The Liquidity Ratio (LR) computed as per QCB guidelines was 132.66% as at 31 December 2021 (31 December 2020: 122.68%).

i) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers during the year were as follows:

	2021	2020
Average for the year	124.95%	126.39%
Maximum for the year	132.66%	137.28%
Minimum for the year	114.94%	120.13%

4 Financial risk management (continued)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities

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

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	Above 1 year	Undated
31 December 2021							
Cash and balances with central banks	5,887,367	3,555,318	-	-	3,555,318	-	2,332,049
Due from banks	5,364,929	2,738,757	482,068	1,471,496	4,692,321	672,608	-
Loans and advances to customers	62,667,285	4,424,857	3,334,801	8,285,653	16,045,311	46,621,974	-
Investment securities	25,082,873	740,138	480,005	1,876,245	3,096,388	21,122,616	863,869
Investment in an associate	10,758	-	-	-	-	-	10,758
Property, furniture and equipment	689,273	-	-	-	-	-	689,273
Other assets	1,400,746	1,400,746	-	-	1,400,746	-	-
Total	101,103,231	12,859,816	4,296,874	11,633,394	28,790,084	68,417,198	3,895,949
Due to banks	22,511,391	12,638,690	6,169,981	1,672,234	20,480,905	2,030,486	-
Customer deposits	50,355,949	14,765,144	18,217,847	13,387,177	46,370,168	3,985,781	-
Debt securities	1,891,734	-	-	70,984	70,984	1,820,750	-
Other borrowings	9,737,521	-	43,698	2,877,597	2,921,295	6,816,226	-
Other liabilities	2,350,683	2,350,683	-	-	2,350,683	-	-
Total equity	14,255,953	-	-	-	-	-	14,255,953
Total	101,103,231	29,754,517	24,431,526	18,007,992	72,194,035	14,653,243	14,255,953
Maturity gap	-	(16,894,701)	(20,134,652)	(6,374,598)	(43,403,951)	53,763,955	(10,360,004)

4 Financial risk management (continued)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	Above 1 year	Undated
31 December 2020							
Cash and balances with central banks	6,895,185	4,755,275	-	-	4,755,275	-	2,139,910
Due from banks	3,673,577	1,361,280	665,214	1,322,545	3,349,039	324,538	-
Loans and advances to customers	65,450,036	1,278,723	3,261,826	7,652,802	12,193,351	53,256,685	-
Investment securities	24,667,333	258,409	101,409	1,996,197	2,356,015	21,809,675	501,643
Investment in an associate	10,176	-	-	-	-	-	10,176
Property, furniture and equipment	714,212	-	-	-	-	-	714,212
Other assets	2,129,753	2,129,753	-	-	2,129,753	-	-
Total	103,540,272	9,783,440	4,028,449	10,971,544	24,783,433	75,390,898	3,365,941
Due to banks	23,036,764	8,404,907	9,990,498	2,441,897	20,837,302	2,199,462	-
Customer deposits	55,053,996	23,805,310	14,599,698	11,881,141	50,286,149	4,767,847	-
Debt securities	328,208	-	-	256,462	256,462	71,746	-
Other borrowings	8,217,193	2,207,841	280,396	3,314,641	5,802,878	2,414,315	-
Other liabilities	3,109,541	3,109,541	-	-	3,109,541	-	-
Total equity	13,794,570	-	-	-	-	-	13,794,570
Total	103,540,272	37,527,599	24,870,592	17,894,141	80,292,332	9,453,370	13,794,570
Maturity gap	-	(27,744,159)	(20,842,143)	(6,922,597)	(55,508,899)	65,937,528	(10,428,629)

4 Financial risk management (continued)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

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

	Carrying amount	Up to 3 months	3 months – 1 year	Above 1 year
31 December 2021				
Guarantees	11,166,636	3,469,174	4,667,798	3,029,664
Letters of credit	2,940,328	808,833	470,526	1,660,969
Unutilised credit facilities	829,152	607,184	204,895	17,073
Total	14,936,116	4,885,191	5,343,229	4,707,706
31 December 2020				
Guarantees	12,392,098	4,054,387	4,116,187	4,221,524
Letters of credit	3,670,942	829,201	326,966	2,514,775
Unutilised credit facilities	1,093,753	554,728	423,515	115,510
Total	17,156,793	5,438,316	4,866,668	6,851,809

4 Financial risk management (continued)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

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

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months - 1 year	Above 1 year
31 December 2021						
Non-derivative financial liabilities						
Due to banks	22,511,391	22,744,269	12,639,401	6,173,713	1,701,847	2,229,308
Customer deposits	50,355,949	50,475,481	14,771,135	18,255,300	13,453,320	3,995,726
Debt securities	1,891,734	2,078,355	-	-	71,301	2,007,054
Other borrowings	9,737,521	9,962,690	-	44,039	2,903,632	7,015,019
Other liabilities	1,807,746	1,807,746	1,807,746	-	-	-
Total liabilities	86,304,341	87,068,541	29,218,282	24,473,052	18,130,100	15,247,107

Derivative financial instruments:

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

	Total	Up to 1 year	Above 1 year
Derivative financial instruments (FX forwards):			
Outflow			
Outflow	(5,692,947)	(5,692,947)	-
Inflow	5,682,460	5,682,460	-
Derivative financial instruments (interest swaps):			
Outflow			
Outflow	(506,958)	(506,958)	-
Inflow	34.566	34.566	-

4 Financial risk management (continued)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months - 1 year	Above 1 year
31 December 2020						
Non-derivative financial liabilities						
Due to banks	23,036,764	23,132,060	8,407,082	9,994,883	2,474,162	2,255,933
Customer deposits	55,053,996	55,310,889	23,812,918	14,637,590	11,981,984	4,878,397
Debt securities	328,208	330,355	-	-	257,508	72,847
Other borrowings	8,217,193	8,302,739	2,208,922	280,753	3,343,283	2,469,781
Other liabilities	2,199,555	2,199,555	2,199,555	-	-	-
Total liabilities	88,835,716	89,275,598	36,628,477	24,913,226	18,056,937	9,676,958

Derivative financial instruments:

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

		Total	Up to 1 year	Above 1 year
Derivative financial instruments (FX forwards):				
Outflow		(9,619,606)	(9,619,606)	-
Inflow		9,697,014	9,697,014	-
Derivative financial instruments (interest swaps):				
Outflow		(894,928)	(894,928)	-
Inflow		57,700	57,700	-

4 Financial risk management (continued)

d) Market risks

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

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

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

i) Management of market risks

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

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

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

4 Financial risk management (continued)

d) Market risks (continued)

ii) Exposure to interest rate risk

The principal risk to which the banking and trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group Treasury in its day-to-day monitoring activities.

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

		Repricing in:			
	Carrying amount	Less than 3 months	3-12 months	Above 1 year	Non-interest sensitive
31 December 2021					
Cash and cash equivalents	5,887,367	3,002,506	-	-	2,884,861
Due from banks	5,364,929	3,220,825	1,471,496	672,608	-
Loans and advances to customers	62,667,285	56,526,799	3,477,502	956,926	1,706,058
Investment securities	25,082,873	1,756,947	1,876,244	20,620,138	829,544
Investment in an associate	10,758	-	-	-	10,758
Property, furniture and equipment	689,273	-	-	-	689,273
Other assets	1,400,746	-	-	-	1,400,746
Total	101,103,231	64,507,077	6,825,242	22,249,672	7,521,240
Due to banks	22,511,391	9,114,851	4,549,831	8,846,709	-
Customer deposits	50,355,949	39,482,747	10,492,536	380,666	-
Debt securities	1,891,734	-	70,984	1,820,750	-
Other borrowings	9,737,521	9,473,530	148,747	115,244	-
Other liabilities	2,350,683	-	-	-	2,350,683
Total equity	14,255,953	-	-	4,000,000	10,255,953
Total	101,103,231	58,071,128	15,262,098	15,163,369	12,606,636
Interest rate sensitivity gap	-	6,435,949	(8,436,856)	7,086,303	(5,085,396)
Cumulative interest rate sensitivity gap	-	6,435,949	(2,000,907)	5,085,396	-

4 Financial risk management (continued)

d) Market risks (continued)

ii) Exposure to interest rate risk (continued)

		Repricing in:			
	Carrying amount	Less than 3 months	3-12 months	Above 1 year	Non-interest sensitive
31 December 2020					
Cash and cash equivalents	6,895,185	3,454,349	-	-	3,440,836
Due from banks	3,673,577	3,078,552	449,371	145,654	-
Loans and advances to customers	65,450,036	63,222,220	176,622	-	2,051,194
Investment securities	24,667,333	361,426	1,996,197	21,808,067	501,643
Investment in an associate	10,176	-	-	-	10,176
Property, furniture and equipment	714,212	-	-	-	714,212
Other assets	2,129,753	-	-	-	2,129,753
Total	103,540,272	70,116,547	2,622,190	21,953,721	8,847,814
Due to banks	23,036,764	18,122,290	2,715,011	2,199,463	-
Customer deposits	55,053,996	36,911,670	10,384,553	7,757,773	-
Debt securities	328,208	29,212	298,996	-	-
Other borrowings	8,217,193	7,944,080	273,113	-	-
Other liabilities	3,109,541	-	-	-	3,109,541
Total equity	13,794,570	-	-	4,000,000	9,794,570
Total	103,540,272	63,007,252	13,671,673	13,957,236	12,904,111
Interest rate sensitivity gap	-	7,109,295	(11,049,483)	7,996,485	(4,056,297)
Cumulative interest rate sensitivity gap	-	7,109,295	(3,940,188)	4,056,297	-

4 Financial risk management (continued)

d) Market risk (continued)

ii) Exposure to interest rate risk (continued)

Sensitivity analysis

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

	10 bp parallel increase	10 bp parallel decrease
Sensitivity of net interest income		
2021		
At 31 December	(9,608)	9,608
2020		
At 31 December	(5,089)	5,089
Sensitivity of reported equity to interest rate movements		
2021		
At 31 December	(21,885)	21,885
2020		
At 31 December	(20,706)	20,706

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

Inter Bank Offered Rate (IBOR) Reforms**Overview**

A major reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). Interest Rate Benchmark Reform 'phase 1' amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. These reliefs should not generally cause hedge accounting to terminate prior to contracts being amended. However, any hedge ineffectiveness continued to be recorded in the statement of income.

Interest Rate Benchmark Reform - Phase 2 amendments have become effective from 1 January 2021. These reforms, address the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The IBOR reform phase 2 amendments address issues arising during interest rate benchmark reform (IBOR reform), including specifying when the 'phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate or alternative reference rate (ARR) as the hedged risk are permitted.

4 Financial risk management (continued)

d) Market risk (continued)

Inter Bank Offered Rate (IBOR) Reforms (continued)

The Group has exposures to IBORs on its financial instruments that have been and will be replaced or reformed as part of these market-wide initiatives. The Bank has established a cross-functional IBOR steering committee sponsored by the Executive Management which is evaluating the IBORs related exposure. The Steering committee is managing the transition activities to the alternative reference rates by engaging with various stakeholders to support an orderly transition and mitigating risks resulting from the transition. The Bank has in place detailed plans, to support the transition of the IBOR exposures prior to the Benchmark cessation. The Group has set up a methodical framework to monitor the progress of transition from IBORs to new benchmark rates by reviewing its exposure and contracts on a regular basis.

The majority of LIBOR and other Interbank Offer Rates are to be discontinued after 31 December 2021 and replaced with certain Alternative Benchmark Rates, with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023. Given below are the USD and other foreign currencies (except Qatari Riyal) exposures subject to IBOR/ARR and not subject to IBOR transition.

Total asset denominated in USD maturing before June 2023: QAR 5,287 million

Total asset denominated in USD maturing after June 2023: QAR 980 million

Total asset denominated in other foreign currency not subject to IBOR under transition: QAR 3,443 million

Total liabilities denominated in USD maturing before June 2023: QAR 16,700 million

Total liabilities denominated in USD maturing after June 2023: QAR 9,523 million

Total liabilities denominated in other foreign currency not subject to IBOR under transition: QAR 3,281 million

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.

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 derecognized.

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.

4 Financial risk management (continued)

e) Market risk (continued)

Inter Bank Offered Rate (IBOR) Reforms (continued)

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

The Group holds derivatives for risk management purposes, some of which are designated in hedging relationships. The interest rate and foreign exchange derivative instruments have floating legs that are indexed to various IBORs. Currently, the desired substitute rates are the Sterling Overnight Index Average (SONIA) for GBP LIBOR and Secured Overnight Financing Rate (SOFR) for USD LIBOR.

The Group's exposure to US dollar LIBOR designated in hedge accounting relationships at 31 December 2021 represents a notional amount of QAR 7 billion maturing in June 2023. The objective of the majority of these hedges and consistent with the overall interest rate risk management strategy of the bank is to reduce fluctuations of the fair value of bonds purchased by the bank or its own issuances which pay a fixed rate and also reduce fluctuations from foreign exchange risk if these are denominated in another currency that is not QAR or USD. No immediate gain or loss recognized, for the financial instruments measured using amortised cost, where the effective interest rate to determine contractual cash flows may be impacted by the IBOR reform. Further, there was no impact on the lease liabilities where the discounted lease payments may be impacted by the IBOR reform.

iii) Exposure to other market risks

Currency risk

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

	2021	2020
Net foreign currency exposure:		
Pound Sterling	91,043	3,354
Euro	3,942	29,067
Kuwaiti Dinar	28,064	32,386
Japanese Yen	949	646
Other currencies	565,512	399,535

Foreign currency sensitivity analysis

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

	Increase / (decrease) in profit or loss	
	2021	2020
5% increase / (decrease) in currency exchange rate		
Pound Sterling	4,552	168
Euro	197	1,453
Kuwaiti Dinar	1,403	1,619
Japanese Yen	47	32
Other currencies	28,276	19,977

4 Financial risk management (continued)**d) Market risk (continued)****Equity price risk**

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

The sensitivity analysis thereof is as follows:

	2021		2020	
	Effect on OCI	Effect on income statement	Effect on OCI	Effect on income statement
5% increase / (decrease) in Qatar Exchange	± 11,408	-	± 10,410	-
5% increase / (decrease) in Other than Qatar Exchange	± 1,113	-	± 1,152	-
	<u>± 12,521</u>	<u>-</u>	<u>± 11,562</u>	<u>-</u>

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

e) Operational risks

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

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

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

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

4 Financial risk management (continued)**e) Operational risks (continued)**

During the year, the Group activated its business continuity planning and developed response and recovery plans as part of five phases of its crisis management response to address the business disruption caused by the global pandemic on its operations and financial performance.

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

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

f) Capital management**Regulatory capital**

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

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

	2021	2020
Common Equity Tier 1 Capital	9,682,725	9,379,037
Additional Tier 1 Capital	4,000,000	4,000,000
Additional Tier 2 Capital	825,113	825,583
Total Eligible Capital	14,507,838	14,204,620
Risk weighted assets		
	2021	2020
	Basel III	Basel III
	Risk	Risk
	weighted	weighted
	amount	amount
Total risk weighted assets for credit risk	65,726,619	65,655,145
Risk weighted assets for market risk	455,934	499,559
Risk weighted assets for operational risk	5,557,641	5,753,553
Total risk weighted assets	71,740,194	71,908,257

4 Financial risk management (continued)

f) Capital management (continued)

	2021	2020
Regulatory capital	<u>14,507,838</u>	<u>14,204,620</u>
Common equity tier 1 (CET1) ratio	13.50%	13.04%
Tier 1 Capital Ratio	19.07%	18.61%
Total capital adequacy ratio	20.22%	19.75%

The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2021 are as follows:

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Total capital ratio including capital conservation buffer	Total capital including capital conservation buffer and domestic systematic important bank buffer	Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge
Actual	13.50%	13.50%	19.07%	20.22%	20.22%	20.22%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	12.50%	13.50%

5 Use of estimates and judgements

a) Key sources of estimation uncertainty

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

i) Impairment allowances for credit losses

Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL, refer to note 4(b)(v).

5 Use of estimates and judgements (continued)

ii) Determining fair values

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

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

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

i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the 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. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

5 Use of estimates and judgements (continued)

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

ii) Fair value measurement

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

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2021:

	Date of valuation	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Investment securities measured at FVOCI					
	31 Dec 2021	10,984,723	5,083,611	46,906	16,115,240
Investment securities measured at FVTPL					
	31 Dec 2021	7,160	-	6,359	13,519
<i>Derivative instruments:</i>					
Interest rate swaps	31 Dec 2021	-	34,566	-	34,566
Forward foreign exchange contracts	31 Dec 2021	-	25,492	-	25,492
		<u>10,991,883</u>	<u>5,143,669</u>	<u>53,265</u>	<u>16,188,817</u>
Financial liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2021	-	506,958	-	506,958
Forward foreign exchange contracts	31 Dec 2021	-	35,979	-	35,979
		<u>-</u>	<u>542,937</u>	<u>-</u>	<u>542,937</u>

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

5 Use of estimates and judgements (continued)**b) Critical accounting judgement in applying the Group's accounting policies (continued)****ii) Fair value measurement (continued)**

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2020.

	Date of valuation	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Investment securities measured at FVOCI	31 Dec 2020	11,513,998	4,848,510	51,046	16,413,554
Investment securities measured at FVTPL	31 Dec 2020	20,239	-	34,940	55,179
<i>Derivative instruments:</i>					
Interest rate swaps	31 Dec 2020	-	57,700	-	57,700
Forward foreign exchange contracts	31 Dec 2020	-	92,466	-	92,466
		<u>11,534,237</u>	<u>4,998,676</u>	<u>85,986</u>	<u>16,618,899</u>
Financial liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2020	-	894,928	-	894,928
Forward foreign exchange contracts	31 Dec 2020	-	15,058	-	15,058
		<u>-</u>	<u>909,986</u>	<u>-</u>	<u>909,986</u>

During the reporting period 31 December 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

iii) Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 3 (g) for further information.

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

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

5 Use of estimates and judgements (continued)

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

iv) Impairment of investments 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. Refer to note 4(b)(v) Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

v) Going concern

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

vi) Useful lives of property and equipment

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

6 Operating segments

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

Conventional Banking

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

Insurance Activities

Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance, arranging deals in investments and advising on investments.

6 Operating segments (continued)

a) By operating segment

Details of each segment as of and for the year ended 31 December 2021 are stated below:

	2021					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Net Interest income	2,411,276	173,909	-	2,585,185	-	2,585,185
Net income from insurance activities	-	-	-	-	(7,060)	(7,060)
Other income	315,272	172,815	39,567	527,654	676	528,330
Segmental revenue	2,726,548	346,724	39,567	3,112,839	(6,384)	3,106,455
Total expense				(1,005,430)	6,547	(998,883)
Net impairment loss on loans and advances to customers				(1,419,481)	-	(1,419,481)
Impairment reversal investment securities				14,918	-	14,918
Segmental profit				702,846	163	703,009
Share of results of the associate						765
Net profit						703,774
Other information						
Assets	87,962,316	4,954,113	7,977,386	100,893,815	198,658	101,092,473
Investments in an associate						10,758
Total						101,103,231
Liabilities	75,015,172	10,298,460	1,439,991	86,753,623	93,655	86,847,278
Contingent items	14,789,947	146,169		14,936,116	-	14,936,116

6 Operating segments (continued)

a) By operating segment

	2020					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Net Interest income	2,111,897	207,894	-	2,319,791	-	2,319,791
Net income from insurance activities	-	-	-	-	3,237	3,237
Other income	440,603	153,118	20,221	613,942	139	614,081
Segmental revenue	2,552,500	361,012	20,221	2,933,733	3,376	2,937,109
Total expense				(835,368)	4,755	(830,613)
Net impairment loss on loans and advances to customers				(1,368,742)	-	(1,368,742)
Impairment loss on investment securities				(34,680)	-	(34,680)
Segmental profit				694,943	8,131	703,074
Share of results of the associate						(50)
Net profit						703,024
Other information						
Assets	88,286,738	5,303,023	9,739,150	103,328,911	201,185	103,530,096
Investments in an associate						10,176
Total						103,540,272
Liabilities	76,507,051	10,958,460	2,234,526	89,649,666	96,036	89,745,702
Contingent items	17,090,189	66,604	-	17,156,793	-	17,156,793

6 Operating segments (continued)

b) Geographical areas

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

	Qatar	Other GCC	India	Total
2021				
Net operating income	<u>2,871,954</u>	<u>211,946</u>	<u>22,555</u>	<u>3,106,455</u>
Net profit	<u>855,010</u>	<u>(150,106)</u>	<u>(1,130)</u>	<u>703,774</u>
Total assets	<u>97,199,966</u>	<u>3,228,233</u>	<u>675,032</u>	<u>101,103,231</u>
Total liabilities	<u>83,997,909</u>	<u>2,321,440</u>	<u>527,930</u>	<u>86,847,278</u>
2020				
Net operating income	<u>2,809,190</u>	<u>103,751</u>	<u>24,168</u>	<u>2,937,109</u>
Net profit	<u>748,298</u>	<u>(46,893)</u>	<u>1,619</u>	<u>703,024</u>
Total assets	<u>98,218,411</u>	<u>4,498,715</u>	<u>823,146</u>	<u>103,540,272</u>
Total liabilities	<u>85,627,999</u>	<u>3,448,307</u>	<u>669,396</u>	<u>89,745,702</u>

7 Financial assets and liabilities

a) Accounting classifications and fair values

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

31 December 2021	Fair value through profit or loss			Fair Value through other comprehensive income		Amortised cost	Total carrying amount	Fair value
	Debt	Equity	Derivatives	Debt	Equity			
Cash and balances with central banks	-	-	-	-	-	5,887,367	5,887,367	5,887,367
Due from banks	-	-	-	-	-	5,364,929	5,364,929	5,364,929
Positive fair value of derivatives	-	-	60,058	-	-	-	60,058	60,058
Loans and advances to customers	-	-	-	-	-	62,667,285	62,667,285	62,667,285
<i>Investment securities:</i>								
Measured at fair FVOCI	-	-	-	15,264,890	850,350	-	16,115,240	16,115,240
Measured at fair FVTPL	-	13,519	-	-	-	-	13,519	13,519
Measured at amortised cost	-	-	-	-	-	8,954,114	8,954,114	9,612,611
Other assets	-	-	-	-	-	1,057,936	1,057,936	1,057,936
	-	13,519	60,058	15,264,890	850,350	83,931,631	100,120,448	100,778,945
Negative fair value of derivatives	-	-	542,937	-	-	-	542,937	542,937
Due to banks	-	-	-	-	-	22,511,391	22,511,391	22,511,391
Customer deposits	-	-	-	-	-	50,355,949	50,355,949	50,355,949
Debt securities	-	-	-	-	-	1,891,734	1,891,734	1,891,734
Other borrowings	-	-	-	-	-	9,737,521	9,737,521	9,737,521
Other liabilities	-	-	-	-	-	1,256,641	1,256,641	1,256,641
	-	-	542,937	-	-	85,753,236	86,296,173	86,296,173

7 Financial assets and liabilities (continued)

a) Accounting classifications and fair values (continued)

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

31 December 2020	Fair value through profit or loss			Fair Value through other comprehensive income		Amortised cost	Total carrying amount	Fair value
	Debt	Equity	Derivatives	Debt	Equity			
Cash and balances with central banks	-	-	-	-	-	6,895,185	6,895,185	6,895,185
Due from banks	-	-	-	-	-	3,673,577	3,673,577	3,673,577
Positive fair value of derivatives	-	-	150,166	-	-	-	150,166	150,166
Loans and advances to customers	-	-	-	-	-	65,450,036	65,450,036	65,450,036
<i>Investment securities:</i>								
Measured at fair FVOCI	-	-	-	15,960,484	453,070	-	16,413,554	16,413,554
Measured at fair FVTPL	-	55,179	-	-	-	-	55,179	55,179
Measured at amortised cost	-	-	-	-	-	8,198,600	8,198,600	8,540,490
Other assets	-	-	-	-	-	1,657,040	1,657,040	1,657,040
	-	55,179	150,166	15,960,484	453,070	85,874,438	102,493,337	102,835,227
Negative fair value of derivatives	-	-	909,986	-	-	-	909,986	909,986
Due to banks	-	-	-	-	-	23,036,764	23,036,764	23,036,764
Customer deposits	-	-	-	-	-	55,053,996	55,053,996	55,053,996
Debt securities	-	-	-	-	-	328,208	328,208	328,208
Other borrowings	-	-	-	-	-	8,217,193	8,217,193	8,217,193
Other liabilities	-	-	-	-	-	1,679,961	1,679,961	1,679,961
	-	-	909,986	-	-	88,316,122	89,226,108	89,226,108

8 Cash and balances with central banks

	2021	2020
Cash	523,338	1,300,927
Cash reserve with QCB*	2,297,254	2,069,594
Cash reserve with other central banks*	34,795	70,316
Other balances with central banks	<u>3,031,980</u>	<u>3,454,348</u>
	<u>5,887,367</u>	<u>6,895,185</u>

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

9 Due from banks

	2021	2020
Current accounts	453,581	399,436
Placements	1,891,528	1,480,484
Loans to banks	3,023,611	1,793,607
Interest receivable	1,079	2,064
Allowance for impairment	<u>(4,870)</u>	<u>(2,014)</u>
	<u>5,364,929</u>	<u>3,673,577</u>

10 Loans and advances to customers

a) By type

	2021	2020
Loans	53,566,591	54,462,315
Overdrafts	11,781,274	13,595,830
Bills discounted	99,239	190,370
Other*	<u>183,936</u>	<u>554,021</u>
(Note-i)	65,631,040	68,802,536
Less:		
Deferred profit	(3,604)	(4,692)
Expected credit losses of loans and advances to customers - Performing (Stage 1 and 2)	(1,053,461)	(1,126,403)
Allowance for impairment of loans and advances to customers - Non performing (Stage 3)	(1,213,561)	(1,423,990)
Interest in suspense	<u>(693,129)</u>	<u>(797,415)</u>
Net loans and advances to customers	62,667,285	65,450,036

10 Loans and advances to customers (continued)

a) By type

The aggregate amount of non-performing loans and advances to customers amounted QAR 3,515 million, which represents 5.36% of total loans and advances to customers (2020: QAR 4,115 million, 5.98% of total loans and advances to customers).

During the year, the Group has written-off fully provided non-performing loans amounting to QAR 2,249 million (2020: QAR 3,978 million) as per Qatar Central Bank circular no. 68/2011.

Specific impairment of loans and advances to customers includes QAR 693 million of interest in suspense (2020: QAR 797 million).

*This includes acceptances pertaining to trade finance amounting to QAR 98 million (2020: QAR 158 million).

Note-i:

	2021	2020
Government and related agencies	9,741,641	11,499,046
Corporate	47,809,702	49,450,751
Retail	8,079,697	7,852,739
	65,631,040	68,802,536

b) By industry

At 31 December 2021	Loans	Overdrafts	Bills discounted	Other	Total
Government and related agencies	662,751	9,078,890	-	-	9,741,641
Non-banking financial institutions	1,736,632	51,299	-	-	1,787,931
Industry	1,027,623	10,284	91,000	1,297	1,130,204
Commercial	9,423,484	1,046,522	4,151	86,080	10,560,237
Services	8,425,164	305,847	169	215	8,731,395
Contracting	5,513,848	487,298	570	9,179	6,010,895
Real estate	18,752,983	369,894	-	-	19,122,877
Personal	7,695,988	383,509	200	-	8,079,697
Others	328,118	47,731	3,149	87,165	466,163
	53,566,591	11,781,274	99,239	183,936	65,631,040
Less: Deferred profit					(3,604)
Net impairment of loans and advances to customers					(2,960,151)
					62,667,285

10 Loans and advances to customers (continued)

b) By industry (continued)

	Loans	Overdrafts	Bills discounted	Other	Total
At 31 December 2020					
Government and related agencies	761,433	10,737,613	-	-	11,499,046
Non-banking financial institutions	1,475,864	75,506	6,449	-	1,557,819
Industry	880,359	22,966	74,375	5,197	982,897
Commercial	10,005,099	1,073,473	66,937	111,891	11,257,400
Services	9,719,497	183,000	37,932	-	9,940,429
Contracting	4,888,214	614,298	4,414	40,273	5,547,199
Real estate	18,933,234	452,149	200	-	19,385,583
Personal	7,455,086	397,653	-	-	7,852,739
Others	343,529	39,172	63	396,660	779,424
	<u>54,462,315</u>	<u>13,595,830</u>	<u>190,370</u>	<u>554,021</u>	<u>68,802,536</u>
Less: Deferred profit					(4,692)
Net impairment of loans and advances to customers					<u>(3,347,808)</u>
					<u>65,450,036</u>

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

	2021	2020
Balance at 1 January	3,347,808	5,129,571
Foreign currency translation	3,257	(1,843)
Net charge for the year	2,040,681	2,294,883
Recoveries on credit impaired loans during the year	(118,161)	(40,800)
Net impairment losses recorded during the year *	1,922,520	2,254,083
Written off/transfers during the year	(2,313,434)	(4,034,003)
Balance at 31 December	2,960,151	3,347,808

*The movement includes the effect of interest suspended on loans and advances to customers amounting to QAR 425.2 million during the year (2020: QAR 449.1 million).

The net impairment loss on loans and advances to customers in the income statement includes QAR 77.8 million recovery from the loans & advances previously written off (2020: QAR 434.4 million).

10 Loans and advances to customers (continued)**c) Movement in impairment loss on loans and advances to customers – sector wise (continued)**

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

	Corporate lending			SME lending			Retail lending			Real estate mortgage lending			Total		
	Stage 1 Performing	Stage 2 (39)	Stage 3 Credit impaired 1,713,089 (213,462)	Stage 1 Performing	Stage 2 (25,151)	Stage 3 Credit impaired 86,571 25,190	Stage 1 Performing	Stage 2 (476)	Stage 3 Credit impaired 362,938 6,607	Stage 1 Performing	Stage 2 (617)	Stage 3 Credit impaired 58,807 617	Stage 1 Performing	Stage 2 (13,275)	Stage 3 Credit impaired 138,241 (244,127)
Balance at 1 January 2021	82,089	791,904	1,713,089	1,148	35,416	86,571	23,030	45,096	362,938	31,974	115,746	58,807	138,241	988,162	2,221,405
Transfer between Stages	(12,143)	(213,462)	214,932	(39)	(25,151)	25,190	(476)	(6,131)	6,607	(617)	617	-	(13,275)	(244,127)	246,729
Net charge for the year	(1,927)	96,978	1,768,133	162	(3,749)	12,115	10,320	5,928	61,999	13,188	63,560	27,904	21,743	162,717	1,870,151
Recoveries on credit impaired loans during the year	-	-	(50,483)	-	-	(1,077)	-	-	(60,936)	-	-	(5,665)	-	-	(118,161)
Net impairment losses recorded during the year	(14,070)	(116,484)	1,932,582	123	(28,900)	36,228	9,844	(203)	7,670	12,571	64,177	22,239	8,468	(81,410)	1,998,719
Written off/transfers during the year	-	-	(2,103,712)	-	-	(78,432)	-	-	(131,290)	-	-	-	-	-	(2,313,434)
Balance at 31 December 2021	68,019	675,420	1,541,959	1,271	6,516	44,367	32,874	44,893	239,318	44,545	179,923	81,046	146,709	906,752	1,906,690

10 Loans and advances to customers (continued)

c) Movement in impairment loss on loans and advances to customers – sector wise (continued)

	Corporate lending			SME lending			Retail lending			Real estate mortgage lending			Total		
	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired
Balance at 1 January 2020	92,949	1,292,248	3,046,517	1,628	33,387	117,566	16,515	48,034	350,163	33,619	51,769	45,176	144,711	1,425,438	3,559,422
Transfer between Stages	(21,231)	(549,862)	519,231	(253)	(1,559)	1,811	(1,479)	(7,049)	9,463	(1,892)	308	1,584	(24,855)	(558,162)	532,089
Net charge for the year	10,371	49,518	2,094,263	(227)	3,588	26,322	7,994	4,111	68,758	247	63,669	16,760	18,385	120,886	2,206,103
Recoveries on credit impaired loans during the year	-	-	(10,439)	-	-	(359)	-	-	(26,695)	-	-	(4,713)	-	-	(42,206)
Net impairment losses recorded during the year	(10,860)	(500,344)	2,603,055	(480)	2,029	27,774	6,515	(2,938)	51,526	(1,645)	63,977	13,631	(6,470)	(437,276)	2,695,986
Written off/ transfers during the year	-	-	(3,936,483)	-	-	(58,769)	-	-	(38,751)	-	-	-	-	-	(4,034,003)
Balance at 31 December 2020	82,089	791,904	1,713,089	1,148	35,416	86,571	23,030	45,096	362,938	31,974	115,746	58,807	138,241	988,162	2,221,405

11 Investment securities

The analysis of investment securities is detailed below:

	2021	2020
Investment Securities measured at FVOCI*	15,974,891	16,268,922
Investment Securities measured at FVTPL	13,519	55,179
Investment Securities measured at amortized cost	8,894,822	8,141,932
Interest receivable	207,755	208,220
	<u>25,090,987</u>	<u>24,674,253</u>
Net Impairment losses on investment securities measured at amortized cost	(8,114)	(6,920)
Total	<u>25,082,873</u>	<u>24,667,333</u>

*Includes QAR 34.8 million ECL on debt securities (2020: QAR 51.0 million)

**The Group has pledged State of Qatar Bonds amounting to QAR 3,582 million (2020: QAR 8,900 million) against repurchase agreements.

a) Fair Value Through Other Comprehensive Income

	2021		
	Quoted	Unquoted	Total
Equities	803,444	46,906	850,350
State of Qatar Debt Securities	10,740,129	-	10,740,129
Other Debt Securities	4,384,412	-	4,384,412
	<u>15,927,985</u>	<u>46,906</u>	<u>15,974,891</u>

b) Fair Value Through Profit or Loss

	2021		
	Quoted	Unquoted	Total
Equities	-	-	-
Mutual Funds and Equities	7,160	6,359	13,519
Other Debt Securities	-	-	-
	<u>7,160</u>	<u>6,359</u>	<u>13,519</u>

c) Amortised Cost

	2021		
	Quoted	Unquoted	Total
By Issuer			
State of Qatar Debt Securities	8,246,561	-	8,246,561
Other Debt Securities	270,842	377,419	648,261
Net impairment loss	(8,101)	(13)	(8,114)
	<u>8,509,302</u>	<u>377,406</u>	<u>8,886,708</u>
By Interest Rate			
Fixed Rate Securities	8,509,302	377,406	8,886,708
Floating Rate Securities	-	-	-
	<u>8,509,302</u>	<u>377,406</u>	<u>8,886,708</u>

11 Investment securities (continued)

a) Fair Value Through Other Comprehensive Income

	2020		
	Quoted	Unquoted	Total
Equities	402,024	51,046	453,070
State of Qatar Debt Securities	11,606,694	-	11,606,694
Other Debt Securities	4,209,158	-	4,209,158
	<u>16,217,876</u>	<u>51,046</u>	<u>16,268,922</u>

b) Fair Value Through Profit or Loss

	2020		
	Quoted	Unquoted	Total
Equities	4,669	-	4,669
Mutual Funds and Equities	13,633	34,940	48,573
Other Debt Securities	1,937	-	1,937
	<u>20,239</u>	<u>34,940</u>	<u>55,179</u>

c) Amortised Cost

	2020		
	Quoted	Unquoted	Total
By Issuer			
State of Qatar Debt Securities	7,500,920	-	7,500,920
Other Debt Securities	253,668	387,344	641,012
Net impairment loss	(6,902)	(18)	(6,920)
	<u>7,747,686</u>	<u>387,326</u>	<u>8,135,012</u>
By Interest Rate			
Fixed Rate Securities	7,747,686	387,326	8,135,012
Floating Rate Securities	-	-	-
	<u>7,747,686</u>	<u>387,326</u>	<u>8,135,012</u>

11 Investment securities (continued)

c) Movement in ECL / impairment losses on investment securities

	2021	2020
Balance at 1 January	6,920	25,387
Provision for impairment loss created during the year	1,194	126
Write off during the year	-	(18,593)
Balance at 31 December	8,114	6,920

12 Investment in an associate

	2021	2020
Balance at 1 January	10,176	10,478
Foreign currency translation	(183)	(252)
Share of results	765	(50)
Cash dividend	-	-
Balance at 31 December	10,758	10,176

The financial position and results of the associate based on audited financial statements, as at and for the year ended 31 December are as follows:

31 December	2021	2020
Total assets	68,089	52,978
Total liabilities	52,473	39,079
Total revenue	14,415	11,086
Profit / (loss)	1,738	(114)
Share of profit / (loss)	765	(50)

13 Property, furniture and equipment

	Land and buildings	Leasehold improvements	Furniture and equipment	Vehicles	2021 Total
Cost:					
Balance as at 1 January	1,061,494	204,832	557,610	12,647	1,836,583
Additions / transfers	29,005	1,434	31,447	2,299	64,185
Capitalization WIP	15,976	-	-	-	15,976
Disposals / write-off	-	(10)	(1,456)	-	(1,466)
	<u>1,106,475</u>	<u>206,256</u>	<u>587,601</u>	<u>14,946</u>	<u>1,915,278</u>
Depreciation:					
Balance at 1 January	425,001	179,516	509,440	8,414	1,122,371
Depreciation	70,247	10,170	23,695	988	105,100
Disposals / write-off	-	(10)	(1,456)	-	(1,466)
	<u>495,248</u>	<u>189,676</u>	<u>531,679</u>	<u>9,402</u>	<u>1,226,005</u>
Net Book Value as at 31 December 2021					
	<u>611,227</u>	<u>16,580</u>	<u>55,922</u>	<u>5,544</u>	<u>689,273</u>
	Land and buildings	Leasehold improvements	Furniture and equipment	Vehicles	2020 Total
Cost:					
Balance as at 1 January	974,924	201,845	541,539	12,360	1,730,668
Additions / transfers	45,240	2,987	16,851	1,497	66,575
Capitalization WIP	41,518	-	-	-	41,518
Disposals/Write-off	(188)	-	(780)	(1,210)	(2,178)
	<u>1,061,494</u>	<u>204,832</u>	<u>557,610</u>	<u>12,647</u>	<u>1,836,583</u>
Depreciation:					
Balance at 1 January	355,067	167,995	476,841	7,168	1,007,071
Depreciation	69,934	11,521	33,379	2,456	117,290
Disposals/Write-off	-	-	(780)	(1,210)	(1,990)
	<u>425,001</u>	<u>179,516</u>	<u>509,440</u>	<u>8,414</u>	<u>1,122,371</u>
Net Book Value as at 31 December 2020					
	<u>636,493</u>	<u>25,316</u>	<u>48,170</u>	<u>4,233</u>	<u>714,212</u>

13 Property, furniture and equipment (continued)

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

	Land and buildings	Furniture and equipment	Vehicles	Total
At 31 December 2021				
Right-of-use asset at 1 January	152,040	642	3,405	156,087
Additions	57,521	926	2,299	60,746
Depreciation charge for the year	(38,567)	(720)	(743)	(40,030)
Balance at 31 December	<u>170,996</u>	<u>847</u>	<u>4,960</u>	<u>176,803</u>

	Land and buildings	Furniture and equipment	Vehicles	Total
At 31 December 2020				
Right-of-use asset at 1 January	141,960	1,354	4,686	148,000
Additions	45,212	616	869	46,697
Depreciation charge for the year	(35,132)	(1,328)	(2,150)	(38,610)
Balance at 31 December	<u>152,040</u>	<u>642</u>	<u>3,405</u>	<u>156,087</u>

14 Other assets

	2021	2020
Prepaid expenses	41,181	42,316
Repossessed collateral*	102,381	102,381
Positive fair value of derivatives (Note 34)	60,058	150,166
Deferred tax asset	139,190	177,850
Sundry debtors	523	52,857
Collateral margin	891,179	1,328,759
Others	166,234	275,424
	1,400,746	2,129,753

*This represents the value of the properties acquired in settlement of debts. The fair values of these properties as at 31 December 2021 are not materially different from the carrying values.

15 Due to banks

	2021	2020
Balances due to central banks	-	3,194,244
Current accounts	259,743	81,357
Short-term loan from banks	17,034,053	9,073,640
Repo borrowings	5,208,949	10,669,299
Interest payable	8,646	18,224
	22,511,391	23,036,764

16 Customer deposits

a) By type

	2021	2020
Current and call deposits	9,572,294	9,197,448
Saving deposits	2,830,856	2,957,812
Time deposits	37,671,783	42,654,395
Interest payable	281,016	244,341
	50,355,949	55,053,996

b) By sector

	2021	2020
Government and semi government agencies	15,041,513	20,136,392
Individuals	11,373,288	12,429,260
Corporates	22,902,486	21,330,838
Non-banking financial institutions	757,646	913,165
Interest payable	281,016	244,341
	50,355,949	55,053,996

17 Debt securities

The Group has issued subordinated debt notes and senior guaranteed notes as follows:

	2021	2020
Senior guaranteed notes	1,880,436	327,430
Interest payable	11,298	778
	1,891,734	328,208

Note

During current year, the Group issued USD 510 million (2020: USD 63 million) and JPY 1.0 billion (2020: JPY 3.0 billion) senior unsecured debt under its updated EMTN programme. Interest on these ranges from 0.62% to 2.38% (2020: 0.35 % to 1.5%).

18 Other borrowings

	2021	2020
Term loan facilities	9,720,419	8,200,026
Interest payable	17,102	17,167
	9,737,521	8,217,193

Interest on these ranges from 0.72% to 1.79% (2020: 0.74% to 1.73%).

The table below shows the maturity profile of other borrowings.

	2021	2020
Up to 1 year	2,930,639	5,806,659
Between 1 and 3 years	6,260,740	2,410,534
More than 3 years	546,142	-
	9,737,521	8,217,193

19 Other liabilities

	2021	2020
Accrued expense payable	65,964	63,044
Provision for end of service benefits (note-i)	147,963	137,453
Staff provident fund	41,508	41,975
Tax payable	3,713	1,146
Negative fair value of derivatives (note 34)	542,937	909,986
Unearned income	143,404	129,632
Cash margins	407,701	389,962
Dividend payable	31,472	45,503
Unclaimed balances	16,966	13,245
Proposed transfer to social and sport fund	17,594	17,576
Lease liabilities (note-ii)	177,230	153,599
Allowance for Impairment for loan commitments and financial guarantees	357,573	208,658
Others*	396,658	997,762
Total	2,350,683	3,109,541

*This includes acceptances pertaining to trade finance amounting to QAR 98 million (2020: QAR 158 million).

19 Other liabilities (continued)

Note-i

Provision for end of service benefits

	2021	2020
Balance at 1 January	137,453	143,039
Provision for the year	20,455	11,892
Provisions used during the year	(9,944)	(17,478)
Balance at 31 December	147,963	137,453

Note-ii

Lease liabilities include current and non-current liabilities amounting to QAR 11.1 million (2020: QAR 4.7 million) and QAR 166.1 million (2020: 148.9 million), respectively.

20 Equity

a. Share capital

	Ordinary shares	
	2021	2020
Authorised number of ordinary shares (in thousands)		
On issue at the beginning of the reporting year	3,100,467	3,100,467
On issue at 31 December	3,100,467	3,100,467

At 31 December 2021, the authorised share capital comprised 3,100,467 thousands ordinary shares (2020: 3,100,467 thousands). These instruments have a par value of QAR 1 (2020: QAR 1). All issued shares are fully paid.

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

b. Legal reserve

In accordance with Qatar Central Bank's Law No. 13 of 2012, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for the Bank for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 11 of 2015 and is subject to the approval of QCB.

The legal reserve includes share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law 11 of 2015.

c. Risk reserve

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

The Group has transferred QAR 180 million to its risk reserve during the year ended 31 December 2021 (2020: Nil).

20 Equity (continued)

d. Fair value reserve

This reserve comprises the fair value changes recognised on available-for-sale/ fair value through other comprehensive income (FVOCI) financial assets.

	Total 2021	Total 2020
Balance as at 1 January	152,992	155,043
Impact of revaluation	(242,934)	633,884
Reclassified to income statement	253,635	(635,935)
Net Movement during the Year	10,466	(2,051)
Balance as at 31 December *	163,693	152,992

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

e. Foreign currency translation reserve

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

f. Proposed Dividend

The Board of Directors of the Group has proposed a cash dividend of 7.5% of the paid up share capital amounting to QAR 232.5 million - QAR 0.075 per share for the year ended 31 December 2021 (2020: 7.5% of the paid up share capital amounting to QAR 232.5 million - QAR 0.075 per share) which is subject to approval at the Annual General Meeting of the shareholders.

g. Instrument eligible as additional capital

	2021	2020
Issued on 31 December 2013	2,000,000	2,000,000
Issued on 30 June 2016	2,000,000	2,000,000
	4,000,000	4,000,000

The Group has issued regulatory Tier I capital notes totaling to QAR 4 billion. These notes are perpetual, subordinated, unsecured and each has been priced at a fixed rate for the first six years and shall be re-priced thereafter. The coupon is discretionary and the event on non-payment is not considered as an event of default. The notes carry no maturity date and have been classified under Tier 1 capital.

21 Interest income

	2021	2020
Balance with central banks	18,561	12,237
Due from banks and non-banking financial institutions	53,578	63,736
Debt securities	759,476	858,280
Loans and advances to customers	2,725,960	2,809,517
	3,557,575	3,743,770

21 Interest income

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

Financial assets measured at amortised cost	3,108,645	3,213,903
Financial assets measured at fair value	448,930	529,867
Total	3,557,575	3,743,770

22 Interest expense

	2021	2020
Due to banks	235,548	529,568
Customer deposits	699,000	874,923
Debt securities	34,959	15,619
Others	2,883	3,869
	972,390	1,423,979

Others represent interest expense related to lease assets.

23 Fee and commission income

	2021	2020
Credit related fees	36,326	54,543
Brokerage fees	1,744	1,346
Bank services fee	302,802	248,472
Commission on unfunded facilities	107,466	101,287
Others	12,018	10,786
	460,355	416,434

24 Fee and commission expense

	2021	2020
Bank fees	661	556
Card related fees	150,329	105,659
Others	6,236	5,879
	157,226	112,094

25 Net foreign exchange gain

	2021	2020
Dealing in foreign currencies	8,541	9,381
Revaluation of assets and liabilities	145,081	96,462
	153,622	105,843

26 Net income from investment securities

	2021	2020
Net gain from sale of investments measured at FVOCI	16,501	150,431
Dividend income	24,261	28,206
Changes in fair value of investment securities measured at FVTPL	<u>(8,750)</u>	<u>5,040</u>
	<u>32,012</u>	<u>183,677</u>

27 Other operating income

	2021	2020
Rental income	12,007	11,807
Others	<u>27,560</u>	<u>8,414</u>
	<u>39,567</u>	<u>20,221</u>

28 Staff costs

	2021	2020
Staff cost	439,658	423,404
Staff pension fund costs	5,150	4,869
End of service benefits	20,455	11,892
Training	<u>1,642</u>	<u>1,069</u>
	<u>466,905</u>	<u>441,234</u>

29 Other expenses

	2021	2020
Advertising	7,313	19,001
Professional fees	35,143	31,352
Communication and insurance	43,460	48,780
Board of Directors' remuneration	17,423	12,697
Occupancy and maintenance	35,658	31,925
Computer and IT costs	52,421	51,352
Printing and stationery	3,833	6,271
Travel and entertainment costs	1,088	1,595
Others	<u>107,572</u>	<u>106,146</u>
	<u>303,911</u>	<u>309,119</u>

30 Tax expense

	2021	2020
Current tax expense		
Current year	<u>3,881</u>	<u>1,269</u>
	<u>3,881</u>	<u>1,269</u>
Deferred tax expense		
Temporary differences	<u>38,664</u>	<u>-</u>
	<u>38,664</u>	<u>-</u>
Income tax expense		
	<u>42,545</u>	<u>1,269</u>

31 Basic and diluted earnings per share

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

	2021	2020
Profit for the year attributable to the equity holders of the Group	703,774	703,024
Deduct: Interest on Tier 1 capital notes	-	(203,000)
Net profit attributable to equity holders of the Group	703,774	500,024
Weighted average number of outstanding shares (in thousands)	3,100,467	3,100,467
Basic and diluted earnings per share (QAR)	0.23	0.16

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

	2021	2020
Net profit attributable to equity holders of the Group	703,774	500,024
Deduct: Interest on Tier 1 capital notes subject to QCB approval	(196,500)	-
Adjusted net profit attributable to equity holders of the Group	507,274	500,024
Weighted average number of outstanding shares (in thousands)	3,100,467	3,100,467
Basic and diluted earnings per share (QAR)	0.16	0.16

The weighted average number of shares are as follows:

	2021	2020
<i>In thousands of shares</i>		
Weighted average number of shares at 31 December	3,100,467	3,100,467

32 Contingent liabilities and other commitments

	2021	2020
Contingent liabilities		
Unused facilities	829,152	1,093,753
Guarantees	11,166,636	12,392,098
Letters of credit	2,940,328	3,670,942
Others	25,708	59,694
	14,961,824	17,216,487
Other commitments		
Forward foreign exchange contracts	5,656,968	9,604,548
Interest rate swaps	6,895,585	6,604,533
	12,552,553	16,209,081
Total	27,514,377	33,425,568

32 Contingent liabilities and other commitments (continued)**Unused facilities**

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

Guarantees and Letters of credit

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

33 Cash and cash equivalents

	2021	2020
Cash and balances with central banks*	3,555,318	4,755,276
Due from banks and other financial institutions maturing within 3 months	3,802,982	2,246,470
	<u>7,358,300</u>	<u>7,001,746</u>

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

34 Derivatives

	Positive fair value	Negative fair value	Notional Amount	Notional / expected amount by term to maturity						
				within 3 months	3 - 12 months	1-5 years	More than 5 years			
At 31 December 2021:										
Derivatives held for trading:										
Forward foreign exchange contracts	<u>25,492</u>	<u>35,979</u>	<u>5,656,968</u>	<u>3,777,066</u>	<u>1,481,378</u>	<u>398,524</u>	<u>-</u>			
Derivatives held for fair value hedges:										
Interest rate swaps	<u>34,566</u>	<u>506,958</u>	<u>6,895,585</u>	<u>844,687</u>	<u>109,245</u>	<u>2,710,368</u>	<u>3,231,285</u>			
Total	<u>60,058</u>	<u>542,937</u>	<u>12,552,553</u>	<u>4,621,753</u>	<u>1,590,623</u>	<u>3,108,892</u>	<u>3,231,285</u>			
At 31 December 2020:										
Derivatives held for trading:										
Forward foreign exchange contracts	<u>92,466</u>	<u>15,058</u>	<u>9,604,548</u>	<u>7,296,520</u>	<u>1,946,330</u>	<u>36,698</u>	<u>-</u>			
Derivatives held for fair value hedges:										
Interest rate swaps	<u>57,700</u>	<u>894,928</u>	<u>6,604,533</u>	<u>-</u>	<u>182,075</u>	<u>3,096,590</u>	<u>3,325,868</u>			
Total	<u>150,166</u>	<u>909,986</u>	<u>16,209,081</u>	<u>7,296,520</u>	<u>2,128,405</u>	<u>3,458,288</u>	<u>3,325,868</u>			

35 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group. The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

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

	2021	2020
Assets:		
Loans and advances to customers	1,727,315	1,824,272
Liabilities:		
Customer deposits	131,622	669,281
Unfunded items:		
Contingent liabilities and other commitments	551,807	600,477
Other assets	8,305	8,305
Income statement items:		
Interest, commission and other income	54,112	57,078
Interest, commission and other expense	15,882	19,724

No impairment losses have been recorded against balances outstanding during the year with key management personnel.

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

	2021	2020
Salaries and other benefits	62,876	51,597
End of service indemnity benefits and provident fund	1,778	1,298
	64,654	52,895

36 Impact of COVID-19

The coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

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

(a) Expected credit losses

The Bank has performed an assessment of COVID-19 which has resulted in changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2021. These are disclosed in note 4(b)(v).

(a) Valuation estimates and judgements

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

The impact of such uncertain economic environment is judgmental and the Bank will continue to reassess its position and the related impact on a regular basis.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

(c) Accounting for modified loans and advances

As part of QCB support program as detailed above, the Bank has deferred payments on lending facilities for those companies that qualify as affected sectors. The payment reliefs are considered as short-term liquidity support to address the borrowers' potential cash flow issues. The Bank has effected the payment reliefs by deferring the installments with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and accounted for in accordance with the requirements of IFRS 9 as a modification of loan arrangement in interest income.

(d) Accounting for zero rate repo facilities

The QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The benefit arising out of the zero rate repos was not considered to be material for the period.

37 Comparative information

Certain comparative information has been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassifications did not have any effect on the statement of income or the consolidated equity of the Group for the comparative year.

FINANCIAL STATEMENTS OF THE PARENT**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS****Statement of Financial Position – Parent Bank**

As at 31 December	2021	2020
ASSETS		
Cash and balances with central banks	5,887,367	6,895,185
Due from banks	5,329,813	3,619,175
Loans and advances to customers	62,667,285	65,450,036
Investment securities	25,090,548	24,717,229
Investment in an associate	10,758	10,176
Property, furniture and equipment	689,157	713,392
Other assets	1,352,527	2,077,622
TOTAL ASSETS	101,027,455	<u>103,482,815</u>
LIABILITIES		
Due to banks	22,511,391	23,036,764
Customer deposits	50,378,757	55,097,695
Debt securities	1,891,734	328,208
Other borrowings	9,737,521	8,217,193
Other liabilities	2,257,102	3,013,534
TOTAL LIABILITIES	86,776,505	<u>89,693,394</u>
EQUITY		
Share capital	3,100,467	3,100,467
Legal reserve	5,080,853	5,080,853
Risk reserve	1,029,600	849,600
Fair value reserves	162,985	151,973
Foreign currency translation reserve	(65,550)	(62,587)
Retained earnings	942,595	669,115
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	10,250,950	<u>9,789,421</u>
Instrument eligible as additional capital	4,000,000	<u>4,000,000</u>
TOTAL EQUITY	14,250,950	<u>13,789,421</u>
TOTAL LIABILITIES AND EQUITY	101,027,455	<u>103,482,815</u>

FINANCIAL STATEMENTS OF THE PARENT BANK (CONTINUED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

Income Statement – Parent Bank

	2021	2020
Interest income	3,557,575	3,743,770
Interest expense	<u>(972,774)</u>	<u>(1,425,150)</u>
Net interest income	2,584,801	2,318,620
Fee and commission income	460,355	416,434
Fee and commission expense	<u>(157,226)</u>	<u>(112,094)</u>
Net fee and commission income	303,129	304,340
Net foreign exchange gain	153,622	105,843
Net income from investment securities	31,824	183,657
Other operating income	<u>39,463</u>	<u>21,273</u>
	224,909	310,773
Net operating income	3,112,839	2,933,733
Staff costs	(454,758)	(430,948)
Depreciation	<u>(104,396)</u>	<u>(115,368)</u>
Net impairment reversal / (loss) on investment securities	14,918	(34,680)
Net impairment loss on loans and advances to customers	<u>(1,419,481)</u>	<u>(1,368,742)</u>
Net impairment (loss) / reversal on other financial assets	(80,422)	38,299
Other expenses	<u>(323,309)</u>	<u>(326,082)</u>
	(2,367,448)	(2,237,521)
Profit before tax	745,391	696,212
Income tax expense	<u>(42,545)</u>	<u>(1,269)</u>
Profit	702,846	694,943