بنك دخان
DUKHAN BANK

Direct Listing

Prospectus

Dukhan Bank (Q.P.S.C)

This document is a prospectus (the or this **"Prospectus"**) relating to Dukhan Bank Q.P.S.C. (the "**Bank**") prepared in accordance with the Offering and Listing of Securities on the Financial Markets Rulebook (the "Listing Rules") issued by the Qatar Financial Markets Authority (the "**QFMA**").

An application has been made to the QFMA and the Qatar Stock Exchange (the "**QSE**") for the direct listing of shares of the Bank (the "**Shares**") for trading on the QSE (the "**Listing**"). It is expected that the Listing will become effective and that dealings for normal settlement in the Shares will commence on or around 21 February 2023.

Dukhan Bank Q.P.S.C.

(a Qatar private shareholding company under conversion to a Qatar public shareholding company established pursuant to the Commercial Companies Law of Qatar, law number 11 of 2015 (the "**Companies Law**"), with commercial registration number 38012)

Listing of 5,234,100,000 Shares

at a price of QAR4.35 per Share

Listing price per Share includes a nominal value of QAR1.00.

QNB Capital LLC Listing Adviser QNB Building, Msheireb Downtown P.O. Box 1000 Doha, Qatar Tel. No.: +974 4496 3888 Fax No.: +974 4496 3885 Website: www.qnb.com Email: info@qnbcapital.com	**Sharq Law Firm** Qatar Legal Adviser Level 22, Alfardan Office Tower, West Bay P.O. Box 6997 Doha, Qatar Tel. No.: +974 4021 2444 Fax No.: +974 4412 9823 Website: www.sharqlawfirm.com Email: info@sharqlawfirm.com
K&L Gates LLP International Legal Adviser 31st Floor, Tornado Tower Al Funduq Street, West Bay P.O. Box 26100 Doha, Qatar Tel. No.: +974 4424 6100 Fax No.: +974 4424 6101 Website: www.klgates.com	**Ernst & Young (Qatar Branch)** Independent Auditors Auditors licence number from QFMA of 120154 24th Floor, Burj Al Gassar Majlis Al Taawon Street Onaiza, West Bay P.O. Box 164 Doha, Qatar Tel. No.: +974 4457 4111 Fax No.: +974 4441 4649 Website: www.ey.com/en_qa Email: doha@qa.ey.com

The Bank was incorporated in 2008 under the name of Barwa Bank Q.P.S.C., with commercial registration number 38012, and began operations on 1 February 2009 as a full-service Islamic bank in Qatar. The Bank rebranded itself under the name of Dukhan Bank Q.P.S.C. in October 2020. The Bank is a Qatar private shareholding company in the process of converting to a Qatar public shareholding company. The capital of the Bank upon conversion will be QAR5,234,100,000 divided into 5,234,100,000 Shares with each Share having a nominal value of QAR1.00.

This is an unofficial English language translation of the official Prospectus published in the Arabic language. No reliance should be placed on this English language translation, which may not entirely reflect the official Arabic language Prospectus. The QFMA has reviewed only the Arabic language Prospectus and has approved its publication. The QFMA has not reviewed or approved this English language translation of the Prospectus.

This Prospectus is valid for six months from the date of approval by the QFMA.

Disclaimer

Qatar Financial Markets Authority Disclaimer

The QFMA shall bear no liability for the validity, comprehensiveness and sufficiency of the details and information mentioned in this Prospectus, and the QFMA explicitly declares that it bears no liability for any loss which could be incurred by any person taking decisions according to the whole or some of the details or information contained in the Prospectus.
The QFMA also bears no liability towards any party in relation to the Bank's valuation analysis, including the estimated values or assumptions that the evaluators had based their estimate on, as well as any results in light of those estimates and assumptions. The QFMA will not provide any ratifications in relation to the technical aspects of the analysis or the economic, commercial and investment feasibility study for the estimates and assumptions which were determined by the analysis results and the value of the Listing. The role of the QFMA is limited to ensuring the implementation of the Rules for External Auditors and Financial Evaluators of Listed Entities & Entities Subject to the Authority's Jurisdiction issued by the QFMA's board of directors.

Ministry of Commerce and Industry Disclaimer

The MoCI, as the regulator of commercial companies in Qatar, shall bear no liability for the validity, comprehensiveness and sufficiency of the details and information mentioned in this Prospectus, and the MoCI explicitly declares that it bears no responsibility for any loss which could be incurred by any person taking decisions according to the whole or some of the details or information contained in the Prospectus. The MoCI, as the regulator of commercial companies in Qatar, also bears no responsibility towards any party in relation to the Bank's valuation analysis, including the estimated values or assumptions that the evaluators had based their estimate on, as well as any results in light of those estimates and assumptions. The MoCI will not provide any ratifications in relation to the technical aspects of the analysis or the economic, commercial and investment feasibility study for the estimates and assumptions which were determined by the analysis results and the value of the Listing. The role of the MoCI is limited to ensuring the implementation of the provisions of the Commercial Companies Law number 11 of 2015, as amended by law number 8 of 2021.

Qatar Stock Exchange Disclaimer

The QSE shall bear no liability for the validity, comprehensiveness and sufficiency of the details and information mentioned in this Prospectus, and the QSE explicitly declares that it bears no responsibility for any loss which could be incurred by any person taking decisions according to the whole or some of the details or information contained in the Prospectus.
The QSE also bears no responsibility towards any party in relation to the Bank's valuation analysis, including the estimated values or assumptions that the evaluators had based their estimate on, as well as any results in light of those estimates and assumptions. The QSE will not provide any ratifications in relation to the technical aspects of the analysis or the economic, commercial and investment feasibility study for the estimates and assumptions which were determined by the analysis results and the value of the Listing. The role of the QSE is limited to ensuring that the transactions conducted on the Bank's shares are completed pursuant to the QSE Rulebook.

Qatar Central Bank Disclaimer

The QCB shall bear no liability for the validity, comprehensiveness and sufficiency of the details and information mentioned in this Prospectus, and the QCB explicitly declares that it bears no responsibility for any loss which could be incurred by any person taking decisions according to the whole or some of the details or information contained in the Prospectus.
The QCB also bears no responsibility towards any party in relation to the Bank's valuation analysis, including the estimated values or assumptions that the evaluators had based their estimate on, as well as any results in light of those estimates and assumptions. The QCB will not provide any ratifications in relation to the technical aspects of the analysis or the economic, commercial and investment feasibility study for the estimates and assumptions which were determined by the analysis results and the value of the Listing. The role of the QCB is limited to ensuring the implementation of the rules and regulations of the QCB.

Declaration of Responsibility (acknowledgment) by the Listing Adviser

The Listing Adviser confirms, to the best of its knowledge based on the information provided by the Founders, the appointed members of the board of directors of the Bank (the "Board") and the Senior Executive Management and after conducting appropriate due diligence, that the information disclosed in this Prospectus at the date of this Prospectus is correct and complete and does not include misleading or incomplete information.

Declaration of Responsibility

We, the members of the Board and the Senior Executive Management, whose names and signatures are set out below, hereby jointly and severally assume full responsibility for the information and details mentioned herein, and we hereby declare that we have taken reasonable care to ensure that the information and details included in this Prospectus are correct, clear, similar to the facts and contain no omission of any information that would make the information less significant, comprehensive and sufficient.

Board of Directors of Dukhan Bank Q.P.S.C.

Name & Position	Signature
H.E Sheikh Mohammed Bin Hamad Bin Jassim Al-Thani Chairman and Managing Director	
Mr. Abdulaziz Mohammed Hamad Al-Mana Vice Chairman	
H.E Thani Bin Hamad Bin Khalifa Al-Thani Board Member	
Sheikh Jassim Bin Fahad Bin Jassim Al-Thani Board Member	
Sheikh Khalid Bin Hassan Bin Khalid Al-Thani Board Member	
Mr. Abdulaziz Mohamed J A Al-Sulaiti Board Member	
Dr. Ahmad Mohammed Yousef Al-Mana Board Member	
Mr. Ahmad Abdulrazzaq Ahmad Al-Hashmi Board Member	

As at the date of this Prospectus, the Board is composed of the above members (noting that one Board member, who represented the General Retirement and Social Security Authority , has resigned and would be replaced).

Senior Executive Management of Dukhan Bank Q.P.S.C.

Name & Position	Signature
Ahmed Hashem Acting Chief Executive Officer	

Risk Factors

In order to obtain information on the risks that investors should take into consideration, please refer to the risk analysis mentioned in this Prospectus ("**Risk Factors**") from pages 26 to 42.

Table of key dates related to the Listing[1]

1 February 2023	Date of approval of this Prospectus
21 February 2023	Trading commences on the QSE

[1] All trading in the Shares will cease from midday of the day prior to the date of the Extraordinary General Assembly until either the date trading commences on the QSE or the cancellation of the Listing, whichever is earlier.

(These dates are indicative and may vary subject to the approval of the Board, the QFMA and the MoCI)

Important Notice

This Prospectus has been prepared in connection with an application to the regulators for the direct listing of the Shares on the QSE for trading and there is no public offering of such Shares by the Bank. Information in this Prospectus is provided to potential investors to inform their decision as to whether or not to invest in the Shares, in accordance with the terms and conditions described in this Prospectus and in accordance with the Constitutional Documents. This Prospectus does not contain misleading information nor has any material information been intentionally omitted that might affect potential investors' decisions regarding their investment in the Shares.

Potential investors are required to carefully review the entire contents of this Prospectus (including the Risk Factors) prior to making an investment decision regarding the Shares, taking into account all facts described herein in light of their own investment considerations. Investors should take appropriate professional advice including from a legal adviser, an independent financial adviser and/or a tax adviser for legal, financial or tax advice if they do not understand this Prospectus (or any part of it).

The QFMA takes no responsibility for the contents of this Prospectus (or any translation of it), makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Prospectus (or any translation of it).

The distribution of this Prospectus and the Listing may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the shareholders, the Bank or the Listing Adviser to purchase any of the Shares in any jurisdiction outside of Qatar or from or within the QFC. Should this Prospectus be distributed in any jurisdiction other than Qatar, such distribution may be restricted by law or may be subject to prior regulatory approvals. This Prospectus must not be distributed in any jurisdiction where such distribution is, or may be deemed, unlawful. The Bank, the shareholders and the Listing Adviser require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. None of the Bank, the shareholders or the Listing Adviser accepts any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to purchase the Shares by any person, whether or not a prospective purchaser of the Shares is in any jurisdiction outside of Qatar, and whether such offer or solicitation was made orally or in writing, including by electronic mail.

No action has been or will be taken in any jurisdiction other than Qatar that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other Listing material in any country or jurisdiction other than Qatar where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other Listing material or advertisement in connection with the Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the Listing and sale of the Shares, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to sell any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

No person is or has been authorised to give any information or to make any representations other than the information and those representations contained herein in connection with the Listing. If given or made, such information or representations must not be relied upon as having been authorised by the shareholders, the Bank, the Listing Adviser or any of their respective legal or accounting advisers. Each prospective investor should conduct its own assessment of the Listing and consult its own independent professional advisers. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, constitute a recommendation to purchase the Shares or create any implication that there has been no change in the affairs of the Bank or the Group since the date hereof or that the information contained herein is correct as of any time subsequent to its date. The content of this Prospectus may, however, still be subject to change until the completion of the Listing. If required, these changes will be made through an amendment to this Prospectus. The Listing Adviser is acting for the Bank and the shareholders in connection with the matters described in this document, is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of the Listing Adviser or for advising any other person in connection with the matters described in this Prospectus.

The contents of the Bank's website, any website mentioned in this Prospectus or any website directly or indirectly linked to such websites have not been verified and do not form part of this Prospectus, and investors should not rely on such information.

Conditions

Qatar
This Prospectus has been approved by the QFMA and is being made available to investors in Qatar (outside of the QFC).

QFC
This Prospectus does not, and is not intended to, constitute an invitation or offer of securities from or within the QFC, and accordingly should not be construed as such. This Prospectus has not been reviewed or approved by or registered with the QFCA, the QFCRA, or any other competent legal body in the QFC. This Prospectus is strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient hereof. The Bank has not been approved or licensed by or registered with any licensing authorities within the QFC.

United States of America
THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAW OF ANY STATE OR TERRITORY OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAW. THE SHARES ARE BEING OFFERED OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

United Kingdom
Neither this Prospectus nor any other document issued in connection with the Listing may be passed on to any person in the United Kingdom. All applicable provisions of the Financial Services and Markets Act of 2000, as amended, must be complied with in respect of anything done in relation to the Shares in, from or otherwise involving the United Kingdom.

European Union
In relation to each member state of the EEA (each a "Relevant Member State"), no Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Regulation, except that offers of Ordinary Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Regulation:

a. to any person who is a qualified investor, being persons falling within the meaning of Article 2(E) of the Prospectus Regulation;
b. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the receiving banks for any such offer; or
c. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or any measure implementing the Prospectus Regulation in a Relevant Member State.
For the purposes of this provision, the expression an "offer to the public" in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares. "**Prospectus Regulation**" means the Prospectus Regulation (Regulation (EU) 2017/1129).

Other jurisdictions
The Shares have not been and will not be registered under the applicable securities laws of Saudi Arabia, Bahrain, the United Arab Emirates ("**UAE**"), Oman and Kuwait.

Forward-Looking Statements

This Prospectus may contain forward-looking statements that are subject to risks and uncertainties including statements about the belief of the Bank's management and their expectations. All statements, other than statements of historical or current fact, included in this Prospectus are forward-looking statements. Forward-looking statements express the current expectations of the management of the Bank relating to the condition, results of operations, plans, objectives, future performance and business of the Bank and the Group Companies, as well as their expectations in relation to external conditions and events relating to the Bank, the Group Companies and their respective operations and future performance. Prospective investors can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. The statements may include words such as "anticipate", "estimate", "believe", "project", "plan", "intend", "prospective" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

These forward-looking statements are based on assumptions that the management of the Bank has made in light of its experience in the industries in which it operates, as well as its perceptions of historical trends, current conditions, expected future developments and other factors which the Bank's management believes are appropriate under the circumstances. As prospective investors read and consider this Prospectus, they should understand that these statements are not guarantees of future performance or results. They involve risks, uncertainties (some of which are beyond the control of the management of the Bank) and assumptions. Although the management of the Bank believes that these forward-looking statements are based on reasonable assumptions, prospective investors should be aware that many factors could affect the Bank's actual financial condition or results of operations and cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things, those discussed under section 6 ("Risk Factors") in this Prospectus.

Due to these factors, the Bank's management cautions that prospective investors should not place undue reliance on any forward-looking statement. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible to predict these events or how they may affect the Bank and/or the Group Companies. Except as required by Qatari law, the regulations of the QFMA or the rules of the QSE, the management of the Bank has no duty to, and does not intend to, update or revise the forward-looking statements in this Prospectus after the date of this Prospectus.

Market and Industry Information

This Prospectus contains historical market data and industry forecasts which have been obtained from market research, publicly available information and industry publications or other sources considered to be generally reliable. Such information has not been independently verified, although the Bank and the Listing Adviser have a reasonable belief that such information contained in this Prospectus is reliable. No representation is made regarding the accuracy, adequacy or completeness of such information.

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Glossary of Defined Terms

1. GLOSSARY OF DEFINED TERMS

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

AAOIFI	the Accounting and Auditing Organization for Islamic Financial Institutions
AML	anti-money laundering
Articles or Articles of Association	the articles of association of the Bank (as amended from time to time)
ATMs	automatic teller machines
BaM or Bait al-Mashura	Bait al-Mashura Finance Consultations
Banking Law	Banking Law of Qatar, law number 13 of 2012, as amended
Bankruptcy Provisions	the bankruptcy and insolvency provisions forming part of the Commercial Code
Barwa Bank	Barwa Bank Q.P.S.C. (now known as Dukhan Bank Q.P.S.C.)
Basel Committee	the Basel Committee on Banking Supervision
Board or Board of Directors	the board of directors of the Bank from time to time
Business Combination	the combination of the shares of the Bank (formerly, Barwa Bank) and IBQ as described in this Prospectus under section 7 ("Business of the Bank"), under sub-section titled "History"
CAGR	compound annual growth rate
Capital Asset Pricing Model	a model used to ascertain the expected returns of an asset or security based on measurements of risk free rate, beta and expected market return
CAR	capital adequacy ratio
Code	the Bank's code of conduct issued on 23 October 2012
Commercial Code	Commercial Code of Qatar, law number 27 of 2006, as amended
Companies Law	Commercial Companies Law of Qatar, law number 11 of 2015, as amended
Comparable Company	a company deemed to be similar to the Bank, based on the comparable company having a business model that can be compared with and/or operating in the same industry as the Bank
Constitutional Documents	the Memorandum and Articles of the Bank (as amended from time to time)
Corporate Governance Guidelines	the Corporate Governance Guidelines for Banks and Financial Institutions issued by the QCB in August 2022, as amended
Cost of Equity	the implied rate of return required by a company's shareholders
CPI	consumer price index
Credit Bureau	Qatar Credit Bureau established by the QCB
DCF	discounted cash flow
DDM	the dividend discount model which is a valuation approach for banks, based on the net present value of expected future dividend pay-outs
Deposit or deposit	customer current accounts and equity of URIA holders
ECL	expected credit loss
EEA	European Economic Area

Excise Law	Excise Law of Qatar, law number 25 of 2018, as amended
Extraordinary General Assembly	the extraordinary general assembly meeting of the shareholders of the Bank convened from time to time in accordance with the Companies Law and the Constitutional Documents
Extraordinary General Assembly Resolution	a resolution of the Extraordinary General Assembly passed by the shareholders of the Bank in accordance with the Companies Law and the Constitutional Documents
FAS	financial accounting standards
FFC	First Finance Company Q.P.S.C.
FIFA World Cup	Fédération Internationale de Football Association World Cup Qatar 2022
Financial Statements	the audited consolidated financial statements of the Group as at and for the financial years ended 31 December 2020 and 31 December 2021 and the unaudited interim condensed consolidated financial statements of the Group as at and for the three month and six month periods ended 30 June 2022
FLC	First Leasing Company Q.P.S.C.
Foreign Investment Law	Foreign Investment Law of Qatar, law number 1 of 2019, as amended
Founders	The following shareholders: • General Retirement and Social Insurance Authority (Pension Fund): 24.48% • General Retirement and Social Insurance Authority (Military Pension Fund): 11.67% • Al Sanad Trading Company LLC: 10% • Entities with the same shareholders as Al Sanad Trading Company LLC: 0.08% • Brooq Trading Company LLC: 13.47% • Qatar Holding LLC: 6.96%
GCC	Gulf Cooperation Council, also known as the Cooperation Council for the Arab States of the Gulf
GDP	gross domestic product
GECF	Gas Exporting Countries Forum
General Assembly	an Ordinary General Assembly or an Extraordinary General Assembly convened from time to time
Governance Code	the Governance Code for Companies and Legal Entities Listed on the Main Market issued by the QFMA in 2016, as amended
Government or State	the government of Qatar
Group	the Bank and the Group Companies
Group Companies	collectively, FLC, FFC and TFI being the major subsidiary companies of the Bank
GTA	General Tax Authority of Qatar
HNWI	high net worth individuals
IAS 39	standard 39 (relating to financial instruments) under IFRS
IASB	the International Accounting Standards Board
IBQ	International Bank of Qatar
IFRS	the International Financial Reporting Standards as issued by IASB

IFRS 9	the International Financial Reporting Standards published by the IASB covering the recognition and measurement of financial instruments and hedge accounting
IMF	the International Monetary Fund
Income Tax Law	the Income Tax Law of Qatar, law number 24 of 2018, as amended
Income Tax Regulations	the Income Tax Executive Regulations, issued pursuant to the State's Cabinet resolution number 39 of 2019, relating to the Income Tax Law, as amended
Independent Auditors	Ernst & Young (Qatar Branch)
International Valuation Standards	an internationally-accepted definition of fair market value, such as IFRS 13 ("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") or the AICPA Statements on Standards for Valuation Services VS Section 100 ("the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts")
IT	information technology
KYC	know-your-customer
Labour Law	Labour Law of Qatar, law number 14 of 2004, as amended
Listing	the listing of the Shares on the QSE for trading
Listing Adviser	QNB Capital LLC
Listing Rules	Offering and Listing of Securities on the Financial Markets Rulebook issued by the QFMA
LNG	liquefied natural gas
Major Shareholders	the shareholders (including the Founders) of the Bank holding 5 per cent. or more of the Shares on the date of conversion of the Bank to a Qatar public shareholding company
Memorandum or Memorandum of Association	the memorandum of association of the Bank (as amended from time to time)
MENA	Middle East and North Africa
MoCI	Ministry of Commerce and Industry of Qatar
MR	Market Risk Department of the Bank
mtpa	million tonnes per annum
National Vision	Qatar National Vision 2030
NPFs	non-performing financings to customers (or non-performing loans)
NUHNWI	niche ultra-high net worth individuals
OPEC	the Organisation of Petroleum Exporting Countries
Ordinary General Assembly	the ordinary general assembly meeting of the shareholders of the Bank convened from time to time in accordance with the Companies Law and the Constitutional Documents
ORMF	Operational Risk Management Framework
PFI	prospective financial information, being any financial information about the future
Price/Earnings	market capitalisation divided by 12-month net income
PSA	Planning and Statistics Authority of Qatar
POS	point of sale

QAR, Qatari Riyal or Riyal	the lawful currency of the State for the time being
Qatar Bond Rate	yield to maturity of certain Qatari sovereign fixed income issuances
QCB	Qatar Central Bank
QCSD	Qatar Central Securities Depository
QE	Qatar Energy
QFC	Qatar Financial Centre
QFCA	Qatar Financial Centre Authority
QFCRA	Qatar Financial Centre Regulatory Authority
QFMA	the Qatar Financial Markets Authority
QIA	Qatar Investment Authority
QSE	the Qatar Stock Exchange
RI	residual income
ROE	return on average equity
Securities Act	US Securities Act of 1933, as amended
Senior Executive Management	the senior executive management of the Bank from time to time
Shari'a Committee	the Shari'a Supervisory Board of the Bank
SME	small and medium-sized enterprises
State Property Law	Law number 10 of 1987 in relation to the State of Qatar Private and Public Property, as amended
Tax Legislation	the Income Tax Law and the Income Tax Regulations of Qatar, as amended, and the published and established practices that have been adopted and applied by the GTA from time to time
TFI	The First Investor Q.P.S.C.
UHNWI	ultra-high net worth individuals
UN	the United Nations
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States, USA or U.S.	the United States of America, its territories and possessions, any state of the United States and other areas subject to its jurisdiction
URIA	unrestricted investment account
U.S.$ or U.S. Dollar	the lawful currency of the United States for the time being
Valuation Date	the point in time at which a business is being valued
VAT	value-added tax
WTO	World Trade Organization
10Y	10-year maturity

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Important Details

2. IMPORTANT DETAILS

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Listing Summary

3. LISTING SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision to invest in the Shares should be based on consideration of the Prospectus as a whole by the investor, including in particular the Risk Factors section.

Headings	Particulars
Bank's name, description and incorporation information	Dukhan Bank Q.P.S.C. (formerly known as Barwa Bank) is a private shareholding company (under conversion to a public shareholding company) established in Qatar under commercial registration number 38012 and with its headquarters at Grand Hamad Street, P.O. Box 27778, Doha, Qatar. The Bank's date of establishment is 28 January 2008
Bank's activities	The Bank and its subsidiaries are primarily engaged in financing, investing and advisory activities in accordance with Shari'a rules as determined by the Shari'a Committee and provisions of their respective memorandum and articles of association. Investment activities are carried out for proprietary purpose and on behalf of customers
Bank's share capital	QAR5,234,100,000
Bank's total number of shares at conversion	5,234,100,000
Nominal value per share at conversion	QAR1.00
Founders at Listing	The shareholders set out below: • General Retirement and Social Insurance Authority (Pension Fund): 24.48% • General Retirement and Social Insurance Authority (Military Pension Fund): 11.67% • Al Sanad Trading Company LLC: 10% • Entities with the same shareholders as Al Sanad Trading Company LLC: 0.08% • Brooq Trading Company LLC: 13.47% • Qatar Holding LLC: 6.96% The QCB issued a decision on 14 December 2022 approving for Brooq and Al Sanad to own up to 10% of the Bank's share capital, and granted a grace period of five years from the date of the decision for Brooq and Al Sanad to dispose of any excess shareholding.
Free float of the Bank upon Listing	33.344% of the Shares including treasury shares, the Bank owns shares amounting to 0.73% of the Bank's share capital which is classified as treasury shares and, in accordance with applicable laws and regulations, is currently seeking regulatory approval to dispose of such shares.
Listing Price	QAR4.35
Rights to dividends	The Bank may declare dividends based upon the recommendation of the Board with approval of the shareholders at the Ordinary General Assembly and upon obtaining all necessary regulatory approvals
Voting rights	When voting for the election of members of the Board, each share shall have one vote given by the shareholder in favour of such candidates as the shareholder chooses. Voting for the election of members of the Board shall be subject to the corporate governance rules of the QFMA. In accordance with the Articles, all shares are of equal value and enjoy equal voting and other inherent rights in accordance with the Companies Law
Shares that the Bank has previously listed, if any	None

4

General Summary Of The Bank's Activities

4. GENERAL SUMMARY OF THE BANK'S ACTIVITIES

Headings	Particulars
Legal name	Dukhan Bank Q.P.S.C. (formerly known as Barwa Bank Q.P.S.C.)
Commercial registration number	38012
Headquarters' address	Grand Hamad Street, P.O. Box 27778, Doha, Qatar
Incorporation date	28 January 2008
Share capital post-conversion into a Qatar public shareholding company	QAR5,234,100,000, with 5,234,100,000 issued Shares at nominal value of QAR1.00 per Share
Description of organisation chart	See operational structure chart under section 8 ("Management Discussion and Analysis")
General nature of the Bank's business and activities and the Group	See section 7 ("Business of the Bank")
A summary table of the Bank's business results for the past two years, including revenues, operating income, net profit, and a comparative statement of the actual performance of the Bank's financial indicators	See section 15 ("Financial Information")
If the Bank or its Group Companies have trading activities outside Qatar, a statement must be provided showing the location of such activity. Where a material portion of the assets of the Bank or its Group Companies are located outside Qatar, the location of such assets, their value, and the value of the assets in Qatar must be determined	Not applicable
Policy of the Bank and the Group Companies regarding research and development of new products over the past three financial years, where significant	See section 7 ("Business of the Bank")
Particulars of any interruption in the business of the Bank or its Group Companies that may have or has had a significant effect on the financial position during the last 12 months	None
The number of people employed by the Bank and its Group Companies and any material changes to that number over the last two financial years	As at 30 June 2022, the Group had 678 employees. There have been no material changes to this over the last two financial years
The strengths, weaknesses, opportunities and challenges of the Bank as well as the competitive advantages and market share locally and regionally	See section 6 ("Risk Factors") and section 7 ("Business of the Bank")
Market overview	See section 6 ("Risk Factors"), section 7 ("Business of the Bank") and section 12 ("Overview of Qatar")

The Board and the Senior Executive Management confirm that no material changes are contemplated in the nature of the business of the Bank and the Group Companies as set out in this Prospectus.

5

Summary Of The Valuation Reports Of Independent Evaluators

5. SUMMARY OF THE VALUATION REPORTS OF INDEPENDENT EVALUATORS

5.1 Valuation Approach

(a) Purpose and basis of information

The valuation has been prepared in accordance with the Rules for External Auditors and Financial Evaluators of Listed Companies, as well as the Listing Rules issued by the QFMA and it should not be used for any other purpose. It was not prepared for investors to rely on or use to make investment decisions. It is the responsibility of potential investors in the Bank to make their own assessment of the valuation of the Bank, whether they should invest in the Bank and whether they consider that the Listing price of the Shares accurately reflects the value of the Bank. The day-to-day trading price of the Shares after the Listing may be greater or lesser than the initial Listing price of the Shares and may or may not necessarily accurately reflect the underlying value of the Bank. In particular, potential investors must read and understand this Prospectus in its entirety, including section 6 ("Risk Factors").

The basis of the valuation has been the fair market value, which is defined by the International Valuation Standards as the price expressed in terms of cash equivalent at which an asset would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under a compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

Any valuation is subjective and dependent on a number of factors including the valuation methodologies used, the business plan provided by the management of the Bank and its underlying assumptions and market driven factors (such as regulation, demand and supply dynamics).

(b) The valuation was based on:

(i) information received from the management of the Bank including, but not limited to, historical financial performance, market- and industry-specific insights, business plans and financial projections (and the underlying assumptions). Such information is the sole responsibility of the management of the Bank. All PFI relates to the future and involves estimates, assumptions and uncertainties. PFI is based on information available at the time of its preparation. Accordingly, the PFI will not include unanticipated events after the date on which it is prepared including, but not limited to, changes in law and regulations, changes in government policies and changes in accounting standards. The attainment of the business plan depends upon successful implementation of the underlying strategies by the management of the Bank and the realisation of the underlying assumptions including any operational improvements. Events and circumstances frequently do not occur as expected and actual results are likely to be affected by events beyond the control of the management of the Bank resulting in differences between the predicted and the actual results. Such differences are normal and may be material. Accordingly, no opinion is expressed, and no assurance is provided, as to the achievability of the financial forecasts provided by the management of the Bank; and

(ii) other publicly available information. Whilst there is no reason to believe that this information is not reliable or accurate, its accuracy, completeness or correctness is not verified. The independent evaluators, believe the above information to be reasonable.

(c) As a result of the valuation exercises conducted, the Bank's board believe that the Bank has a fair value of approximately QAR 4.55 per share. The proposed listing price of QAR 4.35 per share represents a discount of 4.40% to this fair value.

5.2 Valuation Approaches

A number of internationally recognised valuation methodologies were used to value the Bank under the income as well as market approach, namely DCF, RI valuation, DDM and Comparable Company ("**Market Approach**") analysis. The valuation was then cross-checked against the market multiples of relevant listed Islamic banking companies in Qatar and in the wider GCC region. 100 per cent. of the equity interest in the Bank was valued as at 30 June 2022, on a marketable controlling basis (before considering any discounts that may be applicable for the direct listing purposes). The business plan and other information provided by the management of the Bank were utilised in applying the adopted valuation approaches.

#	Description	Explanation
1	Name and experience of the financial evaluators	**KPMG LLC ("KPMG")** KPMG's experience spans over 40 years working with some of Qatar's most prestigious businesses and organisations. It has more than 300 professional staff based in Qatar headed by eleven partners. Some of KPMG's recent successful transactions include advising a financial services company on its public listing on the QSE, and financial due diligence for the initial public offering of a bank and of two prominent family businesses. KPMG has, in the past, worked closely with the QFMA. **Access Company - (Moore Stephens) W.L.L. ("Moore Qatar")** Moore Qatar (formerly known as Access Company) started its operation in 2005. In 2012, Access Company became a member firm of Moore Global Network to expand the network and serve the local market's needs by providing professional advisory and assurance services.

		Moore Qatar has 65 permanent staff serving its clients through the provision of business and technology advisory, assurance, tax, risk management and growth support services. Some of Moore Qatar's successful transactions include providing business valuation services for several merger and acquisition transactions involving a public listed company, major banks, group of companies, SME and family businesses. Moore Qatar is an approved evaluator by the QFMA since 2015 and has worked closely with the QFMA, public listed companies and potential entrants.
2	Employees of the financial evaluator participating in the evaluation study and their experiences	**KPMG** • Mr. Venkat Krishnaswamy – Venkat heads the Advisory practice of KPMG in Qatar. He has over 25 years' business and advisory experience primarily in the areas of private equity, consumer banking, financing, acquisition and disposal assistance, equity raising, market entry strategies and related areas. • Mr. Karthik Jagadeesan – Karthik has around 12 years of experience in various organisations in Qatar and India. He has been working with the Deal Advisory team (Corporate Finance) for the past eight years with excellent understanding and diverse exposure on business valuation engagements and merger and acquisition transactions. • Ms. Shilpa Keswani – Shilpa has around six years of experience in various organisations in Qatar and Pakistan. She has been working with the Deal Advisory team for the past two years and is mainly involved in transaction service engagements that include financial due diligence and valuations in connection with mergers and acquisitions. **Moore Qatar** • Mr. Sami Zaitoon – Sami is the Managing Partner of Moore Qatar. He has 22 years of local and multinational experience as a dynamic strategy professional building on extensive experience in various business fields. • Mr. Joel Suarez – Joel has more than 16 years of consolidated experience in corporate finance, management consultancy and financial reporting and management. Joel is a Certified Public Accountant, Certified Valuation Analyst and Certified Management Accountant. • Mr Hamzeh Abdallah – Hamzeh is a market and financial consultant with eight years of professional and hands-on experience. He is qualified as a Financial Modeling & Valuation Analyst and Project Management Professional.
3	Purpose of the evaluation	Direct listing in the QSE

		Method	Explanation	Suitability
4	Evaluation methods used in the study and the suitability of each of them to the nature of the Bank's activity	**Method**	**Explanation**	**Suitability**
		DDM	The equity value of the Bank is computed as the sum of the net present value of the expected future dividend pay-outs to its shareholders based on a dividend pay-out ratio. This methodology was used by both KPMG and Moore Qatar.	This methodology takes into account the expected future returns (dividends) attributable to shareholders. An appropriate discount rate is applied to the expected returns to shareholders to determine the value of the Bank.
		RI	The equity value of the Bank is computed as the present value of excess returns (residual income) that the Bank expects to make in the future. The residual income is computed as the net income attributable to shareholders less the capital charge. Capital charge is computed by multiplying the Cost of Equity with the adjusted beginning of the equity value. This methodology was used by KPMG.	This methodology takes into account the Bank's projected future income and projected solvency. An appropriate discount rate is applied to the expected returns to shareholders to determine the value of the Bank.

		DCF	The free cash flows to the equity holders are discounted over the forecast period (including a terminal value) by an appropriate Cost of Equity to arrive at an estimate of the Equity Value ("EqV") of the Bank. From this EqV, fair value of investments, deposits and loans are adjusted to arrive at the equity value of the Bank as of the Valuation Date. This methodology was used by Moore Qatar. KPMG also used this methodology to analyse some subsidiaries of the Bank and made the adjustments described above.	This methodology takes into account the Bank's projected future net income. An appropriate discount rate is applied to the expected returns to shareholders to determine the value of the Bank.
		Market Approach	In arriving at the value, we considered latest adjusted market multiples (adjusted Price/Tangible Book Value, and adjusted Price/Earnings) to reflect the recent trends. The multiple is applied to the relevant adjusted tangible book value and adjusted earnings of the Bank as at the Valuation Date. We have considered a select number of Islamic banks listed and primarily operating in Qatar as Comparable Companies. We also reviewed comparable listed financial institutions in the GCC (by KPMG) and the MENA (by Moore Qatar) regions. This methodology was used by both KPMG and Moore Qatar.	This is useful as a supplementary valuation methodology or as a cross-check to the DDM and RI valuations. It uses trading multiples of liquid companies operating in the same region and industry and reflects market sentiments and outlook.
5	The Bank's strengths, weaknesses, opportunities, and challenges	**Strengths:** • Sustained growth with historical CAGR in total assets of 19.8 per cent. (from FY19-FY21) and financial profitability with ROE of 9.4 per cent. for FY21 • The Bank has access to diverse sources of funding. As of June 2022, total deposits funds is 69.9 per cent. of total assets and interbank borrowing funds is 13.9 per cent. of total assets. The balance is funded through equity including sukuk issuance • Surplus capital buffer in addition to the regulatory requirement (historical CAR is 17.7 per cent. from FY19 to H1-22 on average basis) • Strong brand recognition • Increased focus on digitalisation and digital platforms • Strong shareholders profile including the Government indicating their support for the Bank **Weaknesses:** • The Bank operates a relatively concentrated portfolio • The Bank had historically a higher NPF ratio than the broader market. The Bank's NPF ratio (Stage 3-to-total gross) averages at 4.1 per cent. from FY19 to H1-22 against listed industry average of 3.1 per cent. as of June 2022 **Opportunities:** • Positive future prospects for Qatar's economy due to expected growth in oil and gas sector and related projects which may have or should have a positive effect on the broader economy • The digitalisation of customer preferences and the Bank's enhanced focus on digital strategy complement each other **Challenges**: • Limited potential population growth in Qatar • Continued competitive environment		

6	The Bank's competitive advantages and its market share locally and regionally	**Competitive advantage** • Sustained growth with historical CAGR in total assets of 19.8 per cent. (from FY19-FY21) and financial profitability with ROE of 9.4 per cent. • The Bank has access to diverse sources of funding. As of June 2022, deposits funds is 69.9 per cent. of total assets, and interbank borrowing funds is 13.9 per cent. of total assets. The balance is funded through equity including sukuk issuance • Surplus capital buffer in addition to the regulatory requirement (historical CAR is 17.7 per cent. on average basis) • Strong brand recognition • Increased focus on digitalisation and digital platforms • Strong shareholders profile including the Government indicating their support for the Bank Regarding **Dukhan Bank's market share**, total financing assets of banks in Qatar (including both conventional and Islamic) is QAR1,221.4 billion as of 30 June 2022. The Bank's net financing assets is QAR74.0 billion as of 30 June 2022, which translates into a market share of total financing assets for the Bank of approximately 6.1 per cent. of the total banking sector in Qatar. Source: QCB website
7	The assumptions and principles upon which the study is based in relation to growth rates, comparative growth rates for similar companies or for the sector, discount rates, and profit multiples	We understand that the assumptions are based on historical growth and management strategic plans. The discount rates are based on the Capital Asset Pricing Model. The metrics to determine the Cost of Equity are based on observable market inputs for risk-free rate (in the case of KPMG, the 10Y U.S. risk-free rate, and for Moore Qatar, the 10Y Qatar Bond Rate was used) and market risk premium. The beta is based on the Comparable Company analysis. The adjusted tangible book value and profit multiples are based on the Comparable Company analysis.

6

Risk Factors

6. RISK FACTORS

Prior to investing, prospective investors should carefully consider the risk factors relating to the Listing, the Bank, and the business of the Bank and each of the Group Companies, together with all other information contained in this Prospectus. These risks and uncertainties are not the only issues that the Bank and the Group Companies may face; additional risks and uncertainties not presently known to them or that they currently believe not to be material may also have a material adverse effect on the Bank's or the respective Group Company's financial condition or business success. If any or a combination of these risks actually occurs, the Bank's or the respective Group Company's business, financial condition, liquidity, results of operations and prospects could be adversely affected. If this occurs, the price of the Shares may decline and investors could lose part of or all of their investment. In addition, this Prospectus contains forward-looking statements that also involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks that may be faced by the Group as described below.

6.1 Risks relating to the emergence of the novel coronavirus COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") brought unprecedented social, economic and business continuity challenges to the world. It has infected people around the world, causing a substantial number of deaths. Almost all countries that were significantly affected introduced measures to try to contain the spread of COVID-19, including border closures and restricting the movement of their citizens. These measures resulted in the closure of numerous businesses in those countries (particularly those related to the travel and hospitality industries) and widespread job losses.

To address these factors, many governments introduced significant support programmes for qualifying citizens and businesses. While adverse conditions have eased over the past 12 months with widespread vaccination programmes, the resumption of flights and removal of travel restrictions to most geographies, the pandemic is still continuing and there remains a risk of new more transmissible and virulent variants being identified which may cause deterioration of the quality of the asset portfolio of the Group.

Accordingly, the ultimate impact of COVID-19 on global and local economies (including on the price of oil) is unclear. The economic impact of COVID-19 has already included, and may continue to result in, significant volatility in financial markets and reduced global liquidity and investment, and it may lead to lower economic growth in the GCC and globally.

In response to the impact of COVID-19 on their domestic economies, various governments around the world, including Qatar, announced fiscal stimulus packages and numerous central banks cut interest rates significantly. These measures have started to reverse globally over 2022.

On 22 March 2020, the QCB issued a circular to banks operating in Qatar requiring such banks to agree to postpone the repayment of financing assets instalments and interest due on such instalments for a period of six months and this period was subsequently extended up to 31 March 2022. In order to facilitate an orderly transition to normality, the QCB halved the stimulus package in March 2022 with the view to fully phasing out extraordinary measures by December 2022. During this time, the financial institutions will reassess their borrowing portfolios to adjust their repayments to the new business environment. Further to the Bank's new 5-year strategy, it has kept provisions elevated as a countercyclical measure and at the same time created provisions in respect of some legacy loans. Systemically, as interest rates increase and government measures implemented in response to COVID-19 are phased out, the Group's customers may be, or have been, detrimentally impacted and there is a possibility that the repayment capacity of some of the Group's borrowers may decrease, which could result in an increase in its NPFs.

Whilst the majority of COVID-19 measures globally have subsided, the overall direct and indirect impact of the COVID-19 outbreak remains unclear. There can be no assurance that there will not be further restrictions on business and travel put in place in the future and any such impairment losses will not significantly increase for future periods, which in turn could have an adverse effect on the Group's business, financial condition, results of operations or prospects.

6.2 Risks relating to the Bank and the Group

(a) The Group is dependent on the strength of its reputation with its customers and other counterparties

The Group's success and results, in part, depend on the continued strength of its reputation. The Group believes that its brand is well recognised in Qatar. As a result, any negative publicity related to the Group's brand could adversely affect its reputation and the value of its brand.

The Group operates in an industry where customer trust and good reputation are of paramount importance. The Group is exposed, among others, to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, disclosure of confidential client information, inadequate services, press speculation and negative publicity, whether or not founded, could damage its brand or reputation.

Damage to the Group's reputation could cause existing customers or intermediaries to withdraw their business from the Group, to be dissatisfied with its level of cooperation or elect not to do business with the Group in the future, which could result in a decrease in volumes of the Group's products and services sold.

(b) Slower economic growth in the country where the Group operates could adversely impact its business

The economies of Qatar and the GCC countries are dependent on oil, gas and related industries, as well as the prices and quantities of these commodities. The Group's financial performance has been, and will remain, closely linked to the rate of economic growth of Qatar. The recent invasion of Ukraine has seen a notable increase in prices of oil and gas and other commodities such as wheat and other base metals. These price increases have resulted in increased global shipping rates and inflation.

Year on year inflation in Qatar was recorded at -2.7 per cent. for 2020 and 2.3 per cent. for 2021 (Source: IMF). Inflation for Q2 2022 was 5.4 per cent. (Source: QCB). This trend of inflation is projected by the IMF to continue in the future. Historically, inflation has increased staff and living expenses and any recurrence of higher levels of inflation in the future is likely to increase such expenses further. High inflation could slow the rate of economic growth and consumer spending in Qatar, which could have a material adverse effect on the Group's business growth and profitability.

Although over the past few years Qatar has tried to diversify away from oil and gas, this sector contributed an estimated U.S.$53.2 billion, or 80.7 per cent., to Qatar's annual revenue in the year ended 31 December 2021. There have been high levels of volatility in global crude oil prices. The OPEC Reference Basket annual average crude oil price was over U.S.$100 per barrel for the period 2011 to 2013, falling to U.S.$17.64 per barrel in April 2020 and returning to over U.S.$100 per barrel as of March 2022, in part due to the ongoing situation between Ukraine and Russia.

(c) Negative effect of fluctuating interest/ profit rates

Following from the COVID-19 measures which saw central banks reduce interest rates, rates globally have begun to rise, in part, as an economic lever to deal with inflation. These and any future changes in these rates or changes in fiscal stimulus packages or QCB measures more generally could reduce liquidity and adversely impact the Group's financing costs if it is unable to pass these increased costs on to its customers. The increased interest rates could negatively impact on the capacity of some of the Group's borrowers to repay, which could result in an increase in its NPFs.

The inflationary pressures, coupled with rate increases, are having a significant impact on global economic growth. While Qatar is a net beneficiary of the increased commodity prices due to its oil and gas exposure, the current global economic weakness, or a reduction in oil and gas prices and deterioration in economic conditions within Qatar could result in the Group experiencing reductions in business activity, increased funding costs and funding pressures, decreased asset values, credit losses, write-downs and impairment charges, and lower profitability and cash flows.

(d) Risks of its operations in Qatar

The operations of the Group are almost exclusively based in Qatar.
In currency terms, the vast majority of the Bank's net income from financing and investing activities from companies operating in Qatar is denominated in Qatari Riyal and U.S. Dollars. The Qatari Riyal has been pegged to the U.S. Dollar at a fixed exchange rate since 1975. As a result, any volatility in the value of these currencies could have a material adverse effect on the Bank's business and results of operations.

Qatar, being a relatively small economy, is heavily dependent on exports, in particular of oil and gas. According to the IMF, Qatar's real GDP is projected to increase by 3.4 per cent. in 2022. In addition, the Government has, in the past, relied upon oil revenue and loans to finance its economic development and infrastructure projects. Moreover, Qatar's economy is highly dependent upon its oil and gas revenue. Historically, the markets for petroleum products have been volatile and are likely to remain so in the future. A substantial deterioration in price or high volatility in international prices for oil and gas products in the future could adversely affect the Government's development strategy or its ability to continue to finance internal development projects and provide support to its commercial banking and real estate sectors. In the event these conditions persist, the Group's business, financial condition, results of operations, liquidity and prospects are likely to be negatively affected.

(e) The growth and diversification of the Bank's financing portfolio has increased its credit exposure and risk profile

Risks arising from adverse changes in the credit quality and recoverability of the Bank's financing portfolio, securities and amounts due from counterparties are inherent in a wide range of the Bank's businesses, principally in its financing and investment activities. Credit risks could also arise from a general further deterioration in local or global economic conditions, a deterioration in the market value, amount or type of collateral available or from systemic risks within these financial systems, which could affect the recoverability and value of the Bank's assets. The Bank's failure to maintain growth of its financing portfolio while maintaining the quality of its assets through effective risk management policies could lead to higher financing loss provisioning and result in higher levels of defaults and write-offs, which in turn could have a material adverse effect on the Bank's results of operations, business, financial condition, liquidity and prospects.

In March 2011, the QCB launched the Credit Bureau, the purpose of which is to collate information about customers based in Qatar and their credit history. Banks and financial institutions in Qatar rely on credit reports of the Credit Bureau to support their risk management decisions and to monitor the ongoing financial performance of their customers. However, as the availability of accurate and comprehensive financial and general credit information on individuals and small businesses in Qatar is limited, it is likely to be more difficult for the Bank to accurately assess the credit risk associated with such lending. As a result, retail and small business customers may be over-extended by virtue of other credit obligations of which the Bank is unaware. The Bank is therefore exposed to retail and small business credit risks that it may not be able to accurately assess and provide for. These factors may result in the Bank facing credit delinquencies in its customer financing portfolio. Although the Bank has policies to deal with problem financings, there can be no assurance that these policies will result in full or partial recovery of all amounts due.
If the Bank is unable to maintain the quality of its assets through effective risk management policies, this could lead to higher impairment losses and result in higher levels of defaults and write-offs, which in turn could have a material adverse effect on the Bank's business, financial condition, results of operations, liquidity and prospects.

(f) **The Bank is exposed to the possibility of declining property values in Qatar on the collateral supporting residential and commercial real estate lending**

The Bank's net financing assets as at 30 June 2022 was QAR74.0 billion, compared to QAR75.2 billion as of 31 December 2021 and QAR58.5 billion as of 31 December 2020 of which direct real estate facilities amounted to approximately average of 23 per cent. Economic and other factors, such as a reduction in the population, could lead to a decrease in residential and commercial property prices and a contraction in the residential funding and commercial funding market. This would have an impact on the value of any real estate collateral that has been taken by the Bank, as well as the Bank's profitability, which, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations, liquidity and prospects. These factors could also lead to a significant slowdown in the construction sector in Qatar.

(g) **Concentration risks in the Bank's financing and Deposit portfolio**

Concentrations in the financing and Deposit portfolio of the Bank subject it to risks of default by the Bank's larger borrowers, from exposure to particular sectors and from withdrawal of large Deposits. The financing portfolio of the Bank shows borrower and industry concentration.

Given the nature of the business environment in Qatar, the Group's financing portfolios and Deposits are concentrated in terms of geography, customer segment and currency. There is also a relatively high degree of customer concentration under the Bank's top ten customers which comprised circa 47% of net financing assets and 41% of Deposits, at 30 June 2022. The Bank has also entered into transactions with entities which are owned by or related to members of the Board and Major Shareholders which represent a material amount of the net financing assets.

Geographically, the Group's consolidated financing portfolio and consolidated Deposits are concentrated in Qatar. Accordingly, any deterioration in general economic conditions in Qatar or any failure by the Group to effectively manage its geographic risk concentrations would have an adverse effect, which may be material, on its business, financial condition, results of operations and prospects.

The Group's finance portfolio is concentrated in the real estate, manufacturing and construction sectors. Accordingly, and based on the economic cyclicality, a downturn in those sectors would have an adverse effect, that may be material, on its business, financial condition, results of operations and prospects.

A downturn in the fortunes of any of the Bank's depositors, the sectors in which they operate or the Qatari economy could have an adverse effect on the Bank's business, financial condition, results of operations, liquidity and prospects. See also "The Bank is subject to the risk that liquidity may not always be readily available; this risk may be exacerbated by conditions in global financial markets".

(h) **Market conditions may increase the risk of financing activities being impaired and financing activity losses increasing**

The Group is exposed to the risk that borrowers may not repay on their financing activities according to their contractual terms. While the Group may, in some circumstances, take collateral when providing loans, any collateral securing the payment of these activities may be insufficient, on a non-payment, to recover the Group's loan losses. The Group continuously reviews and analyses its financing portfolio and credit risks. The Bank's allowance for losses on financing activities is based on, among other things, its analysis of current and historical delinquency rates and the valuation of any underlying assets, as well as numerous other management assumptions. These internal analyses and assumptions may give rise to inaccurate predictions of credit performance. A material increase in financing activity losses would have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects.

The Group may have difficulty realising on collateral or enforcing guarantees when debtors default, and the time and costs associated with enforcing security and collateral in Qatar (or elsewhere depending on the location of collateral) may make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its financing losses. If the Group seeks to realise on any such collateral, it may be difficult to find a buyer and/or the collateral may be sold for significantly less than its appraised or actual value. The Group might not be able to realise adequate proceeds from collateral disposals to cover financing losses, which may have an adverse effect, which may be material, on the Group's business, financial condition, results of operations and prospects.

Furthermore, all collateral is valued at the time of contracting with counterparties. The value of collateral may be materially different at the time of disposal. If the value of a collateral covering a financing asset has decreased at the time of disposal, the Group might not be able to realise adequate proceeds from collateral disposals to cover financing losses, which would have an adverse effect, which may be material, on its business, financial condition, financial performance and prospects.

(i) **The Group's ability to achieve its objectives could be impaired if it is unable to maintain or obtain required licences, permits, approvals and consents**

In order to carry out and expand its business, the Bank and each Group Company need to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these licences, permits, consents and approvals are often lengthy, complex, unpredictable and costly.

The Bank is in the process of renewing and updating various licences and constitutional documents which are required by it or its Group Companies. A failure to renew or update the relevant licences or constitutional documents on a timely basis can expose the relevant companies to regulatory fines.

Certain third party arrangements contain provisions that may be deemed to limit the ability of the Bank to make a change to its corporate form or shareholding without procuring prior consent of such third parties. The Bank will need to ensure that it does not trigger any restrictions on its ability to carry out the Listing. A failure to do so could cause the Bank to be in breach of its contractual commitments and may also damage its reputation.

If the Bank or any Group Company is unable to maintain or obtain the relevant licences, permits, consents and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on such company's business, financial condition, results of operations, liquidity and prospects.

(j) **The Group may not be successful in implementing its growth strategy or penetrating new markets**

The Group selectively expands into new business and financial services product offerings as opportunities arise. This strategy exposes the Group to a number of risks and challenges, including the possible failure to identify appropriate opportunities and offer attractive new products, failure to comply with new market and regulatory standards, and the need for hiring and retraining skilled personnel, each of which would have a potential adverse impact on the Group's business, financial condition, results of operations, liquidity and prospects. In addition, the Group may face increased costs in connection with its expansion strategy.

The Group's growth strategy in the future may also involve strategic acquisitions and restructurings, partnerships, joint ventures and strategic business arrangements with other parties. These arrangements may not necessarily contribute to business growth and the Group's profitability or may be unsuccessful. Furthermore, the Group could experience difficulty in assimilating personnel and integrating operations and cultures and may not realise the anticipated synergies or efficiencies from such transactions. These difficulties could disrupt the Group's ongoing business, distract its management and employees and increase its expenses.

(k) **The Group's financial condition and operating results could be affected by market risks**

The Group's financial condition and operating results could be affected by market risks that are outside the Group's control, including, without limitation, inflation, volatility in interest rates, prices of securities and currency exchange rates. Market risk is the risk that the value of financial instruments in the Group (with the inclusion of some other financial assets and liabilities) will produce a loss because of changes in future market conditions.

Fluctuations in interest rates could adversely affect the Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the value of the Group's fixed rate loans and raise the Group's funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in the Group's securities portfolio. Volatility in interest rates may result in a repricing gap between the Group's interest-rate-sensitive assets and liabilities. As a result, the Group may incur additional costs. Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the QCB and the U.S. Federal Reserve Group, political factors and domestic and international economic conditions. Due to current fixed-rate pegging of the Qatari Riyal to the U.S. Dollar, changes in interest rates in the United States prompt changes in interest rates in Qatar and other GCC countries that also peg their currencies to the U.S. Dollar. Changes in interest rates in Qatar do not automatically mirror changes in U.S. interest rates, but there tends to be a follow-on effect. Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future interest rate fluctuations, any of which could have a material adverse effect on the Group's financial condition and results of operations.

The Group's financial condition and operating results may also be affected by changes in the market value of the Group's securities portfolio. The Group's income from investment activities depends on numerous factors beyond its control, such as overall market trading activity, interest rate levels (as described above), fluctuations in currency exchange rates and general market volatility.

Although the Bank has risk management processes that review and monitor the market risk aspects of investment proposals and investment portfolios in accordance with QCB requirements and guidelines, including overall structure and investment limits, market price fluctuations may still adversely affect the value of the Group's securities portfolio.

The Group also engages in foreign currency transactions and maintains open currency positions in relation to the Qatari Riyal and U.S. Dollar, which give rise to currency risks. Although the Group's foreign currency related risks are controlled by the Group's market risk and structural risk management policies, future changes in currency exchange rates (including de-pegging of currencies to the U.S. Dollar) may adversely affect the Group's financial condition and results of operations.

(l) **Market fluctuations and volatility may adversely affect the value of the Group's positions in certain securities and make it more difficult to assess the fair value of certain of its assets**

Financial markets were subject to significant stress conditions from 2008 to 2009, with steep falls in perceived or actual asset values accompanied by a severe reduction in market liquidity. Moreover, market volatility and illiquidity made it difficult to value certain investment exposures. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of the Group's exposure. In addition, the value ultimately realised by the Group may be materially different from the current or estimated fair value. Any of these factors could require the Group to recognise valuation losses or realise impairment charges, any of which may adversely affect its business, financial condition, results of operations, liquidity and prospects.

(m) **The Group's business may be adversely affected if the Qatari Riyal/U.S. Dollar peg were to be removed or adjusted**

The Group maintains its accounts and reports its results in Qatari Riyals. As at the date of this Prospectus, the Qatari Riyal remains pegged to the U.S. Dollar (U.S.$1.00 = QAR3.64 and the QCB purchases the U.S. Dollar at a fixed rate of QAR3.6385 and sells the U.S. Dollar to banks operating in Qatar at a fixed rate of QAR3.6415).

However, there is market risk relating to the possible de-pegging of the Qatari Riyal and various GCC currencies from the U.S. Dollar, although it would depend on the level of open positions and exposure to the U.S. Dollar of the Group. The Group's operations could be adversely impacted if Qatar should de-peg its currency. Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or the de-pegging from the U.S. Dollar which could have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects.

(n) **Increasing competition may have a material adverse effect on the Group's results of operations**

The Bank and its associates face high levels of competition for all of their products and services. The Bank competes with other Islamic and conventional domestic banks in Qatar. In addition to domestic banks, international banks are also increasing their presence in Qatar, either directly or through strategic investments, and are competing with the Bank for its wholesale corporate and Government-related clients. According to the QCB, as at 30 June 2022, there were a total of 16 banks registered in Qatar outside the QFC. In addition to the existing banks in Qatar, more international banks are expected to commence business through the QFC, which would allow them to compete for large corporate and Government businesses.

The competitive nature of the Qatari banking market and the Group's potential failure to continue to compete successfully may adversely impact the Group's business, financial condition, results of operations, liquidity and prospects.

(o) **The Group's compliance systems might not be fully effective**

The Group's ability to comply with all applicable legal restrictions and QCB regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. The Group cannot provide assurance that these systems and procedures are fully effective. The Group is subject to extensive oversight by regulatory authorities, including regular examination activity. In addition, the Group performs regular internal audits and employs an external auditor to monitor and test its compliance systems. In the case of actual or alleged non-compliance with regulations, the Group could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers for damages. Any of these could have a material adverse effect on the Group's results of operations, business, financial condition, liquidity and prospects.

(p) **The Group may not be able to recruit and retain qualified and experienced personnel which could have an adverse effect on its business and its ability to implement its growth strategy**

The Group's success and ability to maintain current business levels and sustain growth will depend, in part, on the Group's ability to continue to recruit and retain qualified and experienced banking and management personnel. The Group could face challenges in recruiting qualified personnel to manage its business. Additionally, if the Group continues to grow, it will need to continue to increase its number of employees. While the Bank believes that it has effective staff recruitment, training and incentive programmes in place, a failure to recruit, train and/or retain necessary personnel, or, in the light of the Group's focus on "Qatarisation", the shortage of qualified Qatari or other nationals prepared to relocate to Qatar, could have a material adverse effect on its business, financial condition, results of operations, liquidity and prospects.

(q) **The loss of key personnel may adversely affect the Group's ability to implement its strategies**

The Group's future success and growth depends to a substantial degree on its ability to retain and motivate the Bank's senior management and other key personnel. The Group depends especially on the efforts, skill, reputation and experience of its key senior management, as well as synergies among their diverse fields of expertise and knowledge. The Group is not insured against losses that may be incurred in the event of the loss or dismissal of its key personnel.

(r) **Potential for certain shareholders to exert significant control over the Bank**

Certain of the Majority Shareholders have a significant shareholding in the Bank which could result in such shareholders exercising control over decision-making of the Bank at Board or shareholder level.

Furthermore, the terms of the Articles of Association provide that the Government shareholder has the power to appoint on a pro-rata basis members of the Board.

A proposal at any Extraordinary General Assembly requires a vote of 75 per cent. of the shareholders present at the meeting to be passed, while a simple majority vote is required to pass a proposal at an annual General Assembly.

As a result, the Government or a Major Shareholder may be able to block certain actions or resolutions proposed at any General Assembly.

(s) **The Group's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks**

In the course of its business activities, the Group is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, regulatory and legal risk, and operational risk. The Group's risk management techniques may not be fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Group's methods of managing risk are based upon its use of historical market behaviour and documentation. These methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. There can be no assurance that the Group's risk management and internal control policies, procedures and periodic review will adequately control, or protect the Group against, all credit and other risks. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate. The Group also cannot guarantee that all of its staff will adhere to its policies and procedures.

As is not uncommon in the local market for banks, the Bank provides some facilities to selected key customers for strategic reasons, using bespoke documentation which could be regarded as less stringent than would routinely be expected in the general international banking market. The Bank has a process whereby it carries out periodic reviews for its customers. These reviews provide an opportunity for the Bank to review and revise the commercial terms and update documentation of the facilities provided, however, there is a risk that a review may not be updated adequately leading to inconsistency in the terms of the facilities.

Furthermore, the Group is susceptible to, among other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors, errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. See "—The Group's operations are highly dependent on the proper functioning of its information technology systems". The Group's risk management and internal control capabilities are also limited by the information, tools and technologies available to the Group. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose the Group to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects.

(t) **The Group has credit-related commitments and contingent items that may lead to potential losses**

As part of its normal banking business, the Group issues loan commitments, guarantees, letters of credit and other financial facilities, all of which are accounted for off its balance sheet until such time as they are actually funded or cancelled. Although these commitments are largely trade-contingent and therefore off-balance sheet, they nonetheless subject the Group to related credit and liquidity risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances, and commitments to extend credit are contingent on customers maintaining required credit standards. While the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered, the Group may become obliged to make payments in respect of a greater portion of such commitments, which could have a material adverse effect on its funding needs and credit risks.

(u) **A downgrade in the Bank's credit ratings could limit its ability to negotiate new loan facilities and/or access the debt capital markets and may increase its borrowing costs and/or adversely affect its relationship with creditors**

The Bank's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining the Bank's cost of borrowing funds. The profit rates on the Bank's financings are partly dependent on its credit ratings. As at the date of this Prospectus, the Bank's long-term local and foreign currency rating was assessed by Fitch Ratings Limited ("**Fitch**") at "A-" with a stable outlook and by Moody's Investors Service Cyprus Ltd. ("**Moody's**") at "A2" with a stable outlook.

There is no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be lowered or withdrawn entirely if circumstances in the future so warrant. A downgrade of the Bank's credit ratings, or being placed on a negative ratings watch, may increase its cost of borrowing and materially adversely affect its business, financial condition, results of operations, liquidity and prospects.

(v) **The Bank is subject to risks relating to sukuk portfolio**

The Bank holds for its own account sukuk securities, some of which mainly Qatar sovereign sukuks offer fixed rates of return. If profit rates prevailing in the markets were to materially increase and exceed the fixed profit rates applicable to the sukuks held by the Bank at the time, then the market value of such sukuks would decrease.

(w) **The Bank is subject to risks relating to proprietary trading activities**

The Bank undertakes limited trading activities on its own account, with proprietary trading book accounting for approximately 0.1 per cent. of total assets. The Bank has laid out certain limits upon proprietary trading activities based on its prevailing appetite for risk and market condition. Proprietary trading involves risk. Further, proprietary trading results may be significantly affected by market conditions, in particular, and changes in regional securities markets, and could result in losses that would have an adverse effect on the Bank's business, financial condition, results of operations or prospects.

(x) **The Group's operations are highly dependent on the proper functioning of its information technology systems**

The Group depends on its IT systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's insurance handling, customer data, policies, claims and payment records, financial control, risk management, accounting and other IT systems, as well as the communication networks between its subsidiaries, branches and main data processing centres, are critical to the Group's business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Group's control, including natural disasters, extended power outages, cyber-attacks, computer viruses and system malfunctions. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors.

Any failure or delay in recording or processing the Group's transaction data or any failure to comply with applicable data protection and privacy regulations could subject it to claims for losses and regulatory fines and penalties and could also materially adversely impact its reputation.

Business organisations, such as the Group, are increasingly becoming targets for cyber-crime, particularly if those organisations retain personal information about many people. The Group is exposed to the risk that the personal data it controls could be wrongfully accessed, copied, used, altered and/or destroyed whether by employees or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Group or any of the third party service providers on which it relies fails to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Group could face liability under data protection laws. This could also result in damage to the Group's brand and reputation, the loss of new or renewal business and/or the Group incurring a large fine.

The Group has implemented and tested cyber-security and business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Group's business and reputation. The Group is also reliant on its IT suppliers to support the operation of its IT infrastructure and externally purchased software and on the continuing operation of, and its ability to upgrade as required, its internally-developed software.

(y) **The Group may not receive future support from the Government, or it may not receive future support that is commensurate with the support that it has received in the past**

Following the global economic crisis and its impact on the Qatari banking sector, the Government initiated several plans to support domestic banks in Qatar. The Bank currently holds large Government and Government-related entity deposits, amounting to QAR25.9 billion as at 30 June 2022, QAR27.1 billion as at 31 December 2021 and QAR12.2 billion as at 31 December 2020. As at 30 June 2022, 31 December 2021 and 31 December 2020, 35.7 per cent., 35.0 per cent. and 22.7 per cent. of the Bank's total customer deposits (which represent the sum of customer current accounts and equity of URIA holders) comprised Government and Government-related entity deposits, respectively (see "—Concentration risks in the Bank's financing and Deposit portfolio"). Although the Government has supported the domestic banking industry during the recent global economic crisis, there can be no assurance that the Government will provide any additional support to the Group and the domestic banking industry if another major economic disruption were to occur in the future, as the Government is currently under no legal obligation to provide such support.

In particular, any major reduction to the GDP of Qatar could prompt the Government to reduce current expenditure and investment in projects. Any such diversion in the Government's expenditure or investment could affect the amount of support received by the Bank from the Government and therefore could impact the Bank's business, financial condition, results of operations, liquidity and prospects.

(z) **The Group's corporate governance compliance**

In 2022, the QCB issued the Corporate Governance Guidelines, which set out the principles for corporate governance for banks and financial institutions in Qatar.

Additionally, listed companies are required to comply with the Governance Code issued by the QFMA.

Whilst the introduction of the Corporate Governance Guidelines and the Governance Code reflects the increasing importance that the regulators place on corporate governance to improve the perception and performance of the entities regulated in Qatar, their provisions are still subject to ongoing review and development to meet local market requirements and international standards.

Each of the Corporate Governance Guidelines and the Governance Code mandatorily apply to all listed banks in Qatar and in the event of non-compliance, may entitle the relevant regulator to take legal action or impose penalties. In addition, the Group's reputation could suffer if it fails to procure compliance.

(aa) **The Group is operating within a Shari'a environment which may impact its profitability and competitiveness due to a lack of Islamic financing products**

As the Group is governed by the Shari'a Committee, the range of products and services that it can offer might be limited compared to those offered by conventional banks. This factor may limit its ability to compete effectively with conventional banks for the business of customers who are not sensitive as to whether or not their banking arrangements are structured in a Shari'a-compliant manner.

Like some conventional financial products, the structure of Islamic finance products can include the financial institution offering the products by acquiring legal title to physical assets, including, for example, real estate, aircraft or ships. Whilst the risks associated with ownership of these products can be mitigated through contractual arrangements and the purchase of Islamic insurance (takaful), if the Group is found to have financial liability arising from the ownership of assets comprising part of its offering of financial products, this could have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects.

Shari'a compliance risks can also arise from the Group's failure to comply with the principles and rules of Shari'a as adopted by its Shari'a Committee. The consequence of such actions may result in the incurrence of costs relating to implementing "corrective" actions. The effect of such actions may lead to reputational risks which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, the Group currently offers a range of Islamic finance products. All of these products are reviewed and approved by the Shari'a Committee. In doing so, each member of the Shari'a Committee must employ their interpretative efforts in accordance with the methodological rules and principles of Islamic jurisprudence. While various Islamic schools of thought agree on the general methodology and the basic principles of interpretation, they may disagree on particular rules.

If any issues are called into question relating to the extent of Shari'a compliance of Board-approved products offered by the Group, its reputation would be negatively affected which may in turn have an adverse effect, which may be material, on its business, financial condition, results of operations and prospects.

(bb) **Preparation of the Group's financial statements**

The Group prepares its financial statements in accordance with the FAS issued by AAOIFI as modified by the QCB, the Shari'a Rules and Principles as determined by the Shari'a Committee, related regulations of the QCB and applicable provisions of the Companies Law. For matters which are not covered by AAOIFI standards, the Group uses guidance from the relevant IFRS.

Both AAOIFI standards and IFRS change from time to time and these changes may have a material effect on how the Group reports its results of operations and financial position.

In accordance with applicable accounting standards, the Bank's management is required to make a number of significant accounting estimates, assumptions and judgements in preparing the financial statements. Many of these estimates, assumptions and judgements relate to determinations as to whether or not financing advances and financial assets should be impaired. In part, the judgements are based on observable market data and the Group's historical experience of losses in relation to assets of the type concerned. In other cases, significantly greater levels of judgement are required. The Bank's management also uses significant discretion in determining the fair value of financial instruments, particularly in cases where there is no observable market data on which to base the determination, and in determining the useful lives of fixed assets, which in turn affects the annual depreciation charges on those assets. The Group has established detailed policies and control procedures that are intended to ensure that these significant accounting estimates, assumptions and judgements are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Due to the uncertainty surrounding the Group's estimates, assumptions and judgements, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior periods' financial statements in the future.

(cc) **Risks relating to IFRS 9 provisioning models and methodologies**

IFRS 9 was introduced replacing IAS 39, which requires the adoption of the ECL model for measuring the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. Following the adoption of IFRS 9 in Qatar, each bank implemented its own internal model to estimate the ECL.

The ECL model relies on several assumptions to determine the following: (1) probability of default; (2) loss given default; and (3) exposure at default. These assumptions include, but are not limited to, assessment of the financial condition of the counterparty, expected future cash flows and forward-looking macro-economic factors. Any change in one of these parameters would have a negative adverse effect, which could be material, on the Bank's business, results of operations and financial condition.

(dd) **From time to time, the Group is and may be a defendant in various legal proceedings**

The Bank and the Group Companies are and may, from time to time, be defendants in legal proceedings in connection with and stemming from their respective business activities. However, the Bank is not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it or any Group Company, which may be in excess of its existing reserves. Indeed, the Bank and some of the Group Companies are currently subject to a number of cases which relate to their business activities, both in terms of pursuing debtors and claims from customers. Adverse outcomes in existing or future proceedings, claims or investigations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(ee) **From time to time, the Group may be subject to inspections by tax and other authorities**

The Bank and the Group Companies may, from time to time, be subject to inspections by tax and other authorities. However, the Bank is not able to predict the ultimate outcome of any of the future claims or investigations that may be brought against it or any Group Company, which may be in excess of its existing reserves. Adverse outcomes in future proceedings, claims or investigations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(ff) **Board members may have conflicts of interest**

A number of the Bank's current Board members are also members of the board of directors at other companies and organisations some of which are so-called "family businesses". As a consequence, such Board members may have an interest in the success of not only the Bank but also in the other companies and organisations in which they hold directorships. Whilst the Bank has in place stringent rules regulating related party transactions and the disclosure of conflicts of interest in accordance with applicable laws, there can be no guarantee that such Board members will not act in the best interests of companies and organisations whose boards they sit on, to the detriment of the Bank. This could adversely impact shareholder relationships with the Board as well as the prospects of the Bank and the Group.

(gg) **Intellectual property risks**

In the conduct of its business, the Bank may rely on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and other intellectual property rights laws to establish and protect its intellectual property. The Bank may not be able to obtain adequate protection for all of its intellectual property in all relevant territories, and third parties may infringe on or misappropriate the Bank's intellectual property. In particular, the Bank may encounter issues relating to intellectual property previously shared by the Bank and its related Group. The Bank may have to litigate to enforce and protect its copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In such instance, the Bank may be required to incur significant costs, and the Bank's efforts may not be successful. The inability to secure or protect intellectual property could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The Bank does not currently have contractual terms which, as a matter of law, lead to the automatic assignment of any intellectual property created by employees during the course of their employment. This could lead to potential disputes between the Bank (or the relevant Group Companies) and its employees concerning ownership in intellectual property created by employees and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(hh) **Risks relating to an asset-liability mismatch**

The Bank is exposed to the risk that a substantial portion of its deposits is withdrawn or not renewed, which could result in a mismatch in the maturity profile of the Bank's assets and liabilities. This mismatch could be exacerbated if there are delays in financing payments and in attracting new deposits. Any such event could be due to global or local conditions, competition, a reduction in confidence in the Group, changes in regulation or other factors, many of which are outside of the Bank's control and are unpredictable. If any of these events were to occur, the Group would need to seek sources of funding that may be more expensive to meet its funding requirements, and no assurance can be made that the Group will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group's inability to refinance or to replace such deposits with alternative funding would adversely affect its liquidity, business, financial condition, results of operations and prospects.

(ii) **Risks relating to leverage and capital raising**

Important factors contributing to banks becoming over-leveraged can include a low cost of funding, over-reliance on the analysis provided by rating agencies and the failure of risk management systems to adequately identify the correlation of risks and product and service pricing based on the relevant risks. If the Bank becomes over-leveraged as a result of the above or any other reason, it may be unable to satisfy its obligations in times of financial stress, and such failure may have an adverse effect on the Bank's business, financial condition, financial performance and prospects.

Any reduction in the Bank's assets in excess of its liabilities may have an impact on the Bank's financing position and may increase the cost of funding from counterparties in addition to potentially causing credit rating downgrades. The Bank may then become unable to meet its financial obligations, and such potential failure may have an adverse effect on the Bank's business, financial condition, financial performance and prospects.

In order to fund its growth strategy and enter into new business segments, the Bank will be required to expand its base of operations while continuing to meet regulatory capital adequacy requirements. The Bank may seek leverage for its alternative investments business segment, while seeking wholesale funding for its banking business to diversify the sources of funding. If the Bank requires additional capital in the future, there can be no assurance that it will be able to obtain this capital on favourable terms, in a timely manner, or at all. Moreover, should the Bank's capital ratios fall close to regulatory minimum levels or its own internal minimum levels, the Bank may need to adjust its business practices, including reducing the risk and de-leveraging certain activities. If the Bank is unable to maintain satisfactory CAR, its credit worthiness may be affected and its cost of funding may therefore increase. Any of these factors may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

(jj) **Inadequacy of insurance coverage**

Insurance may not cover all the risks to which the Group may be exposed. If an event occurs for which insurance is held by the Group, such insurance may not adequately compensate it for the actual losses suffered. In addition, there can be no assurance that the Group's insurance policies, once obtained, will continue to be available on commercially reasonable terms, or at all. Moreover, the Group's insurance policies are all Shari'a-compliant, which may prevent it from receiving full coverage, as would be received under a standard policy covering the same risks. Each of these events or circumstances, or the occurrence of an event for which the Group is not insured, would have an adverse effect, which may be material, on the Group's business, financial condition, results of operations and prospects.

6.3 Risks relating to Qatar and the GCC

(a) **The economies of the GCC**

The economies of many GCC countries have expanded significantly in recent years, driven by revenues from oil and gas exports. The economies of GCC countries are dependent on oil, gas and related industries, as well as the prices and quantities of those commodities, and oil prices have experienced significant volatility from 2008 to date.

More recently, the rate of economic growth in the GCC's main export markets in Asia has slowed, notably in China, which has affected the GCC's rate of growth. In 2003, the GCC established a customs union under which Qatar applies a common customs tariff of 5.0 per cent. to most products, with a limited number of exceptions. The GCC customs union became fully operational from 1 January 2015 and, although it is hoped that the creation of such union will assist in the establishment of free trade agreements with the European Union and the United States, there is no guarantee that these free trade agreements will be established. It is likely that if there is any sustained deterioration in the economies of these countries or a major political upheaval, this could have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects.

(b) **Emerging markets such as Qatar and other GCC markets are subject to greater risks than more developed markets, and financial volatility in emerging markets could negatively impact the Group's business**

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as Qatar and other GCC markets are subject to rapid change and that the information set out in this Prospectus may become outdated extremely quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in other emerging market countries and cause investors to move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Qatar and the other GCC countries and adversely affect those economies. In addition, during such times, companies that operate in emerging markets can face liquidity constraints as foreign funding sources are withdrawn and this could also adversely affect the Group's business.

Specific risks in Qatar and other GCC countries that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects include, without limitation, the following:

- the outbreak of pandemics (such as COVID-19);
- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;
- geopolitical, social or economic blockades, military strikes, outbreak of war, invasion or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;
- an increase in inflation and the cost of living;
- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes, including the imposition or increase of taxes in tax-favourable jurisdictions such as Qatar;
- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones;
- inability to repatriate dividends and restrictions on the right to convert or repatriate currency or export assets; and
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws.

  There can be no assurance that either the economic performance of, or political stability in, the countries in which the Group currently operates, or may in the future operate, can or will be sustained. Investors should note that a worsening of current financial market conditions, instability in certain sectors of the Qatari or regional economies or major political upheaval in Qatar or the MENA region could lead to decreased investor and consumer confidence, market volatility, economic disruption, and declines in real estate markets and, as a result, could have an adverse effect on the business, results of operations, financial condition and prospects of the Group.

(c) **The Group is subject to risks associated with political and economic conditions in Qatar and the Region**

Although Qatar enjoys domestic political stability and generally healthy international relations, as a country located in the Central and Eastern Europe, Middle East and Africa ("CEEMEA") region, there is a risk that regional geopolitical instability could impact the country. The CEEMEA region is currently experiencing an unprecedented level of political instability, and in recent years there has been geopolitical disagreements between Qatar and other countries in the region, and significant political and social unrest in a number of countries in the CEEMEA region, ranging from public demonstrations and sometimes violent.

Other potential sources of instability in the region include a worsening of the situation in Iran, Iraq and Syria, and Ukraine the ongoing civil war in Yemen and an escalation in the Israeli-Palestinian conflict. A further deterioration, and possible conflict, between the United States and certain governments in the CEEMEA region, such as Iran, Syria and Russia, has the potential to adversely affect regional security, as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact Qatar and broader regional security, potentially including the outbreak of a regional conflict. The presence of U.S. military personnel and U.S. military bases in the country also exposes Qatar to abrupt shifts in U.S. regional policy and/or deteriorations in United States foreign relations with Iran. Additionally, the Qatari economy's reliance on the Strait of Hormuz for exports makes it vulnerable to any shipping disruption.

These recent and continued developments, along with historic regional wars and terrorist acts, acts of maritime piracy and other forms of instability in the CEEMEA region, could have an adverse effect on Qatar's economy and its ability to engage in international trade which, in turn, could have an adverse effect on the Group's business, financial condition, results of operations or prospects.

(d) **The Qatar and GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity**

Qatar and many of the GCC countries are in various stages of developing their legal and regulatory institutions such that they are characteristic of more developed markets. As a result certain regulations and laws are capable of different interpretations, and remedial actions may not be achieved in a timely manner when compared to more developed markets. As the legal environment remains subject to continuous development, investors in Qatar and the GCC countries may face uncertainty as to the performance of their investments. Any unexpected changes in the legal systems in Qatar and the GCC may have a material adverse effect on the rights of investors or the investments that the Group has made or may make in the future, which may in turn have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects.

(e) **Qatar has a relatively new insolvency law and there is no certainty as to how Qatari courts will construe or enforce such law in the event of a bankruptcy affecting the Group**

Qatar has adopted the Bankruptcy Provisions, which came into effect on 13 May 2007. The Bankruptcy Provisions are similar to those included in the laws of Egypt and most other GCC countries and relate largely to the declaration of bankruptcy, its effects and its administration, and include conciliation to prevent bankruptcy. However, because the Bankruptcy Provisions are untested by Qatari courts, there is no certainty as to how Qatari courts would construe or enforce the Bankruptcy Provisions in the event of a bankruptcy affecting the Bank or a Group Company. There can also be no assurance that a Qatari court would compel a bankruptcy administrator to perform any of the Bank's or a Group Company's contractual obligations to investors during an administration period. The Bankruptcy Provisions also enable Qatari courts to defer adjudication of a company's bankruptcy if the court decides that it is possible to improve that company's financial position during a period (such period to be specified by the court) or if judged to be in the interest of the national economy. Similarly, given the lack of precedent, there is no certainty as to if and how the QCB might exercise its powers of temporary management and control under the Bankruptcy Provisions (including putting a financial institution into liquidation) in relation to financial institutions experiencing financial difficulties.

The Banking Law deals with interim administration and liquidation of the financial institutions licensed by the QCB. The Banking Law provides that the QCB may place a financial institution under interim administration if such an institution is threatened with insolvency or at the request of such financial institution. The QCB, as the interim administrator of the financial institution, is entitled to take control of the assets of the financial institution and take such steps as required to protect the funds of the financial institution, and the rights of the depositors, investors and customers. Following the conclusion of the interim administration, the governor of the QCB may decide to revoke the licence of the financial institution and develop a plan for the liquidation of its assets and obligations. Further, the QCB shall be responsible for the implementation and supervision of the execution of the liquidation plan. There are no specific guidelines in respect of how the QCB would administer the resolution of a failing bank in Qatar.

The Government approved a draft law on corporate bankruptcy and prevention in April 2017 which is aimed at developing detailed regulations for corporate bankruptcy and prevention, taking into account international standards in this regard. It is not clear when this law may come into force.

(f) **Risks relating to reliance on the FIFA World Cup**

The FIFA World Cup was held in Qatar in 2022. The Government has allocated significant capital spending towards projects related to such event. These include a metro rail network, several stadiums, two new cities, expanded road networks, and several other large and small projects. Like the 2006 Asian Games, the FIFA World Cup has already contributed significantly to economic development in Qatar across a broad range of sectors. The inflow of both blue and white collar expatriates into the country to facilitate the preparation for the FIFA World Cup and heightened general economic activity has helped companies like the Group in increasing revenues and profitability.

The completion of infrastructure and other projects related to the FIFA World Cup may result in a large outflow of expatriates. Unless significant new development projects arise in the coming years, the reduction in economic activity associated with infrastructure development and other projects, and the lower expatriate population levels, could have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects.

6.4 Risks relating to banking industry

(a) The Group is and will continue to be affected by conditions in the global financial markets and by global economic conditions

The financial services industry generally prospers in periods of economic growth and stable geopolitical conditions and benefits from capital markets that are transparent, liquid and buoyant and experience positive investor sentiment. If the level of market disruption and volatility experienced during the last financial crisis, which started in late 2007 and reached unprecedented levels in the second half of 2008 and early 2009, were to recur, the Group may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, credit losses, write-downs and impairment charges and lower profitability. The Group's performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates, which may not be as accurate given the unprecedented market volatility and disruption in recent years.

As at the date of this Prospectus, the performance of global debt and equity markets has been volatile, reflecting the ongoing volatility in the macro-economic climate which has had, and which continues to have, a notable effect on the economies of the GCC states, including Qatar.

As a result of the foregoing, the Group's business, financial condition, results of operations, liquidity and prospects could be adversely affected by conditions in the global and regional economy and financial markets and by global and regional economic conditions which may, in turn, affect the Group's business.

(b) The Group could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties, which could result in significant systemic liquidity problems, losses or defaults

Against the backdrop of constraints on liquidity and given the high level of interdependence between financial institutions that became increasingly evident during the global financial crisis, the Bank and the Group Companies, like other financial institutions, are subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry, the default by any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Bank or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Bank interacts on a daily basis. Systemic risk could have a material adverse effect on the Bank's ability to raise new funding and on the Group's business, financial condition, results of operations, liquidity and prospects.

(c) Failure to comply with local or international sanctions and AML requirements could adversely affect the Group

The Group is required to comply with applicable AML, counter-terrorism, financial, sanctions and other regulations in Qatar and other jurisdictions where it has dealings or where it has agreed to adopt international standards. These laws and regulations require the Group, among other things, to adopt and enforce appropriate KYC/AML policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Group has adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. European, United States and other international sanctions have in the past been imposed on companies engaging in certain types of transactions with specified countries or companies or individuals in those countries. The terms of legislation and other rules and regulations which establish sanctions regimes are often broad in scope and difficult to interpret.

In Qatar specifically, the Bank must comply with the Anti-Money Laundering Law number 2 of 2019, which replaces law number 4 of 2010, and the QCB Instructions for Financial Institutions on Anti-Money Laundering and Combating Financing Terrorism, amongst others. To the extent the Bank may fail or be perceived to fail to comply fully with applicable laws and regulations, the regulatory agencies to whom the Bank reports have the power and authority to impose significant fines and other penalties on the Bank. As with other banks in Qatar, the Bank has been subject to routine regulatory audits by the QCB, which have identified certain areas for improvement for which the Bank is taking the required actions, but as at the date of this Prospectus, it believes that neither it nor the Group Companies are in violation of any existing European, United States or international sanctions. Should the Bank or its associates in the future violate any existing or further European, United States or international sanctions or other applicable laws and regulations, penalties could include a prohibition or limitation on such company's ability to conduct business in certain jurisdictions or on the Group's ability to access the international capital markets.

Any such fines could have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and prospects. Moreover, to the extent the Group fails or is perceived to fail to fully comply with applicable laws and regulations, the regulatory agencies to whom the Group reports have the power and authority to impose substantial fines and other penalties on the Group. In addition, the Group's business and reputation could suffer if customers use the Group for money laundering or other illegal or improper purposes. Qatar is classified by the Financial Action Task Force as a compliant jurisdiction.

(d) **The Bank is subject to the risk that liquidity may not always be readily available; this risk may be exacerbated by conditions in global financial markets**

Liquidity risk is the risk that the Bank will be unable to meet its obligations, including funding commitments, as they fall due, which in turn could have a materially adverse effect on the Bank's business, financial condition, results of operations, liquidity and prospects. The Bank has historically relied substantially on retail and corporate depositors to meet most of its funding needs. Such deposits are subject to fluctuation due to certain factors outside the Bank's control, such as any possible loss of confidence and competitive pressures, which could result in a significant outflow of deposits within a short period of time. In addition, as at 30 June 2022, the Bank's top ten depositors constituted a relatively high-level of concentration of total customer deposits (which include customer current accounts and equity of URIA holders) (see "—Concentration risks in the Bank's financing and Deposit portfolio"). Any unexpected withdrawals of such deposits could have a material impact on the Bank's liquidity as the Bank may need to seek more expensive sources of funding to meet its funding requirements, and no assurance can be made that the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. Liquidity risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity and short-term funding during the global financial crisis, particularly towards the end of 2008 and into 2009. Since then, the availability of liquidity has continued to fluctuate.

The perception of counterparty risk between banks has also increased significantly in recent years which has led to further reductions, in common with many other banks, in the Bank's access to traditional sources of liquidity, such as the financial markets. The Bank's access to these traditional sources of liquidity has been, and may continue to be, restricted or available only at a higher cost.

In addition, uncertainty or volatility in the capital and credit markets may limit the Bank's ability to refinance maturing liabilities with long-term funding and increase the cost of such funding. The availability to the Bank of any additional financing it may need will depend on a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and the Bank's financial condition, credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Bank's financial prospects if, for example, the Bank incurs large losses or experiences significant deposit outflows or if the level of the Bank's business activity decreases. In particular, the Bank's access to funds may be impaired if regulatory authorities or rating agencies impose additional regulatory capital requirements or downgrade the Bank's debt ratings. If the Bank is unable to meet its liquidity needs through customer deposits or the interbank markets and is unable to refinance its outstanding indebtedness, it could have a negative effect on its financial condition, results of operations and prospects.

(e) **The Bank may be subject to increased capital requirements or standards due to new Governmental or regulatory requirements and changes in perceived levels of adequate capitalisation**

Financial institutions have experienced, and may continue to experience, irregularity in the markets in which the Bank operates, increasing the capital requirements for the Bank's operations. It should be noted that, pursuant to QCB's laws and regulations, the QCB is entitled to amend capital adequacy requirements at its sole discretion.

The Bank is currently required to maintain a total minimum CAR of 10 per cent., a capital conservation buffer of 2.5 per cent., an additional charge of 0.5 per cent. as a domestic systematically important bank ("**DSIB**") and the internal capital adequacy assessment process ("**ICAAP**") Pillar II capital charge of 2.0 per cent. under the Basel Committee's capital adequacy and liquidity requirements ("**Basel III**") as prescribed by QCB's regulations.

A requirement to increase capital requirements may arise in the medium term due to growth in the Bank's assets or a regulatory requirement to address inadequate capitalisation levels and perceptions of the agencies rating the Bank's debt. The Bank may also require additional capital in the future in the event that it experiences higher than expected losses in its operations or declines in asset quality resulting in higher than expected risk-weighted asset growth.

Requirements imposed by regulators, including capital adequacy requirements, are designed to ensure the integrity of the financial markets and to protect customers and other third parties with whom the Bank deals. These regulations may limit the Bank's activities, including its lending, and may increase the Bank's costs of doing business, or require the Bank to seek additional capital in order to maintain Qatari capital adequacy requirements or different varieties of funding to satisfy the Qatari liquidity requirements. In addition, a regulatory breach of guidelines in Qatar could expose the Bank to potential liability and other fines, including the loss of its general banking licence.

Additional capital, whether in the form of financing arrangements or additional equity, may not be available on attractive terms, or at all. Further, any such development may require the Bank to change how it conducts its business, including by reducing the risk and leverage of certain activities, or otherwise have an adverse impact on its business, the products and services it offers and the value of its assets. The Bank may become subject to mandatory guidelines and direct monitoring by the QCB should it fail to strengthen its capital position.

There can be no assurance that any of these alternative methods of raising capital would be successful in increasing the Bank's capital ratios sufficiently or within the timetable required. If the Bank is unable to increase its capital ratios sufficiently, its credit ratings may drop, its cost of funding may increase and its share price may decline.

(f) **The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on the Bank**

The Bank is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. These regulations include Qatari laws and regulations (particularly those of the QCB, the QFMA and the QSE). The Bank is subject to the following legal restrictions and QCB regulations, among others:

- total real estate financing may not exceed 150 per cent. of the Bank's capital and reserves;
- credit limit to a single customer group may not exceed 20 per cent. of the Bank's capital and reserves;
- credit limit and total investments to a single customer group may not exceed 25 per cent. of the Bank's capital and reserves;
- credit limit for a major shareholder and its credit group may not exceed 10 per cent. of the Bank's capital and reserves;
- total investment and credit concentration in a single customer may not exceed 25 per cent. of the Bank's capital and reserves;
- concentration limits on total credit and other risk exposures to retail customers, banks, investments and country exposure;
- minimum CAR of 10 per cent., a capital conservation buffer of 2.5 per cent. and an additional charge of 0.5 per cent. as a DSIB and ICAAP Pillar II capital charge of 2.0 per cent. (as per Basel III guidelines adopted by the QCB);
- application of the ICAAP (as per Basel III guidelines adopted by the QCB);
- bonds issued by Qatari shareholding companies may not exceed 100 per cent. of paid-up capital (unless guaranteed by the Government or a bank);
- fixed assets may not exceed 20 per cent. of the Bank's capital and reserves;
- mandatory cash reserve of 4.50 per cent. for resident's deposits and QAR deposits of non-residents of the Bank's total deposits. Foreign currency deposits of non-residents mandatory cash reserves vary based on its maturity;
- the QCB must approve investments in associates if the investment is greater than 20 per cent. of the share capital of that investee company;
- minimum liquidity coverage ratio of 100 per cent. (as per Basel III guidelines adopted by the QCB);
- minimum net stable funding ratio of 100 per cent. (as per Basel III guidelines adopted by the QCB);
- maximum limits for the negative cumulative gaps for differences between assets and liabilities for currency exposure; and
- compliance with executive instructions on the development of the implementation instructions for Capital Adequacy Requirements – Pillars I & II in line with Basel III.

These regulations may limit the Bank's ability to increase its loan portfolio or raise capital. Any changes in these regulations may also increase the Bank's cost of doing business. It is expected that there will be an increase in regulations of financial institutions as evidenced by recent actions around the world. Increased regulations, changes in laws and regulations (such as Basel III) and the manner in which they are interpreted or enforced may have a material adverse effect on the Bank's business, results of operations and financial condition.

The Government issued the Banking Law, which is aimed at advancing the framework for financial regulation in Qatar and expanding the ambit of regulation to cover areas requiring new and enhanced financial regulation. It also lays the foundation for increased co-operation between the regulatory bodies (the QCB, the QFCRA and the QFMA) in Qatar. The Banking Law, amongst other matters, mandates the QCB to act as the competent supreme authority in framing the policies for the regulation and supervision of all financial services and markets in Qatar including the insurance sector.

Furthermore, the Bank is required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in Qatar and other jurisdictions where it has operations. In Qatar, the Bank must comply with the Anti-Money Laundering Law, law number 20 of 2019, which replaces law number 4 of 2010, and the QCB Instructions for Financial Institutions on Anti-Money Laundering and Combating Financing Terrorism, amongst others. To the extent the Bank may fail or be perceived to fail to comply fully with applicable laws and regulations, the regulatory agencies to whom the Bank reports have the power and authority to impose significant fines and other penalties on the Bank. The Bank has been subject to fines in this regard. In addition, the Bank's business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes.

The QCB does not always consult with industry participants prior to the introduction of new regulations and it is not always possible for the Bank to anticipate when a new regulation will be introduced. This creates a risk that the profitability of the Bank will be affected as a result of being unable to adequately prepare for regulatory changes introduced by the QCB. Furthermore, non-compliance with regulatory guidelines could expose the Bank to potential liabilities and fines.

(g) **Non-financial risks are inherent in the Group's business, including the risk of fraudulent activity**

The Group is exposed to many types of non-financial risks that are inherent in banking and financial services operations. Non-financial risk can be defined as the risk to the Group of achieving its strategy or objectives as a result of inadequate or failed internal processes, people and systems, or from external events. It includes fraudulent and other criminal activities (both internal and external), breakdowns in procedures, breaches of regulations or law, and financial reporting and tax errors. These risks are also present when the Group relies on outside suppliers or vendors to provide services to the Group and its customers.

In particular, fraudsters may target any of the Group's products, services and delivery channels, including lending, payments, bank accounts and cards. This may result in financial loss to the Group and/or its customers, an adverse customer experience, reputational damage and potential litigation, regulatory proceeding, administrative action or other adversarial proceeding in any jurisdiction in which the Group operates, depending on the circumstances of the event. These non-financial risks could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, strategy and reputation.

(h) **Failure to manage the risks associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws, could materially adversely the Bank's results of operations, financial condition or prospects**

Tax risk is the risk associated with changes in taxation rates, applicable tax laws, misinterpretation of such tax laws, disputes with relevant tax authorities in relation to historic transactions, or conducting a challenge to a relevant tax authority. Failure to manage this risk adequately could cause the Group to suffer losses due to additional tax charges and other financial costs including penalties. Such failure could lead to adverse publicity, reputational damage and potentially costs materially exceeding current provisions, in each case to an extent which could have an adverse effect on the Group's results of operations, financial condition or prospects.

6.5 Risks relating to the Listing and the trading market

(a) **After the Listing, the Major Shareholders will continue to be able to exercise significant influence over the Bank, its management, strategy and operations**

As at the date of this Prospectus, the Bank is controlled by the Major Shareholders, which hold in aggregate 79.35 per cent. of the issued share capital of the Bank. Full details relating to the Major Shareholders are set out in section 3 ("Listing Summary") and section 8 ("Management Discussion and Analysis") of this Prospectus. Following the achievement of the free float, the Major Shareholders will still hold 75per cent. of the issued share capital of the Bank. This will enable the Major Shareholders to exercise control over the Bank, its management, strategy, policies and operations, including in terms of voting at shareholders' meetings and on matters such as the election and re-election of directors, the approval of dividends and budgets, the issuance of securities, significant disposals or acquisitions, changes to share capital and amendments to the Bank's Constitutional Documents. There can be no guarantee that the interests of the Major Shareholders will coincide with new investors' interests.

(b) **Absence of prior trading market and potential volatility of share price**

Prior to the Listing, there has been no public market for the Shares. Furthermore, there can be no assurance that an active trading market for the Shares will develop or be sustained after the Listing. If no active trading market for the Shares develops, the liquidity of the Shares will be affected, and this may negatively affect the market price of the Shares. Investors may, in this case, find it difficult or impossible to exit from their investment in the Shares.

(c) **The market price of the Shares may fluctuate widely in response to different factors**

Following Listing, the market price of the Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Shares or securities similar to them or in response to various factors and events, including any regulatory changes affecting the Group's operations, variations in its half yearly or yearly operating results and its business developments or those of its competitors, as well as macro-economic and geopolitical events affecting Qatar. The market price of the Shares may also be affected by market rumours and media speculation (even if such rumours and speculation are unfounded or inaccurate).

In addition, stock markets have from time to time experienced extreme price and volume volatility, which in addition to general economic and political conditions, could adversely affect the market price for the Shares. To optimise returns, investors may need to hold the Shares on a long-term basis and they may not be suitable for short-term investment. The value of the Shares may go up and down and the market price of the Shares may not reflect the underlying value of the Bank's investments. Investors could lose the whole or a substantial part of their investment.

(d) **The QSE is an emerging market with no guarantee of consistent liquidity**

The QSE is substantially smaller in size and trading volume than established securities markets, such as those in the United States and the United Kingdom. The QSE has been open for trading since 1997 but its future success and liquidity in the market for the Shares cannot be guaranteed. Brokerage commissions and other transaction costs on the QSE can be higher than those on other stock exchanges. Such factors could generally decrease the liquidity and increase the volatility of the price of the Shares and impair the ability of a holder of Shares to sell any Shares in the amount and at the price and time such holder wishes to do so.

(e) **Substantial future sales of Shares by the Major Shareholders may adversely impact the share price**

Sales of substantial amounts of the Shares in the public market, or the perception that these sales will occur, could adversely affect the market price of the Shares. The sale of a substantial number of Shares by the Major Shareholders or generally by any other significant shareholder could have an adverse effect on the market for the Shares and result in a lower market price of the Shares.

(f) **The Bank has more than 1,200 shareholders who are not subject to any lock-up restrictions**

In addition to the Major Shareholders, the Bank has more than 1,200 small shareholders representing more than 19 per cent. of the Bank. These shareholders will not be subject to any restrictions upon trading post-Listing. A sale of Shares by these investors upon Listing could adversely affect the market price of the Shares and result in a lower Share price.

(g) **Management of publicly listed company**

The regulatory oversight and reporting obligations imposed on public companies whose shares are traded on the QSE will be much more stringent than that of a private company. Any failure to comply with the ongoing obligations of the laws and regulations and rules pertaining to public companies in Qatar could expose the Bank to fines, public censure, a suspension from trading or a cancellation of trading in the Shares on the QSE which would have a material adverse effect on its business, financial condition, results of operations, liquidity and prospects.

(h) **The Bank may not pay dividends or may pay smaller dividends than expected**

Subject to the Constitutional Documents, any decision to pay dividends to shareholders and the amount of such dividends will be at the discretion and upon the recommendation of the Board, subject to the approval of the QCB. The amount of any distributable dividends may vary from year to year. The distribution of dividends will be dependent upon a number of factors, including the future profit, financial position, capital requirements, legal reserve requirements, distributable reserves, available credit of the Bank and general economic conditions and other factors that the Board deems significant from time to time. Also, the Bank's ability to declare and pay cash dividends on the Shares may be restricted by, among other things, the recovery of any accumulated losses in the future and the provisions of Qatari law. Therefore, there can be no assurance that any dividend will ever be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year.

(i) **Claims of secured creditors**

Claims of secured creditors of the Bank, to the extent that there are any, may have priority, with respect to the assets securing their debt, over the claims of shareholders. In the event that any of the Bank's secured debt becomes due or the relevant creditor thereunder institutes proceedings over the assets that secure the relevant debt, the Bank's remaining assets after repayment of such secured debt may not be sufficient to repay all amounts owing in respect to the remaining stakeholders.

7

Business Of The Bank

7. BUSINESS OF THE BANK

7.1 Introduction

The legal and commercial name of the Bank is Dukhan Bank Q.P.S.C. The Bank is registered in Qatar under commercial registration number 38012 as a Qatar private shareholding company and is in the process of converting into a Qatar public shareholding company. The Bank and the Group Companies are engaged in various types of activities in the financial services industry primarily inside Qatar.

As at the date of this Prospectus, the share capital of the Bank is QAR5,234,100,000, divided into 523,410,000 Shares and with each Share having a nominal value of QAR10.00. All Shares are fully paid up. Upon conversion into a Qatar public shareholding company, the share capital of the Bank will remain at QAR5,234,100,000, and will be divided into 5,234,100,000 Shares with each Share having a nominal value of QAR1.00.

7.2 Overview

The Bank was incorporated in 2008 under the name of Barwa Bank Q.P.S.C. with commercial registration number 38012, and began operations on 1 February 2009 as a full-service Islamic bank in Qatar. The Bank rebranded itself under the name of Dukhan Bank Q.P.S.C. in October 2020. The Bank has its registered address at Grand Hamad Street, Doha, Qatar and its telephone number is +974 4448 8888.

Since the Bank became fully operational in 2010, the Bank has experienced significant growth of its total assets and total income. The Bank's total assets were QAR103.7 billion, QAR110.7 billion and QAR86.3 billion as at 30 June 2022, 31 December 2021 and 31 December 2020, respectively. Equity of URIA holders was QAR65.6 billion, QAR71.2 billion and QAR46.5 billion as at 30 June 2022, 31 December 2021 and 31 December 2020, respectively. The Bank's total income was QAR2.1 billion, QAR4.1 billion and QAR3.8 billion for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively. The Bank's net operating income (which represents total income for the period or year less the sum of return to URIA holders, staff cost, depreciation and amortisation, other expenses and finance cost for the period or year) was QAR1.1 billion, QAR2.1 billion and QAR2.0 billion for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively.

As at 30 June 2022, the Bank had a total of eight retail branches and a head office in Qatar and 67 ATMs throughout Qatar, as well as electronic banking, internet, mobile and smartphone and telephone banking channels.

The Bank's successes have been internationally recognised, with the Bank receiving the following accolades: Global Finance in The Innovators Awards 2022 Outstanding Innovation in Mobile Banking from Global Finance in The Innovators Awards 2022, Global Finance World's Best Islamic Private Bank in Global Finance Awards 2022, MEED Awards (MENA Digital Bank of the Year, MENA Most Innovative Bank of the Year, Best Private Bank – Qatar, Best Multi-Channel Offering, Best Next-Generation Offering, Best Use of AI in Financial Services, Excellence in Omni-Channel Integration, Outstanding Wealth Management Service for the Affluent, Chaouki Daher - MENA Private Banker of the Year), Retail Banker International Trailblazer 'Highly Commended' in the Best Use of Machine Learning category at the 2021 Retail Banker International Trailblazer Awards, Forbes Top 10 Unlisted Companies in Qatar 2021 Award, World Economic Magazine Award Best Corporate Digital Services Qatar 2021, Best New Contactless Payment Platform Qatar 2021 - D-Pay, World Economic Magazine Award, International Finance Magazine Best Digital Transformation Bank 2021, Best New Contactless Payment Platform 2021 - Dukhan Pay (D-Pay), and Global Finance Best Islamic Digital Bank in Qatar 2021 Most Innovative Digital Bank in Qatar 2021.

7.3 History

The Bank was incorporated in 2008 under the name of Barwa Bank Q.P.S.C. as a private shareholding company in Qatar to provide banking services, investment and financing activities through various Shari'a-compliant modes of financing such as Murabaha, Ijara, Mudaraba, Musawama, Wakala and Istisna agreements. The Bank also carries out investment activities on its own account and on behalf of its customers. The Bank's activities are conducted in accordance with Shari'a principles as determined by the Shari'a Committee and in accordance with the provisions of the Constitutional Documents and the regulations of the QCB. The Bank holds a full Islamic banking licence issued and is regulated by the QCB.

On 1 February 2009, the Bank began its operations with paid-up capital of QAR500 million divided into 50 million shares issued at QAR10 each. In December 2009, the Bank acquired TFI, an investment bank, through a share swap involving 25,920,000 newly issued shares at QAR16.80 each. In July 2010, the Bank acquired FFC, a financing company, through a share swap involving 98,429,100 issued shares at QAR16.80 each and FLC, a leasing company, through a share swap involving 16,520,000 issued shares at QAR16.80 each. TFI, FFC and FLC are based in Qatar and are wholly-owned subsidiaries of the Bank. In December 2011, the Bank proceeded with a rights issue by issuing 109,130,900 new shares at QAR16 each, raising a total of QAR1,746 million. The subsequent increase in share capital raised the Bank's total paid-up capital to QAR3,000 million divided into 300 million shares.

In 2011, the Bank acquired IBQ's Al Yusr Retail Business. The following year, the Bank introduced its Treasury and Investments Division and Private Banking segment. In 2012, the Bank also launched its debt capital markets segment and founded the TFI GCC Equity Opportunities Fund which invests in marketable equities and sukuks of entities having Shari'a-compliant business models. In 2014, there was a change in executive leadership as Khalid Al-Subeai was appointed Group Chief Executive Officer. The change was motivated by the Bank's commitment to Qatarisation and the progression of Qatari talent at all levels of the Group.

Mr. Al-Subeai stepped down as Group Chief Executive Officer in January 2023 and Mr Ahmed Hashem was appointed as Acting Chief Executive Officer. Mr. Al-Subeai will continue his role as an advisor to the Chairman of the Board in relation to the Group's strategies in various fields, including supervising the implementation of such strategies by the executive management, in addition to product and human resource development.

On 12 August 2018, the Bank and IBQ entered into a merger agreement that was approved by the board of directors of both banks and subsequently by the shareholders of both banks at their respective extraordinary general meetings in December 2018. On 21 April 2019, the merger became effective upon receiving QCB confirmation and the assets and liabilities of IBQ were assumed by the Bank in consideration for the issuance of 223,410 thousand new shares in the Bank at an exchange ratio of 2.031 to existing shareholders of IBQ for each share of IBQ held (the "Business Combination"). Upon the Business Combination becoming effective, IBQ was dissolved. The combined banks retained the Bank's legal registrations and licences and continued to be a Shari'a-compliant entity.

In October 2020, the Bank rebranded to trade under the name of Dukhan Bank Q.P.S.C. as part of its strategic transformation, which includes the digitalisation of many of the Bank's core business processes. The Bank takes its name from the city of Dukhan in the west of Qatar which was where the first substantial oil reserve was discovered in Qatar and, therefore for the Bank, represents a symbol of economic prosperity and social growth.

7.4 Takaful (Islamic Insurance)

The Bank maintains insurance policies and coverage it deems appropriate. This includes a financial institution's blanket bond covering standard risk including electronic equipment and professional indemnity. The Bank maintains standard property insurance for all premises. Electronic equipment is insured separately.
The Bank reviews insurance coverage on an ongoing basis and believes the coverage to be in accordance with industry practice in Qatar.

7.5 Independent Auditors

By way of General Assembly resolution dated 10 April 2022, Ernst & Young (Qatar Branch) was appointed as the Independent Auditors of the Bank for the financial year ending 31 December 2022.

8

Management Discussion and Analysis

8. MANAGEMENT DISCUSSION AND ANALYSIS

8.1 Operational Structure

In addition to the Group Companies as shown in the organisational structure chart above, the Bank has three special purpose entities namely BBG Sukuk Limited, BB Islamic Derivatives and Dukhan Tier-1 Sukuk Limited for which description can be found in the latest consolidated financial statement of the Bank.

The Bank has four principal areas of business which constitute segments for financial reporting purposes:

- **Wholesale Banking** includes financing, deposits and other transactions and balances with wholesale customers.
- **Retail and Private Banking**[1] includes financings, deposits and other transactions and balances with retail and private customers.
- **Treasury and Investments Division** undertakes the Bank's funding and centralised risk management activities through borrowings, issues of sukuks, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government sukuks. It also manages the Bank's trading of investments and corporate finance activities.
- **Investment Banking and Asset Management** operates the Bank's funds management activities. This mainly includes financial advisory services including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement, debt structuring, restructuring and placement including project finance, securitisation and sukuk, client portfolio management, structuring of liquidity products, structuring, marketing and management of open and closed ended funds, structuring, acquisition, placement and initial public offerings of private equities.

[1]Retail and Private Banking is alternatively referenced as "Personal and Private Banking" in the audited consolidated financial statements of the Group as at and for the financial years ended 31 December 2020 and 31 December 2021.

The Bank complies with the QCB guidelines to maintain a total CAR including capital conservation buffer, ICAAP and DSIB charge under the Basel Committee Basel III requirements in excess of 15.0 per cent. The Bank's total CAR was 18.3 per cent. as at 30 June 2022, 18.4 per cent. as at 31 December 2021 and 16.4 per cent. as at 31 December 2020. The Bank's CET 1 Capital was QAR10,410 million as at 30 June 2022, QAR10,446 million as at 31 December 2021 and QAR9,914 million as at 31 December 2020. The Bank's CET 1 CAR, including capital conservation buffer, was 14.6 per cent. as at 30 June 2022, 14.7 per cent. as at 31 December 2021 and 15.2 per cent. as at 31 December 2020.

The Shari'a Committee ensures the Bank's compliance with Shari'a principles and is responsible for vetting the products and services offered by the Bank to its customers (see section 9 ("Management and Corporate Governance) under sub-section titled "Shari'a Committee").

The Bank has long-term issuer ratings of "A-" by Fitch and "A2" by Moody's, both with stable outlooks. Each of Fitch and Moody's is established in the United Kingdom and the European Union, respectively, and is registered under the respective CRA Regulation.

8.2 Capital Structure

As at 30 June 2022, the Bank's issued and paid-up share capital comprised 523,410,000 ordinary shares with a nominal value of QAR10 each. The Bank's major shareholder groups and their approximate shareholdings as at 30 June 2022 were as follows:

(a) General Retirement and Social Insurance Authority (Pension Fund): 24.48%
(b) General Retirement and Social Insurance Authority (Military Pension Fund): 11.67%
(c) Al Sanad Trading Company LLC: 10%
(d) Entities with the same shareholders as Al Sanad Trading Company LLC: 0.08%
(e) Brooq Trading Company LLC: 13.47%
(f) Qatar Holding LLC: 6.96%

Dividends are recorded and paid subject to approval by the Bank's shareholders. For the year ended 31 December 2021, the Bank's shareholders approved a dividend of QAR727.4 million (representing a 14.0 per cent. cash dividend).

Sukuk Eligible as Additional Capital

In 2021, the Bank issued a perpetual, unsecured, subordinated sukuk eligible as additional tier 1 capital amounting to USD 500 million listed in London Stock Exchange. The sukuk is unsecured and the profit distributions are non-cumulative, payable semi-annually at an agreed expected profit rate of 3.950% and are made at the discretion of the Bank. The Bank has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The applicable profit rate has a reset date as per the terms of the agreement of the issued sukuks. The sukuk does not have a maturity date and have been classified as equity.

8.3 Business Activities

Set out below is summary information for the financial reporting segments for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020.

(a) Wholesale Banking

The Wholesale Banking division consists of two segments: (i) Corporate Banking; and (ii) Government and Institutional Banking.

(i) Corporate Banking

Corporate Banking provides a full range of Shari'a-compliant financial products and services to its corporate customers. Its primary activity is to finance to corporate entities, including SME, by way of *Ijara, Murabaha, Musawama, Mudaraba, Istisna* and foreign trade finance products. Corporate Banking focuses primarily on financing to real estate, manufacturing, trading, contracting, conglomerates and SME sectors.

Corporate Banking's payment and cash management services allow corporates access to a diverse range of accounts and products such as payroll, salary card, bulk cheques and cash collection. In addition, Corporate Banking offers a full suite of Shari'a-compliant trade financing products and the expertise to arrange, originate and participate in syndications and global capital markets transactions for large and sophisticated customers. Treasury and investment products are also offered to corporate clients to allow them to mitigate and manage their risk as well as to invest in a wide range of financial instruments.

This segment also aims to support the SME sector in Qatar by identifying and investing in high quality assets, through its tie-up with Qatar Development Bank's "*Al Dameen Program*", which secures 85 per cent. of the facility provided by the Bank to a particular obligor in the SME sector. This, in turn, promotes SME growth.

Corporate Banking's principal products and services include the following financing arrangements:

(A) **Murabaha**

Murabaha offers customers the ability to acquire assets over a period of time consistent with their sources of income and their financial position. Under a *Murabaha transaction*, the Bank provides the customer with the money needed to purchase an asset for business use. The customer, in conjunction with the Bank, negotiates the purchase price of the asset with the seller. The Bank purchases the asset from the seller then sells it to the customer after adding an agreed profit amount and allows the customer to pay the full amount in instalments over a period of time.

(B) **Musawama**

Musawama offers customers the ability to acquire assets when needed and to pay the purchase price plus profit in instalments over a period of time. In a *Musawama* transaction, the customer requests the Bank to purchase a certain asset or commodity from a third party. The price of the commodity is usually unknown to the customer. Upon acquiring the commodity, the Bank adds its profit amount and offers to sell it to the customer, who has the right to accept, refuse or negotiate the price. If accepted, the customer repays the total amount to the Bank in agreed instalments. *Musawama* is usually provided to finance local purchases including vehicles, real estate, machinery and equipment.

Murabaha and *Musawama* contracts are provided to corporate customers for the financing of, among other things, working capital and the purchase of plant and equipment.

(C) **Ijara**

The form of Ijara offered by the Bank is a finance or capital lease which enables the Bank's corporate customers to acquire an asset through a leasing arrangement. Customers contract with the Bank to make lease payments for the use of an asset which the Bank purchases. At the end of the lease period, the ownership of the asset transfers to the customer. Ijara financing is provided predominantly to corporate customers for the purchase or lease of properties.

(D) **Istisna**

In an *Istisna* financing, the Bank enters into a contract with the customer requesting the financing in order to execute a specific construction project such as a residential compound, office building, private residence or an apartment building. As at 31 December 2021, the most popular financing methods for the Bank's customers were Murabaha and Ijara, which together represented 92.3 per cent. of the total assets attributable to Wholesale Banking amounting to QAR39.9 billion.

(ii) **Government and Institutional Banking**

The Government and Institutional Banking segment's target markets are governments, government-related entities and large institutions in Qatar and overseas. The focus of this segment is on attracting low cost funds for all business lines and employing those funds in high value assets. A number of debt capital markets initiatives have raised the Bank's profile and opened overseas markets such as the United Kingdom, Turkey, Saudi Arabia and UAE for Government and Institutional Banking.

For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, revenue attributable to Wholesale Banking was QAR811.0 million, QAR1,795.4 million and QAR1,839.7 million, respectively (39 per cent., 44 per cent. and 49 per cent. of the Bank's total revenue, respectively). For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, reportable segment net profit attributable to Wholesale Banking was QAR389.3 million, QAR752.3 million and QAR576.6 million, respectively. As at 30 June 2022, 31 December 2021 and 31 December 2020, total assets attributable to Wholesale Banking amounted to QAR38.9 billion, QAR39.9 billion and QAR39.0 billion, respectively (38 per cent., 36 per cent. and 45 per cent. of the Bank's total assets, respectively).

(b) **Retail and Private Banking**

This division includes two segments: (i) Retail Banking; and (ii) Private Banking including wealth management.

(i) **Retail Banking**

The Retail Banking segment provides retail customers with Islamic banking products and services which, as at 30 June 2022, are distributed through the Bank's network of eight retail branches and a head office and 67 ATMs as well as electronic banking, internet, mobile and smartphone and telephone banking channels (see section 8.6 ("Branch Network and Product Distribution")). The Retail Banking segment is composed of the three following functions:

1. the Retail Sales, Service and Business Development function is responsible for managing customer relationships and developing the Retail Banking business. Among other things, the team is in charge of financial planning, credit and debit cards section and the management of branches;

2. the Operations and Support function is charged with branch and account operations and sales and service support (including call centre operations); and

3. the Product Development and Property function is responsible for the development of products and projects to meet market requirements and to ensure quality standards during development and post-development stages.

As at 30 June 2022, Retail Banking had a total of 88,322 retail customers. Total customer deposits from Retail Banking as at 30 June 2022 amounted to QAR8.6 billion, representing 11.8 per cent. of the Bank's total customer deposits. Within these deposits, 87.4 per cent. (or QAR7.5 billion) are savings and current account type deposits.

The principal services and products offered to Retail Banking customers include:

- non-profit-earning demand deposit accounts (or "current accounts");
- profit-paying demand deposit accounts (or "savings accounts");
- the Faseel high profit savings account;
- the Jeelkum high profit savings account for minors;
- profit-paying term deposit accounts (with a minimum term of one month to a maximum term of 60 months);
- Prestige Banking services including an exclusive window for all Prestige Banking customers, dedicated areas in all full-service branches and uniquely designed cards and cheque books;
- consumer financing services including the provision of financing for automobile, residential property, building material and share purchases mainly through *Murabaha*, *Musawama* and *Ijara* methods of financing; and
- electronic credit and debit cards (including Visa and MasterCard banking cards, "Classic", "Gold", "Platinum", "World" or "Infinite" credit cards and the Bank's "Smart Debit Cards").

The *Murabaha* sale is the most popular form of retail financing, representing 63 per cent. of total retail financing assets before allowance for impairment as at 31 December 2021. *Ijara* financing makes up approximately 33 per cent. of the retail financing portfolio as at 31 December 2021. *Murabaha* and *Musawama* financings are provided to retail customers for the purchase of consumer goods and investments including, amongst others, automobiles, other vehicles, white goods, furnishings and shares while *Ijara* financing is mainly for real estate transactions.

(ii) **Private Banking**

The Bank's Private Banking segment aims to provide a high-quality service to NUHNWI, UHNWI and HNWI in Qatar and abroad who seek to have their wealth managed in a Shari'a-compliant way. NUHNWI, UHNWI and HNWI are clients with liquid assets, deposits, investments, credit exposure or credit turnover of QAR100 million, QAR50-100 million and QAR10-50 million, respectively. Private Banking comprises the following three core functions:

- the Sales and Advisory function is responsible for managing client relationships and includes frontline staff such as relationship managers;
- the Client Support function is responsible for account operations, sales and service support; and
- the Product Development function is also responsible for the development of products to meet customer needs and to ensure quality standards during development and post-development stages.

Private Banking offerings include all type of Islamic financing products, tailored to meet customer demands within Islamic financing structures, namely Commodity *Murabaha*, Trade *Murabaha*, Vehicle *Murabaha*, *Ijara*, *Istisna*, *Musawama* and *Wakala*.

In addition to these finance offerings, investment advisory, property advisory and management services are also offered. The services offered by the family office, which include wealth and tax planning, global concierge services and yacht search and administration, also benefit from ongoing development. In the future, the Bank also seeks to offer offshore private banking services.

For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, revenue attributable to Retail and Private Banking was QAR827.5 million, QAR1,511.9 million and QAR1,217.4 million, respectively (40 per cent., 37 per cent. and 32 per cent. of the Bank's total revenue, respectively). For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, reportable segment net profit or loss attributable to Retail and Private Banking was a net loss of QAR9.4 million, a net loss of QAR29.1 million and a net profit of QAR86.7 million, respectively. As at 30 June 2022, 31 December 2021 and 31 December 2020, total assets attributable to Retail and Private Banking amounted to QAR37.0 billion, QAR35.9 billion and QAR19.9 billion, respectively (36 per cent., 32 per cent. and 23 per cent. of the Bank's total assets, respectively).

(c) **Treasury and Investments Division**

The Treasury and Investments Division undertakes the Bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of risk management instruments and investments in liquid assets such as short-term placements and corporate and Government debt securities. Since 2013, the Treasury and Investments Division has developed from being solely a funding centre to a full-service treasury and investment group. In this regard, the Treasury and Investments Division is focused on:

- managing liquidity and meeting funding requirements efficiently to enhance yield;
- providing foreign exchange services and pricing to customers and branches;
- transacting in the interbank market;
- liaising with the Bank's customers on Shari'a-compliant treasury products; and
- providing risk management solutions for the Bank's clients.

The Treasury and Investments Division also engages in investments in, among other things, sukuk markets, equity markets (both in the GCC and internationally) and structured products. The division also has limited investments in funds and private equity. In relation to capital markets, the Treasury and Investments Division's portfolio of listed securities is composed of both sukuk and regional or international equities.

The Treasury and Investments Division has sought to strengthen its risk and control function through quality control of the Treasury's transactions and independent monitoring by the Risk Management and Compliance Committee ("**RMCC**"). Moreover, in relation to business management and human resources, additional products aimed at optimising returns have been added to the product panel of the division including Islamic swaps, forwards and rate hedging solutions, and training programmes devised for each team member.

Debt Capital Markets

The principal activities undertaken in the Debt Capital Markets segment are the arrangement of sukuk transactions.

The Bank has acted as joint lead manager, bookrunner and co-lead manager in a number of major GCC sovereign and supranational sukuk issuances as well as sukuk issuances by corporate, quasi-sovereigns and financial institutions. Recent sukuk transactions on which the Bank has acted include Qatar International Islamic Bank's inaugural AT1 sukuk issuance.

For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, revenue attributable to the Treasury and Investments Division was QAR425.4 million, QAR729.7 million and QAR737.6 million, respectively (21 per cent., 18 per cent. and 19 per cent. of the Bank's total revenue, respectively). For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, reportable segment net profit attributable to the Treasury and Investments Division was QAR359.0 million, QAR503.6 million and QAR393.2 million, respectively. As at 30 June 2022, 31 December 2021 and 31 December 2020, total assets attributable to the Treasury and Investments Division amounted to QAR26.4 billion, QAR33.6 billion and QAR25.9 billion, respectively (25 per cent., 30 per cent. and 30 per cent. of the Bank's total assets, respectively).

(d) **Investment Banking and Asset Management**

For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, revenue attributable to Investment Banking and Asset Management was QAR9.8 million, QAR13.4 million and a loss of QAR6.2 million, respectively. For the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, reportable segment net profit or loss attributable to Investment Banking and Asset Management was a net profit of QAR6.6 million, a net loss of QAR33.4 million and a net loss of QAR39.8 million, respectively. As at 30 June 2022, 31 December 2021 and 31 December 2020, total assets attributable to Investment Banking and Asset Management amounted to QAR422.2 million, QAR421.2 million and QAR465.9 million, respectively (0.4 per cent., 0.4 per cent. and 0.5 per cent. of the Bank's total assets, respectively).

8.4 Subsidiaries

The following table outlines the principal subsidiaries of the Bank[1]:

			Percentage of ownership		
			As at 31 December		As at 30 June (unaudited)
	Country of incorporation	Year of incorporation	2020	2021	2022
The First Investor Q.P.S.C.	Qatar	1999	100%	100%	100%
First Finance Company Q.P.S.C.	Qatar	1999	100%	100%	100%
First Leasing Company Q.P.S.C.	Qatar	2008	100%	100%	100%
BBG Sukuk Limited	Cayman Islands	2015	100%	100%	100%
BB Islamic Derivatives	Cayman Islands	2018	100%	100%	100%
Dukhan Tier-1 Sukuk Limited	Cayman Islands	2021	-	100%	100%

Notes:
[1] IBQ Finance Limited and IBQ Global Markets Limited have been deregistered in 2021; and therefore have not been included in the above table.

(a) **The First Investor Q.P.S.C.**

TFI is an Islamic investment bank with a share capital of QAR240 million. TFI provides a full range of investment banking products and services that comply with Shari'a principles. TFI is licensed by the QCB and provides specialised services and solutions to its clients through three core business segments:

(i) **Real Estate**

TFI acts as adviser, arranger, structurer and fund manager in relation to real estate transactions for large sovereign, institutional and HNWI, real estate companies and corporations in Qatar and the wider MENA region. It provides full service strategic, financial, joint venture origination, corporate management, business planning and investment advice in a Shari'a-compliant framework. TFI also manages several funds that invest in real estate in various regions across the globe.

(ii) **Investment Banking**

TFI provides a comprehensive advisory service to firms, HNWI and other institutions in Qatar and the MENA region. TFI also provides advice to its clients on mergers and acquisitions, strategic alliances, and private equity and strategic investments.

(iii) **Asset Management**

TFI is a Shari'a-compliant asset manager specialising in the management of public equity funds, structured products and discretionary investment portfolios in a bid to achieve long-term growth of capital and income through listed investments on behalf of regional and international institutions, and UHNWI.

TFI's total revenues were QAR14.4 million, QAR17.0 million and a loss of QAR0.6 million for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively. TFI's net profit/loss was a net profit of QAR8.2 million, a net loss of QAR15.8 million and a net loss of QAR38.6 million for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively. TFI's total assets were QAR440.8 million, QAR439.0 million and QAR468.8 million as at 30 June 2022, 31 December 2021 and 31 December 2020, respectively.

(b) **First Finance Company Q.P.S.C.**

FFC provides consumer finance services in compliance with Shari'a principles. FFC is licensed by the QCB and offers a range of Islamic financing products in relation to the following:

- purchase of automobiles and heavy equipment;
- financing of household items and real estate;
- financing of SME; and
- other financing services which aim to contribute to Qatari social life (e.g. education, medical and travel).

FFC is seeking to refocus its financing book to ensure an appropriate balance between retail and SME or micro-enterprises as well as vehicle, real estate and other product financing. Its management is also seeking to bring services online and more accessible to the professional expatriate community in Qatar.

FFC's total revenues were QAR62.7 million, QAR128.8 million and QAR139.8 million for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively. FFC's net profit was QAR61.1 million, QAR95.1 million and QAR40.0 million for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively. FFC's total assets were QAR1.4 billion, QAR1.3 billion and QAR1.4 billion as at 30 June 2022, 31 December 2021 and 31 December 2020, respectively.

(c) **First Leasing Company Q.P.S.C.**

FLC is a diversified Islamic leasing and asset-backed financing provider. FLC provides specialised services and solutions to clients through its core business segments.

FLC's total revenues were QAR9.4 million, QAR19.1 million and QAR19.0 million for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively. FLC's net profit was QAR5.8 million, QAR8.4 million and QAR6.5 million for the six-month period ended 30 June 2022, the year ended 31 December 2021 and the year ended 31 December 2020, respectively. FLC's total assets were QAR304.5 million, QAR298.7 million and QAR290.2 million as at 30 June 2022, 31 December 2021 and 31 December 2020, respectively.

(d) **BBG Sukuk Limited**

BBG Sukuk Limited was incorporated in the Cayman Islands in April 2015 with an authorised share capital of U.S.$50,000. It was established as an exempted company with limited liability for the sole purpose of sukuk financing (issuance) for the benefit of the Group.

(e) **Dukhan Tier-1 Sukuk Limited**

Dukhan Tier-1 Sukuk Limited was incorporated in the Cayman Islands in April 2021 with an authorised share capital of U.S.$50,000. It was established for the issuance of sukuk eligible as capital on behalf of the Group.

(f) **BB Islamic Derivatives**

BB Islamic Derivatives was incorporated in the Cayman Islands in June 2018. It was established to engage in conducting derivative transactions on behalf of the Group.

8.5 Investment in Associates and Joint Ventures

The following table outlines the Bank's investments in associates as at 31 December:

	Activity	Country of incorporation	Percentage of holding as at 31 December 2020	Total investment amount as at 31 December 2020 (QAR'000)	Percentage of holding as at 31 December 2021	Total investment amount as at 31 December 2021 (QAR'000)
Emdad Equipment Leasing Company W.L.L. ("Emdad")	Machinery and equipment leasing	Qatar	39.2%	1	39.2%	1
Juman Village Development	Real estate	Saudi Arabia	27.4%	2,930	27.4%	2,930
Tanween W.L.L. ("Tanween")	Real estate development management	Qatar	48.0%	63,969	48.0%	59,626
Shatter Abbas	Restaurant	Qatar	49.0%	16,635	49.0%	-

(a) **Emdad**

Emdad is an equipment and machinery leasing company in Qatar. The net book value of the Bank's investment in Emdad was QAR1 both as at 31 December 2021 and 31 December 2020. The company is in the process of being wound up.

As at 31 December 2021 and 31 December 2020, Emdad's total assets remained unchanged at QAR68.9 million. For the financial years ended 31 December 2021 and 31 December 2020, the Bank recorded no annual net profit from Emdad's operations.

(b) **Juman Village Development**

Juman Village is a Saudi Arabia-based real estate company. The net book value of the Bank's investment in Juman Village was QAR2.9 million both as at 31 December 2021 and 31 December 2020. The company is in the process of being wound up.

As at 31 December 2021 and 31 December 2020, Juman Village's total assets amounted to QAR11.4 million and QAR105.7 million, respectively. The Bank recorded no annual net profit for the financial year ended 31 December 2021 and a net loss of QAR0.3 million for the financial year ended 31 December 2020.

(c) **Tanween**

Tanween is a real estate development management company in Qatar. The net book value of the Bank's investment in Tanween was QAR59.6 million as at 31 December 2021 and QAR64.0 million as at 31 December 2020.

As at 31 December 2021 and 31 December 2020, Tanween's total assets amounted to QAR252.4 million and QAR301.9 million, respectively. For the financial years ended 31 December 2021 and 31 December 2020, the Bank's annual net loss from Tanween's operations amounted to QAR5.4 million and QAR17.5 million, respectively.

(d) **Shatter Abbas**

Shatter Abbas is a chain of restaurants in Qatar. The net book value of the Bank's investment in Shatter Abbas was nil as at 31 December 2021 and QAR16.6 million as at 31 December 2020. Shatter Abbas was fully impaired in FY21 and the investment was disposed in the third quarter of 2022, and minor profits were achieved.

8.6 Branch Network and Product Distribution

As at 30 June 2022, the Bank had a network of eight retail branches and a head office and 67 ATMs. The Bank is also a part of Qatar's National ATM and POS Switch network of shared ATMs, thereby broadening access to ATM banking for its customers through shared and other banks' ATMs.

Additional distribution channels available to customers include mobile and smartphone banking, internet banking, credit cards, telephone banking, and interactive voice response system.

The Bank has also developed banking services on iPad or personal digital assistants and through virtual banking consultants.

8.7 Selected Financial Information

During October 2022, Dukhan bank has released its interim condensed consolidated financial statements for the nine month period ended 30 September 2022. At the period end, the Bank reported financing assets of QAR 75.1 billion and total assets of QAR 104.6 billion. Total income for the three month period ended 30 September 2022 was QAR 1,078.4 million (QAR 3,152.1 million for the nine month period) while net income from financing activities stood at QAR 784.9 million in the three month period (QAR 2,245.3 million for the nine month period ended 30 September 2022). Net profit for the three month period ended 30 September 2022 was QAR 335.4 million and QAR 1,080.8 million for the nine month period ended 30 September 2022. This represented a basic and diluted earnings per share (prior to the 10 for 1 share split) of QAR 0.61 per share for the three month and QAR 1.98 for the nine month period ended 30 September 2022. Full details of the reviewed financial statements are available on the website of Dukhan Bank under 'Investor Relations' section.

The following tables set out selected consolidated financial information of the Bank as extracted from the Financial Statements up to 30 June 2022. The ratios included herein have been prepared based on management information and information in the Financial Statements. The Bank prepares its financial statements in accordance with the FAS issued by AAOIFI as modified by the QCB, the Islamic Shari'a Rules and Principles as determined by the Shari'a Committee, related regulations of the QCB and applicable provisions of the Companies Law. For matters which are not covered by AAOIFI standards, the Bank uses guidance from the relevant IFRS.

(a) **Consolidated Statement of Financial Position Data**

	As at 31 December		As at 30 June (unaudited)
	2020	2021	2022
	QAR'000	QAR'000	QAR'000
Cash and balances with Qatar Central Bank	3,367,553	7,245,842	6,048,377
Due from banks	5,891,788	5,558,980	1,349,821
Financing assets	58,536,992	75,221,707	74,009,444
Investment securities	16,661,163	20,799,620	19,929,560
Investment in associates and joint ventures	83,535	62,557	63,441
Investment properties	3,497	135,254	135,137
Fixed assets	372,126	279,896	265,739
Intangible assets	1,070,650	992,182	952,948
Other assets	309,317	431,116	950,084
Total assets	**86,296,621**	**110,727,154**	**103,704,551**
Due to banks	18,947,753	16,755,141	14,439,592
Customer current accounts	7,335,487	6,200,820	6,926,182
Other liabilities	1,963,291	2,559,225	2,867,080
Total liabilities	**28,246,531**	**25,515,186**	**24,232,854**
Equity of URIA holders	**46,546,052**	**71,225,407**	**65,578,436**
Share capital	5,234,100	5,234,100	5,234,100
Legal reserve	4,330,473	4,449,812	4,449,812
Treasury shares	(38,350)	(38,350)	(38,350)
Risk reserve	1,235,629	1,338,716	1,338,716
Fair value reserve	(24,621)	(27,098)	(102,442)
Other reserves	73,333	73,333	73,333
Retained earnings	693,383	1,135,207	1,117,251
Total equity attributable to equity holders of the Bank	**11,503,947**	**12,165,720**	**12,072,420**
Non-controlling interest	91	91	91
Sukuk eligible as additional capital	-	1,820,750	1,820,750
Total owners' equity	**11,504,038**	**13,986,561**	**13,893,261**
Total liabilities, equity of URIA holders and owners' equity	**86,296,621**	**110,727,154**	**103,704,551**

(b) **Financial position**

The Bank's total assets decreased by QAR7,022.6 million, or 6 per cent., to QAR103,704.6 million as at 30 June 2022 from QAR110,727.2 million as at 31 December 2021, which itself increased by QAR24,430.5 million, or 28 per cent., from QAR86,296.6 million as at 31 December 2020. The principal driver of the decrease in total assets as at 30 June 2022 compared with 31 December 2021, was a decrease in due from banks by QAR4,209.2 million and a decrease in financing assets by QAR1,212.3 million. The principal driver of the increase in total assets as at 31 December 2021 compared with 31 December 2020 was an increase in financing assets of QAR16,684.7 million mainly due to increase in government financing, an increase in cash and balances with the QCB of QAR3,878.3 million.

The Bank's total liabilities and equity of URIA holders decreased by QAR6,929.3 million, or 7.2 per cent., to QAR89,811.3 million as at 30 June 2022 from QAR96,740.6 million as at 31 December 2021, which itself increased by QAR21,948.0 million, or 29.3 per cent., from QAR74,792.6 million as at 31 December 2020. The principal driver of the decrease in total liabilities and equity of URIA holders as at 30 June 2022 compared with 31 December 2021 was primarily a decrease in equity of URIA holders of QAR5,647.0 million. The principal driver of the increase in total liabilities and equity of URIA holders as at 31 December 2021 compared with as at 31 December 2020 was an increase in equity of URIA holders of QAR24,679.4 million.

8.8 Selected breakdown of Key Assets Categories

(a) Financial assets with credit risk exposure

The following tables present a breakdown of the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorised by the product and industry sectors of the Group's counterparties.

	(Unaudited) As at 30 June 2022	As at 31 Dec 2021	As at 31 Dec 2020
	QAR'000	QAR'000	QAR'000
Murabaha	67,955,743	68,753,773	51,113,474
Ijarah Muntahia Bittamleek	5,035,580	4,992,064	4,750,666
Istisna	665,138	690,408	1,247,706
Musawama	1,081,041	1,094,061	1,172,913
Acceptances	1,108,832	912,987	559,503
Cards	188,057	182,570	195,739
Others	1,949,340	2,129,757	2,248,299
Accrued profit	552,444	497,826	601,826
Total financing assets	78,536,175	79,253,446	61,890,126
Less: Deferred profit	1,432,267	1,271,326	1,515,382
Allowance for impairment on financing assets	2,874,207	2,556,630	1,695,352
Suspended profit on non performing financing assets	220,257	203,783	142,400
Net financing assets	74,009,444	75,221,707	58,536,992

	Total exposure	
	As at 31 Dec 2020	As at 31 Dec 2021
	QAR'000	QAR'000
Funded and Unfunded		
Government	**27,016,165**	**47,510,309**
Industry and manufacturing	2,319,093	2,778,215
Commercial	11,111,726	11,826,033
Financial services	11,168,338	10,322,299
Contracting	19,316,416	18,796,782
Real estate	19,305,535	20,593,729
Personal	11,887,277	13,113,989
Services and others	18,985,758	20,075,314
	121,110,308	145,016,670

(b) **Financial investments**

The following table presents a breakdown of the Bank's direct financial investments in securities:

	As at 31 December		As at 30 June
	2020	**2021**	**2022 (unaudited)**
	QAR'000	QAR'000	QAR'000
Investments classified as held for trading:			
Equity-type investments	79,688	81,801	64,490
Debt-type investments	9,036	95,522	104,657
	88,724	177,323	169,147
Debt-type investments classified at amortised cost:			
Fixed rate	15,406,492	19,257,473	18,455,698
Allowance for impairment	(13,433)	(13,863)	(4,220)
	15,393,059	19,243,610	18,451,478
Equity-type investments classified as fair value through equity	1,019,967	1,213,610	1,155,434
	16,501,750	20,634,543	19,776,059
Accrued profit income	159,413	165,077	153,501
Total	16,661,163	20,799,620	19,929,560

The Bank's financial investments are all currently classified as either "debt-type" or "equity-type" instruments.

(c) **Consolidated Statement of Income Data**

	For the year ended 31 December		(Unaudited) For the six-month period ended 30 June	
	2020	**2021**	**2021**	**2022**
	QAR'000	QAR'000	QAR'000	QAR'000
Net income from financing activities	2,782,160	2,932,677	1,382,718	1,460,406
Net income from investing activities	683,105	682,276	348,983	366,999
Total net income from financing and investing activities	**3,465,265**	**3,614,953**	**1,731,701**	**1,827,405**
Fee and commission income	254,005	245,890	113,506	164,467
Fee and commission expense	(65,838)	(86,546)	(38,709)	(50,740)
Net fee and commission income	**188,167**	**159,344**	**74,797**	**113,727**
Net foreign exchange gain	143,401	169,548	75,115	123,456
Share of results of associates and joint ventures	(19,962)	(5,841)	(4,305)	884
Other income	11,669	112,468	51,586	8,244
Total income	**3,788,540**	**4,050,472**	**1,928,894**	**2,073,716**
Staff costs	(416,462)	(420,058)	(193,733)	(207,156)
Depreciation and amortisation	(109,773)	(135,984)	(67,152)	(67,802)

	For the year ended 31 December		(Unaudited) For the six-month period ended 30 June	
	2020	2021	2021	2022
	QAR'000	QAR'000	QAR'000	QAR'000
Other expenses	(222,848)	(226,072)	(98,950)	(84,133)
Finance cost	(190,603)	(77,105)	(52,369)	(27,137)
Total expenses	**(939,686)**	**(859,219)**	**(412,204)**	**(386,228)**
Net impairment loss on financing assets	(929,804)	(864,081)	(426,071)	(320,930)
Net impairment (loss)/reversal on due from banks	(8)	85	22	(399)
Net impairment (loss)/reversal on investment securities	(5,517)	(430)	58	9,643
Net impairment loss on an associate	(34,956)	(16,195)	-	-
Net impairment loss on fixed assets	-	(10,160)	-	-
Net impairment reversal on off balance sheet exposures subject to credit risk	14,943	18,523	3,702	(11,883)
Profit for the year/period before return to URIA holders	**1,893,512**	**2,318,995**	**1,094,401**	**1,363,919**
Return to URIA holders	(875,308)	(1,123,607)	(507,662)	(617,250)
Net profit for the year/period before intangible assets impairment and tax	**1,018,204**	**1,195,388**	**586,739**	**746,669**
Impairment loss on intangible assets	(450,179)	-	-	-
Net profit for the year/period before tax	**568,025**	**1,195,388**	**586,739**	**746,669**
Tax expense	(1,417)	(1,995)	(1,000)	(1,260)
Net profit for the year/period	**566,608**	**1,193,393**	**585,739**	**745,409**
Basic and diluted earnings per share (QAR per share)	1.09	2.23	1.13	1.37

8.9 Selected Breakdown of Key Sources of Income

(a) **Income from financing activities**

	For the year ended 31 December		(Unaudited) For the six-month period ended 30 June	
	2020	2021	2021	2022
	QAR'000	QAR'000	QAR'000	QAR'000
Murabaha	2,303,245	2,528,736	1,176,514	1,264,275
Ijarah	209,237	179,590	95,521	88,363
Istisna	58,333	40,653	18,504	17,813
Musawama	103,488	96,396	49,274	46,017
Others	107,857	87,302	42,905	43,938
Total	**2,782,160**	**2,932,677**	**1,382,718**	**1,460,406**

(b) **Income from investing activities**

	For the year ended 31 December		(Unaudited) For the six-month period ended 30 June	
	2020	**2021**	**2021**	**2022**
	QAR'000	QAR'000	QAR'000	QAR'000
Coupon income from investment in debt-type instruments, net of amortisation	611,580	602,268	295,019	338,914
Income from inter-bank and Murabaha placements with Islamic banks	30,663	10,380	8,809	7,588
Dividend income	35,447	41,688	19,159	23,374
Net gain on sale of debt-type investments	3,346	22,832	21,430	3,599
Net gain/(loss) on sale of equity-type investments	1,802	6,471	5,467	905
Net fair value and capital gain/(loss) on investment securities carried as fair value through income statement	249	(1,363)	(901)	(7,381)
Other income	18	-	-	-
Total	**683,105**	**682,276**	**348,983**	**366,999**

(c) **Net fee and commission income**

	For the year ended 31 December		For the six-month period ended 30 June (unaudited)	
	2020	**2021**	**2021**	**2022**
	QAR'000	QAR'000	QAR'000	QAR'000
Management and other fee income	159,621	142,202	63,090	107,268
Commission income	92,081	101,556	50,010	56,549
Advisory fee income	815	945	406	608
Structuring and placement fee	455	373	-	-
Performance fee income	1,033	814	-	42
	254,005	245,890	113,506	164,467
Commission expense	(65,838)	(86,546)	(38,709)	(50,740)
Net fee and commission Income	**188,167**	**159,344**	**74,797**	**113,727**

(d) **Selected ratios**

	As at and for the year ended 31 December		As at and for the six-month period ended 30 June (unaudited)	
	2020	**2021**	**2021**	**2022**
		(percentage)		
Return on average equity(1)	4.9	9.4	10.1	10.7
Return on average assets(2)	0.7	1.2	1.2	1.4
Capital adequacy ratio(3)	16.4	18.4	15.9	18.3
Net financing assets to deposit ratio(4)	108.6	97.2	110.6	102.1
Cost to income ratio(5)	27.5	27.4	26.3	25.1
Net profit margin(6)	20.8	41.9	42.8	52.2
Net financing assets to total assets ratio(7)	67.8	67.9	77.1	71.4

Notes:

(1) Net profit for the period/year divided by average total owners' equity for the period/year. Average total owners' equity is calculated as a simple average of the opening and closing balances of total owners' equity for the relevant year or period. Net profit for the periods ended 30 June 2021 and 30 June 2022 is presented on an annualised basis.
(2) Net profit for the period/year divided by average total assets for the period/year. Average total assets are calculated as a simple average of the opening and closing balances of total assets for the relevant year or period. Net profit for the periods ended 30 June 2021 and 30 June 2022 is presented on an annualised basis.
(3) Tier one capital as at the period/year end plus tier two capital as at the period/year end divided by risk weighted assets as at the period/year end. The CAR for the years ended 31 December 2020 and 31 December 2021 and for the six-month periods ended 30 June 2021 and 2022 were calculated in accordance with the Basel III guidelines issued by the QCB.
(4) Net financing assets as at the period/year end divided by customer deposits (which include customer current accounts and equity of URIA holders) as at the relevant period/year end.
(5) Sum of staff costs, depreciation and amortisation and other expenses for the period/year divided by total income after deducting finance cost and return to URIA holders for the relevant period/year.
(6) Net profit for the period/year divided by total income after deducting finance cost and return to URIA holders for the relevant period/year.
(7) Net financing assets as at the relevant period/year end divided by total assets as at the relevant period/year end.

(e) **Net operating income**

The reconciliation of net operating income of the Bank to the nearest GAAP measure is as follows:

	For the period/year ended		
	30 June 2022 (unaudited)	**31 December 2021**	**31 December 2020**
	QAR'000	QAR'000	QAR'000
Total income	2,073,716	4,050,472	3,788,540
Less			
Staff costs	(207,156)	(420,058)	(416,462)
Depreciation and amortisation	(67,802)	(135,984)	(109,773)
Other expenses	(84,133)	(226,072)	(222,848)
Finance cost	(27,137)	(77,105)	(190,603)
Return to URIA holders	(617,250)	(1,123,607)	(875,308)
Net operating income	**1,070,238**	**2,067,646**	**1,973,546**

(f) **Operational Performance**

The table below shows the total segmental revenue and segmental net profit (loss) of each of the reporting segments for each of the years ended 31 December 2021 and 31 December 2020 as well as each reporting segment's total assets and total liabilities as at 31 December 2021 and 31 December 2020.

	Wholesale Banking	**Retail and Private Banking**	**Treasury and Investments Division**	**Investment Banking and Asset Management**	**Unallocated**	**Total**
			(QAR million)			
As at/for the year ended 31 December 2021						
Total segment revenue(1)	1,795.4	1,511.9	729.7	13.4	-	4,050.5
Net impairment loss on financing assets	(284.7)	(579.4)	-	-	-	(864.1)
Net impairment loss on investment securities	-	-	0.1	(0.5)	-	(0.4)
Net impairment recovery from off balance sheet exposures subject to credit risk	18.5	-	-	-	-	18.5
Reportable segment net profit	752.3	(29.1)	503.6	(33.4)	-	1,193.4
Reportable segment assets	39,871.1	35,883.8	33,558.9	421.2	992.2	110,727.2
Reportable segment liabilities	36,968.0	42,232.5	17,528.7	11.4	-	96,740.6

	Wholesale Banking	Retail and Private Banking	Treasury and Investments Division	Investment Banking and Asset Management	Unallocated	Total
			(QAR million)			
As at/for the year ended 31 December 2020						
Total segment revenue(1)	1,839.7	1,217.4	737.6	(6.2)	-	3,788.5
Net impairment loss on financing assets	(444.6)	(485.2)	-	-	-	(929.8)
Net impairment loss on investment securities	-	-	(4.9)	(0.6)	-	(5.5)
Net impairment recovery from off balance sheet exposures subject to credit risk	14.9	-	-	-	-	14.9
Reportable segment net profit	576.6	86.7	393.2	(39.8)	(450.2)	566.6
Reportable segment assets	38,999.4	19,904.9	25,855.9	465.9	1,070.7	86,296.6
Reportable segment liabilities	29,482.0	25,860.8	19,441.9	7.9	-	74,792.6

Notes:

(1) Total segment revenue for the purpose of this analysis comprises total income from financing and investing activities, net fee and commission income, foreign exchange gain, other income and share of results of associates and joint ventures.

The table below shows the percentage contribution to the Bank's total segmental revenue and segmental net profit (loss) of each of the reporting segments for the year ended 31 December 2021 as well as the percentage contribution of each reporting segment to the Bank's total assets and total liabilities as at 31 December 2021.

	Wholesale Banking	Retail and Private Banking	Treasury and Investments Division	Investment Banking and Asset Management	Unallocated	Total
			(percentage)			
As at/for the year ended 31 December 2021						
Total segment revenue(1)	44	37	18	-	-	100
Net impairment loss on financing assets	33	67	-	-	-	100
Net impairment loss on investment securities	-	-	-13	113	-	100
Net reversal of impairment on off balance sheet exposures subject to credit risk	100	-	-	-	-	100
Reportable segment net profit/(loss)	63	-2	42	-3	-	100
Reportable segment assets	36	32	30	-	1	100
Reportable segment liabilities	38	44	18	-	-	100

Notes:

(1) Total segment revenue for the purpose of this analysis comprises total income from financing and investing activities, net fee and commission income, foreign exchange gain, other income and share of results of associates and joint ventures.

The table below shows the total segmental revenue and segmental net profit (loss) of each of the reporting segments for the six-month periods ended 30 June 2022 and 30 June 2021 as well as each reporting segment's total assets and total liabilities as at 30 June 2022 and 30 June 2021.

	Wholesale Banking	Retail and Private Banking	Treasury and Investments Division	Investment Banking and Asset Management	Unallocated	Total
			(QAR million)			
As at/for the six-month period ended 30 June 2022 (unaudited)						
Total income from financing and investing activities	698.5	761.9	363.6	3.4	-	1,827.4
Net fee and commission income	79.6	25.1	3.5	5.5	-	113.7
Reportable segment net profit/(loss)	389.3	(9.4)	359.0	6.6	-	745.4
Reportable segment assets	38,935.9	36,975.3	26,418.2	422.2	952.9	103,704.6

	Wholesale Banking	Retail and Private Banking	Treasury and Investments Division	Investment Banking and Asset Management	Unallocated	Total
			(QAR million)			
As at/for the six-month period ended 30 June 2021						
Total income from financing and investing activities	700.9	681.8	345.3	3.7	-	1,731.7
Net fee and commission income	53.8	16.6	-	4.4	-	74.8
Reportable segment net profit	262.7	3.5	320.2	(0.7)	-	585.7
Reportable segment assets	44,330.0	35,554.3	20,526.5	468.0	1,031.4	101,910.3

Set out below is a brief discussion of the Bank's consolidated operating performance for the year ended 31 December 2021 compared to the year ended 31 December 2020 and for the six-month period ended 30 June 2022 compared to the six-month period ended 30 June 2021.

(i) **Total segment revenue for the year ended 31 December 2021 compared to the year ended 31 December 2020**

The Bank's total segment revenue increased by QAR261.9 million, or 7 per cent., to QAR4,050.5 million for the year ended 31 December 2021 from QAR3,788.5 million for the year ended 31 December 2020. The increase is mainly attributed to an increase in revenue from Retail and Private Banking and Investment Banking and Asset Management, which more than offsets a decrease in revenue from wholesale banking. Each of the Bank's reporting segments performed as follows:

(A) total segment revenue attributable to Wholesale Banking decreased by QAR44.3 million, or 2 per cent., to QAR1,795.4 million for the year ended 31 December 2021 from QAR1,839.7 million for the year ended 31 December 2020. This decrease was primarily due to a decrease in total income from financing activities for the year ended 31 December 2021;

(B) total segment revenue attributable to Retail and Private Banking increased by QAR294.5 million, or 24 per cent., to QAR1,511.9 million for the year ended 31 December 2021 from QAR1,217.4 million for the year ended 30 December 2020. This increase was primarily due to an increase in total income from financing activities for the year ended 31 December 2021;

(C) total segment revenue attributable to the Treasury and Investments Division decreased by QAR7.9 million, or 1 per cent., to QAR729.7 million for the year ended 31 December 2021 from QAR737.6 million for the year ended 31 December 2020. This decrease was primarily due to a decrease in foreign exchange income; and

(D) total segment revenue attributable to Investment Banking and Asset Management amounted to QAR13.4 million for the year ended 31 December 2021 from a net loss of QAR6.2 million for the year ended 31 December 2020. This increase was primarily due to a reduced loss attributable to the share of results of associates and joint ventures and higher fee income for the year ended 31 December 2021.

(ii) **Net profit for the year ended 31 December 2021 compared to the year ended 31 December 2020**

The Bank's net profit for the year increased by QAR626.8 million, or 111 per cent., to QAR1,193.4 million for the year ended 31 December 2021 from QAR566.6 million for the year ended 31 December 2020, largely as a result of the lower impairment loss on intangible assets and increased financing and investing income. For the year ended 31 December 2021, the Bank recorded net impairment losses of QAR872.3 million compared to net impairment losses of QAR1,405.5 million for the year ended 31 December 2020. The impairment charges for the year ended 31 December 2021 include a net impairment loss on financing assets of QAR864.1 million and a net impairment loss on an associate of QAR16.2 million. The impairment charges for the year ended 31 December 2020 include a net impairment loss on financing assets of QAR929.8 million, a net impairment loss on intangible assets of QAR450.2 million and a net impairment loss on investment securities of QAR5.5 million. The impairment charges on financing assets were primarily attributable to Wholesale and Retail and Private Banking segments in the year ended 31 December 2021.

In terms of reporting segments, net profit in Wholesale Banking increased by QAR175.7 million, or 30 per cent., to QAR752.3 million for the year ended 31 December 2021 from QAR576.6 million for the year ended 31 December 2020, mainly as a result of a change in segment revenue attributable to the Wholesale Banking segment for the year ended 31 December 2021 following the Business Combination. The Wholesale Banking segment had a net impairment loss on financing assets of QAR284.7 million for the year ended 31 December 2021 compared to a net impairment loss on financing assets of QAR444.6 million for the year ended 31 December 2020, and a net reversal of impairment on off balance sheet exposures subject to credit risk of QAR18.5 million for the year ended 31 December 2021 compared to a net reversal of QAR14.9 million for the year ended 31 December 2020.

Net loss attributable to Retail and Private Banking amounted to QAR29.1 million for the year ended 31 December 2021 compared to a net profit of QAR86.7 million for the year ended 31 December 2020, mainly as a result of the increase in net impairment loss on financing assets for the year ended 31 December 2021, despite the increase in segment revenue by 24 per cent. The Retail and Private Banking segment had a net impairment loss on financing assets of QAR579.4 million for the year ended 31 December 2021 compared to QAR485.2 million for the year ended 31 December 2020, as a result of the additional specific provisions taken as a result of expected credit loss from the impact of COVID-19 and credit quality deterioration in certain sectors, which resulted due to worsening of the macro-economic conditions.

Net profit attributable to the Treasury and Investments Division increased by QAR110.4 million, or 28 per cent., to QAR503.6 million for the year ended 31 December 2021 from QAR393.2 million for the year ended 31 December 2020, as a result of a decrease in finance cost for the year ended 31 December 2021 and lower net impairments on investment securities. The Treasury and Investments Division had a net impairment recovery on investment securities of QAR0.1 million for the year ended 31 December 2021 compared to QAR4.9 million for the year ended 31 December 2020.

Net loss attributable to Investment Banking and Asset Management decreased by QAR6.4 million to a net loss of QAR33.4 million for the year ended 31 December 2021 compared to a net loss of QAR39.8 million for the year ended 31 December 2020, as a result of the increase of segment revenue attributable to the Investment Banking and Asset Management segment and lower share of loss on associates and joint ventures for the year ended 31 December 2021.

(iii) **Total segment revenue for the six-month period ended 30 June 2022 compared to the six-month period ended 30 June 2021**

The Bank's total segment revenue increased by QAR144.8 million, or 8 per cent., to QAR2,073.7 million for the six-month period ended 30 June 2022 from QAR1,928.9 million for the six-month period ended 30 June 2021. The relative contributions of each of the Bank's reporting segments to this increase were as follows:

(A) total segment revenue attributable to Wholesale Banking decreased by QAR20.9 million, or 3 per cent., to QAR811.0 million for the six-month period ended 30 June 2022 from QAR831.9 million for the six-month period ended 30 June 2021. This decrease was primarily due to decrease in other income;

(B) total segment revenue attributable to Retail and Private Banking increased by QAR100.1 million, or 14 per cent., to QAR827.5 million for the six-month period ended 30 June 2022 from QAR727.5 million for the six-month period ended 30 June 2021. This increase was primarily due to an increase in the financing assets portfolio, which resulted in an increase in financing income by QAR80.1 million to QAR761.9 million for the six-month period ended 30 June 2022 from QAR681.8 million from the six-month period ended 30 June 2021;

(C) total segment revenue attributable to the Treasury and Investments Division increased by QAR59.6 million, or 16 per cent., to QAR425.4 million for the six-month period ended 30 June 2022 from QAR365.8 million for the six-month period ended 30 June 2021. This increase was primarily due to an increase in the foreign exchange income from QAR20.5 million for the six-month period ended 30 June 2021 to QAR58.3 million for the six-month period ended 30 June 2022; and

(D) total segment revenue attributable to Investment Banking and Asset Management increased by QAR6.0 million, or 158 per cent., to QAR9.8 million for the six-month period ended 30 June 2022 from QAR3.8 million for the six-month period ended 30 June 2021. This increase was primarily due to a gain attributable to the share of results of associates and joint ventures of QAR0.9 million for the six-month period ended 30 June 2022 compared to a loss on the share of results of associates and joint ventures of QAR4.3 million for the six-month period ended 30 June 2021.

(iv) **Net profit for the six-month period ended 30 June 2022 compared to the six-month period ended 30 June 2021**

The Bank's net profit increased by QAR159.7 million, or 27 per cent., to QAR745.4 million for the six-month period ended 30 June 2022 from QAR585.7 million for the six-month period ended 30 June 2021. For the six-month period ended 30 June 2022, the Bank recorded net impairment charges of QAR323.6 million compared to net impairment charges of QAR422.3 million for the six-month period ended 30 June 2021. The majority of the impairment charges for the six-month period ended 30 June 2022 were attributable to a specific provision charge of QAR228.6 million against stage three classified financing assets and an increase in ECL of QAR95.0 million against stage one and two classified financing assets.

In terms of reporting segments, net profit in Wholesale Banking increased by QAR126.6 million, or 48 per cent., to QAR389.3 million for the six-month period ended 30 June 2022 compared to QAR262.7 million for the six-month period ended 30 June 2021.

Net profit attributable to Retail and Private Banking amounted to a net loss of QAR9.4 million for the six-month period ended 30 June 2022 compared to a net profit of QAR3.5 million for the six-month period ended 30 June 2021 due to an increase in the impairment charge.

Net profit attributable to the Treasury and Investments Division increased by QAR38.8 million, or 12 per cent., to QAR359.0 million for the six-month period ended 30 June 2022 compared to QAR320.2 million for the six-month period ended 30 June 2021. The Treasury and Investment Division had a net impairment reversal on investment securities of QAR9.2 million for the six-month period ended 30 June 2022 compared to a net reversal of impairment on investment securities of QAR0.1 million for the six-month period ended 30 June 2021.

Net profit attributable to Investment Banking and Asset Management amounted to a net profit of QAR6.6 million for the six-month period ended 30 June 2022 compared to a net loss of QAR0.7 million for the six-month period ended 30 June 2021. The Investment Banking and Asset Management segment recorded a net impairment reversal on investment securities of QAR0.6 million in the six-month period ended 30 June 2022 compared to no impairment on investment securities in the six-month period ended 30 June 2021.

8.10 Capital Management/Adequacy

As of 30 June 2022, the Bank's total CAR was 18.3 per cent. with total CET 1 Capital, including capital conservation buffer, at QAR10,410.0 million (in each case, calculated in accordance with the Basel III guidelines issued by the QCB).

The shareholders of the Bank have consistently maintained a strong level of capitalisation to support the business activities and development of the Bank. The following table shows the risk weighted values and capital charge for capital ratio purposes of the Bank as at 31 December 2020, 31 December 2021 and 30 June 2022 compared with historical levels

	As at 31 December		As at 30 June (unaudited)
	2020	**2021**	**2022**
	QAR'000	QAR'000	QAR'000
Tier 1 Capital	9,913,641	12,266,883	12,230,773
Tier 2 Capital	751,097	789,705	807,985
Total Regulatory Capital	10,664,738	13,056,588	13,038,758
Total Risk Weighted Assets	65,091,233	70,985,325	71,419,560
Tier 1 Capital Ratio including capital conservation buffer (per cent.)	15.2	17.3	17.1
Total Capital Ratio including capital conservation buffer and domestic systematically important bank buffer (per cent.)	16.4	18.4	18.3

The assessment of the various capital adequacy risks across the group is carried out in conjunction with its ICAAP which is undertaken annually. The Bank's internal assessment process is carried out in the following six distinct stages:

- defining the Bank's vision and financial targets and formulating the Bank's risk appetite;
- formulating a capital and liquidity plan as well as a business plan for the next five years;
- formulating a group-wide recovery and resolution plan;
- evaluating material risks, calculating capital required and suggesting appropriate controls to mitigate risk;
- stress testing on current and projected risk profiles and calculating capital requirements in stress conditions; and
- presentation of the ICAAP and the yearly audit of the same by external auditors.

As at the date of this Prospectus, the Bank is compliant with Basel III, having adopted the standardised approach for credit risk, the basic indicator approach for operational risk and the standardised approach for market risk and the calculation of its capital taking into account the required regulatory deductions for investments in associates. The required CAR is 15.0 per cent. including ICAAP and DSIB charge under the Basel Committee Basel III requirements.

The Bank's total CAR was 18.3 per cent. as at 30 June 2022, 18.4 per cent. as at 31 December 2021 and 16.4 per cent. as at 31 December 2020, which was above the QCB requirement to maintain a minimum total CAR of 15.0 per cent. The Bank's CET 1 Capital, including capital conservation buffer, was QAR10,410 million as at 30 June 2022, QAR10,446 million as at 31 December 2021 and QAR9,914 million as at 31 December 2020. The Bank's CET 1 CAR, including capital conservation buffer, was 14.6 per cent. as at 30 June 2022, 14.7 per cent. as at 31 December 2021 and 15.2 per cent. as at 31 December 2020.

The Bank has already implemented the following internal procedures to comply with the QCB Basel III requirements:

- capital adequacy and the use of regulatory capital are monitored by the management on a regular basis following techniques based on guidelines developed by the Basel Committee and the QCB;
- Basel III returns, both at standalone and on a consolidated basis, are prepared by the enterprise risk management department housed under the Risk Management team; and
- the two liquidity standards (Liquidity Coverage Ratio and Net Stable Funding Ratio) suggested under Basel III have been fully implemented and are regularly monitored by the ALCO.

8.11 Related Party Transactions

Certain related parties (principally the significant owners and entities over which the Bank and the owners exercise significant influence, the Board and executive management of the Bank and entities which are jointly controlled by the Bank) are customers of the Bank in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including profit and commission rates and the requirements for collateral, as those prevailing at the time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions.

The following table presents a breakdown of the Bank's related parties transactions as at and for the years or periods specified:

	As at and for the year ended 31 December 2020		
	Subsidiaries	**Board of Directors**	**Others**
	QAR'000	QAR'000	QAR'000
Assets:			
Customer financing	-	4,854,194	-
Liabilities:			
Customer deposits	630,966	1,247,641	3,377,413
Off balance sheet items:			
Unfunded credit facilities	21,608	454,435	-
Consolidated income statement items:			
Profit income	-	177,674	-
Profit expense	15,406	11,044	115,671

	As at and for the year ended 31 December 2021		
	Subsidiaries	**Board of Directors**	**Others**
	QAR'000	QAR'000	QAR'000
Assets:			
Customer financing	-	5,464,360	-
Liabilities:			
Customer deposits	567,466	1,333,655	3,742,212
Off balance sheet items:			
Unfunded credit facilities	16,866	376,991	-
Consolidated income statement items:			
Profit income	-	189,393	-
Profit expense	10,951	29,190	43,481

	As at and for the six-month period ended 30 June 2022 (unaudited)		
	Subsidiaries	Board of Directors	Others
	QAR'000	QAR'000	QAR'000
Assets:			
Customer financing	-	6,243,016	-
Liabilities:			
Customer deposits	710,401	1,098,082	3,434,373
Off balance sheet items:			
Unfunded credit facilities	3,490	455,810	-

Key management personnel and their immediate relatives have transacted with the Bank during the years ended 31 December 2020 and 31 December 2021 and period ended 30 June 2022 as follows:

	For the year ended 31 December		For the six-month period ended 30 June (unaudited)
	2020	2021	2022
	QAR'000	QAR'000	QAR'000
Financing to key management personnel	13,015	8,946	9,468

Key management personnel compensation for the years ended 31 December 2020 and 31 December 2021 and period ended 30 June 2022 comprised:

	For the year ended 31 December		For the six-month period ended 30 June (unaudited)
	2020	2021	2022
	QAR'000	QAR'000	QAR'000
Short-term employee benefits	62,652	65,664	34,450
Post-employment benefits	4,920	6,114	2,660
Total	**67,572**	**71,778**	**37,110**

8.12 Strategy and Business Plan

The Bank's mission

The Bank's vision is to be regarded as one of the world's leading Islamic financial services groups, acknowledged for its progressive ethos, excellent service, outstanding results and contribution to society.

The Bank's overall mission is to build long-lasting partnerships with customers while, at the same time, creating long-term value for its shareholders through the growth of profitable and sustainable businesses.

The Bank expects to achieve this mission through the following strategies:

(a) Expansion of the Bank's Wholesale Banking business in Qatar

The Bank aims to enhance its established wholesale banking footprint through differentiated products and services which include, among other things, helping clients access global capital markets, sophisticated treasury products, investment banking or corporate finance advisory and a full range of Shari'a-compliant financing options. In addition, the Bank seeks to leverage capital deployed through origination and syndication activities.

The Bank believes that by expanding its Wholesale Banking business, it will be better positioned to take advantage of the domestic opportunities presented by the implementation of the National Vision (see section 12 ("Overview of Qatar")). In particular, bearing in mind Qatar's economic development strategy and the favourable investment climate, the Bank aims to finance a large share of the infrastructure projects planned to take place in the country going forward.

(b) **Selective and focused expansion of the Bank's Retail Banking segment**

The Bank is targeting a selective and focused expansion of its Retail Banking segment where the return on assets is in line with targets set by the management. In particular, it wishes to increase and enhance its premium and private banking products and services to cater to its target market (being high net worth Qataris and expatriates) through a combination of excellent customer service and increased accessibility. Further, the Bank plans a roll-out of a comprehensive ATM network, market leading internet services and call centres. The Bank also seeks to add to its wealth management capabilities by providing access to a wide spectrum of different asset classes, through products offered by the Bank and third-party offerings.

(c) **The Bank aims to become a leading institution in the GCC and MENA regions in Islamic financial markets**

The Bank's strategy in respect of the Treasury and Investments Division is to become recognised by corporate customers and market counterparties for its innovative solutions and quality of service in order to be the preferred choice for potential clients. Through prudent liquidity and asset liability management, the Bank seeks to strengthen its funding structure and deliver an optimal funding cost. The Bank also aims to increase its sukuk market-making and trading capability to complement the Bank's Debt Capital Markets capability. The Bank's Treasury and Investments Division strategy also includes having a broad product offering across financial assets to diversify risk, robust risk management, and enabling close coordination with TFI to increase the Bank's asset management proposition.

(d) **Leveraging synergies across the subsidiaries**

In order to maximise income opportunities and realise infrastructure efficiencies, wherever possible, the Bank seeks to exploit cross-selling opportunities across the Group, for example, cross-selling fee and commission generating products to corporate and private banking customers. Similarly, it seeks to realise inherent economies of scale associated with common infrastructure, premises, Group-level support services, governance functions (Risk, Human Resources, Audit and Compliance) and migration to a common IT platform.

(e) **Maintaining a culture of service excellence and efficiency**

The Bank has a customer-centric approach and continues to invest in improving its customer experience proposition, with innovation at the forefront of its customer service model, whilst ensuring cost efficiencies. The Bank focuses on high service quality by providing an efficient and convenient service, unique customer experience and fully-fledged offerings covering key customer needs. Accessibility to the Bank has been further enhanced following the Business Combination. The Bank seeks to provide full omni-channel access experience and to further reduce customer waiting time, with real time responses supported by digital transformation.

(f) **Sustainability through liability growth**

One of the Bank's key strategies is to ensure adequate funding and liquidity and to develop a sustainable cost of funds advantage, seizing opportunities to bolster its balance sheet. The Bank aims to achieve a balanced loan-to-deposit ratio by increasing customer deposits (in particular, current and savings account deposits) and expanding its Private Banking client base through a distinctive value proposition. It seeks to further lower its cost of funds as a way to fuel balance sheet growth and improve returns.

(g) **Capital management and allocation**

Capital management and allocation is critical for all of the Bank's lending and investment decisions. The Bank manages its capital base to obtain an attractive return on capital while maintaining adequate buffers over regulatory requirements and ensuring future growth. The Bank aims to ensure an attractive return on capital by allocating capital to segments and products that offer the best risk adjusted return on equity. The Bank evaluates its capital requirements through various techniques such as demand forecasting and stress testing to ensure adequate buffers.

(h) **Digital transformation**

The Bank has, from its inception, invested heavily in IT and now has a state-of-the-art suite of banking systems across most core banking functions. The Bank currently operates key third party software to support its different operating functions and provides a full suite of electronic and phone banking services. All customer interfaces are subjected to rigorous third party penetration testing prior to deployment and incorporate industry standard two-factor authentication to mitigate the risk of security breaches.

As part of its business continuity plan, the Bank maintains a back-up data centre in Doha which supports all critical systems. The Group has a disaster recovery policy and tests full and partial disaster recovery scenarios at regular intervals.

The Bank applies and deploys the highest security standards in order to protect the data for its omni-channels and internet banking services.

The digitalisation of many of the Bank's core business processes is a key strategic focus for the Bank. In the context of ever-evolving and rapidly changing customer demands and industry boundaries, in which traditional and non-financial competitors are embracing digital solutions to offer banking services through non-traditional distribution channels, the Bank's digital and data analytics strategy aims to improve returns on equity through a combination of customer acquisition, reductions in processing costs and reductions in impairment charges.

As part of its long-term strategy towards digital transformation, the Bank launched a mobile banking application in 2019 and more recently, a POS product, which offers valued customers fully-fledged Islamic POS services with easy and convenient user friendly options. The Bank has also recently undertaken other digital initiatives including Fitbit contactless payment, Apple Pay and Google Pay.

(i) **Personnel**

The Bank recognises the contribution of its staff members to its long-term profitability and success. To this end, the Bank seeks to retain its key staff members, to periodically review their compensation and incentives and reward them in accordance with their performance. The Bank also remains focused on attracting talent to key new roles within the organisation through a competitive compensation structure, its investment in its people and its commitment to building inspiring career paths for staff especially local youth.

8.13 Competition and Competitive Strengths

(a) **Competition**

The Bank is subject to competition in Qatar from both locally-incorporated and foreign banks. The following factors highlight some of the competitive challenges faced by the Bank:

(i) **Increased competition from local and international banks in Qatar**

According to the QCB, as at 30 June 2022, there were a total of 16 banks licensed by the QCB, consisting of four domestic conventional banks, one State-owned development bank, four domestic Islamic banks and seven foreign banks. As at 30 June 2022, Qatar National Bank was the largest bank in Qatar and accounted for approximately 56.9 per cent. of the market share amongst the listed Qatari banks (conventional and Islamic) and the Bank. Within the Islamic banking sector, as at 30 June 2022, the Bank was the third largest Islamic bank in Qatar and had a market share of approximately 19.6 per cent. in terms of total assets, and its main competitors include Qatar Islamic Bank (which accounted for an estimated 36.4 per cent. of the total assets of Islamic banks in Qatar), Qatar International Islamic Bank (with an estimated 12.0 per cent. of the total assets of Islamic banks in Qatar) and Masraf Al Rayan (with an estimated 31.9 per cent. of the total assets of Islamic banks in Qatar).

Although local banks generally have stronger relationships with local customers, international banks may have greater resources and access to cheaper funding than local banks. International banks may also be able to leverage their international expertise and this may prove more attractive to key domestic companies and Governmental bodies as well as foreign companies operating in Qatar. To this extent, the Bank may be at a competitive disadvantage.

(ii) **Increasing competition from entities established in the QFC**

The QFC has attracted new banks and financial institutions given its low-tax environment, a 100 per cent. foreign ownership structure and profit repatriation. The QFC targets international institutions which have expertise in banking, insurance, asset management, financial advisory services and securities and derivatives dealing, as well as Islamic finance. Current licensees of the QFC include investment banks and multinational banks. Institutions registered with the QFC undertake activities which are categorised as: (i) regulated activities (essentially financial services); or (ii) non-regulated activities (essentially activities in support of financial services). QFC-registered banks are subject to restrictions on the local banking activities they are permitted to undertake and, as a result, they cannot conduct transactions with retail customers in Qatar.

(b) **Competitive Strengths**

Notwithstanding the competition faced by the Bank as discussed above, the Bank believes that it has a number of principal strengths which may offer it a competitive advantage, including the following:

(i) **Strong brand in Islamic banking**

In Qatar, the Bank is one of the leading Islamic banks with a broad portfolio of consumer and wholesale products and well-established relationships with its client base. Following the Business Combination, the Bank acquired a rich history of deep relationships within Qatar. IBQ was one of the oldest existing banks in Qatar and celebrated its 60th anniversary in 2016. Established as the "Ottoman Bank" in 1956, IBQ received various international and prestigious accolades testament to its position as one of Qatar's leading banks. The Bank has set up a domestic network of eight retail branches and a head office strategically located across Doha. In addition, the Bank has been repeatedly recognised through awards in international and regional forums for its leading role in the Qatari banking industry (see section 7 ("Business of the Bank")).

The management believes that the Bank's strong position in consumer and wholesale banking enables the Bank to benefit from economies of scale and provides a strong platform for sustained profitability in the Qatari banking market. It also believes that the Bank's market position and strong brand recognition throughout Qatar reflect the Bank's focus on high quality customer service, creation of innovative products and services and its established track record in both consumer and wholesale banking.

The Bank has maintained strict compliance with Shari'a principles in all of its financial transactions through the guidance of the Shari'a Committee. The Shari'a Committee is composed of scholars who are globally renowned in the field of commercial and financial Islamic transactions (see section 9 ("Management and Corporate Governance) under sub-section titled "Shari'a Committee").

(ii) **Strong Governmental support and mutually beneficial partnership with the Government**

The Government directly and indirectly holds over 44 per cent. of the Bank's issued and paid-up share capital (see section 8.2 ("Capital Structure")). The Bank is partly owned by the Government and, therefore, would expect strong governmental support in the event of a crisis.

In recent years, the Government, through the QCB, has taken several steps to provide capital to support the domestic commercial banking sector and thereby ensure the general financial health of Qatar's banks (see section 13 ("The Qatar Banking Sector and Regulations")). This capitalisation process has enhanced the Bank's financial position and affirmed its ability to meet its goals and strategic plans. In addition, the Government and its related entities have also increased its deposit contributions (which represent the sum of governmental deposits in (i) customer current accounts and (ii) equity of URIA holders) from QAR5.1 billion as at 31 December 2011 to QAR27.1 billion as at 31 December 2021.

These Government actions have served to further strengthen the Bank's already strong capital base. A total CAR of 18.4 per cent. (with a Tier 1 CAR including capital conservation buffer of 17.3 per cent.) as at 31 December 2021 indicates that the Bank is well positioned to take advantage of its planned strategies for growth.

The Bank's interaction with the Government also takes place through the provision of finance to the Government and Government-related entities. In particular, many Government-controlled entities regularly engage the Bank in new business opportunities and have remained long-standing clients of the Bank. Financing assets outstanding directly to the Government were QAR18.7 billion as at 30 June 2022 as compared to QAR 21.3 billion as at 31 December 2021 and QAR 8.7 billion as at 31 December 2020.

The financial and other support provided by the Government has helped to stabilise the Bank's performance in turbulent economic periods and to enhance customer and market confidence in the Bank. Although there can be no assurance that the Government will continue to support the Bank, the management believes that the Bank's relationship with the Government is unlikely to change in the foreseeable future.

(iii) **Experienced management team and commitment to corporate governance**

The Bank's Chairman, H.E. Sheikh Mohammed Bin Hamad Bin Jassim Al Thani, has extensive experience in the banking sector, including previous roles with international banks and financial institutions such as J.P. Morgan. He also held various posts in the Qatari quasi-governmental and private sector.

Day-to-day management of the Bank is entrusted to the Acting Chief Executive Officer, Mr. Ahmed Hashem, who has held the role since January 2023. Mr. Ahmed Hashem has more than 19 years of experience in the banking sector at the Bank dealing with various portfolios across wholesale banking. He held a number of positions at the Bank including Assistant General Manager of Wholesale Banking and Deputy Chief Executive Officer.

Mr. Ahmed Hashem is assisted by a senior management team that have extensive knowledge and experience of the banking sector in Qatar and the MENA region and more generally, in leading international financial institutions, and guided by a strong and stable Board of high repute and professional experience.

The Board and Risk Committee set standards for a robust and effective corporate governance framework. The management believes that corporate governance is a matter of vital importance and a fundamental part of the business practices of the Bank. An existing team of highly experienced professionals, coupled with best practice corporate governance standards, positions the Bank well for future growth.

(iv) **Full product offering to meet both retail and corporate client needs**

The Bank offers customers a comprehensive range of customised Islamic products and services that meet the needs of both its individual and corporate clients.

(v) **Strong liquidity position with diverse funding sources**

The Bank has access to diverse sources of funding. The Bank's assets are managed with liquidity in mind, in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities. In addition, the Bank maintains a mandatory deposit with the QCB and has contingent funding facilities in place with the QCB.

The Bank's liquidity positions are monitored closely by the Treasurer and Chief Investment Officer of the Bank and the ALCO have joint responsibility for managing liquidity risk and ensuring compliance with the QCB's liquidity ratio.

9

Management and Corporate Governance

9. MANAGEMENT AND CORPORATE GOVERNANCE

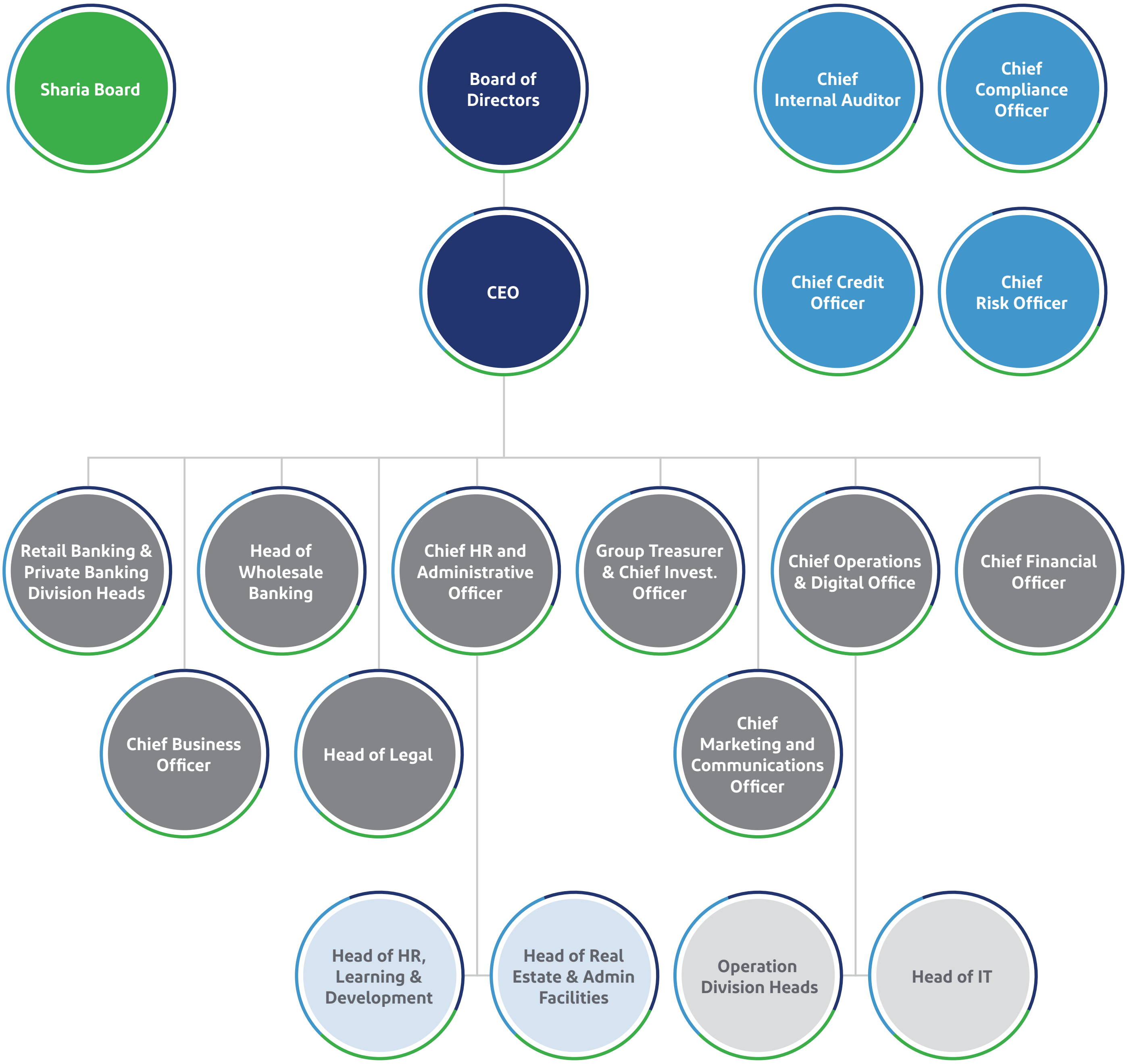
9.1 Management

The Bank is domiciled and registered in Qatar as an Islamic bank under the regulatory oversight of the QCB. This section sets out the Bank's organisational structure as at the date of this Prospectus.

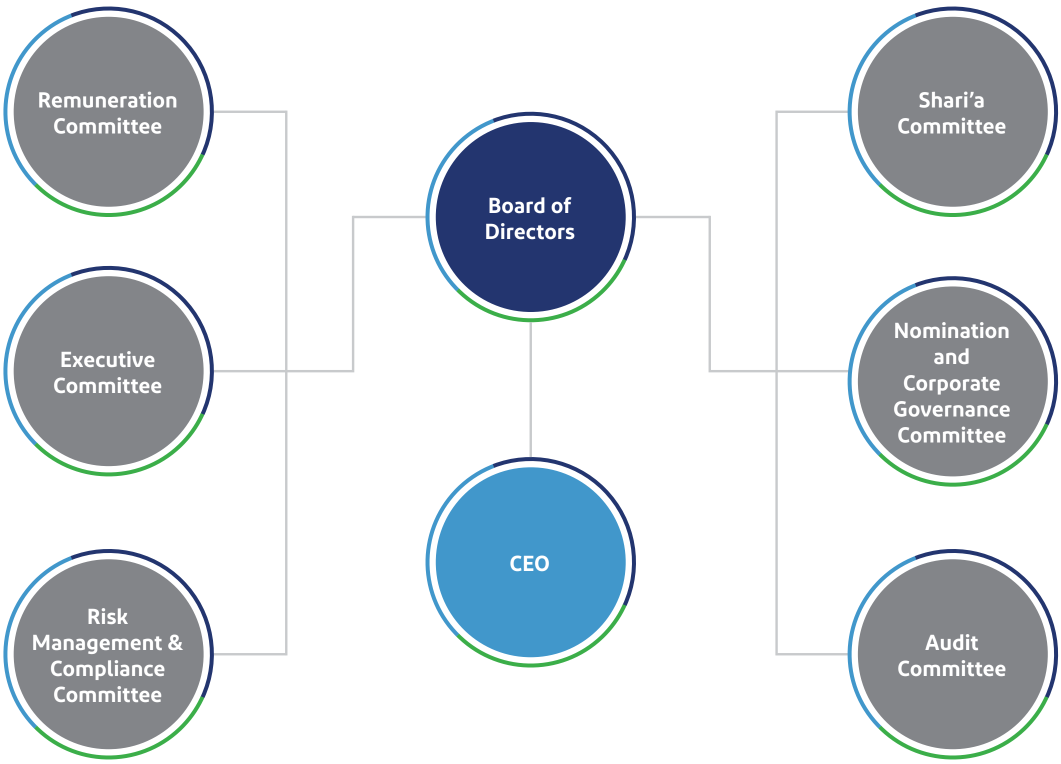
9.2 Operational and Corporate Governance Structure

The below diagrams show the Bank's operational and corporate governance structures.

Operational Structure:



Corporate Governance Structure:



(a) **Board of Directors**

The Board is responsible for the overall direction, supervision and control of the Bank. The day-to-day management of the Bank is conducted by the Executive Committee and the Chief Executive Officer.

The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives and its functions within the agreed framework in accordance with relevant statutory and regulatory structures. The Board meets at least six times a year. The Board currently comprises nine members. Each director holds his position for three years, which may then be renewed except that the first Board upon Listing and conversion will be appointed for a term of five years.

Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. The Board and the Bank's senior management have delegated certain powers to committees, as described below.

As at the date of this Prospectus, the Board is composed of the following members (noting that one Board member, who represented the General Retirement and Social Security Authority, has resigned and would be replaced):

Position	Name	Year of appointment	Date of birth
Chairman and Managing Director	**H.E. Sheikh Mohammed Bin Hamad Bin Jassim Al Thani**	2008	04/07/1984
Vice Chairman	**Mr. Abdulaziz Mohammed Hamad Al Mana**	2013	13/01/1980
Director	**H.E. Sheikh Thani Bin Hamad Bin Khalifa Al-Thani**	2020	16/01/1994
Director	**Sheikh Jassim Bin Fahad Bin Jassim Al-Thani**	2019	01/01/1977
Director	**Sheikh Khalid Bin Hassan Bin Khalid Al-Thani**	2019	05/01/1989
Director	**Mr. Abdulaziz Mohamed J A Al-Sulaiti**	2019	29/05/1985
Director	**Dr. Ahmad Mohammed Yousef Al-Mana**	2019	10/06/1983
Director	**Mr. Ahmad Abdulrazzaq Ahmad Al-Hashmi**	2019	10/10/1984
Secretary to the Board	**Mr. Talal Ahmed Abdulla Al-Khaja**	2011	08/05/1984

Brief biographical information of each member of the Board is set out below:

(i) **H.E. Sheikh Mohammed Bin Hamad Bin Jassim Al Thani, Chairman and Managing Director representing Al Thurwa Trading Company owning 1,046,820 Shares**

H.E. Sheikh Mohammed Bin Hamad Bin Jassim Al Thani joined the Board as Chairman and Managing Director in 2008. He holds a bachelor's degree in Business from Business School Lausanne (Switzerland). H.E. Sheikh Al Thani is currently also chairman of the board of directors of each of FFC, TFI and FLC, and a member of the board of directors of Gulf Investment Group.

(ii) **Mr. Abdulaziz Mohammed Hamad Al Mana, Vice Chairman representing Advanced Specialized Project Company owning 1,046,820 Shares**

Mr. Abdulaziz Mohammed Hamad Al Mana joined the Board as Vice Chairman in 2013. He holds a bachelor's degree in Accounts from Qatar University (Qatar). Mr. Al Mana is currently also a member of the board of directors of the United Development Company in Qatar.

(iii) **H.E. Sheikh Thani Bin Hamad Bin Khalifa Al-Thani, Director representing Al Adeed Real Estate Investment Company owning 1,000,000 Shares**

H.E. Sheikh Thani Bin Hamad Bin Khalifa Al-Thani joined the Board in 2020. He holds a bachelor's degree in Communications from Northwestern University (Qatar).

(iv) **Sheikh Jassim Bin Fahad Bin Jassim Al-Thani, Director representing Al Sanad Trading Company owning 523,410,000 Shares**

Sheikh Jassim Bin Fahad Bin Jassim Al-Thani joined the Board in 2019. He holds a military diploma from Qatar Armed Forces (Qatar).

(v) **Sheikh Khalid Bin Hassan Bin Khalid Al-Thani, Director representing Qatar Holding owning 364,041,310 Shares**

Sheikh Khalid Bin Hassan Bin Khalid Al-Thani joined the Board in 2019. He holds a bachelor's degree in Business Administration from Qatar University (Qatar).

(vi) **Mr. Abdulaziz Mohamed J A Al-Sulaiti, Director representing Al Mirqab Private Company owning 1,046,820 Shares**

Mr. Abdulaziz Mohamed J A Al-Sulaiti joined the Board in 2019. He holds a bachelor's degree in Marketing from Anglia Ruskin University (UK). Mr. Al-Sulaiti is currently also a member of the board of directors of Gulf Warehousing Company Q.P.S.C. and a member of the board of directors of Jassim & Hamad Bin Jassim Charitable Foundation in Qatar.

(vii) **Dr. Ahmad Mohammed Yousef Al-Mana, Director representing the General Retirement & Social Insurance Authority (Military Pension Fund) owning 610,927,280 Shares**

Dr. Ahmad Mohammed Yousef Al-Mana joined the Board in 2019. He holds a PhD in International Trade Law from Université Paris 1 Panthéon Sorbonne (France).

(viii) **Mr. Ahmad Abdulrazzaq Ahmad Al-Hashmi, Director representing the General Retirement & Social Insurance Authority (Pension Fund) owning 1,281,164,240 Shares**

Mr. Ahmad Abdulrazzaq Ahmad Al-Hashmi joined the Board in 2019. He holds a master's degree in Business Administration from HEC Paris (France).

(ix) **Mr. Talal Ahmed Abdulla Al-Khaja, Secretary to the Board**

Mr. Talal Ahmed Abdulla Al-Khaja joined the Board in 2011. He holds a bachelor's degree in Information Science and Media from Qatar University (Qatar). He joined the bank in 2009 and has amassed over 16 years of experience in Administration, Marketing, Public Relations, and Corporate Governance.

(b) **Code of Conduct**

The Code covers the conduct of members of the Board. The Code binds signatories to the highest standards of professionalism and due diligence in the performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information. Members of the Board are also bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in the Bank.

Certain members of the Board, their families and companies of which they are principal owners are customers of the Bank in the ordinary course of business. The transactions with these parties are made on the same terms, including profit rates, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk. (See section 8 ("Management Discussion and Analysis) under sub-section titled "Related Party Transactions")

(c) **Senior Executive Management**

As at the date of this Prospectus, the senior management of the Bank is as follows:

Position	Name
Acting Chief Executive Officer	Ahmed Ishaque Hashem
Head of Wholesale Banking	Bhupendra Kumar Jain
Head of Private Banking	Chaouki Hani Daher
Head of Retail Banking	Abdulaziz Ahmad Jaber Al-Naema
Group Treasurer and Chief Investment Officer	Bashar Abdulrahim Mohammed Jallad
Chief Business Development Officer	Sheikh Fahad Bin Hamad Bin Jassim Al-Thani
Chief Financial Officer	Osama Ali Ibrahim Abu Baker
Chief HR and Administrative Officer	Abdullah Majed Abdullah Al Malki
Chief Operations & Digital Officer	Narayanan Srinivasan
Chief Risk Officer	Nile Rabbani Awan
Chief Credit Officer	Farrukh Zaman
Chief Compliance Officer	Thamer Saleem Abdalla
Chief Marketing and Communications Officer	Talal Ahmed Abdullah Al-Khaja
Chief Internal Audit Officer	Noora Abdulrahman Moubarak Al-Kuwari
Head of Legal	Imad Hameed El Chemaly

Brief biographical information of each member of the senior management is set out below.

(i) **Ahmed Ishaque Hashem , Bank Acting Chief Executive Officer**

Ahmed Hashem is the Bank Acting Chief Executive Officer, with 19 years of banking expertise, he is a seasoned professional. Ahmed provides significant professional expertise in the industry and a string of accomplishments in wholesale banking. He previously held the positions of Deputy Chief Executive Officer, Assistant General Manager for Wholesale Banking at the Bank and earlier held the post of Deputy Head of Corporate Banking at the International Bank of Qatar (IBQ) before the merger with Barwa Bank that resulted in Dukhan Bank.

Ahmed has an executive master's degree in leadership from Georgetown University - Washington DC and a bachelor's degree in Economics & Business majoring in economics from Qatar University. He is also a Qatar Leadership Centre graduate.

(ii) **Bhupendra Kumar Jain, General Manager, Head of Wholesale Banking**

Bhupendra Jain was appointed as General Manager, Head of Wholesale Banking in April 2019, prior to which he was the Head of Corporate & Institutional Banking at IBQ since 2006. He is a Chartered Accountant from the Institute of Chartered Accountants of India and holds a bachelor's degree in Commerce from Punjab University (India). Mr. Jain has more than 31 years of experience in the financial services industry in Qatar, UAE, India and Korea. He has held several senior positions in international financial institutions including Vice-President and Head of Risk Management at GE Capital India, Vice-President at Bank of America, Head of Banking and Financial Services at EXL Services and Head of Corporate & Institutional Banking at IBQ.

(iii) **Chaouki Hani Daher, General Manager, Head of Private Banking**

Chaouki Daher was appointed as General Manager, Head of Private Banking in April 2019. He holds a bachelor's degree in Business Administration from University of North Carolina (USA). Mr. Daher has more than 25 years of experience in private banking. He was responsible for the private banking division and wealth management as General Manager, Head of Private Banking & Wealth Management Department at IBQ, having joined IBQ in 1998 as an Assistant Relationship Manager in Private Banking and held senior managerial positions in the private banking business. Mr. Daher also served as secretary of the board of directors of IBQ. Mr. Daher previously held a diplomatic position with the Ministry of Foreign Affairs and Emigrants in Lebanon. Mr. Daher was honoured as "Private Banker of the Year 2016" at The Banker Middle East Industry Awards and winner for MENA Private Banker of the Year 2022 by MENA Banking Excellence Awards.

(iv) **Abdulaziz Ahmad Jaber Al-Naema, General Manager, Head of Retail Banking**

Abdulaziz Al-Naema was appointed as General Manager, Head of Retail Banking in July 2019. He holds a bachelor's degree from Qatar University (Qatar). Mr. Al-Naema has more than 20 years of experience in the banking sector and joined the Bank in 2009 as a Director of Business and Branch Operations manager, and held the position of Head of Branches in the Bank prior to his appointment in his current position. Prior to joining the Bank, Mr. Al-Naema held various positions at Qatar National Bank and HSBC Bank.

(v) **Bashar Abdulrahim Mohammed Jallad, Group Treasurer and Chief Investment Officer**

Bashar Jallad was appointed as Group Treasurer and Chief Investment Officer in September 2012. He holds a bachelor's degree in Finance from Hillsdale College (USA). Mr. Jallad has over 30 years of experience in banking and financial markets. Before joining the Bank, he served as the Treasurer of Abu Dhabi Islamic Bank since 2008, having previously held various positions within Treasury & Financial Markets at the National Bank of Abu Dhabi.

(vi) **Sheikh Fahad Bin Hamad Bin Jassim Al-Thani, Chief Business Development Officer**

Sheikh Fahad Bin Hamad Al-Thani was appointed as Chief Business Development Officer in April 2019. He holds a bachelor's degree in Business Administration from European University, Geneva (Switzerland). Sheikh Al-Thani has more than 12 years of experience in business development and banking. He worked for IBQ since November 2006 where he was responsible for managing government relationships and strategically important corporate customers before joining the Bank following the Business Combination.

(vii) **Osama Ali Ibrahim Abu Baker, Chief Financial Officer**

Osama Abu Baker was appointed as Chief Financial Officer in April 2011. He holds a bachelor's degree in Economics and Accounting from Yarmouk University (Jordan) and is a Certified Public Accountant under the jurisdiction of the State of Illinois (USA). Mr. Abu Baker has over 25 years of experience in financial management, consulting and auditing. He previously held positions at Qatar Real Estate Investment Company, Saipem International and Deloitte.

(viii) **Abdullah Majed Abdullah Al Malki, Chief HR and Administrative Officer**

Abdullah Al Malki was appointed as Chief HR and Administrative Officer in August 2014. He holds a bachelor's degree in Business Administration from Leeds Metropolitan University (UK). Mr. Al Malki has over 15 years of experience in the banking sector, human resources and administration. Prior to joining the Bank, Mr. Al Malki served as Human Resources and Administration Manager at Qatar Development Bank, before which he was responsible for the human resources department at RasGas Company Limited and Qatari Diar Real Estate Investment Company.

(ix) **Narayanan Srinivasan, Chief Operations & Digital Officer**

Narayanan Srinivasan (Naru) is the Chief Operations & Digital Officer for the Bank. He is a highly experienced banker with a proven track record (over 34 years) in two of the world's leading global banks (Standard Chartered & Barclays Bank) in multiple locations across India, Asia, UK, Europe and the Middle East.

Naru started his banking career with Standard Chartered Bank, in 1988, and has had a successful stint in various leadership roles across several locations. In 2008, Naru joined Barclays Bank in London as a Managing Director and his last role in Barclays was as the Regional Head of Operations for EMEA (Europe, Middle East and Asia) and has successfully led and grown large teams (circa 4500+ people) and is highly adaptive to multicultural work environments.

Naru joined IBQ, Qatar at the end 2016 as the COO. He has executed 'change-the-bank' roles with systematic planning, ability to apply technology to business needs and has strong experience in Bank Mergers & Integration Management. Naru is a BSc & MBA from India and was the Chief Integration Officer responsible for the successful merger of IBQ with Barwa Bank to create the Bank.

(x) **Nile Rabbani Awan, Chief Risk Officer**

Nile holds a bachelor's degree in Computer Science from the University of Karachi (Pakistan) and an MBA from the Lahore University of Management Sciences in Pakistan. He has over 31 years of diverse banking experience in Corporate/Investment Banking and Risk Management in both conventional as well as Islamic banking. Prior to joining the Bank, Nile was the Deputy CRO at ABN AMRO Bank, UAE, and then the Chief Risk Officer at Noor Islamic Bank, UAE. In addition to the Middle East, where he has spent almost 23 years, he also served in Pakistan and the Asia Pacific Region (Singapore).

(xi) **Farrukh Zaman, Chief Credit Officer**

Farrukh Zaman was appointed as Chief Credit Officer in April 2019. He holds a bachelor's degree in Science and Industrial Engineering from Oklahoma University (USA) and a master's degree in Business Administration from University of Notre Dame, Indiana (USA). Mr. Zaman has over 32 years of credit and risk management experience in the banking sector. He served as AGM - Head of Risk Management at IBQ since 2016 and joined the Bank following the Business Combination. He worked at Bank of America for 16 years where he headed the Emerging Markets Risk and Credit functions. He also spent 12 years at Mashreq Bank in Dubai in various senior positions. More recently, he was the Acting Chief Credit Officer of United Arab Bank.

(xii) **Thamer Saleem Abdalla, Chief Compliance Officer**

Thamer Abdalla was appointed as Chief Compliance Officer in July 2011. He holds a bachelor's degree in Business Administration from Yarmouk University (Jordan). Mr. Abdalla has over 21 years of experience in financial controlling, compliance, audit and risk management and previously held positions at Ernst & Young, Arab Bank and TFI.

(xiii) **Talal Ahmed Abdullah Al-Khaja, Chief Marketing and Communications Officer**

Talal Ahmed Al-Khaja was appointed as Chief Marketing and Communications Officer in March 2013. He holds a bachelor's degree in Information Science and Media. Mr. Al-Khaja has over 16 years of experience in administration, marketing, public relations and corporate governance.

(xiv) **Noora Abdulrahman Moubarak Al-Kuwari, Chief Internal Audit Officer**

Noora Al-Kuwari joined the Bank in 2008 and appointed as the Chief Internal Audit Officer since 2016. In addition to her years of professional expertise, she holds a bachelor's degree in Business Administration from Qatar University (Qatar), and executive Master's degree in Leadership from Georgetown University. She is also a graduate of Qatar Leadership Center (QLC).

Ms. Al-Kuwari has over 20 years of experience in internal audit, risk management, compliance and business management. Prior to joining the Bank, Ms. Al-Kuwari held several positions at Qatar Islamic Bank.

(xv) **Imad Hameed El Chemaly, Head of Legal**

Mr. El Chemaly was the Chief Legal Counsel at IBQ. He holds a Master of Laws degree from Northwestern University (USA) and a master's degree in Private Law from Saint Joseph University (Lebanon). He also holds a Certificate in Business Administration from Instituto de Empresa (Spain). Prior to joining IBQ, he was an Attorney at Law at Raphaël & Associés (formerly associated with Ernst & Young) from 2003.

The business address of each member of the Board and Senior Executive Management is [Suhaim Bin Hamad Street, Doha, Qatar]. No member of either the Board or the Senior Executive Management has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or other duties.

9.3 Board Committees

The Bank has the following Board Committees:

(a) **Executive Committee**

The Executive Committee is appointed by the Board to act on its behalf where timing is critical. The Executive Committee reviews investment policies, strategies and transactions and the performance of the Group and assists in formulating overall investment policies.

The Executive Committee is also involved in monitoring the performance of the Bank's operations on a monthly basis. It monitors the annual budget, quarterly plans and executive management objectives. Furthermore, the committee considers the draft budgets prior to their submission to the Board, and reviews and takes decisions on financing and credit facilities within the framework of its powers to apply the Bank's credit rules, and on contributions to corporate capital within the terms of reference granted to them.

The Executive Committee also provides its opinion on the reports of classification of the Bank's financing and credit facilities to its customers and the proposed allocations to meet them. The committee prepares the reports for assessment and presentation of contributions to corporate capital to be presented to the Board and proposes amendments to the Bank's organisational and functional structure, regulations and systems, and it exercises any other powers granted to it under the Bank's internal policies.

(b) **Audit Committee**

The Audit Committee examines the integrity of financial statements, financial reporting and the disclosure control process. It also monitors the Bank's systems of internal accounting and financial controls, the internal audit function and the annual independent audit of the Bank's financial statements.

The Audit Committee is also involved in carrying out activities that fall within its terms of reference, which includes, appointing an independent consultant and other consultants as such committee deems necessary to carry out the obligations and duties entrusted to it and ensuring the attendance of the Bank's officers at meetings, as appropriate. The committee has unrestricted access to the members of the executive management and employees and to relevant information liaison personnel. The committee reviews and approves the executive management's proposals for the performance, appointment and remuneration of the external auditor, and in cooperation with the executive management, the committee approves the annual audit fees and conditions of appointment. Additionally, it reviews the policies for providing non-audit services by external auditors, and when necessary, reviews the framework prior to approving these services.

Such committee also participates in the appointment, promotion or dismissal of the main internal auditor of the Bank and, if necessary, discussing with the external auditor the level of work of the internal auditor's role and function. The Audit Committee also reviews the effectiveness of the Bank's internal auditor's function and ensures that it has an appropriate position within the Bank, meeting in private with the chief internal auditor to discuss any matters that the committee or internal auditors believe should be discussed. The committee ensures that important findings and recommendations provided by the internal auditors and responses proposed by the Bank's management are received, discussed, and appropriate procedures are taken regarding them. It also reviews the proposed internal audit plan for the following year and ensures that such plan deals with the main aspects of risks and that there is coordination with the external auditors.

(c) **Nomination and Corporate Governance Committee**

The Nomination and Corporate Governance Committee ensures the Board is appropriately constituted to meet its fiduciary obligations to shareholders. It also handles the nomination process, including nomination of the Board and senior management. The committee further recommends to the Board any nomination in accordance with the approved policies and standards of the Bank, taking into account not to nominate any person previously convicted of a crime against honour and honesty.

Such committee also carries out an annual review of the requirements and skills of membership to the Board and prepares a description of the credentials and qualifications required for such membership, including determining the amount of time that a member must devote in order to perform his role as a director, reviewing the structure of the Board and providing recommendations to changes that can be made, identifying the strengths and weaknesses of the Board and making proposals to address these in line with the interest of the Bank.

It also ensures, on an annual basis, compliance with requirements regarding independence of independent members of the Board and conflict of interest if a Board member is a member of the board of directors of another company. The committee further adopts plans to fill vacancies for main positions, approves the human resources policies and procedures, supervises the preparation and application of the governance manual, reviews and updates, as necessary, coordinates with the Audit Committee to ensure compliance with the manual, provides the Board with reports and recommendations on the extent of compliance with the Bank's governance policies and submits its proposals to amend the manual, including the Board's composition, the number of its members and its committees in order to comply with best practices.

(d) **Remuneration Committee**

The Remuneration Committee monitors the Bank's framework of remuneration and compensation of the Board and senior management. The responsibilities of such committee include reviewing the compensation and remuneration policy of the Bank relating, but not limited, to the senior management's salaries, bonus plans, salary increase, sales commission plans, long-term incentive plans, and any changes in the human resources policy and submitting its recommendations for approval by the Board.

(e) **Risk Management and Compliance Committee**

The RMCC approves the Bank's overall risk management framework through the development of policies, internal controls and methods of risk management and compliance. The RMCC is involved in setting-up the Bank's risk management policies that commensurate with the status and privacy of the Bank, the size and diversity of its activities and the nature of the risks it faces in accordance with the strategy approved by the Board. These policies include clear procedures for managing risks, specifying high ceilings for the exposure to risks, and a comprehensive system for monitoring risks on a regular basis, which policies and are reviewed periodically.

The RMCC ensures that the Bank adopts an effective policy and work procedures to monitor compliance with such policies, laws and supervisory instructions. It sets up preventive procedures to ensure compliance, in particular, with regard to the law, regulations and instructions for combating money laundering and terrorist financing, in addition to developing appropriate mechanisms for reporting any abuses and violations in a timely manner and holding those responsible accountable.

Furthermore, the RMCC provides the Board with periodic reports on the risks that the Bank faces, or may be exposed to, and any breaches of laws and regulations. It also monitors the executive management's adherence to the approved risk management policies and applicable laws and regulations. The RMCC further reviews reports received from the Risk and Compliance Management, verifying the existence of a qualified cadre working independently on risk management in accordance with a clear risk management system that identifies, measures, controls and hedges all risks associated with banking activities and appropriate ways to reduce the level of risks and losses that may result from them, and retains the capital needed to address them.

In addition to the above committees, the Credit Committee ("**CC**"), Group Investment Committee ("**GIC**"), and Asset Liability Committee ("**ALCO**") sub-committees operate at a senior management level.

(f) **Shari'a Committee**

The Shari'a Committee is the Bank's ultimate authority on Shari'a compliance. The Shari'a Committee, however, has delegated to BaM (see below) the primary functions of (i) reviewing the Bank's proposed transactions and activities, and (ii) passing resolutions and issuing fatwas that approve or reject such proposed transactions and activities for compliance with Shari'a principles. BaM advises the Bank's departments, legal counsel and auditors with regard to its business activities, and provides Shari'a compliance reports on a regular basis. In addition, BaM deals with enquiries received from local or international third parties, whether or not they are involved in the Shari'a-compliant investment sector, regarding the Bank's business.

The Bank is bound by the resolutions and fatwas of the Shari'a Committee and BaM. The Shari'a Committee, through BaM, may reject or suspend any activity or procedure of the Bank that is not compliant with Shari'a principles. If an investment is deemed to be non-Shari'a-compliant, the Bank may be required to sell or otherwise dispose of its interest in such investment, with proceeds from such disposal to be donated to a designated charity acceptable to the Bank and the Shari'a Committee.

The Shari'a Committee, through BaM, continuously reviews the Bank's transactional procedures and policies to ensure adherence to Shari'a principles and the broader framework established by the fatwas of the Shari'a Committee to ensure that the Bank's activities and investments do not:

- constitute involvement in unlawful entertainment such as casinos, gambling, cinema, music and pornographic materials;
- constitute involvement in hotels and leisure companies that provide any of the above products or services;
- exceed the Bank's debts and receivables beyond the Bank's assets as set out in its most recent balance sheet; or
- constitute any other activity deemed by the Shari'a Committee to be in contradiction of the Shari'a rules and principles.

The Shari'a Committee meets at least once a year.

As at the date of this Prospectus, the members of the Shari'a Committee are as follows:

Position	Name
Chairman of the Shari'a Committee	Sheikh Walid Bin Hadi
Member	Sheikh Osama Qais al-Derai'e
Member	Sheikh Esam al-Enezy

Brief biographical information of each member of the Shari'a Committee is set out below.

(i) **Sheikh Walid Bin Hadi, Chairman of the Shari'a Committee**

Sheikh Walid Bin Hadi holds a bachelor's degree in Shari'a and Usul-Eldeen from Qatar University (Qatar), a master's degree in Shari'a and Law from Omdurman Islamic University (Sudan) and a PhD in Shari'a from Imam Muhammad Bin Saud Al-Islamiyyah University (Saudi Arabia). He is currently head of the Shari'a Supervisory Board of QInvest and a member of the Shari'a boards of other Islamic finance organisations such as Qatar Islamic Bank, Al Rayan Bank, Qatar International Islamic Bank, Qatar National Bank, European Finance House, Asian Finance House, Qatar-Syria International Bank and Arab Finance House.

(ii) **Sheikh Osama Qais al-Derai'e, Member of the Shari'a Committee**

Sheikh Osama Qais al-Derai'e holds a bachelor's degree in the Noble Hadith and its Sciences from al-Madeenah Islamic University (Saudi Arabia) and a master's degree and a PhD in Islamic Economics from University of Malaya (Malaysia). He is the General Manager and CEO of BaM as well as a member of the Shari'a boards of Qatar Finance House, Barwa Real Estate Company Q.P.S.C., Rosette Merchant Bank (UK), Century Bank (Mauritius) and Amanie Advisors (Malaysia).

(iii) **Sheikh Esam al-Enezy, Member of the Shari'a Committee**

Sheikh Esam al-Enezy holds a PhD in Jurisprudence from Jordan University (Jordan). He is a member of the Shari'a Board of Investment House Company and of the Shari'a Advisory Body of Boubyan Bank.

(g) **Bait al-Mashura**

BaM reports directly to the Shari'a Committee and is responsible for monitoring the day-to-day operations of the Bank, ensuring that all activities, products and services are conducted with and offered to customers on a Shari'a-compliant basis.

To mitigate breaches of Shari'a principles, the Bank has implemented procedures that raise awareness and understanding of Shari'a principles amongst its employees. Further, new products and services are subjected to vetting and approval of the Shari'a Committee for compliance with Shari'a principles before being released to the market. Should breaches of Shari'a principles occur, these are documented and policies and procedures are amended, if necessary, to ensure that the breaches identified do not recur. BaM supports this process through its regular audits and quarterly reviews of the various activities of the Bank.

9.4 Employees

(a) **Overview**

As at 30 June 2022, the Group had 678 employees.

The Bank's human resources policies aim to ensure that the Group's staffing requirements are met through the recruitment and development of talented individuals and the implementation of tailored training and development programmes, performance appraisal and reward systems.

(b) **End of Service Benefits and Pension Fund**

The Group provides a contribution to the State-administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law, law number 24 of 2002, which was repealed by law number 1 of 2022 issuing the Social Insurance Law. The resulting charge is included within "Staff Costs" under note 27 of the 2021 financial statements. The Group has no further payment obligations once the contributions have been paid and such contributions are recognised for accounting purposes when they are due.

In addition, the Group also provides end of service benefits for employees in accordance with the Labour Law and its human resource policy, wherever required. These unfunded charges are made by the Group on the basis of employee salary and years of service accrued at the date of the relevant statement of financial position (as set out in the financial statements).

(c) **Qatarisation**

In common with all banks in Qatar, the Bank is required to achieve a target of 20 per cent. of its employees being Qatari nationals, known as the "Qatarisation" target. Qatar nationals accounted for 29.7 per cent. of the Bank's employees as at June 2022.

9.5 Zakah and Social Commitments

Zakah is directly borne by the Bank's shareholders. The Bank does not collect or pay Zakah on behalf of its shareholders, in accordance with its Articles of Association.

10

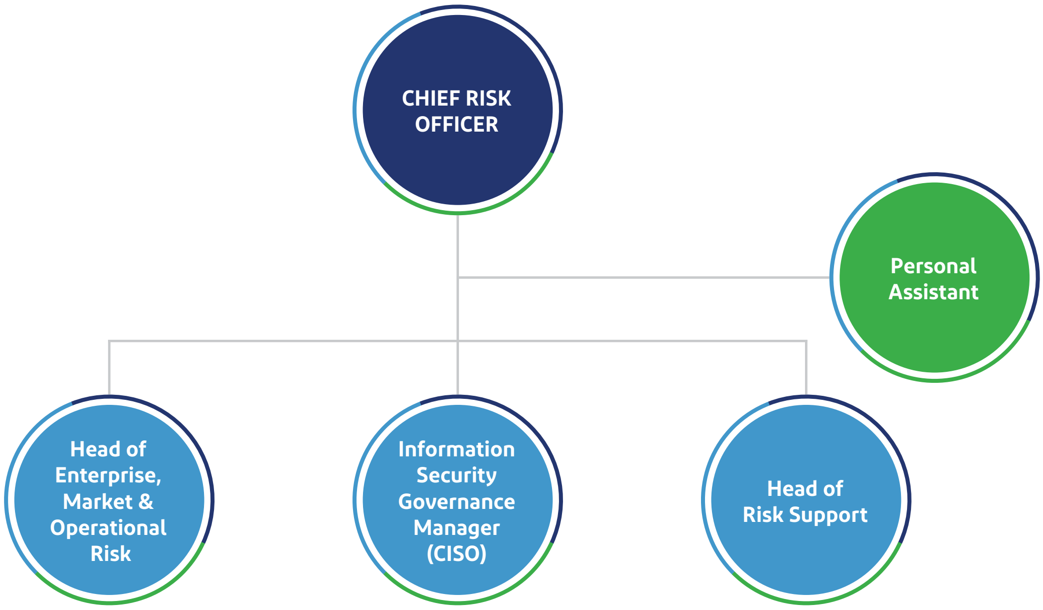
Risk Management

10. RISK MANAGEMENT

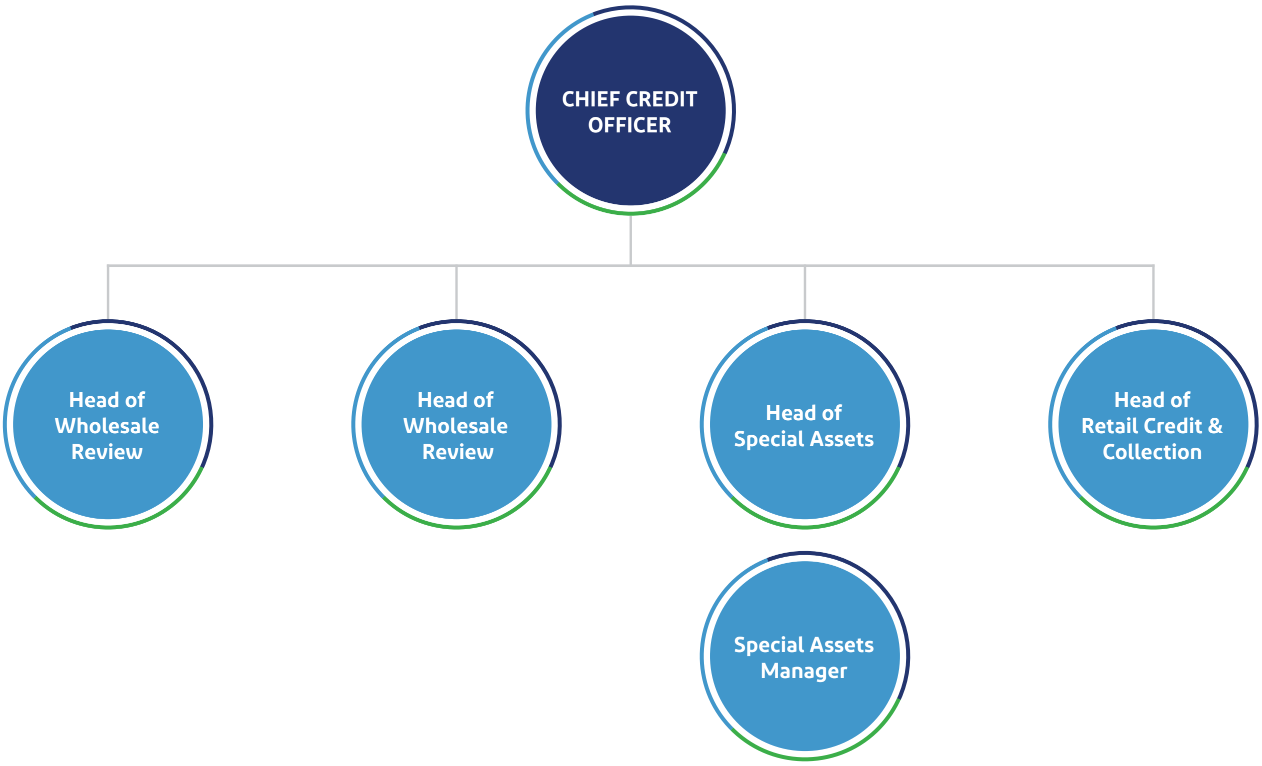
The Group is exposed to different types of risks in its normal course of business, including credit risk, liquidity risk, market risk (trading and non-trading), operational risk and information security risk. The Group's risk management philosophy is to control and optimise its risk-return profile. The core functions of the Group's risk management are to identify all key risks for the Group, measure them, mitigate where required and possible, manage the risk positions and determine capital allocations. The Group reviews its risk management policies and systems, if necessary, to align them with changes in markets, products and industry best practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

10.1 Risk Management Team Composition



10.2 Wholesale Credit Review Team Composition



10.3 Risk Management Structure

(a) **Board Supervision**

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

(b) **Risk Management and Compliance Committee**

The RMCC has overall responsibility for the development of risk strategy and implementation of principles, frameworks, policies and limits.

(c) **Credit Committee**

The Board has delegated its authority to the CC to approve, sub-delegate, direct, monitor and review the Bank's financing activities, within specified limits. In addition, the CC is tasked with ensuring credit policies are adhered to and credit operations are conducted in the most effective manner possible.

The CC is the highest level of executive credit approval authority in the Group and is responsible for taking credit decisions and recommending credit policies and the future direction of the credit activities in the Group.

(d) **Asset Liability Committee**

The ALCO is responsible for the balance sheet management of the Group. The ALCO sets guidelines for the overall management of the liquidity and profit rate risk. The ALCO also determines the borrowing and funding strategy (asset allocation) in order to maximise profit and minimise risk.

(e) **Operational Risk Committee ("ORC")**

The ORC is responsible for managing and overseeing all aspects of operational risk in the Group and for the effective implementation of all operational policies and standards.

(f) **Group Internal Audit ("GIA")**

The GIA examines the adequacy of, and compliance with, the Group's risk management procedures, and conducts a specific audit of the Group Risk function as per the approved audit plan. The results obtained by the GIA are discussed with the management and final reports and recommendations are passed on to the Audit Committee.

(g) **Group Investment Committee**

The GIC has oversight over the investment process of the Treasury and Investments Division. It evaluates and discusses the division's proposals and reviews the portfolios periodically. The GIC supports the Treasury and Investments Division in managing the Group's investable assets in a prudent and viable manner considering the Group's overall financial position.

10.4 Policies and Standards

The Group's risk management principles are laid out in a series of corporate policies, standards, guidelines, directives and procedures, all of which are reviewed on a regular basis or if necessary, to maintain their relevance to the Group's current risk limits. The structure, limits, collateral requirements, ongoing management, monitoring and reporting of the Group's credit exposures are based on the following six inter-dependent process categories:

- setting risk appetite in line with strategic business objectives;
- identifying, measuring, mitigating (where necessary) and monitoring all material risks;
- setting parameters to keep the Group's risk profile within prescribed guidelines;
- monitoring the booked assets and assisting in structuring transactions;
- balancing of risk and return to optimum effect; and
- interpreting and demonstrating compliance with internal and external stakeholders' requirements and expectations.

10.5 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group manages credit risk through diversification of investments, capital markets, lending and financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains collaterals, when appropriate.

The Group seeks to manage and mitigate its credit exposure through several means, such as:

- structuring deals appropriately so as to have better control over the release of funds;
- adequate collateralisation by way of obtaining tangible security or assignments;
- diversification of the financing portfolio into several industries or sectors, geographical locations and products;
- credit checks on Qatar-based obligors or shareholders through the Credit Bureau system and obtaining their credit exposures and limits through the QCB; and
- periodic reviews and monitoring the portfolio through an annual review at a relationship level.

In order to minimise risk, the Group obtains collateral, when appropriate, depending on the perceived credit risk of the counterparty. Guidelines are implemented across all operating segments regarding the acceptability of types of collateral and valuation parameters. The management monitors the market value of collateral obtained in connection with the Group's lending activities, requests additional collateral in accordance with the underlying agreement and assesses the market value of the collateral obtained during its review of the adequacy of the provision for impairment losses.

The main types of collateral obtained are as follows:

- for securities lending: cash or securities;
- for commercial and corporate financing: mortgages over real estate properties, inventory, machinery and equipment, cash/margin or deposits and securities and, in the case of project financing, an assignment over the project proceeds, which is a confirmed repayment source (performance risk aside). Under Islamic financing structures, in many cases, the underlying asset is actually transferred to the name of the Bank, although this may not always be so and instead a mortgage over the asset in favour of the Bank will be requested; and
- for retail financing: mortgages over residential property and securities.

10.6 Risk Rating Assessment

It is also the Group's policy to maintain accurate and consistent risk ratings across its credit portfolio. This focus on the applicable risks facilitates the comparison of credit exposures across all lines of business, geographic regions and products. The Group's risk rating grids are intended to provide a pre-set objective basis for making credit decisions and the Group's rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are derived in accordance with the Group's rating policy and are assessed and updated regularly.

(a) Wholesale Banking

The credit approval process in respect of wholesale banking generally starts with a meeting between the client and a Bank representative to assess funding requirements, prepare a credit application, and submit the application to the Credit Review team. The assessment stage involves the Credit Review Department analysing the client thoroughly by reviewing, among other things, its financial statements, business structure, facility structure, background of the owner/shareholder, industry risk, collateral offered, primary and (where applicable) secondary sources of repayment and credit checking through the Credit Bureau and QCB reporting systems. Based on these assessments, an independent assessment note is prepared by the relevant review team for the CC's review and decision. Upon receipt of the assessment note and business proposal, if applicable, the CC will take a decision if the financing is within its delegated authority (currently QAR250 million for new facilities to a single obligor). In the event a single obligor's proposed facilities are above the CC's delegated authority, the proposal is then recommended to the chairman of the Board who is authorised to approve such facilities on behalf of the Board. Such approvals by the chairman are ratified in the next convened meeting of the Board.

(b) Retail

As part of the Group's credit policy for retail customers, online credit checks are made through the Credit Bureau. The Credit Bureau shows the full credit history and liability position of any potential application in order to ascertain if such applicants are on a blacklist maintained by the QCB. The Group extends financing on the basis of such checks, ensuring compliance with QCB guidelines on consumer credit and salary assignments by any employer of the applicants.

In retail financing, the client will normally be invited to a meeting to provide any required documents and information and to fill out the credit application form. Following this, the Retail Credit Department will carry out an in-depth analysis of the customer's bank statements, length of service, identification documents and any other reasonable checks it may deem necessary. Once a decision is reached, this will be checked by the Operations (Deal Recording) team and communicated to the client.

Retail financing credit risk is further mitigated by securing the source of repayments from retail customers through an assignment of those customers' salaries to the Group. The salaries of those customers are deposited by their respective employers directly into their accounts with the Group. The Group then has a right of lien over salaries in the customers' accounts pending the collection of regular repayments of their liabilities with the Group.

Where salary assignments are not made in favour of the Group, financing is only provided against cash collateral deposited with the Group and pledged against the facility.

The Group has defined limits by counterparty, borrowing group, country, the Board, subsidiaries and affiliates. All exposures against these limits are monitored and any breach is monitored closely and reported to the appropriate body or applicable level. Classified accounts are also reported to the Board through the RMCC.

(c) Credit Risk Provisioning (impairment)

The Group's provisioning policies and procedures are established in accordance with the QCB's specific requirements. Individual financing facilities are categorised on a sliding scale into: (i) excellent; (ii) strong; (iii) good; (iv) satisfactory; (v) adequate; (vi) marginal; (vii) vulnerable; (viii) substandard; (ix) doubtful; and (x) loss. The latter three categories are non-performing classifications and require a provision against the outstanding facility (after taking into account collateral secured against the facility). Non-performing outstanding facilities are reviewed on an individual basis and classified accordingly as:

- *substandard*: facilities with a due payment outstanding for more than 90 days (but less than 180 days), requiring a 20 per cent. provision against the unsecured portion of such facility;
- *doubtful*: facilities with a due payment outstanding for more than 180 days (but less than 270 days), requiring a 50 per cent. provision against the unsecured portion of such facility; and
- *loss*: facilities with a due payment outstanding for more than 270 days, requiring a 100 per cent. provision against the unsecured portion of such facility.

The Group prepares draft provisioning requirements annually based on the QCB's categories above which is submitted to the QCB in November of each year. The QCB has the authority to vary the draft provisions in consultation with the Group. The QCB's process of variation and consultation is applied in a consistent manner to all Qatari banks.

QCB also requires banks to calculate credit provisions as per IFRS requirements. Under IFRS, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in the consolidated income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated income statement, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Those assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

QCB instructions require credit provisions to be the higher of provisioning calculated as per days past due criteria or as per IFRS.

The credit quality of financial assets is managed by the Group using internal credit ratings. All commercial credit risk exposures are risk rated using Moody's Risk Analyst risk rating system, recognised as an industry wide standard. The rating system is supported by a variety of financial analytics (quantitative factors) combined with processed market information as well as other qualitative factors to provide the main inputs for the measurement of counterparty risk. For corporate and commercial customers, the risk rating methodology utilises a 22-point scale (ranging from 1-10), based on quantitative and qualitative factors with 19 performing categories (1-7) and three relating to non-performing. The outcome of the risk rating process is intended to reflect counterparty credit quality and assist in determining suitable pricing commensurate with the associated risk.

(d) **Collections**

(i) Retail collections: the responsibility of the Credit & Collection Department is primarily to recover the Group's outstanding and overdue exposure in retail products from clients. Collections and recovery activities begin when a customer fails to pay the minimum due on the relevant due date or when the Group receives credible information that the customer has become jobless or is not contactable.

(ii) Wholesale banking: past due reports for clients and segments (including Corporate Banking and Government and Institutional Banking) are generated daily. These reports reflect past dues starting from the first day the instalment or payment is missed by the client. The reports are shared with the respective business teams and the relevant relationship managers carry out follow ups with their customers to ensure that the past dues are settled promptly.

The Bank has a dedicated Special Asset Management team which is responsible for following up and recovering non-performing assets. Additionally, on a case-by-case basis, this team may be assigned certain customers to manage, depending on severity of issues.

(e) **Measurement of ECL**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months **(a "12-month ECL")**. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default **(a "lifetime ECL")**.

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at fair value through income statement:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- financing commitments issued.

With effect from the issuance of QCB circular number 13/2020, equity-type instruments classified as fair value through equity are not tested for impairment. However, prior to that, for equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20 per cent.) or prolonged (where market value has declined for nine months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through the consolidated income statement.

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 ECLs are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

ECLs 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 financing commitments and letter of credit: 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.

The determination of the FAS 30 provision results from a two-step approach:

Step 1: The facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit-impaired.

Step 2: The ECL is calculated, i.e. 12-month ECL for all facilities in stage 1 and lifetime ECL for all facilities in stage 2. The facilities in stage 3 are covered by specific provisions as per QCB regulations.

(f) **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 is measured as follows:

- if the expected restructuring will not result in derecognition of an existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing assets; and
- if the expected restructuring will result in derecognition of an 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. The 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.

(g) **Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through equity 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 financing asset 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.

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness; and
- any credit exposures to the Government, represented by the Ministry of Finance and QCB, are exempted from the application of ECL model as per QCB circular number 9/2017.

(h) **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment/off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- debt instruments measured at fair value through equity: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

(i) **Write-off**

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(j) **Risk Reserve**

In addition to undertaking specific credit risk and impairment provisioning, the Group maintains a risk reserve in accordance with QCB requirements. In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both public and private sector financing assets. The minimum risk reserve in respect of private sector financing assets is 2.5 per cent. of the Group's total private sector exposure (inside and outside Qatar) after the exclusion of the specific provisions and profit in suspense. Finance provided to, or secured by, the Ministry of Finance or finance against cash guarantees is excluded from gross direct finance. The use of the risk reserve is subject to the prior approval of the QCB.

On 1 January 2019, with the QCB's approval, the Group utilised QAR645.6 million of risk reserve balance to accommodate the day one impact of the adoption of ECL regulations. Further, pursuant to QCB requirements, in connection with the Business Combination, the pre-merger risk reserve balance of IBQ was required to be retained by the Group, which increased the Group's risk reserve balance by QAR529.9 million during 2019. During the year ended 31 December 2021, the appropriation made to risk reserve amounted to QAR103.1 million (31 December 2020: QAR425.1 million) to fully comply with the QCB's minimum risk reserve requirement. As at 31 December 2021, the risk reserve balance was QAR1,338.7 million (31 December 2020: QAR1,235.6 million).

(k) **Excessive Risk Concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

10.7 Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of factors including, but not limited to, customer deposits being withdrawn, cash requirements from contractual commitments or other cash outflows, such as debt maturities or margin calls for risk management instruments. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, a lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For these purposes, net liquid assets include cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. The Group's ratio of liquid assets (which include cash and cash equivalents and investment grade debt securities for which there is an active and liquid market, less any deposits from banks, other borrowings and commitments maturing within the following month) to customer deposits as at 30 June 2022, 31 December 2021 and 31 December 2020 was 18 per cent., 20 per cent. and 21 per cent., respectively. Liquidity positions are monitored closely by the ALCO where the stringent ratio analysis carried out by the MR is presented. The MR also carries out a series of QCB-prescribed stress test scenarios to test the liquidity of the Group.

10.8 Market Risk

Market risk is the risk that the Group's earnings or capital and its ability to meet business objectives will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, equity prices and foreign exchange rates. The Group manages its market risks within the framework defined by the QCB. Overall authority for the management of market risks and ensuring compliance with this framework rests with the ALCO. The MR is responsible for the development of detailed risk management policies (subject to review and approval by the Board) and for the day-to-day review of their implementation. In addition, the Board sets risk limits based on a number of factors, including country-based exposure limits.

The Bank pays considerable attention to market risk. It uses appropriate models, in accordance with the standard market practice, to value its positions, and receives regular market information in order to regulate its market risk.

The Bank's trading market risk framework comprises the following elements:

- limits to ensure that risk takers do not exceed aggregate risk and concentration parameters set by the ALCO;
- independent Mark-to-Market (MTM) valuations and reconciliation of positions; and
- tracking of stop losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set in the treasury product programme to ensure the smooth implementation of market risk policy in day-to-day operations.

In relation to the Group's trading portfolios, the principal tool used to measure and control market risk exposure is Value at Risk ("**VaR**"). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time from an adverse market movement with a specified probability. A fully integrated VaR computation system is used by the Group to calculate VaR. The Group uses VaR limits for, amongst other things, total market risk, foreign exchange, profit rate and equity risks.

The principal risk to which non-trading portfolios are exposed is profit rate risk, which is the risk of loss arising from fluctuations in the future cashflows or fair values of financial instruments because of a change in market profit rates. The Group manages profit rate risk principally through the monitoring of profit rate gaps and through risk management strategies. The ALCO is the monitoring body for compliance with these limits and is assisted by the Treasury and Investments Division in its day-to-day monitoring activities.

Separately, the Islamic Financial Services Board has issued a document on risk management guidelines for institutions (excluding insurance institutions) offering only Islamic financial services. These guidelines include sections on "Rate of Return Risk" and "Liquidity Risk" which the Group adheres to.

In particular, the Group identifies as key market risks the following:

Equity risk: To mitigate equity risk, the Group follows the approved treasury product programme and strictly follows the limits set by the QCB. Moreover, stress tests of the equity portfolio are performed by the MR and equity trading book value-at-risk calculations are generated through the Oracle risk system.

Profit rate risk (sukuk portfolio): The Group follows the approved treasury product programme based on, among other things, issuance size, ratings and sector limits. As a result, any deviation from the treasury product programme has to be approved by the MR and the GIC. In addition, management action triggers and stop losses are monitored by the MR which also carries out stress tests of the sukuk portfolio.

Foreign exchange risk: All traders follow the approved treasury product programme and the limits are monitored daily by the MR. Such internal limits are based on intra-day (followed by front and middle office) and overnight positions that are monitored by the MR.

10.9 Operational and Other Risks

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed processes, people and systems, infrastructure or from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Key operational risk categories include clients, products and business practices, damage to physical assets and disaster management, information security risks and external frauds, execution and process management, and business disruptions or systems failures.

The Group mitigates these risks by producing and implementing the ORMF across the Group. The ORMF codifies the Group's approach to identifying, measuring, managing, reporting, and controlling operational risk. It establishes a common understanding of operational risk and risk management, to promote consistent application of techniques and to capture relevant data. The ORMF also sets the basis of the Group's operational risk culture and applies to all areas of the Group, including subsidiaries in which the Group has management control.

In addition, the Group has developed over-arching standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls;
- procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The Group is exposed to a number of other risks including organisation and regulatory risks. Organisation risk represents the aggregation of factors that may affect an organisation's human resources and cause negative effects (such as human error, attrition and employee family issues) which impact on the Group's ability to operate.

The strategy and framework for operational risk management is set by the Board and implemented consistently across the Group. In addition, a dedicated and independent team led by Head of Operational Risk is charged with the implementation of the ORMF. This team reports to the Chief Risk Officer of the Group. Each business unit also nominates a Unit Operational Risk Manager who acts as a single point of contact for the Head of Operational Risk regarding all operational risks for the respective business unit.

The Group has developed an operational risk system to create a repository for all operational risk incidents, losses and near-miss events. There is a robust process for the reporting of issues, conducting of root cause analysis and implementing mitigation plans to avoid recurring issues.

10.10 Regulatory and Legal Compliance

Regulatory and legal risk is the risk of a negative impact on business activities, earnings or capital, regulatory relationships or reputation as a result of failure to comply with or adapt to current and changing regulations, law, industry codes or rules, regulatory expectations, or ethical standards.

The identification and assessment of regulatory risk includes formal risk assessment activities carried out across the organisation, both at the individual business and operational level and at the enterprise level. Risk is measured through the assessment of the impact of regulatory and organisational changes, the introduction of new products and services and the acquisition or development of new lines of business. It is also measured through the testing of the effectiveness of the controls established to ensure compliance with regulatory requirements.

10.11 Litigation

In the ordinary course of business, the Group is and may from time to time be subject to governmental, legal and arbitration proceedings. There are a number of debt collection cases that the Bank has instigated and the amount of recovery that is likely from these cases is difficult to predict with certainty. No material provision has been made as at the date of this Prospectus regarding any outstanding legal proceedings against the Group. Procedurally, an annual review is conducted by the Legal Department to ascertain if provisioning is required for pending litigation and, if so, the estimated amount is communicated to the Finance division for the raising of the necessary provisions.

10.12 Capital Management/Adequacy

As at 30 June 2022, the Bank's total CAR was 18.3 per cent. with total CET 1 Capital, including capital conservation buffer, at QAR10,410.0 million (in each case, calculated in accordance with the Basel III guidelines issued by the QCB).

The shareholders of the Bank have consistently maintained a strong level of capitalisation to support the business activities and development of the Bank. The following table shows the risk weighted values and capital charge for capital ratio purposes of the Bank as at 31 December 2021 and 30 June 2022 compared with historical levels:

	30 June 2022 (Unaudited) QAR'000	31 December 2021 (Audited) QAR'000
Common Equity Tier 1 (CET) Capital	**10,410,023**	10,446,133
Additional Tier 1 Capital	**1,820,750**	1,820,750
Additional Tier 2 Capital	**807,985**	789,705
Total Eligible Capital	**13,038,758**	13,056,588
Risk Weighted Assets	**71,419,560**	70,985,325
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio	**14.6%**	14.7%
Tier 1 Capital Adequacy Ratio	**17.1%**	17.3%
Total Capital Adequacy Ratio	**18.3%**	18.4%

The assessment of the various capital adequacy risks across the Group is carried out in conjunction with its ICAAP which is undertaken annually. The Bank's internal assessment process is carried out in the following six distinct stages:

- defining the Bank's vision and financial targets and formulating the Bank's risk appetite;
- formulating a capital and liquidity plan as well as a business plan for the next five years;
- formulating a group-wide recovery and resolution plan;
- evaluating material risks, calculating capital required and suggesting appropriate controls to mitigate risk;
- stress testing on current and projected risk profiles and calculating capital requirements in stress conditions; and
- presentation of the ICAAP and the yearly audit of the same by external auditors.

10.13 Basel Capital Accords

(a) Basel III

As at the date of this Prospectus, the Bank is compliant with Basel III, having adopted the standardised approach for credit risk, the basic indicator approach for operational risk and the standardised approach for market risk and the calculation of its capital taking into account the required regulatory deductions for investments in associates. The required CAR is 15.0 per cent. including ICAAP and DSIB charge under the Basel Committee Basel III requirements.

The Bank's total CAR was 18.3 per cent. as at 30 June 2022, 18.4 per cent. as at 31 December 2021 and 16.4 per cent. as at 31 December 2020, which was above the QCB's requirement to maintain a minimum total CAR of 15.0 per cent. The Bank's CET 1 Capital, including capital conservation buffer, was QAR10,410 million as at 30 June 2022, QAR10,446 million as at 31 December 2021 and QAR9,914 million as at 31 December 2020. The Bank's CET 1 CAR, including capital conservation buffer, was 14.6 per cent. as at 30 June 2022, 14.7 per cent. as at 31 December 2021 and 15.2 per cent. as at 31 December 2020.

The Bank has already implemented the following internal procedures to comply with the QCB Basel III requirements:

- capital adequacy and the use of regulatory capital are monitored by the management on a regular basis following techniques based on guidelines developed by the Basel Committee and the QCB;
- Basel III returns, both at standalone and on a consolidated basis, are prepared by the enterprise risk management department housed under the RM; and
- the two complementary liquidity standards (Liquidity Coverage Ratio and Net Stable Funding Ratio) suggested under Basel III have been fully implemented and are regularly monitored by the ALCO.

11

Description Of The Shareholders' Rights and Articles Of Association

11. DESCRIPTION OF THE SHAREHOLDERS' RIGHTS AND ARTICLES OF ASSOCIATION

The information below constitutes a summary of the material provisions of the amended Articles to be adopted by the Bank (for the purpose of conversion to a Qatar public shareholding company) and the provisions describing the rights of shareholders.

This is a summary of the material provisions and does not purport to be complete or exhaustive.

11.1 General Corporate Information

The Bank is a Qatar public shareholding company. The Bank's issued share capital is QAR5,234,100,000, divided into 5,234,100,000 ordinary shares of QAR1.00 each.

Pursuant to its Articles, the Bank's main objects are to carry out all types of banking, financing, real estate and social services activities in accordance with Shari'a principles.

11.2 The Board

The Bank shall be managed by a Board composed of twelve members. The General Assembly shall, by secret ballot, elect eight of the members of the Board, provided that the General Retirement and Social Insurance Authority shall appoint three representatives, and Qatar Holding Company shall appoint one representative, and neither of the aforementioned entities may participate in the Board election. However, the first Board upon conversion of the Bank to a public shareholding company will be composed of nine members and appointed for a term of five years. Furthermore, the Board is authorised to delegate some or all of its powers to committees established by it. The Board shall appoint a Board secretary in compliance with the requirements of the QFMA.

11.3 Conflict of Interest

It is not permissible for any of the chairman, members of the Board and members of the Senior Executive Management to participate in any business that would compete with the Bank, or to trade for his or her own account or for the account of others any of the activities practiced by the Bank, unless approval is obtained from the General Assembly, otherwise the Bank may demand compensation from such person or consider the operations he or she has undertaken to have been carried out for his or her own account.

11.4 Voting Rights

When voting for the election of members of the Board, each Share shall have one vote given by the shareholder in favour of such candidate as the shareholder chooses. Shareholders may divide their voting shares between more than one candidate, but an individual Share may not be used to vote for more than one candidate. Voting for the election of members of the Board shall be subject to the corporate governance rules of the QFMA.

11.5 Loans or Guarantees to the Board

The Bank may provide cash loans of any kind to any member of the Board or provide guarantee of any loans entered into by such member in compliance with the rules and regulations of the QCB.

11.6 Shareholders' Rights

In accordance with the Articles, all Shares are of equal value and enjoy equal voting and other inherent rights which, in accordance with the Companies Law, include:

- the right to receive dividends declared in a General Assembly;
- preferential rights to subscribe for any new shares, except as provided for under the law;
- the right to share in the distribution of the proceeds of the Bank's assets on liquidation; and
- the right to be invited to attend the General Assemblies and to vote in such meetings personally or by proxy in accordance with the Articles.

11.7 Alteration of Capital

The share capital of the Bank may be increased by issuing new shares with the same nominal par value as the original Shares by virtue of a decision of the Extraordinary General Assembly in accordance with the Articles and the Companies Law. Such Extraordinary General Assembly may also resolve to add a premium to the value of the Shares and to determine their amount, subject to the approval of the MoCI. The value of this premium shall be added to the legal reserve of the Bank. The increase shall be based upon the Extraordinary General Assembly Resolution after obtaining the approval of the MoCI.

Furthermore, without prejudice to the provisions of the Companies Law, the share capital of the Bank may not be decreased, except by virtue of an Extraordinary General Assembly Resolution after considering the auditors' report and receiving the approval of the MoCI. A decrease in capital can be made in the following two instances: (i) if the share capital is in excess of the Bank's requirements; or (ii) if the Bank sustains losses.

11.8 Transfer of Shares

Following Listing, the issuance, transfer, sale, donation, pledge and attachment of the Shares (and any other transaction or disposal thereof) shall be in accordance with the instructions, regulations and policies of the QFMA and the QSE.

11.9 Dividends

Dividends may be declared based upon a resolution passed at an Ordinary General Assembly following receipt of the Board's recommendation and subject to obtaining all necessary regulatory approvals.

The Bank's dividend policy is aimed at striking a balance between the interests of shareholders and the Bank's business needs. A number of factors therefore have an impact on the decision to pay a dividend and the amount and form of any dividend.

11.10 Pre-emption Rights

The shareholders shall have pre-emption rights over the subscription for new shares. It is possible to assign such pre-emption rights in favour of a third party after obtaining the approval of the MoCI.

11.11 General Assemblies

Every shareholder shall have the right to attend the General Assemblies. The Board shall send invitations to the shareholders to attend a General Assembly by publishing such invitation (at least 21 days prior to the date of the proposed meeting) in a local daily newspaper issued in Arabic language and on the Bank's and QSE's websites.

The Board will prepare an annual statement for the shareholders' consideration before each Ordinary General Assembly meeting, which will include the following information (to be submitted at least one week ahead of the meeting):

- all amounts received by the chairman and each Board member during the fiscal year including wages, fees, salaries and fees for attending Board meetings, compensation for expenses, and any other amounts received by them in any capacity;
- in-kind and cash benefits that the chairman and each Board member are entitled to receive during the fiscal year;
- the remuneration proposed by the Board to be distributed to its members;
- the amounts allocated for each current Board member;
- the allowances paid to any member of the Senior Executive Management;
- the transactions in which the chairman, any of the Board members or senior management has an interest conflicting with the Bank's interests;
- the amounts actually spent on advertising in any manner, together with details for each amount; and
- the donations, together with information on the beneficiaries, reasons, and particulars of each donation.

11.12 Ordinary General Assembly

The Board will extend an invitation to all shareholders to attend the Ordinary General Assembly within four months of the end of the financial year. Such Ordinary General Assembly will be responsible for:

- hearing and approving the Board's report on the Bank's activities and financial position during the year and the auditors' report;
- discussing and approving the Bank's balance sheet and profit-and-loss account;
- discussing and approving the governance report;
- considering and approving the Board's proposal with respect to the distribution of dividends;
- considering the discharge of Board members from liability and determining their remuneration;
- reviewing the tender for appointment of the Bank's auditors and determining their fees; and
- electing Board members, if required.

The invitation will be sent as described above and must be annexed with the agenda and all statements and documents pertaining to the matters to be deliberated at such Ordinary General Assembly.

When calling for a meeting of the Ordinary General Assembly, the chairman shall publish the invitation along with the balance sheet, profit-and-loss account, an adequate summary of the Board's report and the full text of the auditors' report in two local daily newspapers, at least one of which should be in Arabic and on the Bank's website. Copies of these documents shall be sent to the MoCI prior to their publication.

Furthermore, the Board shall call for a General Assembly to convene upon the auditors' request. If the Board fails to call for such meeting within 15 days from the date of the request, the MoCI may approve such request by sending an invitation to the shareholders at the Bank's expense.

A shareholder may appoint in writing another shareholder to be his proxy to attend and vote on his behalf at the General Assembly but a shareholder may not appoint a Board member as proxy and, save as stipulated in the Articles, the number of Shares held by the attorney should not exceed 5 per cent. of the Bank's share capital.

The Ordinary General Assembly meeting shall not be deemed to have been duly convened unless attended by a number of shareholders representing at least 50% of the entire share capital of the Bank. If such quorum is not met, an invitation shall be sent for a second meeting to be held within 15 days following the first meeting by way of publication in two local daily newspapers. At least one such publication should be in Arabic and on the Bank's website and should be made available at least 15 days prior to the meeting date. The second meeting shall be considered valid regardless of the number of Shares represented.

The resolutions of the Ordinary General Assembly shall be passed by absolute majority of the votes represented at such meeting.

Each shareholder shall have a number of votes equal to his number of Shares. However, with the exception of corporate entities and Major Shareholders, no shareholder may hold, either in person or by proxy, a number of votes exceeding 5 per cent. of the number of deciding votes represented at the meeting.

11.13 Extraordinary General Assembly

An Extraordinary General Assembly will be convened to decide on the following:

- the amendment of the Constitutional Documents;
- the increase or decrease of the Bank's share capital;
- the extension of the Bank's term;
- the dissolution, liquidation, conversion, merger with another company or the acquisition of the Bank;
- the sale of the venture for which the Bank was created, or disposal of such project in any manner; and
- the approval of related party transactions.

Nonetheless, an Extraordinary General Assembly is not entitled to make amendments to the Articles which may increase the liabilities of the shareholders, amend the Bank's nationality or transfer its location from Qatar to any other state or country. Any attempt to do so will be null and void.

The Board shall call for an Extraordinary General Assembly whenever necessary or upon a written request by a shareholder or any number of shareholders representing at least 25 per cent. of the Bank's issued share capital and within 15 days from the submission of the request.

The Extraordinary General Assembly will not be valid unless the meeting is attended by shareholders and proxies representing at least 75 per cent. of the Bank's share capital. If such quorum is not met, an invitation shall be sent for a second meeting to be held within 30 days following the first meeting. The second meeting shall be considered valid if attended by a number of shareholders representing 50 per cent. of the Bank's share capital. If quorum is not met, an invitation shall be sent for a third meeting to be held after 30 days following the second meeting. The third meeting shall be considered valid regardless of the number of shareholders present.

If the matter to be considered is the dissolution of the Bank, its liquidation, its transformation or its merger or the sale of the venture for which the Bank was set up, or disposal of such project by any means, the meeting will be considered valid only if it is attended by a number of shareholders representing at least 75 per cent. of the Bank's share capital.

Each Extraordinary General Assembly Resolution shall be passed by a two-thirds majority of the shares presented at the meeting.

11.14 Maximum Shareholding

No individual or entity except the Major Shareholders (including the Founders) or any one of them upon obtaining the necessary approvals and exemptions, the Government and its related institutions organisations and entities so entitled by law and applicable regulations, may possess at any time more than five per cent. of the shares of the Bank.

11.15 Non-Qatari Shareholding

Post listing, the Bank will seek to obtain the approval of the competent government authorities to increase the foreign shareholding limit to 100 per cent.

12

Overview of Qatar

12. OVERVIEW OF QATAR

12.1 Introduction

Qatar has been one of the most resilient economies in the Middle East throughout the global pandemic, with real GDP contracting by only 3.6 per cent. in 2020. The World Bank estimates real GDP growth of 3.0 per cent. in 2021 and forecasts growth of 4.8 per cent. in 2022. Strong growth over many years has led to Qatar becoming one of the most prosperous countries in the world, with a nominal GDP per capita of QAR185,500 (U.S.$51,000) in 2020. Much of Qatar's wealth is derived from its hydrocarbon resources. As at 31 December 2020, Qatar's proven reserves of oil amounted to approximately 144,000 barrels of oil equivalent per capita. According to BP plc's most recent "Statistical Review of World Energy" published in July, Qatar's natural gas reserves are the third largest in the world. In December 2010, Qatar made world headlines when it was awarded the right to host the FIFA World Cup. The FIFA World Cup provides opportunities for Qatar to invest in further developing its infrastructure and diversifying its economy.

Qatar has focused on diversifying its economy in an effort to reduce its historical dependence on oil and gas revenues. The construction and real estate sectors have recently made substantial contributions to Qatar's economic growth, and significant investments have been made to increase economic returns from, in particular, petrochemicals, financial services, infrastructure development and tourism.

Qatar, which gained independence from the United Kingdom on 3 September 1971, was ruled by His Highness Sheikh Hamad Bin Khalifa Al-Thani from 27 June 1995 until 25 June 2013, on which date he handed power over to his fourth son, and the current Amir of Qatar, His Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani. During his reign, H.H. Sheikh Hamad implemented various initiatives designed to exploit the State's oil and gas resources in a responsible manner, thereby making rapid economic development and the construction of modern infrastructure possible in Qatar. During a period of rapid economic and social progress, Qatar has maintained its cultural and traditional values as an Arab and Islamic nation.

H.H. Sheikh Hamad also instituted a number of governmental reforms, including establishing a constitution that formally separates power among the executive, legislative and judicial branches. Qatar has also reformed its legal system to bring it in line with international laws, standards and practices. There is an organised set of institutions within Qatar that support growth in trade and commerce, both internally and externally, including the QFC, the QSE, and regulators, namely the QCB, the QFMA and the QFCRA. Qatar has strong ties with the West, notably the United States, which maintains a significant military presence in the country. Qatar is a member of, among other international organisations, the UN and the WTO. Qatar has low levels of corruption and has established the National Committee for Integrity and Transparency and the Administrative Control and Transparency Authority, which are each responsible for implementing its obligations as a member of the UN. Qatar is also a signatory to a number of other conventions and protocols. In addition to its memberships in international organisations, Qatar has hosted numerous economic, political and financial summits and conferences and, over the past several years, has become an important mediator in regional conflicts.

12.2 Geography

Qatar, which shares a land border as well as maritime boundaries with Saudi Arabia, and maritime boundaries with Bahrain, UAE and Iran, extends over a relatively flat, barren peninsula covered with sand that is approximately 160 kilometres long, covering a total area of approximately 11,493 square kilometres. Doha, which is located on the east coast of the Qatar peninsula, is Qatar's capital city as well as its commercial, financial and cultural centre. Doha is also the location of Qatar's international airport and main port facility. Qatar's most important industrial cities are Ras Laffan Industrial City (located to the north of Doha) and Mesaieed Industrial City (located to the south of Doha).

12.3 Population

The PSA estimated the total number of people in Qatar was 2.66 million as of June 2022. This represents a 10.5 per cent. increase from the 2015 census population figure of 2,404,776. The 2015 census indicated that 39.8 per cent. of the total population resided in the capital city of Doha, with a further 25.2 per cent. residing in Al Rayyan. Non-Qatari nationals, primarily expatriate workers, make up a significant portion of the population in Qatar.

The official language of Qatar is Arabic, although English is widely spoken.

12.4 National Vision

In October 2008, the State's General Secretariat for Development Planning developed and published the National Vision. The National Vision defines broad future trends and long-term objectives for Qatar, providing the framework within which national strategies and implementation plans can be developed. Besides establishing the foundation for developing Qatar's future strategies and policies, the National Vision has also helped to strengthen the coordination among governmental agencies and integrate planning efforts for the Government, the private sector and civic organisations.

The four cornerstones of the National Vision are human, social, economic and environmental development, in the context of which the State aims to balance: (i) modernisation and the preservation of traditions; (ii) the needs of the current generation and the needs of future generations; (iii) managed growth and uncontrolled expansion; (iv) the size and quality of the expatriate labour force; and (v) economic growth, social development and environmental management. The National Vision is to be achieved through a series of medium-term plans. The first such six-year plan, referred to as the National Development Strategy (NDS 2011-2016), was released in March 2011 and in March 2018, the Second National Development Strategy (NDS 2018-2022) was launched.

12.5 Foreign Relations

Qatar has been a member of the WTO since 1996. In line with its commitment to the WTO, Qatar's policies are focused on the liberalisation of the economy and trade, the reduction of tariffs, as well as increasing and diversifying exports. In 2001, Qatar hosted the Fourth WTO Ministerial Conference, which launched the current round of trade negotiations known as the Doha Development Agenda.

Qatar is also a member of numerous international and multilateral organisations, including, among others, the UN (where Qatar was a non-permanent member of the UN Security Council for the 2006-2007 term, and has served as the president of the 66th session of the UN General Assembly), the League of Arab States, the Organisation of The Islamic Conference, United Nations Educational, Scientific and Cultural Organisation (UNESCO), the Multinational Investment Guarantee Agency, the IMF and the International Bank for Reconstruction and Development. Qatar was also a member of OPEC until January 2019.

On 23 December 2008, representatives of 11 gas-producing nations, including Qatar, Russia and Iran, signed an intergovernmental memorandum and charter formally establishing the GECF, which chose Doha as the future headquarters for its permanent secretariat. The GECF Secretary General commenced his duties in Doha in February 2010. The GECF Liaison Office, which facilitates the affairs of the GECF, is also based in Doha. Apart from the regular Ministerial meetings, the first GECF summit was held in Doha in December 2011. The GECF's objectives include exchanging information on a broad range of issues such as new technologies, investment programmes, relations with natural gas consuming countries and environmental protection.

12.6 GCC Membership

Qatar is a member of the GCC, whose other members are Bahrain, Kuwait, UAE, Oman and Saudi Arabia. In 2003, the GCC established a customs union under which Qatar applies a common customs tariff of 5.0 per cent. to most products, with a limited number of exceptions. In 2005, as part of the GCC, Qatar joined the Istanbul Cooperation Initiative, which is a North Atlantic Treaty Organisation initiative to enhance regional security in the broader Middle East.

In November 2016, GCC states executed the GCC VAT Framework Agreement, which has already come into force in UAE, Saudi Arabia, Oman and Bahrain and is expected to come into force in the other GCC states over the coming years. The tax will apply a single rate of 5.0 per cent. to a broad basket of goods and services, with likely exceptions including basic food items, healthcare and education. On 3 May 2017, the Council of Ministers approved Qatar's VAT law and its executive regulations which are expected to reflect the provisions of the GCC VAT Framework Agreement. Qatar's VAT law and its executive regulations have not been published in the Official Gazette yet and as such they are not yet in force.

12.7 Economic Policy

Qatar's primary economic objective has been to create a thriving investment climate that both encourages domestic investment and identifies positive opportunities for outward investment. Qatar's current LNG production capacity is 77 mtpa. However, Qatar is currently in the process of constructing a North Field expansion (the "**North Field Expansion**"), consisting of six new LNG trains, and the project is expected to increase LNG production by 64 per cent. to 126 mtpa. There are two phases in relation to the North Field Expansion. The first phase, North Field East, consists of four new trains and is expected to increase Qatar's LNG production from 77 mtpa to 110 mtpa, with first gas expected in 2025. The second phase, North Field South, will add two more trains and is expected to further boost LNG production to 126 mtpa, with first gas expected by 2027. The North Field Expansion will make innovative use of both carbon capture and renewable energy to minimise carbon emissions and enhance sustainability. Positive spill-overs from increased hydrocarbon production are expected to combine with diversification efforts and structural reforms to boost economic activity and spending in the manufacturing and services sectors.

Historically, Qatar's economy has been dependent on crude oil production. In the early 1990s, however, the State developed a multi-directional and fast-track strategy to accelerate the commercialisation of Qatar's substantial natural gas reserves as a means to diversify and ultimately modernise the economy. This strategy was implemented pursuant to a three-pronged approach, namely by developing LNG and GTL for global export, pipeline gas for regional export markets, and by utilising gas for domestic petrochemical production and industrial consumption. In line with this strategy, Qatar has made large-scale investments across the entire value chain of LNG trains, tankers, and storage and receiving facilities, becoming a global leader in producing and exporting LNG.

Although Qatar is focused on ensuring optimal and sustainable development and commercialisation of the oil and gas sector, which continues to be the backbone of the economy, one of the cornerstones of Qatar's current economic policy is a commitment to diversify the overall economy so that Government revenues from the oil and gas sector are supplemented by an increased percentage of Government revenues from non-oil and gas-related activities. As set forth in the National Vision, Qatar's long-term economic objectives include developing its infrastructure and strengthening its private sector. In pursuit of these objectives, the State has increased total expenditure to QAR192.1 billion (U.S.$52.8 billion) for the fiscal year ended 31 December 2021, funnelling much of this expenditure into major construction projects such as railway, the Lusail real estate development, the Hamad International Airport, ports, roads, healthcare and education.

Qatar is also strengthening the private sector by undertaking regulatory reforms aimed at improving Qatar's business climate and creating an environment that will support enterprise creation, private competition and foreign direct investment, including through taking steps such as liberalising the telecommunications sector and creating special economic zones. In addition, Qatar has sought to increase the country's attractiveness to foreign direct investment by implementing laws that allow more foreign participation in the domestic economy. For example, the Government has established the QFC, which enables global financial firms to operate in Qatar, although there are restrictions on such financial institutions dealing with retail customers.

In addition, on 13 December 2018, the Government introduced a new Income Tax Law replacing the previous law number 21 of 2009. Under the Income Tax Law (which is applicable outside the QFC and retains most features and provisions from the previous law), taxable income in any taxable year is taxed at a flat tax rate of 10.0 per cent., except for certain oil and gas companies that will continue to be taxed at the previous rate of 35.0 per cent. (which the new law now also applies to agreements relating to petrochemical industries). This is part of a broad plan to diversify the Qatari economy to reduce reliance on the oil and gas sector, which accounted for approximately 37 per cent. of total nominal GDP in 2021. However, Qatari companies that are 100 per cent. owned by Qataris do not pay income tax.

In December 2018, the Excise Law was introduced and came into effect on 1 January 2019. As at the date of this Prospectus, the Excise Law applies to tobacco, energy drinks and goods of a special nature (including alcohol) at the rate of 100 per cent., and to carbonated drinks at the rate of 50 per cent.

In February 2019, the Foreign Investment Law came into effect, which, in principle, removed the restriction on foreign investment to allow investments by non-Qataris in large sectors of the Qatari economy. The Minister of Commerce and Industry has discretion to approve an investment by a non-Qatari which exceeds 49 per cent. of the share capital of a company. The executive regulations relating to the Foreign Investment Law provide for the conditions and procedures for foreign investors to apply to exceed the 49 per cent. shareholding. However, the approval of such application is discretionary. Several listed Qatari banks have been granted approval to increase their foreign ownership limits to 100 per cent. in recent months.

In June 2014, in its Annual Market Classification Review, MSCI Inc. upgraded Qatar from a "frontier market" to an "emerging market". This classification is among the criteria used by a large number of institutional investors and private equity funds to identify markets in which they can invest. This upgrade is expected to increase investment in Qatari securities with the entry of foreign institutional investors and passive or index-tracking investors.

12.8 Gross Domestic Product

Qatar's nominal GDP decreased by 3.8 per cent. in 2019 and 18.1 per cent. in 2020, and increased by 24.4 per cent. in 2021 principally as a result of changes in oil prices which impacts the hydrocarbon sector. Previously, annual nominal GDP declined by 21.6 per cent. in 2015, and 6.2 per cent. in 2016 and increased by 6.2 per cent. in 2017, generally reflecting trends in commodity prices during these periods.

The following table sets out certain information about Qatar's nominal GDP by economic sector and by percentage contribution to total nominal GDP for each of the five years ended 31 December:

	Year end 31 December									
	2017		2018		2019		2020		2021	
	Value	%	Value	%	Value	%	Value	%	Value	%
	(QAR in millions, except for percentages)									
Oil and gas sector	199,405	34.0	260,198	39.0	229,803	35.9	152,343	29.0	240,752	36.8
Non-oil and gas sector by activity:										
Finance, business services, insurance and real estate	91,623	15.6	91,757	13.7	93,821	14.7	93,075	17.7	100,596	15.4
Manufacturing(2)	47,189	8.0	54,972	8.2	49,882	7.8	41,586	7.9	57,323	8.8
Construction	79,040	13.5	82,600	12.4	78,174	12.2	75,112	14.3	87,839	13.4
Trade, restaurants and hotels	52,890	9.0	55,203	8.3	55,838	8.7	48,808	9.3	53,497	8.2
Transport and communications	32,006	5.5	35,620	5.3	37,253	5.8	30,969	5.9	36,828	5.6
Electricity and water	6,785	1.2	5,180	0.8	6,248	1.0	6,053	1.2	6,517	1.0
Agriculture and fisheries	1,259	0.2	1,457	0.2	1,472	0.2	1,781	0.3	1,951	0.3
Other services(3)	76,204	13.0	80,353	12.0	87,559	13.7	75,931	14.4	68,335	10.5
Total non-oil and gas sector	**386,996**	**66.0**	**407,142**	**61.0**	**410,246**	**64.1**	**373,314**	**71.0**	**412,886**	**63.2**
Total nominal GDP	**586,401**	**100**	**667,339**	**100**	**640,049**	**100**	**525,657**	**100**	**653,638**	**100**

Notes:

(1) The GDP figures are based on the latest available data from the PSA.

(2) For purposes of calculating GDP, certain downstream activities generally associated with Qatar's oil and gas industry, such as the production and export of gas to liquids, petrochemicals, fertilisers, steel, aluminium, iron and metal coating, are included in the manufacturing sector as part of the non-oil and gas sector.

(3) Includes social services, imputed bank service charges, government services, household services and import duties.

Source: PSA

12.9 The Economy of Qatar

Qatar is one of the most prosperous countries in the world, with a nominal GDP per capita of QAR237,600 (U.S.$65,200) in 2021. Much of Qatar's wealth is derived from its hydrocarbon resources. As of the most recent BP plc's reports, Qatar's proven reserves of crude oil and natural gas (including condensate) amounted to approximately 170 billion barrels of oil equivalent. These hydrocarbon reserves consist of proven reserves of approximately 871.1 trillion standard cubic feet of natural gas and 25.4 billion barrels of crude oil (including condensate). Virtually all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated by the U.S. Energy Information Administration to be part of the largest non-associated gas field in the world as at January 2015. According to the U.S. Energy Information Administration, Qatar had the third largest natural gas deposits after Iran and Russia. Qatar has more than 100 years of proven gas reserves at current production levels, according to QE.

In the early 1990s, Qatar developed a multi-directional and fast-track strategy to accelerate the commercialisation of its substantial natural gas reserves as a means to diversify and ultimately modernise Qatar's economy. In line with this strategy, Qatar has made large-scale investments across the entire value chain of LNG, including liquefaction trains, tankers, and storage and regasification facilities abroad. Qatar has been the world's leading LNG exporter since 2006. Through its flagship Qatargas and RasGas LNG projects, Qatar has developed its LNG business through strategic partnerships with a number of the world's leading oil and gas companies, including ExxonMobil, Shell, Total and ConocoPhillips. By investing across the entire LNG value chain, Qatar now enjoys meaningful cost advantages in the gas sector due to significant economies of scale and a low-cost structure. Qatar also has a good central geographic location for global shipping to all major gas consuming regions of the world and, based on contractual commitments, Qatari LNG is expected to be sold globally to customers in various regions, including Central and South America (Mexico and Argentina), Northwest Europe (the United Kingdom and Belgium), Western Europe (Italy, France and Spain), South Asia (India), East Asia (China, Malaysia, Thailand, South Korea, Japan and Taiwan) and the Middle East (UAE). Most of the LNG produced by Qatar's upstream ventures is sold under long-term take-or-pay agreements that provide certainty of volume offtake.

The decision to increase LNG output by 64 per cent. will help fuel Qatar's next phase of development. This increase in capacity will require substantial investments both onshore and offshore including the construction of six new LNG trains to process the gas. These new investments are expected to generate substantial multiplier effects on the wider economy, increasing demand for goods and services and driving the country's development in line with the National Vision.

Qatar has also focused on developing and exploiting its natural gas resource base prudently beyond the LNG industry, implementing a downstream strategy driven by opportunities to add value to existing oil and gas production as well as the requirements of the domestic economy. QE has developed pipeline gas both for regional export markets and for domestic petrochemicals and industrial consumption. In addition, QE is the majority shareholder in a number of industrial companies located primarily at Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value-advded products, such as petrochemicals and fertiliser, steel, iron, aluminium and metal coating, both for domestic consumption and for export.

Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programmes, healthcare and education, which have modernised Qatar's economy. Qatar's economic growth has also enabled it to diversify its economy through domestic and international investment into different classes of assets. In 2005, the State established the QIA to propose and implement investments for Qatar's growing financial reserves, both domestically and abroad. The aim of the QIA is to strengthen the nation's economy through the diversification of asset classes across a wide range of geographies. Through the QIA, Qatar has made investments in private equity, the banking sector, real estate, publicly traded securities and alternative assets. With its growing portfolio of international and domestic long-term strategic investments, the QIA has continued to develop Qatar's economic diversification strategy while contributing to the nation's significant economic expansion. Qatar incurred budget deficits in 2015, 2016 and 2017 and turned to deficit financing, including the issuance of bonds, as a way of continuing its investments in its economy. Such deficits reflected Qatar's continued commitment to capital expenditure with respect to ongoing infrastructure projects combined with conservative oil prices. Qatar's budget was in surplus in 2019, in deficit in 2020 before returning to surplus in 2021. The expected GDP surplus in 2022 is expected to increase significantly on the back of economic recovery post COVID-19, the FIFA World Cup and oil price rises.

The Government has provided financial support to Qatar's financial sector as a response to the 2008-2009 global economic downturn and as a preventative measure to preserve the general stability of Qatar's banking sector. In late 2008 and early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20 per cent. in all domestic banks listed on the QSE, excluding Qatar National Bank. In January 2009, the QIA acquired 5.0 per cent. of the shares of Qatar Islamic Bank for QAR956 million (U.S.$263 million), 5.0 per cent. of the shares of the Commercial Bank for approximately QAR807 million (U.S.$221.7 million), 5.0 per cent. of the shares of Qatar International Islamic Bank for QAR464 million (U.S.$127.5 million), 5.0 per cent. of the shares of Ahli Bank for QAR161 million (U.S.$44.2 million), and 5.0 per cent. of the shares of Doha Bank for QAR369 million (U.S.$101.4 million). In February 2009, the QIA acquired 20.0 per cent. of the shares of First Finance Company for QAR257 million (U.S.$70.6 million). These capital injections were based on the share price of the relevant bank as at 12 October 2008. In addition, the shareholders of Masraf Al Rayan approved a share capital increase to be issued to the QIA, and the shareholders of Al Khalij Commercial Bank approved a share capital increase of up to 20.0 per cent. to be issued to the QIA. The QIA implemented procedures to acquire an additional 5.0 per cent. stake in the capital of Qatari banks consistent with the above-mentioned plan to purchase equity ownership interests of up to 20.0 per cent. in domestic commercial banks. In late 2009 and early 2010, the QIA purchased approximately QAR2.7 billion (U.S.$741.7 million) worth of shares in local banks, representing the fourth support package extended by the Government in line with the 2008/2009 plan referenced above. In December 2009, the QIA acquired shares of the Commercial Bank for a further QAR807 million (U.S.$221.7 million), increasing its shareholding to 9.1 per cent.

In addition, on 9 March 2009, the Government declared that, in order to further support Qatar's banking sector, the Government would purchase a portion of the investment portfolios of seven of the nine domestic banks listed on the QSE. These purchases were completed on 22 March 2009 at a total purchase price of approximately QAR6.5 billion (U.S.$1.8 billion) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the net book value of such investment portfolios as registered in the records of each bank as at 28 February 2009.

In an effort to further boost liquidity and encourage lending, in early June 2009, the Government offered to buy a portion of the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QAR15.5 billion (U.S.$4.3 billion).

A previous diplomatic rift between Qatar and some countries in the region was addressed in the Al-Ula Declaration, signed during the 41st GCC Summit in early January 2021. As a result, regional travel, trade and investment flows can start to normalise, improving business conditions across the region.

(a) Oil and Gas Sector

The following table sets out Qatar's total proven reserves of crude oil, natural gas and field condensate, as of 31 December 2020 (latest available comprehensive data as of 30 June 2022).

	As of 31 December					
	2018		2019		2020	
	Proven	**Confirmed**	**Proven**	**Confirmed**	**Proven**	**Confirmed**
Natural gas (excluding condensate) (in trillions of cubic feet) [1]	843.4	1,776.20	831	1,763.80	818.6	1,756.10
Crude Oil and condensate (in billions of barrels)	21.4	73.9	21.8	74.2	21.8	74.2
Total barrels of oil equivalent (boe) (in billions of barrels)[2]	**172**	**390**	**170**	**388**	**168**	**387**

Notes:

(1) Includes North Field gas reserves.

(2) Confirmed volumes of natural gas have been converted to barrels of oil equivalent on a calorific basis according to a conversion factor of one billion cubic feet of gas (excluding condensate) to 0.178 million barrels of oil equivalent.

Source: BP Statistical Review of World Energy 2021, Qatar Energy

QE, which is wholly-owned by the State and represents the State's primary source of revenues, is responsible for all phases of the oil and gas industry in Qatar. The principal activities of QE and its subsidiaries and joint ventures cover exploration, drilling and production, storage and transport, and the marketing and sale of crude oil, condensates, pipeline gas, LNG, petrochemicals, GTL, steel, fertilisers and other products and services. QE conducts its operations and activities at various onshore and offshore locations, while certain hydrocarbon exploration activities and new projects are conducted under production sharing agreements with international oil and gas companies. QE's downstream strategy is driven by opportunities to add value to existing oil and gas production as well as the requirements of the domestic economy. QE is also the majority shareholder in a number of industrial companies located primarily at Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value-added products, such as petrochemicals, fertilisers and steel, both for domestic consumption and export.

Although oil-related activities currently account for a significant portion of QE's revenues and net cash flows, the State expects that the contribution of non-oil revenues to QE's net cash flow will steadily increase. The State derives a majority of its oil and gas revenue from the sale of LNG and other natural gas in 2011 as a result of its investment in the commercialisation of Qatar's substantial natural gas reserves. Crude oil and refined products sales, however, continue to remain significant. Qatar is currently constructing a North Field Expansion, consisting of six new LNG trains and is expected to increase LNG production by 64 per cent. to 126 mtpa. There are two phases in relation to the North Field Expansion. The first phase, North Field East, consists of four new trains and is expected to increase Qatar's production from 77 mtpa to 110 mtpa, with first gas expected in 2025. The second phase, North Field South, will add two more trains and is expected to further boost production to 126 mtpa, with first gas expected by 2027.

QE's strategy is to continue to contribute to the diversification of Qatar's economy and the State's assets by leveraging QE's experience along with the State's vast hydrocarbon wealth, to generate long-term returns on investment in the international oil and gas industry. In line with this strategy, QE has invested outside Qatar in the oil and gas industry in foreign markets and has explored and evaluated various investment and acquisition opportunities that would further optimise the operations of QE as well as maximise the value of Qatar's hydrocarbon resources, including by expanding into downstream activities in the natural gas sector, so that the State has greater involvement and ownership in the entire LNG value chain.

(b) Non-Oil and Gas Sector

In recent years, Qatar has invested heavily in diversifying its economy to reduce its historically high dependence on oil and gas revenues. The non-oil and gas sector of Qatar now contributes significantly to the overall economy of the State, contributing 63.2 per cent. of total nominal GDP in 2021, as compared to 40.4 per cent. in 2005. In the coming years, the absolute value of the non-oil and gas sector is expected to continue to grow along with the overall economy of Qatar. The relative contribution of the non-oil and gas sector to total nominal GDP as compared to the oil and gas sector has fluctuated in recent years largely due to volatile commodity prices. Within the non-oil and gas sector, the finance, business services, insurance and real estate sectors made the largest contribution to total nominal GDP in 2021, as has been the case since 2006.

The following table sets out the nominal and percentage contribution of the non-oil and gas sector to Qatar's total nominal GDP from 2017 to 2021.

	Year end 31 December									
	2017		2018		2019		2020		2021	
	Value	%	Value	%	Value	%	Value	%	Value	%
	(QAR in millions, except for percentages)									
Non-oil and gas sector	386,996	66.0	407,142	61.0	410,246	64.1	373,314	71.0	412,886	63.2

Source: PSA

12.10 Qatar's Public Finance

(a) General

Qatar experienced significant revenue growth and large budget surpluses from 2000 until 2014, driven primarily by the rapid development of its hydrocarbon sector. As a result of the lower oil prices then prevailing, Qatar experienced lower revenue and a budget deficit in 2017 but had a surplus in 2018 and 2019. Government revenues stood at QAR207.9 billion (U.S.$57.2 billion) at the end of 2018 and at QAR214.7 billion (U.S.$59.0 billion) at the end of 2019. By 31 December 2019, there was an overall surplus of QAR6.3 billion (U.S.$1.7 billion), or 1.0 per cent. of GDP, as a result of higher global oil prices. The deficit for the year ended 31 December 2020 was QAR10.4 billion (U.S.$3.1 billion), while 2021 saw a surplus of QAR1.6 billion (U.S.$0.4 billion).

The Government's primary sources of budget revenues are oil and gas-related revenues generated by QE's activities. In 2022 (the latest period for which a full-year budget breakdown is available), this accounted for 79 per cent. of the total revenues, up from 76 per cent. in the previous year. The Government's budget is formulated using a conservative estimate of the oil price per barrel for the relevant fiscal year: U.S.$65 for the budget for each of the fiscal years ended 31 March 2014 and 2015; U.S.$65 for the budget for the shortened nine-month fiscal period ended 31 December 2015; U.S.$48 for the budget for the fiscal year ended 31 December 2016; U.S.$45 for the budget for the fiscal year ended 31 December 2017; U.S.$45 for the budget for the fiscal year ended 31 December 2018; U.S.$55 for the budget for the fiscal year ended 31 December 2019; U.S.$55 for the budget for the fiscal year ended 31 December 2020; U.S.$40 for the budget for the fiscal year ended 31 December 2021; and U.S.$55 for the budget for the fiscal year ended 31 December 2022. The Ministry of Finance receives royalties and tax revenue on export sales of crude oil, refined products and gas products, including LNG and downstream products from QE and its joint venture partners. In addition to such export sale receipts, the Government receives a significant portion of QE's net income as miscellaneous transferables. The Government has other revenue sources including customs duties, taxes on the operations of foreign owned businesses and charges for certain services provided by the Government.

The principal items of Government expenditure are the development of Qatar's infrastructure, the wages and salaries of Government employees and principal and interest payments in respect of Government indebtedness (both internal and external). Other items of Government expenditure include the provision of social services such as healthcare, education and the pensions of former Government employees, as well as utilities, such as water, electricity and telephone services. In recent years, the Government has increased aggregate expenditures substantially as the Government has invested in the development of Qatar's physical infrastructure to meet the needs of its growing population and to develop Qatar into a trade centre and leading LNG exporter. Expenditure growth has been characterised by gradual year-on-year growth at a CAGR of 10.2 per cent. between the fiscal year ended 31 March 2001 and the fiscal year ended 31 March 2004 and more significant year-on-year growth at a CAGR of 33.5 per cent. between the fiscal year ended 31 March 2004 and the fiscal year ended 31 March 2008, as Qatar's larger infrastructure projects have moved from the planning phase to the development and construction phases. Qatar's expenditure grew at a CAGR of 6.3 per cent. from the fiscal year ended 31 March 2008 to 31 December 2021, as the total expenditure increased to QAR192.1 billion (U.S.$52.8 billion) from QAR86.2 billion (U.S.$23.7 billion) in the fiscal year ended 31 March 2008.

(b) Budget Policy and Process

The State budget plays a central role in Qatar's economy and is a key tool in achieving the Government's economic development goals. Fiscal policy is considered to be the core of the State's general economic policy, which aims to utilise fully Qatar's economic resources to raise the standard of living in Qatar and to achieve sustainable development through cooperation between the private and public sectors. Governmental expenditure is considered by the Government to be a primary stimulant of economic activity, and consequently a facilitator of economic growth in Qatar.

Until 31 March 2015, the Government operated under a fiscal year running from 1 April to 31 March. From 1 January 2016, the Government changed to a calendar year budget (1 January to 31 December). Therefore, the Government operated under a shortened nine-month fiscal period from 1 April 2015 to 31 December 2015, and has issued budgets for full calendar years since then. Each year, the Budget Department of the Ministry of Finance supervises the preparation of ministerial and agency budgets for the following fiscal year. After approval by the Minister of Finance, the consolidated budget is submitted to the Council of Ministers for its approval (normally by 1 December in advance of the fiscal year, which commences on 1 January). The budget for capital projects is sent to the Advisory Council for discussion, and the Advisory Council submits its recommendations to the Council of Ministers for approval. Thereafter, the budget is submitted to the Amir for his approval and, if approved, a decree implementing the budget is issued.

Along with the release of the budget, the Ministry of Finance publishes a circular regarding the preparation of the State's budget. The circular provides that the financial policy of the State focuses on achieving the highest value for money possible for the State's budgetary resources, ensuring appropriate allocation of resources to enable timely execution of projects, including infrastructure and public services projects, improving efficiency and cost savings in connection with government-related services, and stimulating private sector economic activity to increase growth and expand employment opportunities for Qatari nationals.

The following table sets out the actual revenues, expenditure and overall surplus of the Government for the fiscal years ended 31 December 2017, 2018, 2019, 2020 and 2021.

	Fiscal year ended 31 December				
	2017	2018	2019	2020	2021
			(QAR in millions)		
Revenue:					
Oil, gas and investment revenues	132,988	173,129	169,986	134,100	156,300
Miscellaneous transferables	30,284	34,786	44,763	37,895	37,400
Total revenue	**163,272**	**207,915**	**214,749**	**171,186**	**193,700**
Expenditure:					
Salaries and wages	53,121	55,688	61,439	57,997	58,700
Current expenditure	60,152	55,467	62,667	57,925	60,900
Secondary capital	3,913	3,840	4,093	3,510	3,500
Major projects	86,079	77,840	80,220	63,022	69,000
Total expenditure	**203,265**	**192,835**	**208,419**	**182,454**	**192,100**
Overall (deficit)/surplus	**(39,993)**	**15,080**	**6,330**	**(10,400)**	**1,600**

Source: Ministry of Finance and QCB citing the Ministry of Finance

(c) Qatar's Indebtedness

The Government's total outstanding indebtedness as at 31 December 2019 was QAR398.5 billion (U.S.$109.5 billion), with internal indebtedness of QAR173.3 billion (U.S.$47.6 billion), and external indebtedness of QAR225.2 billion (U.S.$61.9 billion). Total indebtedness as at 31 December 2019 constituted 62.3 per cent. of Qatar's total nominal GDP in 2019. In 2020, the external indebtedness remained relatively constant at QAR228.9 billion (U.S.$62.8 billion).

A decision of the Council of Ministers number 17 of 2008 (as amended) established the State's Finance Policy Committee, which comprises senior government officials, including the Minister of Finance as chairman, a representative of QCB as deputy chairman, and representatives of the QIA and QSE. Under its mandate, the State's Finance Policy Committee (a) provides guidance to all government-related entities that seek to access the international capital markets and (b) coordinates debt offerings by Qatari issuers in order to increase liquidity and optimise borrowing costs for Qatari borrowers.

Qatar has not defaulted on any payment of principal, premium or interest on any of its internal or external indebtedness. Qatar's long-term credit rating was upgraded to AA from AA- as of November 2022 citing improvements in the government's fiscal position. "Qatar's debt interest costs as a share of government revenue have fallen, and we expect them to remain low because the government is repaying maturing debt," the agency said in a statement. Similarly, the outlook for Qatar's Aa3 foreign and local currency bond rating was upgraded to positive by Moody's in November 2022. In July 2017, Qatar's Moody's rating had been placed on negative outlook while the Aa3 rating was previously affirmed. In June 2018, Fitch raised its AA- sovereign rating outlook for Qatar to "stable" from "negative", citing a "stabilising business sector due to public sector liquidity injections, and a narrowing government fiscal deficit". Following that, Fitch upgraded the outlook of all Qatari banks to "stable" in July 2018, reflecting Fitch's view that Qatar has successfully managed the effects of the diplomatic rift with some of its neighbours. Moody's and S&P took similar action in July and December 2018, raising their long-term issuer ratings outlook to "stable" from "negative", citing "evidence of broad resilience of Qatar's credit metrics" and Qatar's ability to "effectively mitigate the economic and financial impacts of the boycott" as the key driver. The diplomatic rift was resolved in January 2021 after all GCC leaders signed a "solidarity and stability" agreement during the 41st GCC Summit in Saudi Arabia. Since then, relationship and cooperation between Qatar and its neighbours has greatly improved.

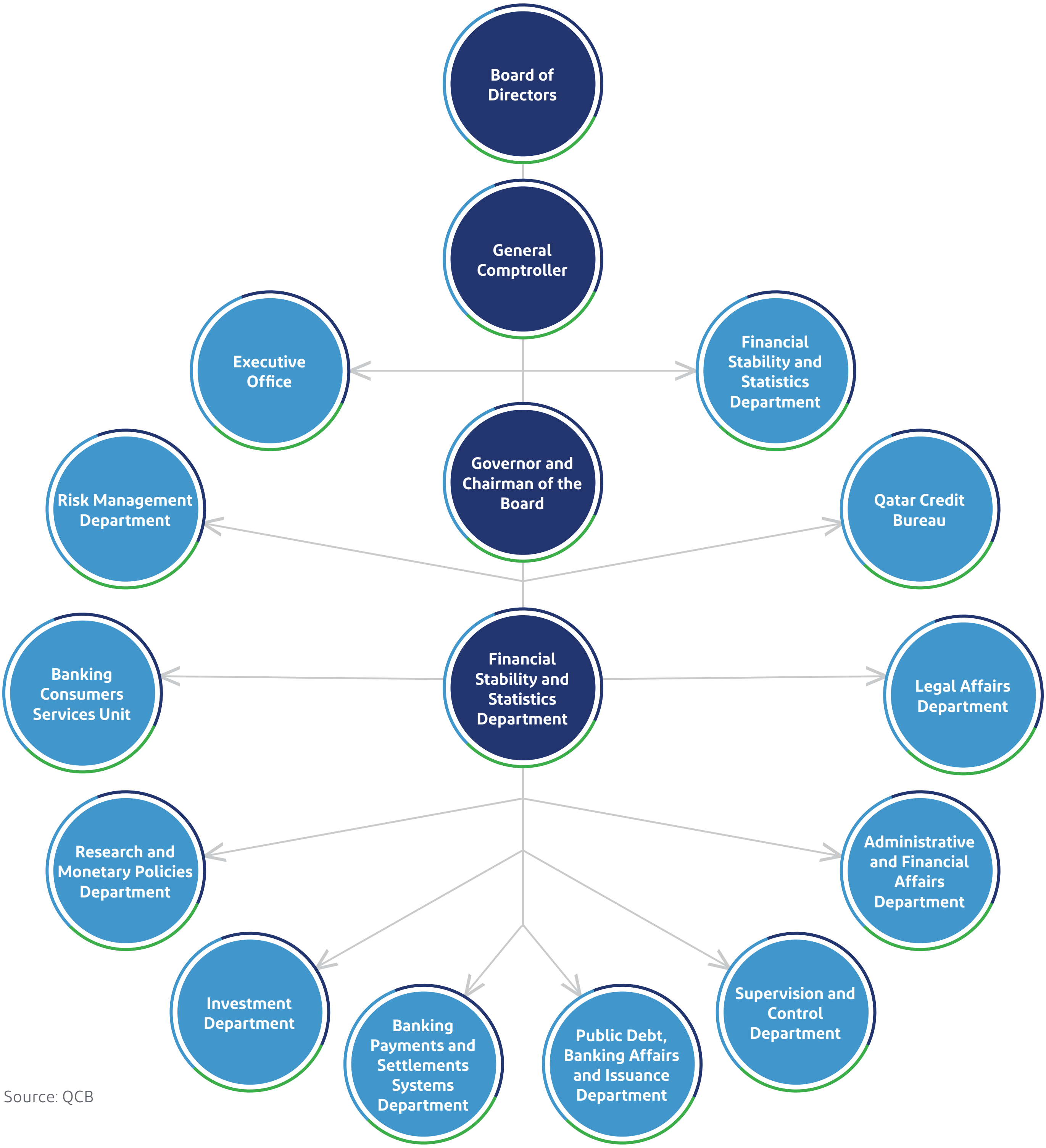
(d) Monetary and Financial System of Qatar

The QCB, the QFCRA and the QFMA are the three regulatory authorities tasked with regulating and supervising the monetary, banking and financial system, and the capital markets in Qatar. The Government issued the Banking Law aimed at advancing the framework for financial regulation in Qatar and expanding the ambit of regulation to cover areas requiring new and enhanced financial regulation. It also lays the foundation for increased cooperation between the regulatory bodies in Qatar. The Banking Law, among other matters, mandates the QCB to act as the competent supreme authority in framing the policies for the regulation and supervision of all financial services and markets in Qatar, including the insurance sector which was previously regulated by the MoCI.

The QCB formulates and implements monetary and exchange rate policies and is entrusted with the supervision of the banking system and non-bank financial institutions (including insurance companies). Its objectives include maintaining the stability of the Riyal and its free convertibility to other currencies, the stability of commodity and service prices and the stability of the financial and banking system in Qatar. The QCB also acts as the primary supervisory authority and regulator for Qatar's commercial banks, and issues licences and consents to banking and financial services companies operating in Qatar. The QFCRA is an independent statutory body of the QFC that licenses and supervises banking, financial and insurance-related businesses that provide financial and advisory services in or from the QFC. The QFMA is the independent regulatory authority for Qatar's capital markets that regulates and supervises the QSE along with the securities industry and associated activities.

12.11 Qatar Central Bank

The QCB was established as an independent organisation in 1993 and operates in coordination with the Ministry of Finance, which currently has one of five seats on the board of directors. The QCB is tasked with maintaining both monetary and financial stability. Monetary stability refers to stable prices and currency, while financial stability refers mainly to supervision, support and development of the financial sector. The QCB is managed by a board of directors, which is chaired by its Governor. The board of directors includes the Deputy Governor of the QCB and at least three other members, including a representative from the Ministry of Finance and a representative from the MoCI. The diagram below outlines the organisational structure of the QCB.



Source: QCB

12.12 Qatar Financial Centre

The QFC is a financial and business centre established by the Government in 2005 with a view to attracting international financial services institutions and multinational corporations to Doha in order to grow and develop the market for financial services in the region. Unlike other financial centres in the region, the QFC is an onshore financial and business environment.

The QFC comprises four primary bodies: the QFCA, the QFCRA, the QFC Civil and Commercial Court and the QFC Tribunal. The QFCA determines the commercial strategy of the QFC, while the QFCRA regulates, authorises, supervises and, when necessary, disciplines banking, securities, insurance and other financial businesses carried on in or from the QFC. The QFCRA also registers and supervises the directors and other designated officers of the businesses authorised by it. The QFCRA regulatory approach is modelled closely on that of the UK's Financial Conduct Authority. The QFC Civil and Commercial Court has jurisdiction over disputes arising within the QFC, and the QFC Tribunal hears appeals against decisions of the QFCRA. The QFCRA, the Court and the Tribunal are all statutory independent bodies reporting to the Council of Ministers.

Firms operating under the QFC umbrella fall into two categories: those providing financial services, which are regulated activities, and those engaged in non-regulated activities.

12.13 Monetary Policy

Currently, Qatar's monetary policy is formulated by the QCB to, among other things, regulate interest rates, maintain the stability of the Riyal, and control inflation. See section 13 ("The Qatar Banking Sector and Regulations") under sub-sections titled "Interest Rates" and "Inflation". While the QCB operates in coordination with the Ministry of Finance, it is independent from political interference in its management of monetary policy.

12.14 General Tax Authority

Qatar has established the GTA, which is in charge of implementing all tax laws and improving tax compliance in the country. The GTA was established as a separate entity, under the supervision of the Ministry of Finance, and its establishment is in line with Qatar's plans to reduce the country's dependence on hydrocarbon resources.

The law establishing the GTA mandates the authority to implement all tax laws, establish all related bylaws, procedures and instructions and be responsible for their implementation, review and assess tax return forms and collect taxes from subject entities. It also mandates the GTA to represent Qatar in relevant international and regional organisations and at international conferences and events and sign tax agreements with other countries to encourage economic cooperation and joint investments.

13

The Qatar Banking Sector and Regulations

13. THE QATAR BANKING SECTOR AND REGULATIONS

13.1 Qatar Central Bank

In its supervisory capacity, the QCB oversees the activities of Qatar's commercial banks and non-bank financial institutions (including insurance companies) with a view to minimising banking and financial risk in Qatar's financial sector. The QCB conducts regular inspections of commercial banks and reviews reports and other mandatory data submitted by commercial banks, including monthly capital adequacy compliance reports.

The QCB has implemented regulations regarding non-performing loans, large exposures, country risk, money market and foreign exchange accounts, credit ratios, fixed assets for banks' use, reserve requirements and banks' investments. The QCB has the authority to impose penalties in the event that banks fail to comply with these regulations. The QCB requires commercial banks to maintain a minimum reserve requirement of 4.50 per cent. and a capital adequacy requirement of 15.0 per cent. (including the capital conservation buffer, the DSIB buffer and the ICAAP capital charge of 2.0 per cent.) in line with the "well-capitalised" level in the Basel III guidelines and above the guidelines' minimum recommended level of 10.0 per cent. (excluding the capital conservation buffer). The QCB also requires each commercial bank to maintain a risk reserve balance of not less than 2.5 per cent. of the total amount of direct credit facilities provided by the bank and its subsidiaries as determined at the end of each year. Certain provisions and credit provided to the Ministry of Finance and credit secured by cash collateral are excluded from the calculation of the total amount of direct credit facilities for the purposes of determining the minimum risk reserve balance. A bank may not use any portion of its risk reserve amount without the prior approval of the QCB. Commercial banks are also required to have their annual accounts audited by the QCB's approved independent auditors and to obtain prior approval from the QCB to appoint senior management.

In January 2014, the QCB issued Circular number AR/2/2014 to all commercial banks in Qatar with instructions regarding the implementation of the QCB's Basel III requirements. The QCB's minimum recommended capital adequacy requirements under Basel III are currently 12.5 per cent. (including a capital conservation buffer of 2.5 per cent.). Furthermore, banks identified as DSIBs are subject to an additional buffer, as determined by the QCB for each identified DSIB. The DSIB buffer applicable to the Bank is 0.5 per cent. As part of the ICAAP (Pillar II) framework, QCB introduced the minimum ICAAP capital charge of 2.0 per cent., which constitutes part of the minimum capital requirement over and above the Pillar I minimum capital requirement. From 1 January 2018, commercial banks in Qatar have also been required to maintain a minimum liquidity coverage ratio of 100 per cent.

The QCB also imposes certain exposure limits and credit controls on commercial banks. No more than 20.0 per cent. of any bank's capital and reserves may be extended to a single customer in the form of credit facilities and no more than 25.0 per cent. of any commercial bank's capital and reserves may be extended to a single customer in the form of credit or investment facilities (without specific exceptional approval). Additionally, no customer may borrow more than QAR3.0 billion (U.S.$824.1 million) in aggregate from Qatar's commercial banks without the specific approval of the QCB. Credit facilities extended to a single major shareholder in any bank cannot exceed 10.0 per cent. of that bank's capital and reserves (without specific exceptional approval). Credit facilities granted to a single country in the form of loans to customers or the government must not exceed 20.0 to 150.0 per cent. of the bank's capital and reserves depending on the category of country. The maximum real estate finance that can be granted to all customers should not exceed 150.0 per cent. of the bank's capital and reserves. In April 2011, the QCB introduced maximum limits for individual consumer loans secured against salaries. Qatari nationals are not permitted to borrow more than QAR2.0 million (U.S.$549,450) with a maximum repayment period of six years. Expatriates are not permitted to borrow more than QAR0.4 million (U.S.$109,890) with a maximum repayment period of four years. In relation to real estate finance made available to individuals against their salary, the total real estate finance must not exceed 70.0 per cent. of the value of the mortgaged property. In relation to financing provided to other types of borrowers, the finance must not exceed 60.0 per cent. of the value of the mortgaged property. In 2010, the QCB also began the process of establishing the Credit Bureau in order to collect and make available consumer credit information to commercial banks. The Credit Bureau began operations in March 2011.

In its Article IV Country Report for Qatar published in June 2022, the IMF noted, "*The authorities have responded swiftly and decisively to the COVID-19 crisis. Proactive containment measures, strong healthcare, fast vaccination rollout, and a comprehensive support package have helped to minimize the health and economic impact of the pandemic. The economic recovery is gaining strength, supported by the rebound in domestic demand, favourable hydrocarbon prices and the 2022 FIFA World Cup. Real GDP growth is expected to reach 3.4 per cent. in 2022, driven by non-hydrocarbon growth (at 4.1 per cent.). Medium-term growth outlook is buoyed by the North Field LNG expansion project. Headline inflation rose to 2.3 per cent. (period average) in 2021, driven by the strong recovery in domestic demand, especially for services, along with higher energy and food prices. As these trends continue, inflation is projected to increase to 3.5 per cent. in 2022, before declining over the medium term. Higher hydrocarbon prices helped to strengthen both fiscal and current account positions from their 2020 troughs, bringing a fiscal surplus of 0.3 per cent. of GDP and a current account surplus of 14.7 per cent. of GDP in 2021. The fiscal and the current account surpluses are projected to widen further in 2022 to 5.4 per cent. and 20 per cent. of GDP, respectively. The LNG expansion project will support the fiscal and external balances over the medium term.*"

The QCB initiated single-factor stress testing of the portfolios of commercial banks in Qatar in 2010. The testing covers the broad areas of liquidity risk, credit risk, interest rate risk, foreign exchange risk and equity market risk. The results of these stress tests illustrate the possible impact of adverse financial conditions on a commercial bank's CAR or return on assets. Stress testing of commercial banks, on an aggregate basis, conducted by the QCB based on data for March 2010, suggested that neither the CAR nor the returns on assets of Qatar's commercial banks were significantly impaired.

In its Article IV Country Report for Qatar published in June 2022, the IMF concluded that "Banks remain well-capitalized and liquid, but financial risks have risen. By end-2021, Tier 1 capital ratio rose to 18 per cent., while non-performing loans ratio inched up to 2.4 per cent., although loans under moratoria were not subject to reclassification. The banking sector's reliance on foreign funding increased to 39 per cent. of total liabilities (110 per cent. of GDP) by end-2021, but with prudential measures in place, it declined recently."

The QCB also issues domestic currency and conducts bank clearing operations and settlements. The investment department of the QCB manages the investments of the QCB's financial reserves that are primarily in the form of securities issued or guaranteed by other governments with maturities of up to ten years. These investments are maintained at a level at least equal to 100.0 per cent. of the Riyals issued by the QCB at any time.

13.2 Interest Rates

Prior to 2000, the QCB imposed certain ceilings on the credit and deposit interest rates offered by commercial banks. The QCB removed these restrictions in order to further liberalise the financial sector. However, in April 2011, the QCB introduced a cap on interest rates that can be charged on personal loans of 1.5 per cent. over its benchmark lending rate and 1.0 per cent. per month for credit cards. Otherwise, Qatar's banking system is free from any form of interest rate ceilings.

The QCB utilises three different interest rates: a lending rate, a deposit rate and a reverse repo rate. The lending rate is used for the lending facility through which commercial banks can obtain liquidity from the QCB. The deposit rate is used for the deposit facility through which commercial banks can place deposits with the QCB. Both of these facilities may be rolled over to the next day, when transactions are executed electronically. The reverse repo rate is a pre-determined interest rate set by the QCB for reverse repo transactions entered into between the QCB and commercial banks. The overnight liquidity facility rate is used for overnight lending by the QCB to commercial banks.

Prior to July 2007, the QCB closely tracked the interest rates of the U.S. Federal Reserve Bank as the Qatari Riyal is pegged to the U.S. Dollar. However, the QCB did not deem it necessary to reduce interest rates to the same extent, or as quickly, as the U.S. Federal Reserve Bank on the last several occasions that the latter has reduced its interest rates. Since December 2016, the QCB has again begun closely tracking the interest rates of the U.S. Federal Reserve Bank. As at the date of this Prospectus, the QCB deposit rate is 5.0 per cent. and its lending rate is 5.50 per cent.

13.3 Currency

The Qatari Riyal has been fixed to the U.S. Dollar at a rate of QAR3.64 per U.S. Dollar since 1980. It is one of the QCB's objectives to keep the Riyal stable against the U.S. Dollar. As the Qatari Riyal is pegged to the U.S. Dollar, the exchange rate of the Riyal against other major currencies fluctuates in line with the movements of the exchange rate of the U.S. Dollar against such currencies. The IMF's June 2022 Article IV report, "assesses the peg to remain a credible monetary anchor, which will be further supported by fiscal consolidation and competitiveness-enhancing reforms."

13.4 Inflation

CPI inflation in Qatar decreased by 0.6 per cent. in 2019 and by 2.6 per cent. in 2020. In 2021, inflation increased by 5.5 per cent.

The following table sets out the CPI and annual average percentage change for the years ended 31 December 2019, 2020 and 2021, as well as the share represented by each item in the general index using the new series, which is based on 2018 prices using a basket of 12 goods and services:

Groups of goods and services	Weights	2021	2020	2019
CPI Household Consumption	10,000	98.8	96.5	99.1
Food and Beverages	1,345	102.9	100.2	100.0
Tobacco	28	246.0	244.4	227.0
Clothing and Footwear	558	92.0	94.5	99.0
Housing, water, Electricity, Gas, and Other Fuels	2,117	88.0	92.7	97.0
Furnishing, Household Equipment and Routine Household Maintenance	788	104.1	101.0	100.8
Health	265	101.3	101.8	100.2
Transport	1,459	108.5	98.6	99.4
Communication	523	93.0	90.9	92.3
Recreation and Culture Services	1,113	84.7	78.5	93.4
Education	578	110.5	107.3	105.5
Restaurant and Hotels	661	107.2	103.9	100.6
Miscellaneous Goods and Services	565	106.8	104.1	102.6

13.5 VAT

As at the date of this Prospectus, Qatar does not impose VAT on the sale of goods and services. However, in November 2016, the GCC states executed the GCC VAT Framework Agreement, which has been implemented in UAE, Saudi Arabia and Bahrain and is expected to come into force in the other GCC states over the coming years. The framework agreement stipulates a single rate tax of 5 per cent. to a broad basket of goods and services. On 3 May 2017, the Council of Ministers approved the VAT law and its executive regulations, which are expected to reflect the provisions of the GCC VAT Framework Agreement. The VAT law and its executive regulations have not yet been published in the Official Gazette and, as such, are not yet in force. It is understood that VAT may be introduced in the coming years.

The introduction of VAT in Qatar may impact the Bank negatively to the extent that it is unable to recover input VAT.

13.6 Withholding Taxes

On 11 December 2019, Qatar published the new Income Tax Regulations relating to the Income Tax Law. The new Income Tax Regulations repeal the previous executive regulations and were effective from 12 December 2019.

In line with Qatar's decision in November 2017 to join the Organisation for Economic Co-operation and Development Inclusive Framework and align Qatar's tax rules with the emerging global consensus of shared international tax rules, the Income Tax Regulations include provisions on such issues as the permanent establishment, definition and transfer pricing documentation requirements. Many domestic tax rules have also changed. The main changes introduced by the Income Tax Law and the Income Tax Regulations relate to:

- merger and amalgamation transactions;
- withholding tax sourcing rules and the refund process;
- loss carry-forward rules and bad debt deductions;
- capital gains tax, including the deadline to file capital gains tax returns;
- conditions to exempt Qatari shareholders and wholly or partially-owned Qatar entities;
- administrative procedures, including registration, filing extensions and changes in accounting periods;
- head office and entertainment expense allowances;
- charitable contributions allowances, including zakat;
- thin capitalisation and other interest deductibility restrictions;
- tax paid on behalf of non-residents;
- deductibility of provisions, including end of service and leave provisions;
- fixed asset categories and accelerated depreciation rates;
- commissions paid to local agents;
- financial thresholds for filing a tax return;
- disclosures and attachments to the tax returns;
- process for conducting tax audits and assessments;
- objection and appeal processes;
- contract reporting procedures and associated penalties;
- anti-avoidance rules;
- related party disclosures and transfer pricing documentation requirements;
- methods of communication with the GTA, including through digital means; and
- instructions regarding the new electronic portal (*Dhareeba*).

13.7 Money Supply

Since 2006, the money supply in Qatar has grown steadily, primarily as a result of significant increases in Government spending and an expansion of private sector credit, which has increased more than five times within the period from 2007 to 2022. The expansion in private sector credit occurred despite the Government's implementation of a credit ratio and an increase in reserve requirements designed to moderate such credit expansion.

As of 31 December 2021, the narrow measure of money ("**M1**"), which comprises currency held by the public and deposits denominated in Riyals of the private sector, Government and semi-Government institutions, increased to [QAR148.3 billion (U.S.$40.7 billion]), a 1.2 per cent. increase from 31 December 2020. As of 31 December 2021, currency in circulation reduced to QAR13.7 billion (U.S.$3.5 billion) from QAR13.8 billion (U.S.$3.8 billion) as of 31 December 2020. As of 31 December 2021, demand deposits increased to QAR135.6 billion (U.S.$37.2 billion) from QAR132.7 billion (U.S.$36.4 billion) as of 31 December 2020. As of 31 December 2021, the broad measure of money ("**M2**"), which comprises M1 plus savings and time deposits denominated in Riyals and foreign currency deposits of the private sector, Government and semi-Government institutions, increased to QAR608.5 billion (U.S.$167.1 billion), an increase of 1.4 per cent. from 31 December 2020. Time deposits decreased to [QAR282.4 billion (U.S.$77.6 billion)] as of 31 December 2021, a 1.9 per cent. decrease from 31 December 2020. Foreign currency deposits increased by 7.4 per cent. from QAR165.5 billion (U.S.$45.4 billion) as of 31 December 2020 to QAR177.7 billion (U.S.$48.8 billion) as of 31 December 2021. Total quasi-money represented by time deposits and foreign currency deposits increased to QAR460.2 billion (U.S.$126.4 billion) as of 31 December 2021, a 1.4 per cent. increase from 31 December 2020.

The following table provides an overview of the money supply and sets out certain liquidity indicators for Qatar as at 31 December in each of the years 2017 to 2021 in QAR (in millions):

End of Period	Currency in Circulation	Demand Deposits	Money Supply (M1)	Time Deposits	Deposits in Foreign Currencies	Quasi Money	Money Supply (M2)
2017	11,590.3	111,497.4	123,087.7	259,691.2	220,553.2	480,244.4	603,332.1
2018	11,243.9	107,832.0	119,075.9	245,367.8	199,564.3	444,932.1	564,008.0
2019	11,599.5	113,103.2	124,702.8	295,406.6	157,894.2	453,300.8	578,003.5
2020	13,791.1	132,668.0	146,459.1	287,924.0	165,504.0	453,428.0	599,887.1
2021	12,708.1	135,611.3	148,319.4	282,466.2	177,714.7	460,180.9	608,500.3

13.8 Liquidity

The QCB, on behalf of the Government, issues bonds, sukuk and T-bills to absorb domestic liquidity and develops the yield curve for Riyal-denominated domestic bonds. The QCB has issued a number of domestic bonds since 1999. Data from the QCB shows the Government had a total of QAR129.4 billion (U.S.$35.5 billion) of domestic bonds, sukuk and T-bills outstanding as at 1 September 2022. As at 1 September 2022, the Government domestic issuance included: T-bills denominated in local currency each month, with QAR3.0 billion (U.S.$0.8 billion) outstanding; QAR51.6 billion (U.S.$14.21 billion) in sukuk; and QAR74.8 billion (U.S.$20.5 billion) in Government long-term bonds. As at 30 June 2022, the Government had issued QAR319.6 billion (U.S.$87.8 billion) of long-term bonds denominated in foreign currencies, according to Bloomberg.

13.9 Banking System

(a) Commercial Banks (Outside the QFC)

Commercial banks in Qatar consist predominantly of four locally-owned conventional banks, and four Islamic banks that operate according to Shari'a principles (including the prohibition on the charging of interest on loans).

With the exclusion of the State-owned specialised bank, Qatar Development Bank, which accounts for less than one per cent. of the market, the conventional local banks in Qatar are Qatar National Bank, the Commercial Bank, Doha Bank and Al Ahli Bank. The conventional banks accounted for 73.2 per cent. of total banking sector assets as at 30 June 2022 (*Source: Annual financial statements of all listed banks from Qatar Exchange and the H1 2022 Financial Statements*).

The Islamic banks in Qatar are Qatar Islamic Bank, Qatar International Islamic Bank, Masraf Al Rayan and the Bank. The Islamic banks account for 26.8 per cent. of market share by total assets as at 30 June 2022 (*Source: Annual financial statements of all listed banks from Qatar Exchange and the H1 2022 Financial Statements*).

The seven foreign banks present in Qatar are Arab Bank, Bank Saderat Iran, BNP Paribas, HSBC Bank Middle East, Mashreq Bank, Standard Chartered Bank and United Bank Limited.

Commercial banks are the primary financial institutions in Qatar, receiving deposits and providing credit and investment services, as well as foreign exchange and clearance services. The deposits made in Qatar's commercial banks are not insured as there is no deposit insurance scheme in Qatar.

There has recently been some consolidation in the Qatari banking sector. In April 2019, the Bank and IBQ completed the merger. Upon the Business Combination becoming effective, IBQ was dissolved. The combined banks retained the Bank's legal registrations and licences and continued to be a Shari'a-compliant entity. Furthermore, in 2021, Al Khalij Commercial Bank and Masraf Al Rayan merged with Masraf Al Rayan remaining as the surviving entity.

Qatar's long-term credit rating was upgraded to AA from AA- as of November 2022 citing improvements in the government's fiscal position. "Qatar's debt interest costs as a share of government revenue have fallen, and we expect them to remain low because the government is repaying maturing debt," the agency said in a statement. Similarly, the outlook for Qatar's Aa3 foreign and local currency bond rating was upgraded to positive by Moody's in November 2022. Moody's has emphasised a number of credit strengths embedded in Qatar's credit profile, including the large net asset position of the Government, exceptionally high levels of per-capita income, substantial hydrocarbon reserves and relatively low fiscal and external break-even oil prices. These factors will continue to provide significant shock absorption capacity for Qatar.

The QCB requires commercial banks to maintain a total minimum CAR of 12.5 per cent. (including a capital conservation buffer but excluding the ICAAP capital charge) in accordance with the QCB's Basel III requirements. In January 2014, QCB issued Circular number AR/2/2014 introducing new requirements in accordance with Basel III recommendations. Historically, commercial banks have complied with QCB capital adequacy requirements and, at the end of 2021, the average CAR of the sector was 19.2 per cent. compared with 18.8 per cent. in 2020, 18.6 per cent. in 2019 and 18.0 per cent. in 2018. At the end of 2021, Tier 1 average CAR for all banks was 18.0 per cent. compared with 17.6 per cent. in 2020, 17.5 per cent. in 2019 and 17.0 per cent. in 2018. As a result of challenging economic conditions, in May 2009, the QCB amended its methods for calculating its CAR. See "*Risk Factors—The Bank may be subject to increased capital requirements or standards due to new Governmental or regulatory requirements and changes in perceived levels of adequate capitalisation*". Currently, Qatar's commercial banks are compliant with Basel III Pillar I and, as of January 2014, the QCB instructed all commercial banks in Qatar to comply with the QCB's Basel III requirements.

The Government has provided financial support to Qatar's financial sector as a response to the 2008-2009 global economic downturn and as a preventative measure to preserve the general stability of Qatar's banking sector. In late 2008 and early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20.0 per cent. in all domestic banks listed on the QSE, excluding Qatar National Bank. In January 2009, the QIA acquired 5.0 per cent. of the shares of Qatar Islamic Bank for QAR956 million (U.S.$263 million), 5.0 per cent. of the shares of the Commercial Bank for approximately QAR807 million (U.S.$221.7 million), 5.0 per cent. of the shares of Qatar International Islamic Bank for QAR464 million (U.S.$127.5 million), 5.0 per cent. of the shares of Ahli Bank for QAR161 million (U.S.$44.2 million), and 5.0 per cent. of the shares of Doha Bank for QAR369 million (U.S.$101.4 million). In February 2009, the QIA acquired 20.0 per cent. of the shares of FFC for QAR257 million (U.S.$70.6 million). These capital injections were based on the share price of the relevant institution as at 12 October 2008. In addition, the shareholders of Masraf Al Rayan approved a share capital increase to be issued to the QIA, and the shareholders of Al Khalij Commercial Bank approved a share capital increase of up to 20.0 per cent. to be issued to the QIA. The QIA implemented procedures to acquire an additional 5.0 per cent. stake in the capital of Qatari banks consistent with the above-mentioned plan to purchase equity ownership interests of up to 20.0 per cent. in domestic commercial banks. In late 2009 and early 2010, the QIA purchased approximately QAR2.7 billion (U.S.$741.7 million) worth of shares in local banks, representing the fourth support package extended by the Government in line with the 2008/2009 plan referenced above. In December 2009, the QIA acquired shares of the Commercial Bank for a further QAR807 million (U.S.$221.7 million), increasing its shareholding to 9.1 per cent.

In addition, on 9 March 2009, the Government declared that, in order to further support Qatar's banking sector, the Government would purchase a portion of the investment portfolios of seven of the nine domestic banks listed on the QSE. These purchases were completed on 22 March 2009 at a total purchase price of approximately QAR6.5 billion (U.S.$1.8 billion) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the net book value of such investment portfolios as registered in the records of each bank as at 28 February 2009.

In an effort to further boost liquidity and encourage lending, in early June 2009, the Government offered to buy a portion of the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QAR15.5 billion (U.S.$4.3 billion).

The amount of credit extended by commercial banks to the private sector grew at a CAGR of 12.6 per cent. from QAR479 billion (U.S.$131.6 billion) at the end of 2017 to QAR766.8 billion (U.S.$210.7 billion) at the end of 2021. As at 31 December 2021, consumer credit accounted for 20.9 per cent. of total private sector credit extended by commercial banks, while credit extended to other sectors amounted to: real estate, 20.7 per cent.; general trade, 49.5 per cent.; services, 28.4 per cent.; and other sectors, 1.2 per cent. of total private sector credit. In December 2021 compared with December 2020, the amount of consumer credit increased by 9.0 per cent., credit extended to the real estate sector increased by 5.4 per cent., credit for general trade increased by 11.1 per cent. and credit to the services sector increased by 15.8 per cent.

The level of non-performing loans of all commercial banks decreased to 2.2 per cent. of capital in 2019 from 3.0 per cent. in 2018, increased to 2.3 per cent. in 2020 and increased in 2021 to 2.6 per cent. Under QCB regulations, "non-performing loans" are defined as those loans that meet one of the following conditions for at least three months: (i) the borrower is not able to meet its loan repayments and the loan is past due; (ii) other credit facilities of that borrower are past due; (iii) the existing credit limits granted to that borrower for its other credit facilities are not renewed; or (iv) a borrower exceeds its agreed credit limit by 10.0 per cent. or more without prior authorisation. Commercial banks in Qatar categorise non-performing loans into three groups: substandard, doubtful and bad. Sub-standard loans are those that have not performed for three or more months, doubtful loans are those that have not performed for six or more months, and bad loans are those that have not performed for nine or more months.

The following table summarises the CAR and the ratio of non-performing loans to capital for the banking system as at 31 December in each of the years 2018 to 2021:

	2018	2019	2020	2021
Capital/Total Assets	10.1	9.9	9.6	9.3
Tier 1 Capital/Risk Weighted Assets	17.0	17.5	17.6	18.0
CAR	18.0	18.6	18.8	19.2
Non-Performing Loans net of provisions/Capital	3.0	2.2	2.3	2.6

The following table sets out the distribution of commercial bank credit facilities as at 31 December in each of the years 2017 to 2021:

	2017	2018	2019	2020	2021
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Government	175,578.3	151,916.6	133,790.4	136,797.5	142,257.8
Government institution	146,198.5	148,299.1	170,020.5	196,988.9	218,664.8
Semi-government Institutions	19,784.7	18,459.0	13,673.6	19,085.2	18,729.8
Total Public Sector Loans	341,561.5	318,674.7	317,484.4	352,871.7	379,652.4
General Trade	64,535.5	83,985.4	132,093.3	146,861.3	379,652.4
Real Estate & Contractors	186,076.8	185,923.9	181,884.5	190,385.4	202,943.3
Consumption	123,372.9	127,232.5	137,225.9	146,999.7	160,280.0
Other	105,009.4	144,083.0	195,504.3	216,166.8	23,945.1
Total Private Sector Loans	478,994.6	541,224.8	646,707.9	700,413.2	766,820.8
Total Domestic Loans	820,556.1	859,899.5	964,192.3	1,053,284.9	1,146,473.2
Loans Outside Qatar	90,482.1	80,531.7	74,893.7	75,424.8	69,969.3
Total Loans	**911,038.2**	**940,431.2**	**1,039,086.0**	**1,128,709.7**	**1,216,442.5**

Total commercial bank deposits grew at a CAGR of 4.3 per cent. from QAR823.0 billion (U.S.$226.1 billion) at the end of 2017 to QAR974.1 billion (U.S.$267.6 billion) at the end of 2021. As at 31 December 2021, deposits accounted for 53.3 per cent. of total commercial bank liabilities. Private sector deposits grew at a CAGR of 2.2 per cent. from 2017 to 2021, compared with a decline of 2.2 per cent. for public sector deposits. As at 31 December 2021, demand deposits accounted for 18.9 per cent. of total deposits, and time and savings deposits for 52.2 per cent. (the remaining 28.9 per cent. are the deposits of non-residents and are not classified according to their term). As at 31 December 2021, a total of 49.6 per cent. of deposits are local currency deposits and 21.6 per cent. are foreign currency (the remaining 28.8 per cent. are the deposits of non-residents and are not classified according to their currency).

The following table sets out the breakdown of commercial bank deposits as at 31 December in each of the years 2017 to 2021:

	As at 31 December				
	2017	2018	2019	2020	2021
	(QR in millions)				
Public Sector:					
By term and currency:					
In Qatari Riyal	**141,334.4**	**112,585.4**	**179,621.5**	**168,765.1**	**164,503.4**
Demand deposits	30,569.4	23,807.4	23,346.7	27,380.8	31,094.1
Time deposits	110,765.0	88,778.0	156,274.8	141,384.3	133,409.2
In foreign currencies	**174,063.5**	**169,420.5**	**93,458.6**	**94,524.1**	**124,172.1**
Demand deposits	9,707.3	12,219.6	12,589.4	14,807.0	18,612.8
Time deposits	164,356.2	157,200.9	80,869.2	79,717.1	105,559.4
By sector:					
Government	94,167.6	88,502.3	74,523.3	74,254.8	97,648.3
Government institutions	188,805.3	163,246.6	166,790.7	156,018.0	151,648.7
Semi-government institutions	32,425.0	30,257.0	31,766.1	33,016.4	39,378.5
Total public sector deposits	**315,397.9**	**282,005.9**	**273,080.0**	**263,289.2**	**288,675.5**
Private sector:					
By term and currency:					
In Qatari Riyal	**278,802.8**	**279,497.4**	**290,344.9**	**315,315.5**	**318,468.3**
Demand deposits	90,050.1	89,498.9	92,826.4	112,176.4	111,236.8
Time deposits	188,752.7	189,998.5	197,518.6	203,139.1	207,231.5
In foreign currencies	**91,708.7**	**79,763.1**	**77,502.3**	**81,746.0**	**86,296.7**
Demand deposits	19,596.3	16,634.2	17,524.9	19,479.0	23,619.4
Time deposits	72,112.4	63,128.9	59,977.4	62,267.0	62,677.3
By sector:					
Personal	170,999.4	178,953.5	199,365.7	216,119.4	219,268.3
Companies and institutions	199,512.1	180,307.0	168,481.5	180,942.1	185,496.7
Total private sector deposits	**370,511.5**	**359,260.5**	**367,847.3**	**397,061.5**	**404,765.0**
Total deposits:					
By currency:					
In Qatari Riyal	420,137.2	392,082.8	469,966.4	484,080.6	482,971.7
In foreign currencies	265,772.2	249,183.6	170,960.9	176,270.1	210,468.8
By term:					
Total demand deposits	149,923.1	142,160.1	146.287.4	173,843.2	184,563.1
Total time deposits	535,986.3	499,106.3	494,640.0	486,507.5	508,877.4
Nonresident deposits	137,125.5	169,076.3	208,221.8	245,157.8	280,668.9
Total deposits.	**823,034.9**	**810,342.7**	**849,149.1**	**905,508.5**	**974,109.5**

The total assets of commercial banks grew at a CAGR of 7.6 per cent. from 2017 to 2021. Domestic credit is the largest component of total assets and grew at a CAGR of 8.7 per cent. from 2017 to 2021. This strong credit growth spanned the private and public sectors and was driven by rapid economic growth, increasing private consumption and large allocations in Government spending for major development projects. The increase in the domestic investments of commercial banks has grown at a CAGR of 6.8 per cent. from the end of 2017 to the end of 2021. Domestic investments increased by 15.4 per cent. in the 12 months to 31 December 2021 to QAR239.4 billion (U.S.$65.8 billion). Correspondingly, their share of total assets increased from 12.3 per cent. at the end of 2020 to 13.1 per cent. at the end of 2021.

The following table sets out the consolidated balance sheets of Qatari commercial banks as at 31 December in each of the years 2017 to 2021:

	As at 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
			(QR in millions)		
Assets:					
Reserves Cash	4,949.2	4,971.8	4,804.8	12,480.3	11,882.2
Balances with QCB	45,486.3	66,315.3	55,384.3	74,711.7	81,201.5
Foreign assets:					
Cash	3,526.0	5,522.8	8,003.4	9,461.3	9,257.1
Claims on foreign banks	77,285.5	89,950.5	94,416.0	86,011.0	110,235.9
Foreign credit	90,482.1	80,531.8	74,893.7	75,424.8	69,969.3
Foreign investments	58,801.4	59,139.7	58,960.8	57,244.3	57,621.8
Other foreign assets	4,347.2	3,941.2	3,870.0	4,538.9	4,494.4
Domestic Assets:					
Due from banks in Qatar	48,847.2	56,015.2	65.354.9	62,910.6	62,811.9
Domestic credit	820,556.1	859,899.5	964,192.3	1,053,284.7	1,146,473.2
Domestic investments	183,695.9	165,785.4	185,120.9	207,457.9	239,428.9
Domestic fixed assets	6,997.7	6,586.1	7,110.7	7,725.3	7,464.9
Other domestic assets	18,665.2	19,296.7	27.442.8	30,921.7	26,579.8
Total assets	**1,363,639.8**	**1,417,956.0**	**1,549,554.6**	**1,682,172.5**	**1,827,420.9**
Liabilities:					
Foreign Liabilities:					
Non-resident deposits	137,125.5	169,076.3	208,221.8	245,157.8	280,669.0
Due to foreign banks	177,284.1	218,743.4	273,502.9	312,611.2	350,691.8
Debt securities	47,069.8	51,060.5	61,616.8	79,423.2	81,415.7
Other foreign liabilities	398.9	(882.0)	(4,835.3)	(2,170.8)	4,146.7
Domestic Liabilities:					
Resident deposits	685,909.4	641,266.4	640,927.3	660,350.7	693,440.5
Due to domestic banks	37,021.3	49,097.1	63,224.0	54,314.5	61,907.8
Due to QCB	34,354.2	21,788.7	13,984.3	31,269.0	32,697.8
Debt securities	1,001.7	1,561.5	1,325.5	1,742.0	1,739.7
Margins	1,856.5	2,706.0	2,628.8	2,994.3	2,976.9
Capital accounts	146,716.3	145,499.6	155,420.8	164,844.8	172,932.9
Provisions	13,624.8	20,796.0	23,798.4	26,904.5	34,450.4
Unclassified liabilities	81.277.3	97,242.5	109,739.3	104,731.3	110,351.7
Total liabilities	**1,363,639.8**	**1,417,956.0**	**1,549,554.6**	**1,682,172.5**	**1,827,420.9**

14

Preparation of Financial Information

14. PREPARATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the financial information set out in this Prospectus relates to the unaudited interim condensed consolidated financial statements as at and for the six month period ended 30 June 2022 and the audited consolidated financial statements as at and for the years ended 31 December 2021 and 2020.

The Financial Statements have been prepared in accordance with the FAS as issued by AAOIFI as modified by the QCB, the Islamic Shari'a Rules and Principles as determined by the Shari'a Committee. In line with the requirements of AAOIFI, for matters that are not covered by the FAS, the Bank uses guidance from the relevant IFRS. The functional and presentation currency used by the Group is the Qatari Riyal.

14.1 Rounding Adjustments

Certain financial data in this Prospectus have been rounded. Consequently, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

14.2 Currency

The Bank presents its financial statements in Qatari Riyal. The Qatari Riyal is, and since July 2001 has been, pegged to the U.S. Dollar at a fixed exchange rate of QAR3.6415 per U.S.$1.00 and, accordingly, conversions of amounts from U.S. Dollars to Qatari Riyals have been made at this exchange rate for all periods in this Prospectus. However, please note that these rates may differ from the actual rates used in the preparation of the Financial Statements of the Bank and financial information derived from the Financial Statements that appear in this Prospectus.

No representation is made that any particular currency referred to in this Prospectus could have been converted into U.S. Dollars or Qatari Riyals, as the case may be, at any particular rate, or at all.

Following section include financial statements of the Bank as of 31 December 2020, 31 December 2021 and 30 June 2022 in the same order as published, so prospectus page number sequencing from page 112 to page 338 would follow the financial statements relevant page numbering.

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Financial Information

DUKHAN BANK Q.P.S.C.

(FORMERLY BARWA BANK Q.P.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

DUKHAN BANK Q.P.S.C.
(FORMERLY BARWA BANK Q.P.S.C.)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dukhan Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of changes in owners' equity, consolidated statement of cash flows and consolidated statement of changes in restricted investment accounts for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Accounting Standards ("FASs") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB") and the applicable provisions of Qatar Central Bank's regulations.

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 Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Building a better
working world

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.) (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

Key audit matters	**How our audit addresses the key audit matters**
Impairment of financing assets	
At 31 December 2020, the Group's financing assets amounted to QR 59 billion (2019: QR 52 billion) representing 68% of Group's total assets (2019: 67%). The process for estimating impairment provision on credit risk associated with financing assets in accordance with FAS 30 involves significant judgement. FAS 30 requires use of the Expected Credit Loss ("ECL") model for the purposes of calculating impairment provision. ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for financing assets. Also, COVID-19 pandemic significantly impacted the management's judgment applied to determine the ECL. The assumptions regarding the economic outlook are more uncertain which increases the level of judgment required by the Group in calculating the ECL. Due to the complexity of requirements under FAS 30, and the current situation, significance of judgements applied and the Group's exposure to financing assets forming a major portion of the Group's assets, the audit of ECL for financing assets is a key audit matter. Refer to the notes to financial statements for: Note 3 – Significant accounting policy Note 4 - Credit risk disclosure Note 5 – Use of estimates and judgements Note 41 – Impact of COVID -19	Our audit procedures included, among others, the following: • We obtained understanding of the Group's impairment provisioning policy, design of the controls, and tested the operating effectiveness of relevant controls and governance around it. • Evaluated the Group's ECL policy including the criteria of staging and significant increase in credit risk policy based on the requirements of FAS 30, and QCB regulations and guidelines to address the COVID-19 pandemic. • Checked completeness, accuracy and relevance of the key data used as input for the ECL model and the mathematical accuracy through the model processes. • We involved a specialist to assist us in reviewing the ECL model used to assess expected credit losses allowance of financing assets. • For a selected sample of exposures based on our judgement, we performed procedures to evaluate appropriateness of exposure at default, probability of default timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging and recalculated the amounts of ECL. • Performed detailed credit risk assessment of a sample of performing and non-performing financing assets in line with QCB regulations and the requirements of FAS 30. • Assessed of the ECL methodology, macroeconomic scenarios weightage (including new scenarios weightage adjustments as a result of COVID-19) and model validation including post model adjustments on sample basis. • For a selected sample of exposures, we have assessed the impairment allowance for non-performing financing assets in accordance with FAS 30 and QCB guidelines. • Reviewed and evaluated adequacy of Group's credit risk disclosures in the consolidated financial statements against the requirements of FAS 30 and QCB guidelines.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.) (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addresses the key audit matters
Impairment of goodwill	
At 31 December 2020, the Group has an existing goodwill of QR 443 million (2019: QR 893 million), in which an amount of QR 327 million arising from past acquisition of subsidiaries namely First Finance Company Q.P.S.C., The First Investor Company Q.P.S.C. and First Leasing Company Q.P.S.C. and an amount of QR 116 million is related to the new merger with International Bank of Qatar (IBQ). Further, the above entities have been identified as four cash generating units ("CGUs") for impairment assessment purposes. As required by the International accounting standard ("IAS") 36 "Impairment of assets", an impairment review is performed on goodwill at least annually and when there is an indicator of impairment. In carrying out the impairment assessment of carrying value of the goodwill, management is required to make judgements in respect to the assumptions used to determine the recoverable amount. We focused on this area because of the significance of the balance and the significant judgments and assumptions involved in determining the recoverable amount of the CGU to which the goodwill is associated. Hence, this is considered a key audit matter. Information regarding the goodwill is included in Note 15 to the consolidated financial statements.	Our producers included, among others, the following: • Obtained an understanding and evaluated the Group's impairment assessment process and evaluated the appropriateness of management's identification of the Group's CGUs and assessed whether the allocation of goodwill to those CGUs was done on a consistent and reasonable basis. • Assessed the competence and capabilities of the management team who performed the impairment evaluation of the goodwill. • We involved a specialist to check the reasonableness of the methodologies and the assumptions used for impairment model of intangibles and ensure that the model is acceptable in line with industry practice, generally accepted valuation guidelines. • Evaluated the key assumptions used in the impairment model for goodwill, including the operating cash flow projections, discount rates, and long-term growth rates and compared them to the available external industry outlook reports and economic growth forecasts. • We assessed the reliability of cash flow forecasts through a review of actual past performance, comparison to previous forecasts and checked the mathematical accuracy. • We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Other information included in the Group's 2020 annual report
Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available for us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.) (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of the management and the Board of Directors for the consolidated financial statements
The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FASs issued by AAOIFI as modified by the QCB and the applicable provisions of Qatar Central Bank regulations, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risk 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 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 reasonableness of accounting estimates and related disclosures made by management.

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.) (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- 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, related safeguards.

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 legal and other regulatory requirements
We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association and the amendments thereto, the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015, having occurred during the financial year that would have had a material adverse effect on the Group's consolidated financial position or the performance as at and for the year ended 31 December 2020.

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ad Nader
of Ernst & Young
Qatar Auditors Registry Number 258

Date: 3 March 2021
Doha - State of Qatar

DUKHAN BANK Q.P.S.C.
(FORMERLY BARWA BANK Q.P.S.C.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	*31 December 2020 QAR '000*	*31 December 2019 QAR '000*
ASSETS			
Cash and balances with Qatar Central Bank	8	**3,367,553**	2,378,257
Due from banks	9	**5,891,788**	4,343,485
Financing assets	10	**58,536,992**	51,924,104
Investment securities	11	**16,661,163**	16,099,098
Investment in associates and joint ventures	12	**83,535**	147,404
Investment properties	13	**3,497**	3,730
Fixed assets	14	**372,126**	379,395
Intangible assets	15	**1,070,650**	1,599,269
Other assets	16	**309,317**	255,950
TOTAL ASSETS		**86,296,621**	77,130,692
LIABILITIES			
Due to banks	17	**18,947,753**	14,185,854
Sukuk and fixed income financing	18	**-**	1,824,096
Customer current accounts	19	**7,335,487**	5,392,893
Other liabilities	20	**1,963,291**	1,738,282
TOTAL LIABILITIES		**28,246,531**	23,141,125
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	21	**46,546,052**	42,485,121
OWNERS' EQUITY			
Share capital	22(a)	**5,234,100**	5,234,100
Legal reserve	22(b)	**4,330,473**	4,273,812
Treasury shares	22(e)	**(38,350)**	(38,350)
Risk reserve	22(c)	**1,235,629**	810,504
Fair value reserve	11	**(24,621)**	22,901
Foreign currency translation reserve	12(a)	**-**	(81)
Other reserves	22(d)	**73,333**	673,333
Retained earnings		**693,383**	528,136
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,503,947**	11,504,355
Non-controlling interests	23	**91**	91
TOTAL OWNERS' EQUITY		**11,504,038**	11,504,446
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**86,296,621**	77,130,692

These consolidated financial statements were approved by the Board of Directors on 7 Febraury 2021 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

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

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2020

	Notes	For the year ended 31 December **2020** QAR '000	2019 QAR '000
Net income from financing activities	24	**2,782,160**	2,316,832
Net income from investing activities	25	**683,105**	635,055
Total net income from financing and investing activities		**3,465,265**	2,951,887
Fee and commission income		**254,005**	256,952
Fee and commission expense		**(65,838)**	(65,592)
Net fee and commission income	26	**188,167**	191,360
Net foreign exchange gain		**143,401**	122,175
Share of results of associates and joint ventures	12	**(19,962)**	(525)
Other income		**11,669**	10,419
Total income		**3,788,540**	3,275,316
Staff costs	27	**(416,462)**	(410,316)
Depreciation and amortisation	14&15	**(109,773)**	(77,846)
Other expenses	28	**(222,348)**	(225,964)
Finance cost		**(190,603)**	(398,458)
Total expenses		**(939,186)**	(1,112,584)
Net impairment loss on financing assets	4(c)	**(929,804)**	(334,924)
Net impairment (loss) / reversal on due from banks	4(c)	**(8)**	2,022
Net Impairment loss on investment securities	4(c)&11	**(5,517)**	(11,292)
Net impairment loss on investment in associates and joint ventures	12	**(34,956)**	(4,762)
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**14,943**	3,184
Profit for the year before return to unrestricted investment account holders		**1,894,012**	1,816,960
Return to unrestricted investment account holders	21	**(875,308)**	(1,050,517)
Net profit for the year before intangible assets impairment and tax		**1,018,704**	766,443
Net impairment loss on intangible assets	15	**(450,179)**	-
Net profit for the year before tax		**568,525**	766,443
Tax expense		**(1,917)**	(1,391)
Net profit for the year		**566,608**	765,052
Net profit for the year attributable to:			
Equity holders of the Bank		**566,608**	765,052
Non-controlling interests		**-**	-
Net profit for the year		**566,608**	765,052
Earnings per share			
Basic and diluted earnings per share (QAR per share)	32	**1.09**	1.69

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

DUKHAN BANK Q.P.S.C.
(FORMERLY BARWA BANK Q.P.S.C.)
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2020

For the year ended 31 December 2020	*Share capital QAR '000*	*Legal reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Foreign currency translation reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Total owners' equity QAR '000*
Balance at 1 January 2020	**5,234,100**	**4,273,812**	**(38,350)**	**810,504**	**22,901**	**(81)**	**673,333**	**528,136**	**11,504,355**	**91**	**11,504,446**
Fair value reserve movement (Note 11)	**-**	**-**	**-**	**-**	**(47,519)**	**-**	**-**	**-**	**(47,519)**	**-**	**(47,519)**
Share of comprehensive income of associates (Notes 11&12)	**-**	**-**	**-**	**-**	**(3)**	**81**	**-**	**-**	**78**	**-**	**78**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**566,608**	**566,608**	**-**	**566,608**
Total recognised income for the year	**-**	**-**	**-**	**-**	**(47,522)**	**81**	**-**	**566,608**	**519,167**	**-**	**519,167**
Transfer to legal reserve	**-**	**56,661**	**-**	**-**	**-**	**-**	**-**	**(56,661)**	**-**	**-**	**-**
Transfer to risk reserve	**-**	**-**	**-**	**275,304**	**-**	**-**	**-**	**(275,304)**	**-**	**-**	**-**
Transfer from other reserve	**-**	**-**	**-**	**149,821**	**-**	**-**	**(600,000)**	**450,179**	**-**	**-**	**-**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(519,575)**	**(519,575)**	**-**	**(519,575)**
Balance at 31 December 2020	**5,234,100**	**4,330,473**	**(38,350)**	**1,235,629**	**(24,621)**	**-**	**73,333**	**693,383**	**11,503,947**	**91**	**11,504,038**

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

DUKHAN BANK Q.P.S.C.
(FORMERLY BARWA BANK Q.P.S.C.)
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2020

For the year ended 31 December 2019	*Share capital QAR '000*	*Legal reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Foreign currency translation reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Total owners' equity QAR '000*
Balance at 1 January 2019	3,000,000	2,548,997	(38,350)	113,650	1,666	(81)	673,333	450,753	6,749,968	91	6,750,059
Fair value reserve movement (Note 11)	-	-	-	-	21,147	-	-	-	21,147	-	21,147
Share of comprehensive income of associates (Notes 11&12)	-	-	-	-	88	-	-	-	88	-	88
Net profit for the year	-	-	-	-	-	-	-	765,052	765,052	-	765,052
Total recognised income for the year	-	-	-	-	21,235	-	-	765,052	786,287	-	786,287
Business Combination transaction (Note 40 (c))	2,234,100	1,648,310	-	529,938	-	-	-	-	4,412,348	-	4,412,348
Transfer to legal reserve	-	76,505	-	-	-	-	-	(76,505)	-	-	-
Transfer to risk reserve	-	-	-	166,916	-	-	-	(166,916)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(444,248)	(444,248)	-	(444,248)
Balance at 31 December 2019	5,234,100	4,273,812	(38,350)	810,504	22,901	(81)	673,333	528,136	11,504,355	91	11,504,446

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	For the year ended 31 December 2020 QAR '000	2019 QAR '000
Cash flows from operating activities			
Net profit for the year before tax		**568,525**	766,443
Adjustments for:			
Net impairment loss / (reversal) on due from banks	4(c)	**8**	(2,022)
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**(14,943)**	(3,184)
Net impairment loss on financing assets	4(c)	**929,804**	334,924
Net impairment loss on investment securities	4(c)&11	**5,517**	11,292
Impairment loss on intangible assets	15	**450,179**	-
Impairment loss on investment in associates and joint ventures	12	**34,956**	4,762
Depreciation and amortization	14&15	**109,773**	77,846
Employees' end of service benefits provision	20.1	**18,718**	20,528
Net gain on sale of investment securities	25	**(5,397)**	(21,150)
Dividend income	25	**(35,447)**	(27,283)
Gain on disposal of fixed assets		**(890)**	(264)
Share of results of associates and joint ventures	12	**19,962**	525
Profit before changes in operating assets and liabilities		**2,080,765**	1,162,417
Change in reserve account with Qatar Central Bank		**(237,078)**	124,551
Change in due from banks		**592,529**	169,597
Change in financing assets		**(7,542,692)**	(4,426,547)
Change in other assets		**(53,367)**	101,621
Change in due to banks		**4,761,899**	2,815,530
Change in customer current accounts		**1,942,594**	(748,507)
Change in other liabilities		**237,532**	(405,041)
		1,782,182	(1,206,379)
Dividends received	25	**35,447**	27,283
Tax paid		**(1,391)**	-
Employees' end of service benefits paid	20.1	**(16,824)**	(20,093)
Net cash from / (used in) operating activities		**1,799,414**	(1,199,189)
Cash flows used in investing activities			
Acquisition of investments, net		**(1,249,670)**	(2,119,199)
Proceeds from sale of investments		**640,199**	1,214,959
Disposal of associates and joint ventures	12	**9,029**	-
Acquisition of fixed and intangible assets, net	14	**(26,371)**	(45,179)
Proceeds from sale of fixed assets		**3,197**	497
Cash acquired on business combination	40	**-**	535,863
Net cash used in investing activities		**(623,616)**	(413,059)
Cash flows from financing activities			
Change in unrestricted investment account holders		**4,060,931**	3,754,319
Change in sukuk and fixed income financing		**(1,824,096)**	(834,261)
Dividend paid		**(519,575)**	(444,248)
Net cash from financing activities		**1,717,260**	2,475,810
Net increase in cash and cash equivalents		**2,893,058**	863,562
Cash and cash equivalents at 1 January		**3,758,677**	2,895,115
Cash and cash equivalents at 31 December	33	**6,651,735**	3,758,677

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

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
For the year ended 31 December 2020

For the year ended 31 December 2020	**At 1 January 2020**	**Movements during the year**					**At 31 December 2020**
	Total value QAR '000	**Investment / (withdrawal) QAR '000**	**Revaluation QAR '000**	**Gross Income QAR '000**	**Dividends paid QAR '000**	**Group's fee as an agent QAR '000**	**Total value QAR '000**
Discretionary Portfolio Management	**234,628**	**3,052**	**29,132**	**8,862**	**-**	**-**	**275,674**
Other Restricted Wakalas	**561,655**	**144,844**	**73,750**	**-**	**-**	**-**	**780,249**
	796,283	**147,896**	**102,882**	**8,862**	**-**	**-**	**1,055,923**

For the year ended 31 December 2019	At 1 January 2019	Movements during the year					At 31 December 2019
	Total value QAR '000	Investment / (withdrawal) QAR '000	Revaluation QAR '000	Gross Income QAR '000	Dividends paid QAR '000	Group's fee as an agent QAR '000	Total value QAR '000
Discretionary Portfolio Management	225,667	-	(2,977)	11,938	-	-	234,628
Other Restricted Wakalas	438,659	35,824	87,172	-	-	-	561,655
	664,326	35,824	84,195	11,938	-	-	796,283

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

1. REPORTING ENTITY

Dukhan Bank (formerly known as Barwa Bank) was incorporated as a Qatari Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). Dukhan Bank (the "Bank") commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2007. On 21 March 2019, the Bank changed its status from Qatari Shareholding Company to Qatari Private Shareholding Company (Q.P.S.C.) following approval from shareholders and Ministry of Business and Trade, State of Qatar. The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in financing, investing and advisory activities in accordance with Islamic Shari'a rules as determined by the Shari'a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

On 12 August 2018, the Bank and International Bank of Qatar ("IBQ") entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by shareholder of both banks at respective extraordinary general meetings in December 2018. On 21 April 2019 (the effective date), the merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the Central Bank Law, Article 278 of the Companies Law, and the Merger Agreement. On the effective date, the assets and liabilities of IBQ has been assumed by Dukhan Bank in consideration for the issue of New Dukhan Bank Shares to existing IBQ Shareholders. Upon the merger becoming effective, IBQ has been dissolved as a legal entity pursuant to the provisions of Article 291 of the Companies Law. The combined bank retains Dukhan Bank's legal registrations and licenses and continued to be a Shari'a compliant entity. Bank operates through its head office situated on Grand Hamad Street, Doha and its 9 branches in Doha, State of Qatar.

The merger transaction has been executed through a share swap, with the IBQ shareholders receiving 2.031 Dukhan Bank shares for each of the IBQ share they hold. Following the issuance of the new Dukhan Bank shares, shareholders of the Bank own approximately 57% of the combined bank and IBQ shareholders own approximately 43%. The Bank post completion of merger is now 24.48% owned by General Retirement and Social Insurance Authority, 11.67% by Military Pension Fund (Qatar), and 6.96% by Qatar Holding, strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; and remaining shares are owned by several individuals and corporate entities. The Bank rebranded itself from Barwa Bank to Dukhan Bank during October 2020 post obtaining necessary approvals as per the State of Qatar applicable laws and regulations.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	***Country of incorporation***	***Year of incorporation***	***Percentage of ownership as at as as 31 December***	
			2020	*2019*
The First Investor P.Q.S.C. ("TFI") (i)	Qatar	1999	**100%**	100%
First Finance Company P.Q.S.C. ("FFC") (ii)	Qatar	1999	**100%**	100%
First Leasing Company P.Q.S.C ("FLC") (iii)	Qatar	2008	**100%**	100%
BBG Sukuk limited (iv)	Cayman Islands	2015	**100%**	100%
IBQ Finance Limited (v)	Cayman Islands	2015	**100%**	100%
IBQ Global Markets Limited (vi)	Cayman Islands	2017	**100%**	100%

(i) TFI provides a full range of investment banking products and services that comply with Shari'a principles.
(ii) FFC is engaged in Shari'a compliant financing activities in accordance with its Articles of Association and QCB regulations.
(iii) FLC is primarily engaged in the Islamic leasing business.
(iv) BBG Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk financing (issuance) for the benefit of the Group.
(v) IBQ Finance Limited was incorporated in the Cayman Islands to engage in debt issuance for the benefit of IBQ.
(vi) IBQ Global Markets Limited was incorporated in the Cayman Islands to engage in conducting derivative transactions on behalf of the Group.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Committee of the Group, the applicable provisions of the QCB regulations and the applicable provisions of Qatar Commercial Company's Law No. 11 of 2015. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard ("IFRS").

QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at Fair Value Through Equity. The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank, which did not result in any material adjustment.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the statement of income, derivatives held for risk management purposes and Shari'a compliant risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial statements presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 judgments in applying the accounting policies that have 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.

(a) New standards, amendments and interpretations

***New standards, amendments and interpretations effective from* 1 January 2020**

FAS 30 Impairment, credit losses and onerous commitments
AAOIFI has issued FAS 30 Impairment, credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

***New standards, amendments and interpretations effective from* 1 January 2020 (continued)**

FAS 30 Impairment, credit losses and onerous commitments (continued)
FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted. However, in 2018, the Group early adopted FAS 30 effective 1 January 2018 based on QCB instructions pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 1 January 2018 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)
AAOIFI has issued FAS 31 in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (AlWakala Bi Al-Istithmar) instruments and the related assets and obligations, as applicable, for the Islamic financial institutions from both perspectives i.e. the principal (investor) and the agent.

Principal (Investor)
The standard requires the principal either to follow the Pass through approach (as a preferred option) or the Wakala venture approach.

Pass through approach
A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. There is a rebuttable assumption that in all investment agency arrangements, the investor takes direct exposure on the underlying assets (including a business) at the back end. As a result, the investor shall account for the assets (including the business) in its books directly, according to appropriate accounting policies applicable on such assets (or business) in line with respective FAS or the generally accepted accounting principles in absence of a specific FAS on the subject.

Wakala venture approach
Wakala venture approach can be adopted when the investment agency contracts meet the conditions of the instrument being transferable and the investment is subject to frequent changes at the discretion of the agent. In case of this approach, the principal accounts for the investment in Wakala venture by applying the equity method of accounting.

Agent
The standard requires the agent either to follow the off – balance sheet approach or the on – balance sheet approach (only on exceptions by virtue of additional considerations attached to the investment agency contract).

Off-balance sheet approach
At inception of the transaction, the agent shall recognize an agency arrangement under off-balance sheet approach whereby the agent does not control the related assets / business and hence does not record the assets and related income and expenditure in its books of account. The agent shall not recognize the assets and / or liabilities owned by the investor(s) / (principal(s)) in its books of account.
If the agent previously owned such assets directly or through on-balance sheet equity of investment accountholders or similar instruments, the agent shall de-recognize the assets (and liabilities) from its books of account.

On-balance sheet approach
An agent may maintain multi-level investment arrangements based on independent permissible transactions with the agent itself. Notwithstanding the requirements of this standard with regard to investment agency arrangements, such secondary transactions shall be accounted for in line with the requirements of respective FAS in the books of the agent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

***New standards, amendments and interpretations effective from* 1 January 2020 (continued)**

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar) (Continued)
The agent shall consider the investment agency arrangement as a quasi-equity instrument for accounting purposes, if the investment agency instrument, by virtue of additional considerations attached to the instrument, is subordinated to all liabilities of the agent.

Transitional provisions
An entity may opt not to apply this standard only on such transactions:
- which were already executed before the adoption date of this standard for the entity; and
- their original maturity falls no later than 12 months after the adoption date of this standard for the entity.

The adoption of this amendment does not have a significant impact on the consolidated financial statements

FAS 33 - Investment in sukuk, shares and similar instruments
AAOIFI has issued FAS 33 in 2018. FAS 33 supersedes the earlier FAS 25 - Investment in sukuks, shares and similar instruments. The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'ah principles.

The standard classifies investments into equity type, debt type and other investment instruments. Investments in equity instruments must be at fair value and will be subject to impairment provisions as per FAS 30 "Impairment, Credit Losses and Onerous Commitments". In limited circumstances, where the institution is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value. Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement. Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively.

The Group has adopted FAS 33 Investment in sukuks, shares and similar instruments as issued by AAOIFI effective 1 January 2020. The standard shall be applicable on a retrospective basis. However, the cumulative effect, if any, attributable to profit and loss taking stakeholders, including investment holders relating to previous periods, shall be adjusted with investments fair value pertaining to such class of stakeholders

The adoption of FAS 33 has resulted in changes in accounting policies for recognition, classification and measurement of investment in sukuks, shares and other similar instruments, however, the adoption of FAS 33 had no significant impact on any amounts previously reported in the consolidated financial statements for the year ended 31 December 2020, The Groups' existing accounting policies around Investment in Sukuk, shares and similar instruments are not materially different as compared to FAS 33. Set out below are the details of the specific FAS 33 accounting policies applied in the current period.

Categorization and classification
FAS 33 contains classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as investment in:
(a) equity-type instruments;
(b) debt-type instruments, including:
  (i) monetary debt-type instruments; and
  (ii) non-monetary debt-type instruments; and
(c) other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:
  (a) the Bank's business model for managing the investments; and
  (b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

***New standards, amendments and interpretations effective from* 1 January 2020 (continued)**

FAS 34 - Financial reporting for Sukuk-holders
AAOIFI has issued FAS 34 in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukuk holders.

This standard shall apply to Sukuk in accordance with Shari'ah principles and rules issued by an IFI or other institution (called "originator"), directly or through the use of a Special Purpose Vehicle (SPV) or similar mechanism. In respect of Sukuk which are kept on-balance sheet by the originator in line with requirements of FAS 29 "Sukuk in the books of the originator", the originator may opt not to apply this standard. The standard classifies Sukuk as Business Sukuk and Non-Business Sukuk and lays down accounting treatment for Business and Non – Business Sukuk.

Transitional provisions
The Group opt not to apply this standard only on such transactions:
- which were already executed before the adoption date of this standard for the entity; and
- their original maturity falls no later than 12 months after the adoption date of this standard for the entity.

The adoption of this amendment will not have a significant impact on the consolidated financial statements.

New standards, amendments and interpretations issued but not yet effective

FAS 32 - Ijarah
AAOIFI has issued FAS 32 in 2019. FAS 32 improves upon and supersedes FAS 8 - Ijarah and Ijarah Muntahia Bittamleek originally issued in 1997. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted. The Group is currently evaluating the impact of this standard.

FAS 35 - Risk Reserves
AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 - Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted, only if the Group early adopts FAS 30 as in case of the Group. The Group is currently evaluating the impact of this standard.

FAS 38 Wa'ad, Khiyar and Tahawwut
AAOIFI has issued FAS 38 "Wa'ad, Khiyar and Tahawwut" in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. Wa'ad and Khiyar are used by institutions in various forms. Some are ancillary to other transactions, whereas a few are used as primary products. This standard intends to provide accounting principles for both of these, as well as the Tahawwut transactions which are normally based on Wa'ad or Khiyar, or a series or combination thereof. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The Group is currently evaluating the impact of this standard.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2020. The Group consolidates a subsidiary when it controls it. Control is achieved when the Bank 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, 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 loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

(i) Subsidiaries

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in consolidated income statement. In addition, any amounts previously recognised in owners' equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Associates and joint ventures

Associates are entities over which the Group has significant influence but not control, generally significant influence presumed to exist when the Group has 20% or more of the voting rights.

Joint Ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures 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 investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated income statement; its share of post-acquisition movements in reserve is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint venture

Intergroup gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses in associates and joint ventures are recognised in the consolidated income statement. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group.

(v) Business combination 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 other expenses.

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 consolidated statement of income.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (conitnued)

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.

(c) Foreign currency transactions and balances

Foreign currency transactions are 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 transaction dates.

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 consolidated statement of income.

Foreign currency differences are generally recognised in consolidated statement of income. However, foreign currency differences arising from the translation of the following items are recognized in consolidated statement of changes in equity:

- Fair value through equity investments (except on impairment, in which case foreign currency differences that have been recognized in consolidated statement of changes in equity are reclassified to consolidated income statement);

- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective.

Foreign Operations
The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in consolidated statement of changes in equity. On disposal of a foreign operation, the component of consolidated statement of changes in equity relating to that particular foreign operation is recognised in the consolidated income statement

Hedge of a net investment in foreign operation
The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company’s functional currency.

To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in consolidated statement of changes in equity and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in consolidated income statement. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to consolidated income statement as part of the gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

(i) Classification

Under FAS 33 "Investment in Sukuks, shares and similar instruments", each investment is to be categorized as investment in:
a) equity-type instruments;
b) debt-type instruments, including (monetary and non-monetary);
c) other investment instruments
Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:
a) the Bank's business model for managing the investments; and
b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Amortised cost

An investment shall be measured at amortised cost if both of the following conditions are met:
a) the investment is held within a business model whose objective is to hold such investment in order to collect expected cashflows till maturity of the instrument; and
b) the investment represents either a debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair through equity

An investment shall be measured at fair value through equity cost if both of the following conditions are met:
a) the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
b) the investment represents a non-monetary debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair through income statement

An investment shall be measured at fair value through income statement unless it is measured at amortised cost or fair value through equity or if irrevocable classification at initial recognition is applied.

Irrevocable classification at initial recognition

The Group may make an irrevocable election to designate a particular investment, at initial recognition, being:
a) an equity-type instrument that would otherwise be measured at fair value through income statement, to present subsequent changes in fair value through equity; and
(b) a non-monetary debt-type instrument or other investment instrument, as measured at fair value through income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different bases.

(ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated statement of income.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(iii) Measurement (continued)

Fair value through equity
Policy applicable upto the issuance of QCB circular 13/2020
Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

Policy applicable after the issuance of QCB circular 13/2020
The Group adapted Qatar Central Bank's Circular number 13/2020 dated 29 April 2020 (the adoption date) which amended the requirements of FAS 33 "Investment in Sukuk, Shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and required banks to follow the requirements of International Financial Reporting Standard No. ("IFRS") 9 "Financial Instruments" relating to Equity Investments at Fair Value through Equity.

Under IFRS-9, investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. Gains and losses on such equity-type instruments are never subsequently reclassified to consolidated income statement, including on disposal. However, cumulative gains and losses recognised in fair value reserve are transferred to retained earnings on disposal of an investment. 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 statement of changes in equity.

Whereas for debt type investments classified as fair value through equity, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

(iv) 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 capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement
Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

(e) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financing assets (continued)

Murabaha and Musawama
Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any). Based on QCB instructions Chapter VII, Section D, Para 3/2/1, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Musawama receivables are stated net of deferred profits and impairment allowance (if any). On initial recognition Murabaha receivables are classified and measured at:
- Amortised cost when the contractual terms of the Murabaha receivables give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding; or
- Fair value through income statement ("FVTIS") when the contractual terms of the Murabaha receivables does not give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Mudaraba
Mudaraba financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah
Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a
Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price. Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala
Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

(f) Other financial assets and liabilities

(i) Recognition and initial measurement
The Group initially recognises due from banks, financing assets, investments, customer current accounts, due to banks, and financing liabilities including sukuk and fixed income financing on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

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

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (conitnued)

(ii) De-recognition of financial assets and financial liabilities

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated 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 derecognized.

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

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is de-recognised if it meets the de-recognition 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 de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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 profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such amodification is carried out because of financial difficulties of the financed counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as net income from financing activities.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

Measurement of ECL

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through income statement:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

With effect from the issuance of QCB circular 13/2020, equity type instruments classified as fair value through equity are not tested for impairment. However prior to that, equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through consolidated income statement.

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 a financial instrument that are possible within the 12 months after the reporting date.

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 financing commitments and Letter of credit: 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.

The determination of the FAS 30 provision results from a two-step approach:
Step 1: The facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit impaired.

Step 2: The expected credit loss is calculated i.e., 12-month expected loss for all facilities in stage 1 and lifetime expected credit loss for all facilities in stage 2. The facilities in stage 3 are covered by specific provisions as per QCB regulations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;
- If the expected restructuring will result in derecognition of 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. The 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.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through equity 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 financing asset 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.

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.
- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

Any credit exposures to the Government of Qatar, represented by the Ministry of Finance and QCB are exempted from the application of expected credit loss model as per QCB's Circular 9 / 2017.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- Debt instruments measured at fair value through equity: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 less than three months from the reporting 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) Investment property

Properties held for rental or for capital appreciation purpose are classified as investment property and are measured at fair value with any change therein recognised in equity within the fair value reserve. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(j) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position and any resulting gain or loss is recognised in the consolidated income statement.

(k) Fixed assets

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of related equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised financing costs. The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement. The cost of replacing a component of fixed asset 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 fixed assets are recognised in consolidated statement of income as incurred.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative years are given below. Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Buildings	20 years
IT Equipment (hardware/software)	3-5 years
Fixtures, fittings and office equipment	4-7 years
Motor vehicles	5-7 years

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (continued)

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of income.

The estimated useful lives of intangible assets for the current year are as follows:

Customer relationship	10.0 years
Core deposits	8.5 years

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

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

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

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

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

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

(n) Customer current accounts

Balances in current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Equity of unresticted investment account holders

Equity of unrestricted investment account holders is funds held by the Group, which it can invest at its own discretion. The unrestricted investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges a management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts. Investment accounts are carried at their book values (amortised cost).

(p) Distribution of profit between equity of unrestricted investment account holders and owners

The Group complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and owners.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(r) Employee benefits

Defined contribution plans
The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff cost under note 27 in the consolidated financial statements. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

Defined benefit scheme
The Group provides for employees end of service benefits determined in accordance with the requirements of Qatar Labour law pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date.

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 under short-term cash bonus or profit-sharing plans 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.

(s) Revenue recognition

Murabaha and Musawama
Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when it is actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba
Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated statement of income on declaration by the Mudarib.

Ijara
Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

Istisna'a
Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion method.

Wakala
Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from investment banking services
Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income
Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 net profit or loss attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the net profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being 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.

(v) Fiduciary activities

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

(w) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account, the Group reserve these funds for charitable purposes.

(x) Taxation

The Group is taxable to the extent of foreign shareholding and pay income tax to General Tax Authority in this regard. Further the Group and its subsidiaries of the Group that meet the Tax Law criteria are required to file income tax returns annually with the General Tax Authority.

(y) Financial information of the parent

A statement of financial position and income statement of the Parent as disclosed at the end of the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

(z) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit and guarantees.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "fee and commission income".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Share capital and reserves

Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders' of the Group.

(ab) Sukuk and fixed income financing

Financing raised under Sukuks or fixed income financing program are recognised at amortised cost and disclosed as a separate line in the consolidated statement of financial position as "Sukuk and fixed income financing". Profit expense is recognised periodically till maturity. Sukuk and fixed income financing bears variable / fixed profit rate, which is paid on semi-annual basis.

(ac) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

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.

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

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

Credit Committee
The Board of Directors has delegated authority to Credit Committee to approve, sub-delegate, direct, monitor and reviews the Group's financing activities, within specified limits, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

The Credit Committee is the highest level of executive credit approval authority in the Group and is responsible for taking credit decisions within its delegated authority, recommending credit policies and future direction of the credit activities in the Group.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Asset Liability Committee (ALCO)
ALCO is responsible for the overall balance sheet management of the Group. ALCO set guidelines for the overall management of the liquidity and profit rate risk. ALCO also determine the borrowing and funding strategy (asset allocation) of the Group in order to maximize the profit and minimize risk.

Operational Risk Committee
The Operational Risk Committee is responsible for managing and overseeing all aspects of operational risk in the Group. The Committee is responsible for the effective implementation of all operational risk policies and standards.

Internal Audit
Risk management processes are audited by the Group Internal Audit function which examines both the adequacy and compliance with the procedures in addition to a specific audit of the Group Risk function itself as per the approved audit plan. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

(b) Key changes to the significant estimates and judgements

Risk management in the current economic scenario
The COVID - 19 and the measures to reduce its spread has impacted the local economy. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Group is closely monitoring the situation and has invoked required actions to ensure safety and security of Group staff and an uninterrupted service to our customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Group has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected. COVID 19 has impacted the banks in Qatar from various facets which includes increase in overall credit risk pertaining to financing assets portfolio in certain sectors, reduced fee income. We have mentioned below the major aspects of COVID 19 on the Group's risk management policies:

i) Covid-19 and Expected Credit Loss (ECL)
Any changes made to ECL to estimate the overall impact of Covid-19 is subject to high levels of uncertainty as so little reasonable and supportable forward-looking information is currently available on which to base those changes. However the Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. Forecast of these economic variables (the “base, upside and downside economic scenario”) are obtained externally.

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as 1) Average volume of exports of Qatar government; 2) Average volume of government expenditures; and 3) Gross Domestic Product of Qatar. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination.

In light of the current uncertain economic environment, the Group has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 31 December 2020, refer to note 41. 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.

ii) Assets quality and credit risk
The Risk department of the Group is conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. Group has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained of 16.4% is sufficient.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Key changes to the significant estimates and judgements (continued)

Risk management in the current economic scenario (continued)

iii) Liquidity management
Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments of certain customers. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Group has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

iv) Capital Adequacy Ratio
Under the current scenario, the financial institutions are under pressure to extend further credit to its borrowers under national guarantee program, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Group from Capital Adequacy Ratio perspective. The Group believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

Valuation of financial and non-financial assets (including goodwill)
The Group has also considered potential impacts of the current economic volatility in determination of the fair value of the Group's financial and non-financial assets and liabilities, for which there is no observable inputs, and these are considered to represent management's best assessment based on available or observable information. However markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

Measurement of equity-type instruments classified as fair value through equity
According to QCB circular 13/2020, the Group is required to follow IFRS-9 for equity-type instruments classified as fair value through equity which requires changes in the fair value of certain investments in equity-type instruments that are not held for trading to be kept under statement of changes in equity. Gains and losses on such equity-type instruments are never subsequently reclassified to consolidated income statement, including on disposal. However, cumulative gains and losses recognised in fair value reserve are transferred to retained earnings on disposal of an investment. 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 statement of changes in equity.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risk through diversification of investments, capital markets, lending and financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or customer (collectively referred as "counterparties"). It is the risk that a loss will be incurred if counterparty defaults or fails to honor a financial obligation that is due. It takes into account both probability of involuntary default, wherein the counterparty does not possess the financial means to repay, and strategic default, wherein counterparty with the ability to repay deliberately defaults.

Credit risk may have the following results:

- Delay in payment obligation;
- Partial loss of the credit exposure; or
- Complete loss of the credit exposure.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Management of credit risk
The Board of Directors has delegated responsibility for the oversight of credit risk upto a specified limit to its Credit Committee, which is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, compliance with QCB regulations, other applicable legal and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Facilities exceeding a certain threshold require Board of Directors approval;
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of financial risk;
- Limiting geographical exposures, concentration risk based on internal and external ratings, exposure limits and QCB guidelines;
- Collateralising the exposures by adequate tangible and intangible collaterals. The types of collaterals obtained include cash, mortgages over real estate properties, pledges over shares and personal/corporate guarantees, as appropriate; and
- Reviewing business units compliance of agreed exposure limits, including those for selected industries, country risk and product types. Regular review of the credit quality of Group's portfolios is performed and appropriate corrective actions are taken when required.

The Group has implemented Moody's Risk Analyst Rating System, in order to effectively monitor credit risk at an obligor's level on the Group's portfolio and align capital adequacy to such risks. The system is globally proven and enables the Group to rate credit risk on a more objective basis.

(i) Credit risk measurement

Group regularly analyze the quality of the overall credit portfolio with particular focus on the problem credits and the remedial management process.
This include:

- Transaction level review
- Obligor level review
- Portfolio based review
- Exception based review.

Credit review and Credit Administration units are responsible to ensure that all financing activity is undertaken within the approved framework and any deviations are promptly detected, reported and followed up for remedial action.

Credit portfolio management

Objective and responsibility
Portfolio management is an integral part of the credit process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. It does so by incorporating portfolio strategy and planning, performance assessment and reporting functions into one comprehensive management process.

Group is responsible for carrying out the activities in relation to credit risk portfolio management by seeking information from different business units on a regular basis to perform this function. The portfolio analyst undertakes the review, monitoring and control of limits structures based on the portfolio diversification parameters. Further, it prepares portfolio studies and periodic sector/ regional exposure information for management review.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(i) Credit risk measurement (continued)

Credit portfolio management (continued)

Portfolio diversification
The Group takes into consideration the following parameters to assess the diversification of the credit portfolio across:

- Group exposure limits
- Industry/ sector exposure limits
- Country exposure limits
- Product exposure limits
- Exposure to a particular credit risk mitigant

Stress testing of credit portfolio
The Group follows a rigorous and forward looking stress testing procedure (in line with pillar 2 requirements of Basel 3 Accord as well as taking into consideration QCB guidelines) that identifies possible events or changes in market conditions (or risk factors) that could adversely impact the Group. This requires foreseeing situations under hypothetical scenarios considering the question 'what-if' and development of stress tests in such scenarios. This enables the Group to be well equipped to cope with the crisis situations when they arise. Risk function has the responsibility of conducting periodic stress testing of the credit portfolio.

The stress-testing program of the Group involves the following steps:
- Capturing reliable data (accuracy and timeliness)
- Identification of risk factors that have an impact on the portfolio value. The different categories of risk factors used by the Group are:
  a. Obligor rating
  b. Environment (industry, economic, political, real estate prices, etc.)
  c. Model (assumptions, holding period, etc.)
  d. Analytics (correlation, transition matrices, etc.)
- Construction of stress tests on the basis of single factor or multi-factor scenarios
- Deciding magnitude of factor shock
- Running stress tests
- Reporting results of stress tests
- Assessing the impact of abovementioned results on capital adequacy of the Group
- Reassessing the relevance of stress tests on yearly basis.

Credit risk management information system (MIS)
Information on all elements of the Group's risk asset portfolio, and most particularly on irregular accounts and on those displaying characteristics of deterioration, are readily available with the concerned staff. Reports are thoroughly scrutinized and, where indicated, triggers appropriate response from the department concerned.

(ii) Risk limit control and mitigation policies

The Group has processes in place for mitigating credit risk which mainly include processes for credit Initiation, credit standards, collateral management and large exposure management.

Collateral
The Group secures credit exposures through a variety of collaterals including cash margins, lien on fixed deposits, real estate and marketable securities. Independent valuation of real estate collaterals are obtained periodically to determine collateral coverage. The value of marketable securities is constantly monitored to determine whether any replenishments /disposals are required.

Financing limits (for risk management instrument and financing books)
The Group has defined limits by counterparty, borrowing group, country, Board of Directors, subsidiaries and affiliates. Exposures against these limits are monitored and any breach is reported to the Board through Risk Management and Compliance Committee.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(iii) Maximum exposure to credit risk before collateral held or other credit enhancements

At 31 December	***2020*** ***QAR'000***	*2019* *QAR'000*
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with Qatar Central Bank	**2,894,321**	2,125,599
Due from banks	**5,891,788**	4,343,485
Financing assets	**58,536,992**	51,924,104
Investment securities – debt type	**15,552,472**	15,203,161
Other assets	**143,890**	202,262
	83,019,463	73,798,611
Other credit risk exposures are as follows:		
Guarantees	**18,569,351**	17,935,220
Letters of credit	**2,096,827**	1,753,949
Unutilised credit facilities	**17,424,667**	10,438,117
	38,090,845	30,127,286

The above tables represent a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

(iv) Concentration of risks of financial assets with credit risk exposure

Geographical sectors

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(iv) Concentration of risks of financial assets with credit risk exposure (continued)

Geographical sectors (continued)

31 December 2020

	Qatar QAR'000	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	**2,894,321**	**-**	**-**	**-**	**2,894,321**
Due from banks	**5,422,481**	**14,727**	**132,577**	**322,003**	**5,891,788**
Financing assets	**54,068,710**	**187,838**	**2,141,330**	**2,139,114**	**58,536,992**
Investment securities – debt type	**14,470,278**	**338,824**	**-**	**743,370**	**15,552,472**
Other assets	**143,890**	**-**	**-**	**-**	**143,890**
	76,999,680	**541,389**	**2,273,907**	**3,204,487**	**83,019,463**

31 December 2019

	Qatar QAR'000	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	2,125,599	-	-	-	2,125,599
Due from banks	3,906,809	27,555	159,736	249,385	4,343,485
Financing assets	46,036,544	367,122	3,370,157	2,150,281	51,924,104
Investment securities – debt type	14,688,727	196,787	-	317,647	15,203,161
Other assets	202,262	-	-	-	202,262
	66,959,941	591,464	3,529,893	2,717,313	73,798,611

31 December 2020

Other credit risk exposures	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Guarantees	**15,782,306**	**334,392**	**1,196,674**	**1,255,979**	**18,569,351**
Letters of credit	**2,060,012**	**-**	**-**	**36,815**	**2,096,827**
Unutilised credit facilities	**17,387,902**	**36,765**	**-**	**-**	**17,424,667**
	35,230,220	**371,157**	**1,196,674**	**1,292,794**	**38,090,845**

31 December 2019

Other credit risk exposures	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Guarantees	14,907,104	422,512	1,355,116	1,250,488	17,935,220
Letters of credit	1,727,294	-	-	26,655	1,753,949
Unutilised credit facilities	10,056,586	183,377	196,551	1,603	10,438,117
	26,690,984	605,889	1,551,667	1,278,746	30,127,286

Industry sectors

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(iv) Concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors (continued)

As at 31 December	*Total exposure* **2020** **QAR'000**	*2019* *QAR'000*
Funded and unfunded		
Government	**27,016,165**	25,054,990
Industry and Manufacturing	**2,319,093**	2,947,261
Commercial	**11,111,726**	9,612,673
Financial services	**11,168,338**	8,962,756
Contracting	**19,316,416**	18,114,362
Real estate	**19,305,535**	12,910,083
Personal	**11,887,277**	11,174,915
Services and others	**18,985,758**	15,148,857
	121,110,308	103,925,897

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation, based on Moody's ratings or their equivalent Standard & Poor's / Fitch:

At 31 December	**2020** **QAR'000**	*2019* *QAR'000*
Equivalent grades		
Aaa to Aa3	**30,335,231**	28,854,400
A1 to A3	**4,493,853**	3,755,392
Baa1 to Baa3	**72,618**	1,169,427
Ba1 to B3	**750,411**	676,466
Below B3	**-**	29,053
Unrated	**85,458,195**	69,441,159
	121,110,308	103,925,897

(v) Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings except retail portfolio. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 5 represents investment grade and ORR 6 to 7 represents sub-investment grade ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(v) Credit quality (continued)

Due from banks	31 December 2020				31 December 2019
	Stage 1 QAR'000	Stage 2 QAR'000	Stage 3 QAR'000	Total QAR'000	Total QAR'000
Investment grade - ORR 1 to 5	5,891,625	-	-	5,891,625	4,343,603
Sub-investment grade - ORR 6 to 7	289	-	-	289	-
Substandard - ORR 8	-	-	-	-	-
Doubtful ORR 9	-	-	-	-	-
Loss - ORR 10	-	-	-	-	-
	5,891,914	-	-	5,891,914	4,343,603
Loss allowance	(126)	-	-	(126)	(118)
Carrying amount	5,891,788	-	-	5,891,788	4,343,485

Financing assets	31 December 2020				31 December 2019
	Stage 1 QAR'000	Stage 2 QAR'000	Stage 3 QAR'000	Total QAR'000	Total QAR'000
Investment grade - ORR 1 to 5	38,557,656	7,481,514	-	46,039,170	39,114,047
Sub-investment grade - ORR 6 to 7	3,435,531	8,722,280	-	12,157,811	12,902,459
Substandard - ORR 8	-	-	308,949	308,949	297,132
Doubtful ORR 9	-	-	644,377	644,377	70,400
Loss - ORR 10	-	-	1,224,437	1,224,437	1,556,554
	41,993,187	16,203,794	2,177,763	60,374,744	53,940,592
Loss allowance	(113,381)	(585,984)	(995,987)	(1,695,352)	(1,917,146)
Suspended profit	-	-	(142,400)	(142,400)	(99,342)
	(113,381)	(585,984)	(1,138,387)	(1,837,752)	(2,016,488)
Carrying amount	41,879,806	15,617,810	1,039,376	58,536,992	51,924,104

Investment securities	31 December 2020				31 December 2019
	Stage 1 QAR'000	Stage 2 QAR'000	Stage 3 QAR'000	Total QAR'000	Total QAR'000
Investment grade - ORR 1 to 5	1,431,695	-	-	1,431,695	538,680
Sub-investment grade - ORR 6 to 7	625,786	74,099	-	699,885	491,381
Substandard - ORR 8	-	-	-	-	-
Doubtful ORR 9	-	-	-	-	-
Loss - ORR 10	-	-	-	-	-
	2,057,481	74,099	-	2,131,580	1,030,061
Loss allowance	(3,967)	(9,466)	-	(13,433)	(8,172)
Carrying amount	2,053,514	64,633	-	2,118,147	1,021,889

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(v) Credit quality (continued)

Financing commitments and financial guarantees		***31 December 2020***			*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**14,998,449**	**1,181,328**	**-**	**16,179,777**	16,197,977
Sub-investment grade - ORR 6 to 7	**2,308,143**	**2,163,307**	**-**	**4,471,450**	3,475,418
Substandard - ORR 8	**-**	**-**	**11,661**	**11,661**	2,630
Doubtful ORR 9	**-**	**-**	**-**	**-**	4,000
Loss - ORR 10	**-**	**-**	**3,290**	**3,290**	9,144
	17,306,592	**3,344,635**	**14,951**	**20,666,178**	19,689,169
Loss allowance	**(56,406)**	**(257,804)**	**(3,230)**	**(317,440)**	(332,383)
Carrying amount	**17,250,186**	**3,086,831**	**11,721**	**20,348,738**	19,356,786

At 31 December 2020 and 2019, none of the financial assets in other assets were either past due or impaired and did not have any expected credit loss allowance recognised against them.

(vi) Collateral

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no material deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group. The Group has collateral in form of blocked deposits, pledge of shares and legal mortgages. The aggregate fair value of collateral as at 31 December 2020 is QAR 44,162.9 million (31 December 2019: QAR 41,909.2 million).The value of the collateral held against credit-impaired financing assets and advances as at 31 December 2020 is QR 1,193.4 million (31 December 2019: QR 1,086.0 million).

The amount of contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2020 and 31 December 2019 was Nil.

(vii) Inputs, assumptions and techniques used for estimating impairment

To determine if the risk of default of a financial instrument has increased significantly since origination, the current risk of default at the reporting date is compared with the risk of default at initial recognition. The Group considers SICR based on the rating migration data, historical default rates, Days Past Due (DPD) status of the account, the internal credit rating of the Group and QCB guidelines. The SICR criteria for Internally rated portfolio (Wholesale and Private banking), Un-rated portfolio (Retail banking) and externally rated portfolio (Financials institution/ Banks) has been described below.

Internally rated portfolio:
For the internally rated portfolio the below criteria are used to determine the SICR for each facility

1. Two notch downgrade from ratings 1,2,3 and 4
2. One notch downgrade from ratings 5 and 6
3. Accounts classified under rating 7
4. 30-59 Days Past Due (subject to rebuttal)
5. 60-89 Days past Due
6. Renegotiated accounts in last 12 months

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Externally rated financial instruments
For all the financing portfolio and investments which are externally rated will be subject to the below criteria for determining the SICR:

1. Investment Grade – 2 notch downgrade from Aaa to Baa3
2. Speculative Grade – 1 notch downgrade from Ba1 to Caa3
3. Unrated exposures
4. Restructured accounts

Retail Portfolio
The following staging criteria based on Days Past Dues (DPDs) has been fixed for retail portfolio as per the FAS 30 and QCB guidelines:

FAS 30 presumes 30 DPD criteria for Stage 2 classification. This will be further assessed through forward and backward flow rates to rebut the 30 DPD criteria. However, in any case, this should not exceed 60 days as a back stop measure as defined by QCB.

Apart from the above mentioned staging criteria based upon rating grades and DPD buckets, following qualitative criteria is also evaluated by the management to categorize a particular borrower or portfolio into Stage 2 by providing appropriate reasoning for the same at the time of ECL computation.

1. Any particular industry/sector under stress can be treated as stage 2 for a temporary period as a whole irrespective of individual borrower ratings;
2. Any cross border exposures leading to deterioration in credit quality based upon worsening economic conditions of the country can be adjudged as stage 2 (e.g. all exposures to a country X can be deemed Stage 2);

For retail stage 2 assets, based upon its internal experience, the Group may treat sub portfolios differently as compared to portfolio level staging in case a significant increase in credit risk is seen for a particular segment of borrowers (e.g. by salary bands, employer, nationality etc.).

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

Generating the term structure of Probability of Default (PD)
The Group employs statistical models to analyse the data collected and generate estimates of PD to determine Expected Credit Loss (ECL). The Group has used different methodology for different portfolios based on the default history and rating methodologies. The statistical techniques include Transition matrix analysis for corporate portfolio, Pluto Tasche methodologies for low default portfolio like private Banking, flow rate analysis for retail portfolio.

Renegotiated financial assets
The contractual terms of a financing asset 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 financing asset whose terms have been modified may be derecognised and the renegotiated financing asset recognised as a new financing asset at fair value. Where possible, the Group seeks to restructure financing assets rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing asset conditions. Management continuously reviews renegotiated financing assets to ensure that all criteria are met and that future payments are likely to occur. As at 31 December 2020, QAR 3,925.0 million (31 December 2019: QAR 2,541.6 million) of deals were restructured.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

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 8, 9 or 10.

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information
The Group employs statistical models to incorporate macro-economic factors to reflect all potential future deterioration scenarios for the loan according to their associated probability. This estimation integrates all information available including current conditions and anticipations of future potential economic conditions. The group has developed Merton model, credit index method and regression analysis and used the best fit model for incorporation of forward looking information.

In case none of the macro - economic parameters are statistically significant or the results of forecasted PD's are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analyzing the portfolio as per the diagnostic tool. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

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

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Measurement of ECL (continued)

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is the amount that is outstanding at the time of default.

The off-Balance Sheet instruments such as lending commitments and financial guarantees, the EAD estimation is calculated after applying the credit conversion factor (CCF) to the nominal amount of the off-balance sheet instruments.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- credit risk grading's;
- product type; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance
The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under FAS 30.

Covid-19 impact
While it is challenging to estimate the impact of COVID-19 on our ECL estimates as the situation is still evolving, it is expected to have a deep impact on the macro-economic environment.The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, The Bank has assessed the impact of the crisis and changed the weightages assigned to the scenario probabilities of its ECL models (refer note 41).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Loss allowance (continued)

Due from banks

	31 December 2020				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**118**	**-**	**-**	**118**	2,140
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**-**	**-**	**-**	**-**	-
Transfers to Stage 3	**-**	**-**	**-**	**-**	-
Impairment allowance for the year, net	**8**	**-**	**-**	**8**	(2,022)
Amounts written off	**-**	**-**	**-**	**-**	-
	126	**-**	**-**	**126**	118

Financing assets

	31 December 2020				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**151,213**	**587,259**	**1,278,016**	**2,016,488**	1,647,548
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**(64,988)**	**64,988**	**-**	**-**	-
Transfers to Stage 3	**(3,474)**	**(487,691)**	**491,165**	**-**	-
Impairment allowance for the year, net	**30,630**	**421,428**	**477,746**	**929,804**	334,924
Suspended profit, net movement	**-**	**-**	**43,058**	**43,058**	35,223
Amounts written off	**-**	**-**	**(1,151,598)**	**(1,151,598)**	(1,207)
	113,381	**585,984**	**1,138,387**	**1,837,752**	2,016,488

Investment securities

	31 December 2020				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**3,757**	**4,415**	**-**	**8,172**	10,454
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**-**	**-**	**-**	**-**	-
Transfers to Stage 3	**-**	**-**	**-**	**-**	-
Impairment allowance for the year, net	**210**	**5,051**	**-**	**5,261**	(2,282)
Amounts written off	**-**	**-**	**-**	**-**	-
	3,967	**9,466**	**-**	**13,433**	8,172

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Loss allowance (continued)

Financing commitments and financial guarantees (including LC & LG)		***31 December 2020***			*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**300,841**	**26,061**	**5,481**	**332,383**	51,141
Acquired on business combination	**-**	**-**	**-**	**-**	284,426
Transfers to Stage 1	**263**	**(263)**	**-**	**-**	-
Transfers to Stage 2	**(246,698)**	**246,698**	**-**	**-**	-
Transfers to Stage 3	**-**	**(8,948)**	**8,948**	**-**	-
Impairment allowance for the year, net	**2,000**	**(5,744)**	**(11,199)**	**(14,943)**	(3,184)
Amounts written off	**-**	**-**	**-**	**-**	-
	56,406	**257,804**	**3,230**	**317,440**	332,383

(viii) Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when the Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

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 standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 1,151.6 million (31 December 2019: QAR 1.2 million).

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

(i) Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible that it has sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Group's reputation. The primary objective of liquidity risk management over which the Asset and Liability Committee (ALCO) has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. The ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit mobilization plans are regularly reviewed for consistency with the liquidity policy requirements. A contingency plan is also in place which is reviewed periodically.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(i) Management of liquidity risk (continued)

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policy and procedures are subject to review and approval of the Board of Directors and ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors and ALCO.

(ii) 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, other borrowings and commitments maturing within the next month. The Group ratio of liquid assets to customer deposits As at 31 December 2020 was 21% (31 December 2019: 19%).

A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB. As at 31 December 2020, liquidity coverage ratio as per QCB prescribed method was 89.5 % (31 December 2019: 110.0%). The minimum liquidity ratio determined by the QCB is 100%.

(iii) Maturity analysis

Maturity analysis of Group's financial assets and liabilities are prepared on the basis of their contractual maturities. The contractual maturities have been determined on the basis of the remaining period at the statement of financial postion date and do not take into account effective maturities as indicated by the Group's deposit retention history. Cash in hand is not considered for liquidity risk management.

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2020						
Balances with Qatar Central Bank	**2,894,321**	**659,521**	**-**	**-**	**-**	**2,234,800**
Due from banks	**5,891,788**	**5,387,705**	**131,277**	**272,846**	**99,960**	**-**
Financing assets	**58,536,992**	**4,241,561**	**5,380,884**	**12,627,520**	**16,086,911**	**20,200,116**
Investment securities – debt type	**15,552,472**	**47,339**	**109,244**	**971,419**	**9,962,258**	**4,462,212**
Other assets	**143,890**	**80,321**	**-**	**63,569**	**-**	**-**
Total financial assets	**83,019,463**	**10,416,447**	**5,621,405**	**13,935,354**	**26,149,129**	**26,897,128**
Due to banks	**18,947,753**	**12,157,122**	**1,140,867**	**4,920,546**	**729,218**	**-**
Sukuk and fixed income financing	**-**	**-**	**-**	**-**	**-**	**-**
Customer current accounts	**7,335,487**	**7,335,487**	**-**	**-**	**-**	**-**
Other liabilities	**1,248,861**	**683,524**	**30,613**	**534,724**	**-**	**-**
Total financial liabilities	**27,532,101**	**20,176,133**	**1,171,480**	**5,455,270**	**729,218**	**-**
Equiy of unrestricted investment account holders	**46,546,052**	**22,175,119**	**7,154,728**	**13,470,341**	**3,745,864**	**-**
Total	**74,078,153**	**42,351,252**	**8,326,208**	**18,925,611**	**4,475,082**	**-**
Difference	**8,941,310**	**(31,934,805)**	**(2,704,803)**	**(4,990,257)**	**21,674,047**	**26,897,128**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2019						
Balances with Qatar Central Bank	2,125,599	127,877	-	-	-	1,997,722
Due from banks	4,343,485	3,011,876	366,267	928,229	-	37,113
Financing assets	51,924,104	3,705,282	4,348,132	6,009,561	20,522,733	17,338,396
Investment securities – debt type	15,203,161	95,722	-	852,662	8,240,434	6,014,343
Other assets	202,262	125,337	-	76,925	-	-
Total financial assets	73,798,611	7,066,094	4,714,399	7,867,377	28,763,167	25,387,574
Due to banks	14,185,854	13,194,372	-	43,690	856,608	91,184
Sukuk and fixed income financing	1,824,096	-	-	1,824,096	-	-
Customer current accounts	5,392,893	5,392,893	-	-	-	-
Other liabilities	974,996	548,016	20,630	406,350	-	-
Total financial liabilities	22,377,839	19,135,281	20,630	2,274,136	856,608	91,184
Equiy of unrestricted investment account holders	42,485,121	20,418,531	4,966,963	16,025,342	1,074,285	-
Total	64,862,960	39,553,812	4,987,593	18,299,478	1,930,893	91,184
Difference	8,935,651	(32,487,718)	(273,194)	(10,432,101)	26,832,274	25,296,390

(iv) Maturity analysis (Financial liabilities and risk management instruments)

31 December 2020	***Carrying amount QAR'000***	***Gross undisc-ounted cash flows QAR'000***	***Less than 1 month QAR'000***	***1-3 months QAR'000***	***3 months – 1 year QAR'000***	***1-5 years QAR'000***	***More than 5 years QAR'000***
Non-derivative financial liabilities							
Due to banks	**18,947,753**	**18,947,753**	**12,157,122**	**1,140,867**	**4,920,546**	**729,218**	**-**
Sukuk and fixed income financing	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Customer current accounts	**7,335,487**	**7,335,487**	**7,335,487**	**-**	**-**	**-**	**-**
Other liabilities	**1,248,861**	**1,248,861**	**683,524**	**30,613**	**534,724**	**-**	**-**
Total liabilities	**27,532,101**	**27,532,101**	**20,176,133**	**1,171,480**	**5,455,270**	**729,218**	**-**
Equity of unrestricted investment account holders	**46,546,052**	**46,546,052**	**22,175,119**	**7,154,728**	**13,470,341**	**3,745,864**	**-**
Risk management instruments							
Risk Management:	**10,781**						
Outflow		**4,551,639**	**1,232,751**	**1,098,342**	**1,814,276**	**406,270**	**-**
Inflow		**(4,540,799)**	**(1,233,112)**	**(1,104,843)**	**(1,789,709)**	**(413,135)**	**-**
	74,088,934	**74,088,993**	**42,350,891**	**8,319,707**	**18,950,178**	**4,468,217**	**-**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iv) Maturity analysis (Financial liabilities and risk management instruments) (continued)

31 December 2019	*Carrying amount QAR'000*	*Gross undiscounted cash flows QAR'000*	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
Non-derivative financial liabilities							
Due to banks	14,185,854	14,185,854	13,194,372	-	43,690	856,608	91,184
Sukuk and fixed income financing	1,824,096	1,824,096	-	-	1,824,096	-	-
Customer current accounts	5,392,893	5,392,893	5,392,893	-	-	-	-
Other liabilities	974,996	974,996	548,016	20,630	406,350	-	-
Total liabilities	22,377,839	22,377,839	19,135,281	20,630	2,274,136	856,608	91,184
Equity of unrestricted investment account holders	42,485,121	42,485,121	20,418,531	4,966,963	16,025,342	1,074,285	-
Risk management instruments							
Risk Management:	(71,661)						
Outflow		3,092,840	492,568	958,459	1,614,934	26,879	-
Inflow		(3,244,909)	(492,511)	(1,046,442)	(1,679,077)	(26,879)	-
	64,791,299	64,710,891	39,553,869	4,899,610	18,235,335	1,930,893	91,184

(e) 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 profit 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 profit 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 two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the profit rate management of the entity's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by Board of Directors) and for the day-to-day review of their implementation.

The Board of Directors has set risk limits based on different factors including country-wise exposure limits. These limits are closely monitored by senior management and reviewed by ALCO on a regular basis.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(ii) Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). A fully integrated VaR computation system is used by the Group to calculate VaR through historical simulation, analytical and Monte Carlo approaches, which is based upon a 99 percent confidence level assuming a 1-day, 10-day and 30-day holding periods. Taking account of market data from the previous one year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Market Risk limits are set and monitored by the Market Risk Management function endorsed by BOD.The Group uses VaR limits for total market risk and specific foreign exchange, profit rate, equity and other price risks. The overall structure of VaR limits are reviewed by ALCO and approval by the Board of Directors. VaR limits are allocated to trading portfolios

The Group's trading portfolio is comparitively insignificant in size, consist mainly of Equities however, the Group has established policies for VaR measurement to overlook the trends for market risk management. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

(iii) Exposure to profit rate risk – non-trading portfolios

The principal risk to which non-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 profit rates. Profit rate risk is managed principally through monitoring profit 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 central Treasury in its day-to-day monitoring activities.

The Islamic Financial Services Board ("IFSB") has issued a document on Risk Management guidelines for Institutions (other than Insurance Institutions) offering only Islamic Financial Service ("IFS"). This includes sections on 'Rate of Return Risk' and 'Liquidity Risk'. The Group adheres to the guidelines on 'Rate of Return Risk' and 'Liquidity Risk'.

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*Effective profit rate QAR'000*
31 December 2020							
Balances with Qatar Central Bank	**2,894,321**	**-**	**-**	**-**	**-**	**2,894,321**	**0.0%**
Due from banks	**5,891,788**	**36,645**		**99,960**		**5,755,183**	**0.8%**
Financing assets	**58,536,992**	**29,235,039**	**16,573,139**	**5,669,702**	**72,945**	**6,986,167**	**4.4%**
Investment securities-debt type	**15,552,472**	**-**	**-**	**-**	**-**	**15,552,472**	**3.9%**
	82,875,573	**29,271,684**	**16,573,139**	**5,769,662**	**72,945**	**31,188,143**	
Due to banks	**18,947,753**	**729,219**	**-**	**-**	**-**	**18,218,534**	**0.4%**
Sukuk and fixed income financing	**-**	**-**	**-**	**-**	**-**	**-**	
Equity of unresticted investment account holders	**46,546,052**	**21,131,352**	**13,470,341**	**3,745,864**	**-**	**8,198,495**	**1.9%**
Consolidated statement of financial position items - Profit rate sensitivity gap	**17,381,768**	**7,411,113**	**3,102,798**	**2,023,798**	**72,945**	**4,771,114**	
Off-consolidated statement of financial position items	**17,424,667**	**5,344,547**	**4,736,815**	**4,895,866**	**2,447,439**	**-**	**4.1%**
Cumulative profit rate sensitivity gap	**34,806,435**	**12,755,660**	**7,839,613**	**6,919,664**	**2,520,384**	**4,771,114**	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(iii) Exposure to profit rate risk – non-trading portfolios (continued)

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*Effective profit rate QAR'000*
31 December 2019							
Balances with Qatar Central Bank	2,125,599	-	-	-	-	2,125,599	0.0%
Due from banks	4,343,485	219,782	-	-	-	4,123,703	1.9%
Financing assets	51,924,104	28,219,116	12,540,869	3,238,801	216,464	7,708,854	5.1%
Investment securities-debt type	15,203,161	-	-	-	-	15,203,161	4.0%
	73,596,349	28,438,898	12,540,869	3,238,801	216,464	29,161,317	
Due to banks	14,185,854	731,207	260,274	-	-	13,194,373	2.3%
Sukuk and fixed income financing	1,824,096	-	-	-	-	1,824,096	3.7%
Equity of unresticted investment account holders	42,485,121	18,312,679	16,025,342	1,074,285	-	7,072,815	2.9%
Consolidated statement of financial position items - Profit rate sensitivity gap	15,101,278	9,395,012	(3,744,747)	2,164,516	216,464	7,070,033	
Off-consolidated statement of financial position items	10,438,117	5,270,218	4,192,992	139,273	835,634	-	4.8%
Cumulative profit rate sensitivity gap	25,539,395	14,665,230	448,245	2,303,789	1,052,098	7,070,033	

Sensitivity analysis

Management monitors sensitivity of the Group's financial assets and liabilities to various standard and Non - standard profit rate scenarios. Standard scenario that is considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in yield curve. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	***10 bp parallel increase QAR'000***	***10 bp parallel decrease QAR'000***
31 December 2020		
At 31 December	**10,100**	**(10,100)**
Average for the year	**10,884**	**(10,884)**
31 December 2019		
At 31 December	7,651	(7,651)
Average for the year	8,695	(8,695)

Profit rate movements affect reported equity in the following way:

- retained earnings arising from increases or decreases in net profit and the fair value changes reported in consolidated income statement.

Overall non-trading profit rate risk positions are managed by Treasury & Investments Group (TIG), which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities. The use of risk management instruments to manage profit rate risk.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(iv) Exposure to other market risks – non-trading portfolios

Foreign currency transactions
Foreign exchange risks arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within approved limits established by the Board of Directors.

As at the reporting date the net foreign currency exposures, other than USD which is pegged to the Qatari Riyal, and their respective sensitivities to a 500 bps change was as follows:

Functional currency of the Group entities **At 31 December**	***2020*** ***QAR'000***	*2019* *QAR'000*
Net foreign currency exposure:		
Pounds Sterling	**4,201**	(2,530)
Euro	**1,156**	1,021
Other currencies*	**8,844**	93,105

	Increase / decrease in profit		***Increase / decrease in equity***	
5% increase / decrease in currency exchange rate as at 31 December	***2020***	*2019*	***2020***	*2019*
	QAR'000	*QAR'000*	***QAR'000***	*QAR'000*
Pound Sterling	**210**	127	**210**	127
Euro	**58**	51	**58**	51
Other currencies	**442**	4,655	**442**	4,655

* Other currencies include net exposure to Other GCC currencies amounting to QAR 1.8 million (31 December 2019: QAR 87.2 million).

Equity price risk
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through income statement and fair value through equity.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2020 ***QAR'000***	*2019* *QAR'000*
5% increase / decrease in QE and other index		
Increase / decrease in profit and loss	**4,436**	1,639
Increase / decrease in equity	**55,435**	44,797

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(v) Inter bank offered rate (IBOR) reforms

Overview
A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The Group has exposures to IBORs on its financial instruments that 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 associated instruments related accounting.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators.

In response to the announcements, the Group has set up an IBOR Steering Committee comprised of the various work streams including risk management, business units, treasury, finance, legal, operations and IT. The programme is under the governance of the Group Chief Risk Officer. The aim is to effect an orderly transition of legacy transactions onto risk free rate based repricing indices, and to enable a smooth adoption for new transactions. The IBOR Steering Committee oversights the IBOR transition process in its entirety, including development, legal considerations, system enhancements, operational readiness, staff awareness and customer communication. The Group aims to finalise its transition and fall back plans by the end of first half of 2021.

Risk Management Instruments
The Bank holds Profit rate swaps for risk management purposes. The Profit rate swaps have floating legs that are indexed principally to LIBOR. The Bank's derivative instruments are governed by contracts based on the master hedging agreements.

The bank is monitoring developments with regards to IBOR related amendments, and should it be discontinued or unavailable, then calculations will be determined by fallback arrangements as set out in relevant agreements.

(f) Operational risks
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Operational risks (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The strategy and framework for operational risk management is set by the Operational Risk Committee (ORC) and is implemented consistently across the Group. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework is coordinated by a dedicated and independent team led by an Operational Risk Manager (ORM). This team reports to the Chief Risk Officer (CRO) of the Group. Each business unit has nominated a “Unit Operational Risk Manager (UORM)” who acts as a single point of contact for ORM regarding all Operational Risks for the respective business unit.

The organization has also invested in a state-of-the-art Operational Risk System to create a repository for all Operational risk incidents, losses and near-miss events. There is a robust process for reporting of issues, conducting of root cause analysis (where applicable) and rolling out mitigation plans to avoid recurrence of the issues.

(g) Capital management

Regulatory capital

The Group’s policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on owners’ 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 period. The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB. The Group’s regulatory capital position under Basel III and QCB regulations was as follows:

At 31 December	***2020*** ***QAR’000***	*2019* *QAR’000*
Tier 1 capital	**9,913,641**	9,384,331
Tier 2 capital	**751,097**	668,887
Total regulatory capital	**10,664,738**	10,053,218

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Capital management (continued)

Regulatory capital (continued)

Eligible capital (numerator in Capital Adequecy Ratio) consists of Tier 1 and Tier 2 capitals. Tier 1 consists of two parts: Common Equity Tier 1 (CET1), and Aditional Tier 1 (AT1). CET1, is part of Tier 1 capital and is the purest form of capital, which includes share capital, statutory reserves, general reserve, retained earnings, exchange translation reserve and non-controlling interests, risk reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes. The Group deducts intangible assets(including goodwill) and treasury stock from CET1/ Tier1.

The Group is following the standardised approach for credit and market and Basic Indicator approach for operational risk as permitted by the Qatar Central Bank and as per Pillar 1 of Basel 3. Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Qatar Central Bank. The required information is computed and monitored on monthly basis and filed with the regulators on a quarterly basis after getting reviewed by Group appointed external auditors.

Risk weighted assets and carrying amounts

	Risk weighted amount		***Carrying amount***	
	2020 QAR'000	*2019 QAR'000*	***2020 QAR'000***	*2019 QAR'000*
Balances with Qatar Central Bank	**-**	-	**2,894,321**	2,125,599
Due from banks	**1,219,819**	391,956	**5,891,788**	4,343,485
Financing assets	**43,580,566**	39,335,145	**58,536,992**	51,924,104
Investment securities	**1,260,481**	1,334,514	**15,849,438**	15,452,931
Investment in associates and joint ventures	**257,162**	442,212	**83,535**	147,404
Other assets	**681,443**	642,339	**1,158,172**	891,733
Off balance sheet assets	**12,803,314**	10,960,005	**38,090,845**	30,127,286
Total risk weighted assets for credit risk	**59,802,785**	53,106,171	**122,505,091**	105,012,542
Risk weighted assets for market risk	**1,637,650**	1,386,459	**811,725**	646,167
Risk weighted assets for operational risk	**3,650,798**	2,788,332	**-**	-
	5,288,448	4,174,791	**811,725**	646,167
Total Risk weighted assets			**65,091,233**	57,280,962
Regulatory capital			**10,664,738**	10,053,218
CET1/Tier 1 Ratio			**15.2%**	16.4%
Total Capital Ratio			**16.4%**	17.6%

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Capital management (continued)

Risk weighted assets and carrying amounts (continued)
The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2020 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 ("DSIB") buffer*	*Total capital Including capital conservation buffer, DSIB buffer and ICAAP Pillar II capital charge*
Actual	**15.2%**	**15.2%**	**15.2%**	**16.4%**	**16.4%**	**16.4%**
Minimum limit (QCB)	**6.0%**	**8.5%**	**10.5%**	**12.5%**	**13.0%**	**15.0%**

The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2019 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 ("DSIB") buffer*	*Total capital Including capital conservation buffer, DSIB buffer and ICAAP Pillar II capital charge*
Actual	16.4%	16.4%	16.4%	17.6%	17.6%	17.6%
Minimum limit (QCB)	6.0%	8.5%	10.5%	12.5%	13.0%	14.0%

The Group has also adopted new capital requirements for Profit Rate Risk on Banking Book (PRRBB) and have set aside capital based on new standard under Pillar II.

5. USE OF ESTIMATES AND JUDGMENTS

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

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

(i) Allowances for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(i) Allowances for credit losses (continued)

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(ii) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) 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 significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Critical accounting judgments 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.

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.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group’s accounting policies (continued)

(i) Valuation of financial instruments (continued)

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

(ii) Financial asset and liability classification

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

	Level 1 QAR’000	*Level 2 QAR’000*	*Level 3 QAR’000*	*Total QAR’000*
31 December 2020				
Risk management instruments – assets	**-**	**-**	**80,311**	**80,311**
Investment securities carried at fair value	**811,725**	**-**	**296,966**	**1,108,691**
	811,725	**-**	**377,277**	**1,189,002**
Risk management instruments – liabilities	**-**	**-**	**91,093**	**91,093**
	-	**-**	**91,093**	**91,093**
31 December 2019				
Risk management instruments – assets	-	-	121,978	121,978
Investment securities carried at fair value	618,838	-	277,099	895,937
	618,838	-	399,077	1,017,915
Risk management instruments – liabilities	-	-	50,317	50,317
	-	-	50,317	50,317

The Group’s accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through income statement, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used. Details of the Group’s classification of financial assets and liabilities are given in note 7.

(iii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note 3.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies (continued)

(iv) Useful lives of fixed assets

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

(v) Useful life of intangible assets

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

6. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Wholesale Banking	Includes financings, deposits and other transactions and balances with wholesale customers
Personal and Private Banking	Includes financings, deposits and other transactions and balances with retail and private customers
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

31 December 2020	*Wholesale banking QAR'000*	*Personal and Private banking QAR'000*	*Treasury and Investments division QAR'000*	*Investment banking and Asset management QAR'000*	*Unallocated QAR'000*	*Total QAR'000*
Total income from financing and investing activities	1,665,494	1,116,666	677,355	5,750	-	3,465,265
Net fee and commission income	114,246	45,728	20,148	8,045	-	188,167
Foreign exchange gain	48,324	54,995	40,082	-	-	143,401
Other income	11,669	-	-	-	-	11,669
Share of results of associates and joint ventures	-	-	-	(19,962)	-	(19,962)
Total segment revenue	1,839,733	1,217,389	737,585	(6,167)	-	3,788,540
Other material non-cash items:						
Net impairment loss on financing assets	(444,610)	(485,194)	-	-	-	(929,804)
Net impairment loss on investment securities	-	-	(4,943)	(574)	-	(5,517)
Net impairment loss on intangible assets	-	-	-	-	(450,179)	(450,179)
Net impairment recovery from off balance sheet exposures subject to credit risk	14,943	-	-	-	-	14,943
	-	-	-	-	-	-
Reportable segment net profit	576,636	86,747	393,203	(39,799)	(450,179)	566,608
Reportable segment assets	38,999,372	19,904,854	25,855,870	465,875	1,070,650	86,296,621
Reportable segment liabilities	29,481,960	25,860,824	19,441,858	7,941	-	74,792,583

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

31 December 2019	*Wholesale banking QAR'000*	*Personal and Private banking QAR'000*	*Treasury and Investments division QAR'000*	*Investment banking and Asset management QAR'000*	*Unallocated QAR'000*	*Total QAR'000*
Total income from financing and investing activities	1,279,642	1,037,190	625,361	9,694	-	2,951,887
Net fee and commission income	136,432	37,720	7,162	10,046	-	191,360
Foreign exchange gain	18,071	38,889	65,215	-	-	122,175
Other income	8,026	-	-	2,393	-	10,419
Share of results of associates and joint ventures	-	-	-	(525)	-	(525)
Total segment revenue	1,442,171	1,113,799	697,738	21,608	-	3,275,316
Other material non-cash items:						
Net impairment loss on financing assets	(292,112)	(42,812)	-	-	-	(334,924)
Net impairment loss on investment securities	-	-	(9,618)	(1,674)	-	(11,292)
Net impairment loss on off balance sheet exposures subject to credit risk	3,184	-	-	-	-	3,184
Reportable segment net profit	178,828	419,937	165,436	851	-	765,052
Reportable segment assets	31,762,468	21,118,939	22,133,077	516,939	1,599,269	77,130,692
Reportable segment liabilities	31,537,917	17,637,360	16,441,979	8,990	-	65,626,246

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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 income statement QAR'000*	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
Cash and balances with Qatar Central Bank	-	-	3,367,553	3,367,553	3,367,553
Due from banks	-	-	5,891,788	5,891,788	5,891,788
Financing assets	-	-	58,536,992	58,536,992	58,536,992
Investment securities:					
- Carried at fair value	88,724	1,019,967	-	1,108,691	1,108,691
- Carried at amortised cost	-	-	15,552,472	15,552,472	15,668,454
Risk management instruments	80,311	-	-	80,311	80,311
	169,035	1,019,967	83,348,805	84,537,807	84,653,789
Due to banks	-	-	18,947,753	18,947,753	18,947,753
Sukuk and fixed income financing	-	-	-	-	-
Customer current accounts	-	-	7,335,487	7,335,487	7,335,487
Risk management instruments	91,093	-	-	91,093	91,093
	91,093	-	26,283,240	26,374,333	26,374,333
Equity of unrestricted investment account holders	-	-	46,546,052	46,546,052	46,546,052
	91,093	-	72,829,292	72,920,385	72,920,385

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair value through income statement QAR'000	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
31 December 2019					
Cash and balances with Qatar Central Bank	-	-	2,378,257	2,378,257	2,378,257
Due from banks	-	-	4,343,485	4,343,485	4,343,485
Financing assets	-	-	51,924,104	51,924,104	51,924,104
Investment securities:					
- Carried at fair value	32,777	863,160	-	895,937	895,937
- Carried at amortised cost	-	-	15,203,161	15,203,161	15,261,931
Risk management instruments	121,978	-	-	121,978	121,978
	154,755	863,160	73,849,007	74,866,922	74,925,692
Due to banks	-	-	14,185,854	14,185,854	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	1,824,096	1,824,096
Customer current accounts	-	-	5,392,893	5,392,893	5,392,893
Risk management instruments	50,317	-	-	50,317	50,317
	50,317	-	21,402,843	21,453,160	21,453,160
Equity of unrestricted investment account holders	-	-	42,485,121	42,485,121	42,485,121
	50,317	-	63,887,964	63,938,281	63,938,281

8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2020 QAR'000	2019 QAR'000
Cash	**473,232**	252,658
Cash reserve with QCB*	**2,234,800**	1,997,722
Other balances with QCB	**659,521**	127,877
	3,367,553	2,378,257

*The cash reserve with QCB is not available for use in the Group's day to day operations.

9. DUE FROM BANKS

	2020 QAR'000	2019 QAR'000
Current accounts	**375,127**	352,051
Wakala placements with banks	**5,273,921**	3,660,113
Mudaraba placements	**163,228**	219,187
Commodity Murabaha receivable	**78,165**	111,521
Accrued profit	**1,473**	731
Allowance for impairment*	**(126)**	(118)
	5,891,788	4,343,485

* For stage-wise exposure and allowance for impairment, refer to Note 4.

10. FINANCING ASSETS

(a) By type

	2020 QAR'000	2019 QAR'000
Murabaha	**51,113,474**	45,781,923
Ijarah Muntahia Bittamleek	**4,750,666**	4,746,063
Istisna	**1,247,706**	1,244,002
Musawama	**1,172,913**	1,395,628
Acceptances	**559,503**	395,609
Cards	**195,739**	209,614
Others	**2,248,299**	2,575,266
Accrued profit	**601,826**	458,708
Total financing assets	**61,890,126**	56,806,813
Less: Deferred profit	**1,515,382**	2,866,221
Allowance for impairment on financing assets	**1,695,352**	1,917,146
Suspended profit on non performing financing assets	**142,400**	99,342
Allowance for impairment*	**1,837,752**	2,016,488
Net financing assets	**58,536,992**	51,924,104

* For stage-wise exposure and allowance for impairment, refer to Note 4. The total non-performing financing assets at 31 December 2020 amounted to QAR 2,177.8 million, representing 3.6% of the financing assets (31 December 2019: QAR 1,924.1 million, representing 3.6%).

10. FINANCING ASSETS (CONTINUED)

(a) By type (continued)

Others include QAR 2,248.3 million of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products. These are carried at amortised cost and its corresponding income is recognised on a time-apportioned basis over the period of the loan term using effective profit rate till conversion is completed.

	2020 ***QAR'000***	*2019* *QAR'000*
Government	**8,748,222**	7,169,424
Corporate	**34,026,216**	30,485,285
Retail and Private	**19,115,688**	19,152,104
	61,890,126	56,806,813
Less: Deferred profit	**1,515,382**	2,866,221
Allowance for impairment on financing assets	**1,695,352**	1,917,146
Suspended profit on non performing financing assets	**142,400**	99,342
Allowance for impairment	**1,837,752**	2,016,488
	58,536,992	51,924,104

(b) Movement in the allowance (provision) for impairment on financing assets:

	2020 ***QAR'000***	*2019* *QAR'000*
Balance at 1 January	**1,917,146**	1,583,429
Provided during the year	**964,271**	371,886
Recoveries during the year	**(34,467)**	(36,962)
	929,804	334,924
Written off during the year	**(1,151,598)**	(1,207)
	1,695,352	1,917,146
Break down as below:		
Allowance for impairment on financing assets – Specific	**995,987**	1,178,674
Allowance for impairment on financing assets – Expected Credit Loss	**699,365**	738,472

(c) Movement in the suspended profit on non performing financing assets:

	2020 ***QAR'000***	*2019* *QAR'000*
Balance at 1 January	**99,342**	64,119
Additions during the year	**48,300**	40,003
Recoveries during the year	**(5,242)**	(4,780)
	43,058	35,223
Balance at the year end	**142,400**	99,342

10. FINANCING ASSETS (CONTINUED)

(d) Movement in the provision for specific impairment and suspended profit on financing assets - sector wise:

	Corporates QAR'000	***SMEs QAR'000***	***Retail and Private QAR'000***	***Total QAR'000***
Balance at 1 January 2020	**780,515**	**168,195**	**329,306**	**1,278,016**
Provided during the year	**101,425**	**5,650**	**453,438**	**560,513**
Recoveries during the year	**(7,455)**	**(2,212)**	**(30,042)**	**(39,709)**
Trasfer from ECL during the year	**448,556**	**-**	**42,609**	**491,165**
Written off during the year	**(1,147,584)**	**(553)**	**(3,461)**	**(1,151,598)**
Balance at 31 December 2020	**175,457**	**171,080**	**791,850**	**1,138,387**

	Corporates QAR'000	*SMEs QAR'000*	*Retail and Private QAR'000*	*Total QAR'000*
Balance at 1 January 2019	278,106	133,554	221,476	633,136
Provided during the year	251,901	2,099	139,842	393,842
Recoveries during the year	(1,576)	(1,823)	(38,343)	(41,742)
Trasfer from ECL during the year	252,084	34,651	7,252	293,987
Written off during the year	-	(286)	(921)	(1,207)
Balance at 31 December 2019	780,515	168,195	329,306	1,278,016

(e) By sector

	2020 QAR'000	*2019 QAR'000*
Government	**8,738,788**	7,169,424
Industry and Manufacturing	**1,588,869**	2,110,637
Commercial	**7,160,710**	6,878,152
Contracting	**3,767,855**	4,496,101
Real estate	**17,815,074**	13,857,009
Consumer	**4,891,126**	5,402,463
Services & Others	**17,927,704**	16,893,027
Total financing assets	**61,890,126**	56,806,813
Less: Deferred profit	**1,515,382**	2,866,221
Allowance for impairment	**1,837,752**	2,016,488
Net financing assets	**58,536,992**	51,924,104

11. INVESTMENT SECURITIES

At 31 December	**2020**			2019		
	Quoted QAR'000	**Unquoted QAR'000**	**Total QAR'000**	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
Investments classified as fair value through income statement						
Investments classified as held for trading:						
• equity-type investments	**79,688**	**-**	**79,688**	29,447	-	29,447
• debt-type investments	**9,036**	**-**	**9,036**	3,330	-	3,330
	88,724	**-**	**88,724**	32,777	-	32,777
Debt-type investments classified at amortised cost						
- Fixed rate*	**3,125,772**	**12,280,720**	**15,406,492**	2,027,493	13,023,396	15,050,889
- Allowance for impairment**	**(13,433)**	**-**	**(13,433)**	(8,172)	-	(8,172)
	3,112,339	**12,280,720**	**15,393,059**	2,019,321	13,023,396	15,042,717
Equity-type investments classified as fair value through equity	**723,001**	**296,966**	**1,019,967**	613,390	249,770	863,160
	3,924,064	**12,577,686**	**16,501,750**	2,665,488	13,273,166	15,938,654
Accrued profit income			**159,413**			160,444
			16,661,163			16,099,098

* Investments in unquoted debt-type instruments classified at amortised cost represent investments in Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 3,195.7 million on business combination, which are in process of conversion into Sovereign sukuks at same terms.

** For stage-wise exposure and allowance for impairment, refer to Note 4.

The carrying amount of the debt-type investments pledged under repurchase agreements amounted to QAR 7,686.4 million (31 December 2019: QAR 1,167 million).

11. INVESTMENT SECURITIES (CONTINUED)

The cumulative change in fair value of equity-type investments designated as fair value through equity, during the year is as follows:

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**22,901**	1,666
Net change in fair value	**(47,480)**	8,563
Transferred to consolidated statement of income on impairment	**256**	13,574
	(47,224)	22,137
Share of associate's fair value changes	**(3)**	88
Appropriated to equity of unrestricted investment account holders (note 21)	**(295)**	(990)
Balance at year end	**(24,621)**	22,901

As at 31 December 2020, the cumulative positive and negative balances in the fair value reserve are QAR 36.9 million (31 December 2019: QAR 25.9 million) and QAR 61.6 million (31 December 2019: QAR 3.0 million). During the year nil amount (31 December 2019: QAR 13.6 million) was transferred to consolidated statement of income from negative fair value reserve.

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**147,404**	152,603
Share of results	**(19,962)**	(525)
Disposal during the year	**(9,029)**	-
Share of associates and joint venture fair value changes	**(3)**	88
Share of associates currency translation reserve (12a)	**81**	-
Impairment	**(34,956)**	(4,762)
	83,535	147,404

Name of the Associates and Joint Ventures As at 31 December	***Activities***	***Country***	***Ownership %***		***Amount in QAR'000***	
			2020	*2019*	***2020***	*2019*
Emdad Equipment Leasing Company Qatar W.L.L. (Emdad)	Machinery and equipment leasing	Qatar	**39.2%**	39.2%	**1**	10,179
TFI-Tanween Investment* Company (Tanween Inv.)	Real estate	Qatar	**50.0%**	50.0%	**-**	9,018
Juman Village	Real estate	Saudi Arabia	**27.4%**	27.4%	**2,930**	8,063
Tanween W.L.L. (Tanween)	Real Estate development management	Qatar	**48.0%**	48.0%	**63,969**	84,714
Shatter Abbas	Restaurant	Qatar	**49.0%**	49.0%	**16,635**	35,430
Total					**83,535**	147,404

**Disposed during the year.*

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The Group holds significant influence on all above listed associates. The financial position, revenue and results of significant associates and joint ventures based on latest financial statements, as at and for the year ended 31 December 2020 and 31 December 2019 are as follows:

31 December 2020	***Shatter Abbas QAR'000***	***Emdad QAR'000***	***Tanween QAR'000***	***Juman Village QAR'000***	***Tanween Inv. QAR'000***
Total assets	**17,348**	**68,906**	**301,918**	**105,741**	**-**
Total liabilities	**16,154**	**39,590**	**188,893**	**107,163**	**-**
Total revenue	**30,497**	**-**	**75,276**	**27**	**107**
Net profit	**(4,408)**	**-**	**(36,440)**	**(1,176)**	**22**
Share of profit / (loss)	**(2,160)**	**-**	**(17,491)**	**(322)**	**11**

31 December 2019	*Shatter Abbas QAR'000*	*Emdad QAR'000*	*Tanween QAR'000*	*Juman Village QAR'000*	*Tanween Inv. QAR'000*
Total assets	17,902	68,906	225,001	185,279	18,035
Total liabilities	14,333	39,590	64,347	100,178	-
Total revenue	47,852	-	82,478	28	1,335
Net profit	(1,298)	-	(931)	(402)	1,335
Share of profit / (loss)	(636)	-	(447)	(110)	668

(a) Foreign currency translation reserve

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**(81)**	(81)
Share of associate foreign currency translation reserve changes	**81**	-
	-	(81)

13. INVESTMENT PROPERTIES

The carrying amount of investment property as of 31 December 2020 is QAR 3.5 million (31 December 2019: QAR 3.7 million). The fair value of the investment properties is not materially different from the carrying amount as of the reporting date.

14. FIXED ASSETS

	Land and Buildings QAR'000	*IT Equipment QAR'000*	*Fixtures, Fittings and office equipment QAR'000*	*Motor Vehicles QAR'000*	*Total QAR'000*
Cost:					
Balance at 1 January 2019	197,381	169,031	179,227	14,232	559,871
Acquisitions	-	22,530	4,504	18,145	45,179
Business combination	123,179	106,166	66,670	1,079	297,094
Disposals	-	(1,937)	(580)	(1,138)	(3,655)
Balance at 31 December 2019	320,560	295,790	249,821	32,318	898,489
Balance at 1 January 2020	**320,560**	**295,790**	**249,821**	**32,318**	**898,489**
Acquisitions	**-**	**12,165**	**7,004**	**7,202**	**26,371**
Disposals	**-**	**(3,123)**	**(3,834)**	**(5,812)**	**(12,769)**
Balance at 31 December 2020	**320,560**	**304,832**	**252,991**	**33,708**	**912,091**
Accumulated depreciation and impairment losses:					
Balance at 1 January 2019	8,862	150,378	163,731	7,001	329,972
Depreciation charged during the year	757	17,358	6,041	4,620	28,776
Business combination	-	99,986	63,044	738	163,768
Disposals	-	(1,937)	(580)	(905)	(3,422)
Balance at 31 December 2019	9,619	265,785	232,236	11,454	519,094
Balance at 1 January 2020	**9,619**	**265,785**	**232,236**	**11,454**	**519,094**
Depreciation charged during the year	**756**	**18,837**	**5,940**	**5,800**	**31,333**
Disposals	**-**	**(3,107)**	**(3,772)**	**(3,583)**	**(10,462)**
Balance at 31 December 2020	**10,375**	**281,515**	**234,404**	**13,671**	**539,965**
Carrying amounts					
Net book value at 31 December 2020	**310,185**	**23,317**	**18,587**	**20,037**	**372,126**
Net book value at 31 December 2019	310,941	30,005	17,585	20,864	379,395

15. INTANGIBLE ASSETS

	Goodwill	Customer Relationship	Core Deposits	As at 31 December 2020 QAR'000	2019 QAR'000
Goodwill and Intangibles					
Balance at 1 January	**893,239**	**554,861**	**151,169**	**1,599,269**	777,230
Impairment	**(450,179)**	**-**	**-**	**(450,179)**	-
Amortisation	**-**	**(62,830)**	**(15,610)**	**(78,440)**	(49,070)
Acquired on business combination*	**-**	**-**	**-**	**-**	871,109
Carrying amounts	**443,060**	**492,031**	**135,559**	**1,070,650**	1,599,269

Impairment testing for cash-generating unit containing goodwill
For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries and goodwill acquired on IBQ acquisition at Bank level, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU is carried out at each year-end. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. During the year QAR 450.2 million of impairment was recorded on goodwill relating to subsidiaries namely First Finance Company, First Leasing Company and The First Investor. The impairment resulted mainly due to prevailing market conditions because of COVID-19, which impacted cash flow forecast of these subsidiaries. Further deteriorating macro-economic factors and high level of uncertainty also impacted peer multiples under market approach. Due to these factors, the said impairment was accounted considering lowest end of the valuation range resulting in highest level of impairment.

*For further details, refer note 40.

16. OTHER ASSETS

	2020 QAR'000	2019 QAR'000
Positive fair value of risk management instruments	**80,311**	121,978
Prepayments and advances	**32,394**	27,746
Projects under process	**124,458**	22,193
Operating lease receivables	**3,404**	2,798
Sundry debtors	**1,786**	2,560
Others	**67,323**	79,034
	309,676	256,309
Allowance for impairment	**(359)**	(359)
	309,317	255,950

17. DUE TO BANKS

	2020 QAR'000	2019 QAR'000
Commodity Murabaha payable*	**1,337,297**	947,792
Wakala payable	**11,509,631**	13,229,375
Due to QCB*	**6,100,000**	-
Profit payable	**825**	8,687
	18,947,753	14,185,854

* This includes amount held under repurchase agreements amounting to QAR 7,686.4 million (31 December 2019: QAR 1,167 million).

18. SUKUK AND FIXED INCOME FINANCING

On merger with IBQ, the Group assumed USD 500 million five year senior unsecured fixed rate notes under USD two billion European Medium Term Note (“EMTN”) Programme, matured during 2020. Its total outstanding balance is nil (31 December 2019: 1,824 million). The notes carried a fixed profit coupon of 3.50% per annum with profit payable semi-annually in arrears and were listed on the Irish Stock Exchange. The Programme established in 2015 was managed through a wholly-owned subsidiary, IBQ Finance Limited. The Group decided to exit this Programme on maturity.

19. CUSTOMER CURRENT ACCOUNTS

	2020* *QAR’000	*2019 QAR’000*
Current accounts by sector:		
- Government & GREs	**775,569**	248,897
- Non-Banking Financial Institutions	**137,025**	99,719
- Corporate	**3,719,225**	2,519,787
- Individuals	**2,703,668**	2,524,490
	7,335,487	5,392,893

20. OTHER LIABILITIES

	2020 QAR’000	*2019 QAR’000*
Acceptances	**586,086**	395,609
Allowance for impaiment on off balance sheet exposures subject to credit risk *	**317,440**	332,383
Accrued expenses	**159,966**	189,947
Employees' end of service benefits (note 20.1)	**143,547**	141,653
Cash margins	**110,842**	99,201
Unearned commission income	**93,079**	98,949
Sundry creditors	**33,529**	85,848
Negative fair value of risk management instruments	**91,093**	50,317
Others	**427,709**	344,375
	1,963,291	1,738,282

* For stage-wise exposure and allowance for impairment, refer to Note 4

20. OTHER LIABILITIES (CONTINUED)

20.1 Movement in employees' end of service benefits is as follows:

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**141,653**	92,140
Acquired on business combination	**-**	49,078
Charge for the year	**18,718**	20,528
Paid during the year	**(16,824)**	(20,093)
Balance at 31 December	**143,547**	141,653

21 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2020 QAR'000	*2019 QAR'000*
Unrestricted investment account holders balance before share of profit (a)	**46,330,383**	42,194,387
Distributable profits for the year (b)	**875,308**	1,050,517
Profit already distributed during the year	**(660,171)**	(760,020)
Profit payable to unrestricted investment account holders	**215,137**	290,497
Share in fair value reserve	**532**	237
Total unrestricted investment account holders balance	**46,546,052**	42,485,121
By type:		
Saving accounts	**5,868,654**	6,013,850
Call accounts	**2,329,841**	965,114
Term accounts	**38,131,888**	35,215,423
Total (a)	**46,330,383**	42,194,387
By sector:		
Government & GREs	**11,430,908**	14,898,366
Non-banking financial institution	**6,214,511**	3,748,506
Individuals	**14,035,453**	12,789,983
Corporate	**14,649,511**	10,757,532
Total (a)	**46,330,383**	42,194,387

	2020 QAR'000	*2019 QAR'000*
Unrestricted Investment account holders' share of profit for the year	**915,117**	1,316,408
Bank shares as Mudarib	**(869,361)**	(1,250,588)
Owners' contribution	**829,552**	984,697
	(39,809)	(265,891)
Distributable profits to unrestricted investment account holders for the year (b)	**875,308**	1,050,517

21 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the year ended 31 December	
	2020	*2019*
	QAR'000	*QAR'000*
Net return breakup as below:		
Saving accounts	**78,568**	71,551
Call accounts	**5,613**	5,071
Term accounts - 1 month	**104,176**	131,647
Term accounts - 3 month	**112,433**	163,974
Term accounts - 6 month	**91,131**	71,144
Term accounts - 9 month	**663**	1,764
Term accounts - 1 year and above	**482,724**	605,366
Total(b)	**875,308**	1,050,517

Movement in share of fair value reserve:

	2020	*2019*
	QAR'000	*QAR'000*
Balance at 1 January	**237**	(753)
Share in fair value reserve movement (note 11)	**295**	990
Balance at 31 December	**532**	237

22. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
	2020	*2019*
In thousands of shares		
Issued	**523,410**	523,410

The Merger between the Bank and IBQ was effected by a capital issuance of 223.410 million shares of QAR 10 by the Bank to the shareholders of IBQ, in a share swap transaction at the exchange rate of 2.031 shares of the Bank for each share of IBQ. Following issuance of the new shares, the authorised share capital was increased to 523,410 thousand ordinary shares from 400,000 shares, having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2019: 523,410 thousand) are issued and fully paid. For details on issuance of new shares, refer note 40 (a).

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Group, 10% (31 December 2019: 10%) of net profit attributable to the owners of the Group for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law and after QCB approval. The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law. New capital issuance due to Business combination, resulted in increase in legal reserve by QAR 1,648.3 million to QAR 4,197.3 million as at the acquisition date. For details on increase in legal reserve due to business combination, refer note 40 (c). During the year ended 31 December 2020, the appropriation made to legal reserve amounts to QAR 56.7 million (31 December 2019: QAR 76.5 million).

22. OWNERS' EQUITY (CONTINUED)

(c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total direct credit facilities granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. On 1 January 2019, the Group after obtaining Qatar Central Bank approval has utilized QAR 645.6 million of risk reserve balance to accommodate the day-1 impact of adoption of ECL regulations. Further as per the QCB directive, pursuant to the business combination, pre-merger risk reserve balance of IBQ was required to be retained by the Group, which increased the risk reserve balance by QAR 529.9 million to QAR 643.6 million. For details on increase in risk reserve due to business combination, refer note 40 (c). During the year ended 31 December 2020, the appropriation made to risk reserve amounts to QAR 425.1 million (31 December 2019: QAR 166.9 million).

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates and joint ventures, and should be transferred to a separate reserve account in Owners' equity. Further, the Group has set aside QAR 600 million till 31 December 2019 as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events on recommendation of the Board of Directors. As at 31 December 2020, other reserve total balance was QAR 73.3 million (31 December 2019: QAR 673.3). During the year ended 31 December 2020, the Group utilised QAR 600 million contingency reserve to absorb the goodwill impairment loss of QAR 450 million and remaining QAR 150 million to fulfill minimum risk reserve requirement as per QCB regulations. Nil appropriation was made under other reserve during the year ended 31 December 2020 (31 December 2019: Nil).

	2020 QAR'000	*2019 QAR'000*
Undistributed profit from investments in associates and joint ventures	**73,333**	73,333
Contingency reserve	**-**	600,000
	73,333	673,333

(e) Treasury shares

Treasury shares represent ordinary shares of Dukhan Bank with nominal value of QAR 10 each. Treasury shares are presented as a deduction from equity.

(f) Proposed dividend

The Board of Directors in their meeting held on 7 February 2021 proposed a cash dividend of 10.0 % (31 December 2019: 10.0%) of the paid up share capital amounting to QAR 520 million – QAR 1.0 per share (31 December 2019: QAR 520 million – QAR 1.0 per share), which is subject to approval for distribution at the Annual General Meeting of the shareholders of the Group.

23. NON-CONTROLLING INTERESTS

This represents non-controlling interests in a Group's subsidiary.

24. NET INCOME FROM FINANCING ACTIVITIES

	2020 QAR'000	*2019 QAR'000*
Murabaha	**2,303,245**	1,449,333
Ijarah	**209,237**	272,177
Istisna	**58,333**	66,406
Musawama	**103,488**	123,988
Others	**107,857**	404,928
	2,782,160	2,316,832

25. NET INCOME FROM INVESTING ACTIVITIES

	2020 QAR'000	2019 QAR'000
Coupon income from investment in debt-type instruments, net of amortisation	611,580	517,005
Income from inter-bank and murabaha placements with Islamic banks	30,663	69,617
Dividend income	35,447	27,283
Net gain on sale of debt-type investments	3,346	36,301
Net gain / (loss) on sale of equity-type investments	1,802	(15,381)
Net fair value and capital gain on investment securities carried as fair value through income statement	249	230
Other income	18	-
	683,105	635,055

26. NET FEE AND COMMISSION INCOME

	2020 QAR'000	2019 QAR'000
Management and other fee income	159,621	160,552
Commission income	92,081	92,904
Advisory fee income	815	2,024
Structuring and placement fee	455	1,162
Performance fee income	1,033	310
	254,005	256,952
Commission expense	(65,838)	(65,592)
Net fee and commission income	188,167	191,360

27. STAFF COSTS

	2020 QAR'000	2019 QAR'000
Basic salaries	162,970	164,682
Housing allowance	52,688	60,236
Transport allowance	30,342	27,235
Staff indemnity costs	18,718	20,528
Education fee	12,273	12,942
Medical expenses	11,133	11,787
Social Allowance	7,620	10,026
Others	120,718	102,880
	416,462	410,316

28. OTHER EXPENSES

	2020 ***QAR'000***	*2019* *QAR'000*
Rent	**46,973**	47,508
Legal and professional fees	**11,707**	44,259
IT expenses	**33,989**	34,325
Utility and services	**34,394**	30,037
Board of Directors' remuneration	**17,100**	17,100
Advertising and marketing expenses	**27,540**	10,243
Repair and maintenance	**7,938**	9,508
Travel expenses	**163**	1,893
Government fee and charges	**540**	1,614
Other expenses	**42,004**	29,477
	222,348	225,964

29. CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities

	2020 ***QAR'000***	*2019* *QAR'000*
Unused credit facilities	**17,424,667**	10,438,117
Guarantees	**18,569,351**	17,935,220
Letters of credit	**2,096,827**	1,753,949
	38,090,845	30,127,286

b) Commitments

	2020 ***QAR'000***	*2019* *QAR'000*
Profit rate swaps	**2,492,703**	391,258
Options	**706,692**	701,879
Other risk management instruments - WAAD	**3,815,314**	6,589,730
	7,014,709	7,682,867

Unused facilities

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

Guarantees and Letters of credit

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

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Lease commitments

The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	2020 QAR'000	*2019 QAR'000*
Within one year	**41,253**	42,531
After one year but not more than five years	**89,087**	127,210

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

Geographical sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

31 December 2020	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*North America QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets						
Cash and balances with central bank	3,367,553	-	-	-	-	3,367,553
Due from banks	5,422,481	14,727	132,577	286,358	35,645	5,891,788
Financing assets	54,068,710	187,838	2,141,330	732,436	1,406,678	58,536,992
Investment securities	14,833,891	897,732	36,471	-	893,069	16,661,163
Investment in associates and joint ventures	80,605	2,930	-	-	-	83,535
Investment property	3,497	-	-	-	-	3,497
Intangible assets	1,070,650	-	-	-	-	1,070,650
Fixed assets	372,126	-	-	-	-	372,126
Other assets	298,288	-	11,029	-	-	309,317
Total assets	79,517,801	1,103,227	2,321,407	1,018,794	2,335,392	86,296,621
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	16,851,984	1,689	941,379	182,228	970,473	18,947,753
Sukuk and fixed income financing	-	-	-	-	-	-
Customer current accounts	7,314,180	4,635	11,232	26	5,414	7,335,487
Other liabilities	1,952,262	-	11,029	-	-	1,963,291
Total liabilities	26,118,426	6,324	963,640	182,254	975,887	28,246,531
Equity of unrestricted investment account holders	37,839,353	26,356	5,760,126	1,271	2,918,946	46,546,052
Total liabilities and equity of unrestricted investment account holders	63,957,779	32,680	6,723,766	183,525	3,894,833	74,792,583

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

31 December 2019	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*North America QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets						
Cash and balances with central bank	2,378,257	-	-	-	-	2,378,257
Due from banks	3,906,809	27,555	159,736	239,723	9,662	4,343,485
Financing assets	46,036,544	367,122	3,370,157	734,580	1,415,701	51,924,104
Investment securities	14,951,886	690,309	-	26,975	429,928	16,099,098
Investment in associates and joint ventures	139,341	8,063	-	-	-	147,404
Investment property	3,730	-	-	-	-	3,730
Intangible assets	1,599,269	-	-	-	-	1,599,269
Fixed assets	379,395	-	-	-	-	379,395
Other assets	246,835	-	9,115	-	-	255,950
Total assets	69,642,066	1,093,049	3,539,008	1,001,278	1,855,291	77,130,692
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	12,625,559	8,693	553,259	182,815	815,528	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	-	-	1,824,096
Customer current accounts	5,369,105	8,279	11,789	130	3,590	5,392,893
Other liabilities	1,719,894	-	9,115	-	9,273	1,738,282
Total liabilities	19,714,558	16,972	2,398,259	182,945	828,391	23,141,125
Equity of unrestricted investment account holders	38,651,187	16,442	3,800,735	3,079	13,678	42,485,121
Total liabilities and equity of unrestricted investment account holders	58,365,745	33,414	6,198,994	186,024	842,069	65,626,246

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into industrial sectors regions:

31 December 2020	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with central bank	-	-	-	3,367,553	-	-	3,367,553
Due from banks	-	-	-	5,891,788	-	-	5,891,788
Financing assets	16,674,655	4,166,355	814,052	-	10,565,602	26,316,328	58,536,992
Investment securities	121,149	77,241	-	2,203,717	-	14,259,056	16,661,163
Investment in associates and joint ventures	63,969	2,930	-	-	-	16,636	83,535
Investment property	3,497	-	-	-	-	-	3,497
Intangible assets	-	-	-	1,070,650	-	-	1,070,650
Fixed assets	-	-	-	-	-	372,126	372,126
Other assets	-	-	-	80,311	-	229,006	309,317
Total assets	16,863,270	4,246,526	814,052	12,614,019	10,565,602	41,193,152	86,296,621
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	18,947,753	-	-	18,947,753
Sukuk and fixed income financing	-	-	-	-	-	-	-
Customer current accounts	295,351	1,071,386	3,575	137,025	2,700,703	3,127,447	7,335,487
Other liabilities	-	449,824	-	26,583	104	1,486,780	1,963,291
Total liabilities	295,351	1,521,210	3,575	19,111,361	2,700,807	4,614,227	28,246,531
Equity of unrestricted investment account holders	1,164,729	1,825,416	800,015	6,214,512	14,032,237	22,509,143	46,546,052
Total liabilities and equity of unrestricted investment account holders	1,460,080	3,346,626	803,590	25,325,873	16,733,044	27,123,370	74,792,583

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector (continued)

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into industrial sectors regions:

31 December 2019	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with central bank	-	-	-	2,378,257	-	-	2,378,257
Due from banks	-	-	-	4,343,485	-	-	4,343,485
Financing assets	12,442,086	4,356,550	1,085,189	1,112	11,173,696	22,865,471	51,924,104
Investment securities	123,733	77,241	275	1,173,094	-	14,724,755	16,099,098
Investment in associates and joint ventures	93,732	8,063	-	-	-	45,609	147,404
Investment property	3,730	-	-	-	-	-	3,730
Intangible assets	-	-	-	1,599,269	-	-	1,599,269
Fixed assets	-	-	-	-	-	379,395	379,395
Other assets	-	-	-	121,978	-	133,972	255,950
Total assets	12,663,281	4,441,854	1,085,464	9,617,195	11,173,696	38,149,202	77,130,692
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	14,185,854	-	-	14,185,854
Sukuk and fixed income financing	-	-	-	-	-	1,824,096	1,824,096
Customer current accounts	232,310	883,017	53,516	98,626	2,524,490	1,600,934	5,392,893
Other liabilities	-	421,007	-	50,317	7,448	1,259,510	1,738,282
Total liabilities	232,310	1,304,024	53,516	14,334,797	2,531,938	4,684,540	23,141,125
Equity of unrestricted investment account holders	567,805	3,112,473	2,357,363	3,043,907	12,789,983	20,613,590	42,485,121
Total liabilities and equity of unrestricted investment account holders	800,115	4,416,497	2,410,879	17,378,704	15,321,921	25,298,130	65,626,246

31. MATURITY PROFILE

31 December 2020	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months - 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	1,132,753	-	-	-	2,234,800	3,367,553
Due from banks	5,518,982	272,846	-	99,960	-	5,891,788
Financing assets	9,622,445	10,952,977	1,674,543	7,021,831	29,265,196	58,536,992
Investment securities	1,110,018	290,210	690,000	5,822,767	8,748,168	16,661,163
Investment in associates and joint ventures	-	-	-	-	83,535	83,535
Investment property	-	-	-	-	3,497	3,497
Intangible assets	-	-	-	-	1,070,650	1,070,650
Fixed assets	-	-	-	19,250	352,876	372,126
Other assets	209,898	29,271	70,148	-	-	309,317
Total financial assets	17,594,096	11,545,304	2,434,691	12,963,808	41,758,722	86,296,621
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	13,297,989	4,920,546	-	729,218	-	18,947,753
Sukuk and fixed income financing	-	-	-	-	-	-
Customer current accounts	7,335,487	-	-	-	-	7,335,487
Other liabilities	714,137	1,105,607	-	-	143,547	1,963,291
Total liabilities	21,347,613	6,026,153	-	729,218	143,547	28,246,531
Equity of unrestricted investment account holders	29,329,847	5,867,255	7,603,086	3,738,404	7,460	46,546,052
Total liabilities and equity of unrestricted investment account holders	50,677,460	11,893,408	7,603,086	4,467,622	151,007	74,792,583
Maturity gap	(33,083,364)	(348,104)	(5,168,395)	8,496,186	41,607,715	11,504,038

31. MATURITY PROFILE (CONTINUED)

31 December 2019	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months - 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	380,535	-	-	-	1,997,722	2,378,257
Due from banks	3,378,143	745,560	182,669	-	37,113	4,343,485
Financing assets	8,053,414	3,398,453	2,611,108	13,014,209	24,846,920	51,924,104
Investment securities	909,863	79,874	806,051	2,093,913	12,209,397	16,099,098
Investment in associates and joint ventures	-	-	-	-	147,404	147,404
Investment property	-	-	-	-	3,730	3,730
Intangible assets	-	-	-	-	1,599,269	1,599,269
Fixed assets	-	-	-	41,998	337,397	379,395
Other assets	125,337	23,683	106,930	-	-	255,950
Total financial assets	12,847,292	4,247,570	3,706,758	15,150,120	41,178,952	77,130,692
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	13,194,372	14,788	28,902	-	947,792	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	-	-	1,824,096
Customer current accounts	5,392,893	-	-	-	-	5,392,893
Other liabilities	568,646	1,027,983	-	-	141,653	1,738,282
Total liabilities	19,155,911	1,042,771	1,852,998	-	1,089,445	23,141,125
Equity of unrestricted investment account holders	25,385,494	7,824,530	8,200,812	947,901	126,384	42,485,121
Total liabilities and equity of unrestricted investment account holders	44,541,405	8,867,301	10,053,810	947,901	1,215,829	65,626,246
Maturity gap	(31,694,113)	(4,619,731)	(6,347,052)	14,202,219	39,963,123	11,504,446

32. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to the owners of the Group by the weighted average number of ordinary shares in issue during the year.

	2020 ***QAR'000***	*2019* *QAR'000*
Net profit for the year attributable to the owners of the Group	**566,608**	765,052
Weighted average number of outstanding shares	**519,575**	451,447
Basic and diluted earning per share (QAR)	**1.09**	1.69

The weighted average number of shares have been calculated as follows:

	2020 ***QAR'000***	*2019* *QAR'000*
Weighted average number of shares from beginning	**523,410**	300,000
Weighted average number of shares issued on business combination	**-**	155,282
Treasury shares	**(3,835)**	(3,835)
Weighted average number of shares	**519,575**	451,447

33. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with maturities of less than three months:

	2020 ***QAR'000***	*2019* *QAR'000*
Cash and balances with Qatar Central Bank (excluding QCB restricted reserve account)	**1,132,753**	380,535
Due from banks	**5,518,982**	3,378,142
	6,651,735	3,758,677

34. 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 the significant owners' and entities over which the Group and the owners' exercise significant influence, directors and executive management of the Group. All transactions conducted with related parties are at arm's length.

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

	31 December 2020		
	Subsidiaries QAR'000	***Board of directors QAR'000***	***Others QAR'000***
Assets:			
Customer financing	**-**	**4,854,194**	**-**
Liabilities:			
Customer deposits	**630,966**	**1,247,641**	**3,377,413**
Off balance sheet items:			
Unfunded credit facilities	**21,608**	**454,435**	**-**

	31 December 2019		
	Subsidiaries QAR'000	*Board of directors QAR'000*	*Others QAR'000*
Assets:			
Customer financing	-	5,694,791	-
Liabilities:			
Customer deposits	706,166	961,840	3,782,578
Off balance sheet items:			
Unfunded credit facilities	4,462	225,673	-

Consolidated statement of income items for the year ended in the same order as above:

	31 December 2020			*31 December 2019*		
	QAR'000	***QAR'000***	***QAR'000***	*QAR'000*	*QAR'000*	*QAR'000*
Profit income	**-**	**177,674**	**-**	-	142,096	-
Profit expense	**15,406**	**11,044**	**115,671**	21,326	39,439	131,229

34. RELATED PARTIES (CONTINUED)

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as:

	2020 ***QAR'000***	*2019* *QAR'000*
Financing to key management personel	**13,015**	9,296

Key management personnel compensation comprised as:

	2020 ***QAR'000***	*2019* *QAR'000*
Short-term employee benefits	**62,652**	54,944
Post-employment benefits	**4,920**	3,735
	67,572	58,679

35. RISK MANAGEMENT INSTRUMENTS

	Positive fair value QAR'000	*Negative fair value QAR'000*	*Notional amount QAR'000*	*Notional / expected amount by term to maturity* within 3 months QAR'000	*3 - 12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
At 31 December 2020:							
Risk management instruments:							
Profit rate swaps*	**10,099**	**(10,099)**	**2,492,703**	**-**	**-**	**2,492,703**	**-**
Options	**930**	**(930)**	**706,692**	**-**	**388**	**706,304**	**-**
Forward foreign exchange contracts	**69,282**	**(80,064)**	**3,815,314**	**1,637,528**	**1,786,506**	**391,280**	**-**
Total	**80,311**	**(91,093)**	**7,014,709**	**1,637,528**	**1,786,894**	**3,590,287**	**-**

**Profit rate swaps are subject to IBOR transition.*

	Positive fair value QAR'000	Negative fair value QAR'000	Notional amount QAR'000	within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
At 31 December 2019:							
Risk management instruments:							
Profit rate swaps	7,195	(7,195)	391,258	-	-	391,258	-
Options	1,920	(1,920)	701,879	-	-	701,879	-
Forward foreign exchange contracts	112,863	(41,202)	6,589,730	4,201,091	899,694	1,488,945	-
Total	121,978	(50,317)	7,682,867	4,201,091	899,694	2,582,082	-

36. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners, in accordance with the Articles of Association.

37. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Shari'a Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

38. ASSETS UNDER MANAGEMENT

Assets under management represent the funds belonging to Group's customers, for which it has assumed investment management responsibilities in accordance with the terms and conditions of the investment agreement entered into with the customers. Such funds are invested on behalf of the customers by the Group, acting as an agent or a trustee, and accordingly such funds and the attributable investment gains or losses are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or fee. As at 31 December 2020, such assets total was QAR 3.1 billion (31 December 2019: QAR 2.9 billion). However of such assets, QAR 1,889.0 million (31 December 2019: QAR 1,647.2 million) was held in a fiduciary capacity.

39. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current year. However, such reclassification did not have any effect on the consolidated net profit or the consolidated owners' equity for the comparative year.

40. BUSINESS COMBINATION

On 21 April 2019, the Bank received Qatar Central Bank approval on the merger with International Bank of Qatar ("IBQ"), being the last requirement before completion of legal merger between both banks. Pursuant to all regulatory and legal approvals, the Merger was effected by a capital issuance of 223.410 million shares of QAR 10 by the Bank to the shareholders of IBQ, in a share swap transaction at the exchange rate of 2.031 shares of the Bank for each share of IBQ.

The Shariaa' board approved the conversion process which focused on four main pillars:

a) comply with Shariaa' rules and principles;
b) facilitate transactions for the customers, whether on the merger day or after;
c) accelerate the conversion process; and
d) effective conversion plan that can be done financially and operationally.

Also, shariaa' board approved sending correspondence to clients informing them that their current products will be converted to products that comply with Islamic Shariaa' principles.

The Shariaa' board approved the conversion of IBQ conventional products to Islamic compliant products that was executed through different steps by Dukhan Bank.

40. BUSINESS COMBINATION (CONTINUED)

a) Share capital

	Per Share	*Amount in QAR'000*
Outstanding shares of IBQ		110,000
Exchange ratio		2.031
Number of shares of Dukhan Bank to be issued		223,410
Par value of new share (QAR 10 each)	10.00	2,234,100
IBQ Shareholders ownership		43.0%
Outstanding share capital of Dukhan Bank (net of Treasury shares)		2,961,650
Dukhan Bank shareholders ownership		57.0%
Total share capital post acquisition		**5,195,750**
Outstanding Share Capital		5,234,100
Less: Treasury shares		(38,350)
Net Outstanding Share Capital		**5,195,750**

b) Purchase consideration

The purchase consideration is determined to be QAR 4,412 million, calculated on the basis of Dukhan Bank's share price fair value (QAR 19.75) as determined by the independent valuation advisor.

	21 April 2019 QAR'000
Outstanding shares of Dukhan Bank	296,165
Divided by: Dukhan Bank percentage ownership in the Group	57.0%
Total number of share of the Group	**519,575**
Multiplied by: IBQ percentage ownership in the Group	43.0%
Total number of share to be issued by Dukhan Bank to IBQ	**223,410**
Multiplied by: Dukhan Bank share price	19.75
Total Consideration	**4,412,348**

40. BUSINESS COMBINATION (CONTINUED)

c) Share premium

Any share premium on issuance of new shares in accordance with Qatar Commercial Companies Law is to be make part of the legal reserve. However as per QCB directive part of the share premium was assigned to risk reserve as well.

	Per Share	***Amount in QAR'000***
Total Consideration	19.75	4,412,348
Par value of shares issued	10.00	2,234,100
Share premium	9.75	2,178,248
Allocated as:		
- Legal reserve		1,648,310
- Risk reserve		529,938
Legal Reserve		
Dukhan Bank		2,548,997
IBQ		2,025,884
		4,574,881
Less: pre-acquisition legal reserve		(2,025,884)
Add: part share premium on issuance of new shares		1,648,310
		(377,574)
Closing balance post business combination		**4,197,307**
Risk Reserve		
Dukhan Bank		113,650
IBQ		529,938
		643,588
Less: pre-acquisition risk reserve		(529,938)
Add: part share premium on issuance of new shares		529,938
		-
Closing balance post business combination		**643,588**

40. BUSINESS COMBINATION (CONTINUED)

d) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed of IBQ at the date of acquisition.

ASSETS	*21 April 2019 QAR'000*
Cash and balances with central banks	1,469,867
Due from banks	872,918
Financing assets*	19,894,572
Investment securities	4,521,270
Fixed assets	133,326
Other assets	83,369
Intangible assets – Customer relationship	587,500
Intangible assets – Core deposits	167,600
TOTAL ASSETS	**27,730,422**
LIABILITIES	
Due to banks	1,642,759
Fixed income financing	1,814,377
Customer current accounts	3,327,157
Customer deposits	15,511,546
Other liabilities	1,138,244
TOTAL LIABILITIES	**23,434,083**
NET ASSETS AS AT ACQUISITION DATE ATTRIBUTABLE TO ITS COMMON EQUITY HOLDERS	**4,296,339**

* Gross carrying amount of financing assets acquired on the business combination as at 21 April 2019 was QAR 20,986 millions.

e) Intangible assets

The Group has assumed the carrying value of IBQ financial assets and liabilities as at 21 April 2019 (the date of acquisition) to be equal to the fair value for the purpose of calculating goodwill amount except when it was readily available in the market.

	21 April 2019 QAR'000
Total purchase consideration	4,412,348
Net Assets of IBQ	(4,296,339)
Goodwill on business combination	116,009
Existing goodwill	777,230
Total	**893,239**

Separately the Group has completed a comprehensive purchase price allocation, which covered the following items:

- valuation of identifiable intangible assets including customer relationship and core deposits;
- valuation adjustments to the fair value of financing assets;
- valuation adjustments to the fair value of investments;
- valuation of fixed assets; and
- valuation adjustments on other recognised financial and non-financial assets and liabilities.

The goodwill is attributable to the synergies expected to be achieved from integrating IBQ into the Group.

40. BUSINESS COMBINATION (CONTINUED)

e) Intangible assets

The following approach was followed to estimate the fair value of identifiable intangibles:

Customer relationship
The income approach has been used in estimating the fair value of IBQ customer relationships as an intangible asset as at the Transaction Date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life.

Under the income approach, the Multi-period excess earnings method ("MEEM") has been utilized which is a commonly accepted method for valuing customer relationships. MEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").

The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets.

Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental cash flows attributable to the subject intangible asset are then discounted to their present value.

Core deposits
The incremental profit method under the income approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the Transaction Date. Under this method, the economic benefits earned from the core deposit have been computed over the life of the core deposits considering an attrition rate. Such benefits have then been discounted to the present value considering an appropriate discounting rate. The Incremental profit method utilized is a commonly accepted method for valuing core deposits.

f) Impact on Group's results

If the acquisition had occurred on 1 January 2019, management estimated that for the year ended 31 December 2019, consolidated total income from financing and investing activities would have been QAR 3,372.6 million from QAR 2,951.9 million as presented in the consolidated financial statements with an increase of QAR 420.7 million; total income would have been QAR 3,746.1 million from 3,275.3 million as disclosed in the consolidated financial statements with an increase of 470.8 million; and net income would have been QAR 763.5 million from QAR 765.1 million as reported in the consolidated financial statements, which implies a decrease of QAR 1.6 million. The increase or decrease in the income for the year ended 31 December 2019 was due to incorporation of IBQ results from 1 January 2019 upto the legal merger date (21 April 2019) i.e. pre-merger period.

41. 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.

In addition, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group 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.

41. IMPACT OF COVID-19 (CONTINUED)

The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2020:

i. Expected credit losses
a) Reasonableness of Forward-Looking Information and probability weights:
The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightings assigned to these scenarios.

The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Bank. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes i) real GDP (decline) / growth of 2.52% for 2021 and 3.87% for 2022; ii) change in volume of exports of 2.29% for 2021 and 1.65% for 2022; and iii) government expenditure as percentage of GDP of 30.03% for 2021 and 27.63% for 2022 (31 December 2019: real GDP growth 2020: 2.7%, change in volume of export 2020: 1.13% and government expenditure as percentage of GDP 2020: 36.43%). The ECL has been calculated as probability weighted figure for three scenarios viz.; Baseline, Extreme Downside and Improved with 65%, 25% and 10% weightings respectively (31 December 2019: 70% to the Baseline, 15% to Extreme downside and Improved Case). The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue. In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

b) Identifying significant increase in credit risk (SICR):
During 2020, the Group has delayed repayments for the affected sectors, that payment delay may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger an SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers due to the effect of Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constrains and a change in its lifetime credit risk.

The Group continues to assess borrowers for other indicators of unlikeliness 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.

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

iii. Accounting for modified financing assets
Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments for the affected sectors. The accounting impact of the onetime extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of AAOIFI AAB 1-/2020 " Accounting implications of the impact of COVID- 19 pandemic".

iv. Accounting for zero rate repo facility
The QCB has encouraged banks to defer existing repayments of principal and profit due and extend new financing to affected sectors at reduced rates. It has extended support to all local banks to avail repo facilities at zero cost as well as providing guarantees in some cases from the Government of the State of Qatar to support the affected sectors. The benefit arising out from the zero rate repos was not considered to be material for the year ended 31 December 2020.

PARENT BANK

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

i. STATEMENT OF FINANCIAL POSITION OF THE PARENT

As at 31 December	***2020 QAR'000***	*2019 QAR'000*
ASSETS		
Cash and balances with Qatar Central Bank	**3,367,031**	2,377,286
Due from banks	**5,881,220**	4,316,608
Financing assets	**57,400,245**	50,583,263
Investment securities	**16,456,075**	15,999,241
Investment in subsidiaries and associates	**2,376,986**	2,389,355
Intangible assets	**743,599**	822,039
Fixed assets	**311,523**	317,333
Other assets	**291,668**	224,615
TOTAL ASSETS	**86,828,347**	77,029,740
LIABILITIES		
Due to banks	**18,947,753**	14,185,854
Sukuk and fixed income financing	**-**	1,824,096
Customer current accounts	**7,336,080**	5,393,986
Other liabilities	**1,899,186**	1,675,995
TOTAL LIABILITIES	**28,183,019**	23,079,931
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	**47,175,893**	43,189,957
OWNERS' EQUITY		
Share capital	**5,234,100**	5,234,100
Legal reserve	**4,270,626**	4,213,965
Treasury shares	**(26,550)**	(26,550)
Risk reserve	**1,235,629**	810,504
Fair value reserve	**(30,630)**	4,733
Retained earnings	**786,260**	523,100
TOTAL OWNERS' EQUITY	**11,469,435**	10,759,852
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**86,828,347**	77,029,740

ii. INCOME STATEMENT OF THE PARENT

For the year ended 31 December	*2020 QAR'000*	*2019 QAR'000*
Net income from financing activities	**2,650,516**	2,165,194
Net income from investing activities	**676,128**	631,586
Total net income from financing and investing activities	**3,326,644**	2,796,780
Fee and commission income	**244,125**	244,311
Fee and commission expense	**(65,838)**	(65,592)
Net fee and commission income	**178,287**	178,719
Net foreign exchange gain	**143,401**	122,175
Dividend from subsidiaries	**255,660**	127,830
Total income	**3,903,992**	3,225,504
Staff costs	**(371,723)**	(358,468)
Depreciation	**(101,264)**	(70,569)
Other expenses	**(194,449)**	(204,347)
Finance cost	**(190,603)**	(398,458)
Total expenses	**(858,039)**	(1,031,842)
Net impairment (loss) / reversal on due from banks	**(25)**	1,985
Net impairment loss on financing assets	**(885,313)**	(326,884)
Net impairment loss on investments	**(4,926)**	(9,618)
Net impairment loss on an associate	**(12,400)**	(1,862)
Net impairment reversal on off balance sheet exposures subject to credit risk	**14,943**	3,184
Profit for the year before return to unrestricted investment account holders	**2,158,232**	1,860,467
Net return to unrestricted investment account holders	**(890,714)**	(1,071,843)
Net profit for the year before tax	**1,267,518**	**788,624**
Tax expense	**(1,817)**	(1,168)
Net profit for the year	**1,265,701**	787,456

DUKHAN BANK Q.P.S.C.

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Dukhan Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of changes in owners' equity, consolidated statement of cash flows and consolidated statement of changes in restricted investment accounts for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the Financial Accounting Standards ("FASs") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB").

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 Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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

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

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addresses the key audit matters</th></tr>
<tr><td colspan="2">Impairment of financing assets</td></tr>
<tr><td>At 31 December 2021, the Group's financing assets amounted to QR 75 billion (2020: QR 59 billion) representing 68% of Group's total assets (2020: 68%).

The process for estimating impairment provision on credit risk associated with financing assets in accordance with FAS 30 involves significant judgement.

FAS 30 requires use of the Expected Credit Loss ("ECL") model for the purposes of calculating impairment provision. ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for financing assets. Also, COVID-19 pandemic significantly impacted the management's judgment applied to determine the ECL. The assumptions regarding the economic outlook are more uncertain which increases the level of judgment required by the Group in calculating the ECL. Due to the complexity of requirements under FAS 30, and the current situation, significance of judgements applied and the Group's exposure to financing assets forming a major portion of the Group's assets, the audit of ECL for financing assets is a key audit matter.

Refer to the notes to financial statements for:

Note 3 – Significant accounting policy
Note 4 – Credit risk disclosure
Note 5 – Use of estimates and judgements
Note 40 – Impact of COVID -19</td><td>Our audit procedures included, among others, the following:

• We obtained understanding of the Group's impairment provisioning policy, design of the controls, and tested the operating effectiveness of relevant controls and governance around it.

• Evaluated the Group's ECL policy including the criteria of staging and significant increase in credit risk policy based on the requirements of FAS 30, and QCB regulations and guidelines to address the COVID-19 pandemic.

• Checked completeness, accuracy and relevance of the key data used as input for the ECL model and the mathematical accuracy through the model processes.

• We involved a specialist to assist us in reviewing the ECL model used to assess expected credit losses allowance of financing assets.

• For a selected sample of exposures based on our judgement, we performed procedures to evaluate appropriateness of exposure at default, probability of default, timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging and recalculated the amounts of ECL.

• Performed detailed credit risk assessment of a sample of performing and non-performing financing assets in line with QCB regulations and the requirements of FAS 30.

• Assessed the ECL methodology, macroeconomic scenario weightage (including new scenario weightage adjustments as a result of COVID-19) and model validation including post model adjustments on a sample basis.

• For a selected sample of exposures, we have assessed the impairment allowance for non-performing financing assets in accordance with FAS 30 and QCB guidelines.

• Reviewed and evaluated adequacy of Group's credit risk disclosures in the consolidated financial statements against the requirements of FAS 30 and QCB guidelines.</td></tr>
</table>

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

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

Key audit matters (continued)

Key audit matters	How our audit addresses the key audit matters
Impairment of goodwill	
At 31 December 2021, the Group has an existing goodwill of QR 443 million (2020: QR 443 million), in which an amount of QR 327 million arising from past acquisition of subsidiaries namely First Finance Company Q.P.S.C., and The First Investor Company Q.P.S.C. and an amount of QR 116 million is related to the merger with International Bank of Qatar (IBQ). Further, the above entities have been identified as three cash generating units ("CGUs") for impairment assessment purposes. As required by the International Accounting Standard ("IAS") 36 "Impairment of assets", an impairment review is performed on goodwill at least annually and when there is an indicator of impairment. In carrying out the impairment assessment of carrying value of the goodwill, management is required to make judgements in respect to the assumptions used to determine the recoverable amount. We focused on this area because of the significance of the balance and the significant judgments and assumptions involved in determining the recoverable amount of the CGU to which the goodwill is associated. Hence, this is considered a key audit matter. Information regarding the goodwill is included in Note 15 to the consolidated financial statements.	Our producers included, among others, the following: • Obtained an understanding and evaluated the Group's impairment assessment process and evaluated the appropriateness of management's identification of the Group's CGUs and assessed whether the allocation of goodwill to those CGUs was done on a consistent and reasonable basis. • Assessed the competence and capabilities of the management team who performed the impairment evaluation of the goodwill. • We involved a specialist to check the reasonableness of the methodologies and the assumptions used for impairment model of intangibles and ensured that the model is acceptable in line with industry practice and generally accepted valuation guidelines. • Evaluated the key assumptions used in the impairment model for goodwill, including the operating cash flow projections, discount rates, and long-term growth rates and compared them to the available external industry outlook reports and economic growth forecasts. • We assessed the reliability of cash flow forecasts through a review of actual past performance, comparison to previous forecasts and checked the mathematical accuracy. • We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Other information included in the Group's 2021 annual report

Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available for us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available 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.

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

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

Responsibilities of the management and the Board of Directors for the consolidated financial statements
The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FASs issued by AAOIFI as modified by the QCB and the applicable provisions of Qatar Central Bank regulations, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user 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 skepticism throughout the audit. We also:

- Identify and assess the risk 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 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 reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

- 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, related safeguards.

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

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ص.ب : ١٦٤، الدوحة - قطر

Ziad Nader
of Ernst & Young
Qatar Auditors Registry Number 258

Date: 17 March 2022
Doha - State of Qatar

	Notes	31 December 2021 QAR '000	31 December 2020 QAR '000
ASSETS			
Cash and balances with Qatar Central Bank	8	**7,245,842**	3,367,553
Due from banks	9	**5,558,980**	5,891,788
Financing assets	10	**75,221,707**	58,536,992
Investment securities	11	**20,799,620**	16,661,163
Investment in associates and joint ventures	12	**62,557**	83,535
Investment properties	13	**135,254**	3,497
Fixed assets	14	**279,896**	372,126
Intangible assets	15	**992,182**	1,070,650
Other assets	16	**431,116**	309,317
TOTAL ASSETS		**110,727,154**	86,296,621
LIABILITIES			
Due to banks	17	**16,755,141**	18,947,753
Customer current accounts	18	**6,200,820**	7,335,487
Other liabilities	19	**2,559,225**	1,963,291
TOTAL LIABILITIES		**25,515,186**	28,246,531
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	20	**71,225,407**	46,546,052
OWNERS' EQUITY			
Share capital	21(a)	**5,234,100**	5,234,100
Legal reserve	21(b)	**4,449,812**	4,330,473
Treasury shares	21(e)	**(38,350)**	(38,350)
Risk reserve	21(c)	**1,338,716**	1,235,629
Fair value reserve	11	**(27,098)**	(24,621)
Other reserves	21(d)	**73,333**	73,333
Retained earnings		**1,135,207**	693,383
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**12,165,720**	11,503,947
Non-controlling interests	22	**91**	91
Sukuk eligible as additional capital	23	**1,820,750**	-
TOTAL OWNERS' EQUITY		**13,986,561**	11,504,038
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**110,727,154**	86,296,621

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

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

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

DUKHAN BANK Q.P.S.C.
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2021

	Notes	*For the year ended 31 December* 2021 QAR '000	2020 QAR '000
Net income from financing activities	24	**2,932,677**	2,782,160
Net income from investing activities	25	**682,276**	683,105
Total net income from financing and investing activities		**3,614,953**	3,465,265
Fee and commission income		**245,890**	254,005
Fee and commission expense		**(86,546)**	(65,838)
Net fee and commission income	26	**159,344**	188,167
Net foreign exchange gain		**169,548**	143,401
Share of results of associates and joint ventures	12	**(5,841)**	(19,962)
Other income		**112,468**	11,669
Total income		**4,050,472**	3,788,540
Staff costs	27	**(420,058)**	(416,462)
Depreciation and amortisation	14&15	**(135,984)**	(109,773)
Other expenses	28	**(226,072)**	(222,848)
Finance cost		**(77,105)**	(190,603)
Total expenses		**(859,219)**	(939,686)
Net impairment loss on financing assets	4(c)	**(864,081)**	(929,804)
Net impairment reversal / (loss) on due from banks	4(c)	**85**	(8)
Net Impairment loss on investment securities	4(c)&11	**(430)**	(5,517)
Net impairment loss on investment in associates and joint ventures	12	**(16,195)**	(34,956)
Net impairment loss on fixed assets	14	**(10,160)**	-
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**18,523**	14,943
Profit for the year before return to unrestricted investment account holders		**2,318,995**	1,893,512
Return to unrestricted investment account holders	20	**(1,123,607)**	(875,308)
Net profit for the year before intangible assets impairment and tax		**1,195,388**	1,018,204
Impairment loss on intangible assets	15	**-**	(450,179)
Net profit for the year before tax		**1,195,388**	568,025
Tax expense		**(1,995)**	(1,417)
Net profit for the year		**1,193,393**	566,608
Net profit for the year attributable to:			
Equity holders of the Bank		**1,193,393**	566,608
Non-controlling interests		**-**	-
Net profit for the year		**1,193,393**	566,608
Earnings per share			
Basic and diluted earnings per share (QAR per share)	32	**2.23**	1.09

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CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2021

For the year ended 31 December 2021	*Share capital QAR '000*	*Legal reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Sukuk eligible as additional capital QAR '000*	*Total owners' equity QAR '000*
Balance at 1 January 2021	5,234,100	4,330,473	(38,350)	1,235,629	(24,621)	73,333	693,383	11,503,947	91	-	11,504,038
Net profit for the year	-	-	-	-	-	-	1,193,393	1,193,393	-	-	1,193,393
Fair value reserve movement (Note 11)	-	-	-	-	(13,103)	-	-	(13,103)	-	-	(13,103)
Transferred to retained earnings on disposal of equity-type instruments classified as fair value through equity	-	-	-	-	9,568	-	(9,568)	-	-	-	-
Share of comprehensive income of associates (Note 11&12)	-	-	-	-	1,058	-	-	1,058	-	-	1,058
Total recognised income for the period	-	-	-	-	(2,477)	-	1,183,825	1,181,348	-	-	1,181,348
Transfer to legal reserve	-	119,339	-	-	-	-	(119,339)	-	-	-	-
Transfer to risk reserve	-	-	-	103,087	-	-	(103,087)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(519,575)	(519,575)	-	-	(519,575)
Sukuk issuance eligible as additional capital (Note 23)	-	-	-	-	-	-	-	-	-	1,820,750	1,820,750
Balance at 31 December 2021	*5,234,100*	*4,449,812*	*(38,350)*	*1,338,716*	*(27,098)*	*73,333*	*1,135,207*	*12,165,720*	*91*	*1,820,750*	*13,986,561*

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For the year ended 31 December 2020	*Share capital QAR '000*	*Legal reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Foreign currency translation reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Total owners' equity QAR '000*
Balance at 1 January 2020	5,234,100	4,273,812	(38,350)	810,504	22,901	(81)	673,333	528,136	11,504,355	91	11,504,446
Net profit for the year	-	-	-	-	-	-	-	566,608	566,608	-	566,608
Fair value reserve movement (Note 11)	-	-	-	-	(47,519)	-	-	-	(47,519)	-	(47,519)
Share of comprehensive income of associates (Notes 11&12)	-	-	-	-	(3)	81	-	-	78	-	78
Total recognised income for the year	-	-	-	-	(47,522)	81	-	566,608	519,167	-	519,167
Transfer to legal reserve	-	56,661	-	-	-	-	-	(56,661)	-	-	-
Transfer to risk reserve	-	-	-	275,304	-	-	-	(275,304)	-	-	-
Transfer from other reserve	-	-	-	149,821	-	-	(600,000)	450,179	-	-	-
Dividend paid	-	-	-	-	-	-	-	(519,575)	(519,575)	-	(519,575)
Balance at 31 December 2020	5,234,100	4,330,473	(38,350)	1,235,629	(24,621)	-	73,333	693,383	11,503,947	91	11,504,038

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DUKHAN BANK Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*For the year ended 31 December* 2021 QAR '000	2020 QAR '000
Cash flows from operating activities			
Net profit for the year before tax		**1,195,388**	568,025
Adjustments for:			
Net impairment (reversal) / loss on due from banks	4(c)	**(85)**	8
Net impairment loss on financing assets	4(c)	**864,081**	929,804
Net impairment loss on investment securities	4(c)&11	**430**	5,517
Net impairment loss on investment in associates and joint ventures	12	**16,195**	34,956
Net impairment loss on fixed assets	14	**10,160**	-
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**(18,523)**	(14,943)
Impairment loss on intangible assets	15	**-**	450,179
Depreciation and amortization	14&15	**135,984**	109,773
Employees' end of service benefits provision	19.1	**32,478**	18,718
Net gain on sale of investment securities	25	**(29,303)**	(5,397)
Dividend income	25	**(41,688)**	(35,447)
Gain on disposal of fixed assets		**(2,542)**	(890)
Share of results of associates and joint ventures	12	**5,841**	19,962
Profit before changes in operating assets and liabilities		**2,168,416**	2,080,265
Change in reserve account with Qatar Central Bank		**(1,147,631)**	(237,078)
Change in due from banks		**253,835**	592,529
Change in financing assets		**(17,548,796)**	(7,542,692)
Change in other assets		**(121,799)**	(53,367)
Change in due to banks		**(2,192,612)**	4,761,899
Change in customer current accounts		**(1,134,667)**	1,942,594
Change in other liabilities		**518,976**	238,032
		(19,204,278)	1,782,182
Dividends received	25	**41,688**	35,447
Tax paid		**(1,417)**	(1,391)
Employees' end of service benefits paid	19.1	**(7,157)**	(16,824)
Net cash (used in) / from operating activities		**(19,171,164)**	1,799,414
Cash flows used in investing activities			
Acquisition of investments, net		**(5,704,090)**	(1,249,670)
Proceeds from sale of investments		**1,581,636**	640,199
Disposal of associates and joint ventures	12	**-**	9,029
Acquisition of fixed and intangible assets, net	14	**(42,461)**	(26,371)
Proceeds from sale of fixed assets		**7,149**	3,197
Net cash used in investing activities		**(4,157,766)**	(623,616)
Cash flows from financing activities			
Change in unrestricted investment account holders		**24,679,355**	4,060,931
Change in sukuk and fixed income financing		**-**	(1,824,096)
Proceeds from issuance of sukuk eligible as capital		**1,820,750**	-
Dividend paid		**(519,575)**	(519,575)
Net cash from financing activities		**25,980,530**	1,717,260
Net increase in cash and cash equivalents		**2,651,600**	2,893,058
Cash and cash equivalents at 1 January		**6,651,735**	3,758,677
Cash and cash equivalents at 31 December	33	**9,303,335**	6,651,735

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

For the year ended 31 December 2021	At 1 January 2021	Movements during the year					At 31 December 2021
	Total value QAR '000	Investment / (withdrawal) QAR '000	Revaluation QAR '000	Gross Income QAR '000	Dividends paid QAR '000	Group's fee as an agent QAR '000	Total value QAR '000
Discretionary Portfolio Management	275,674	293,036	11,611	10,290	-	-	590,611
Other Restricted Wakalas	780,249	1,379,262	59,556	64,240	(49,231)	(3,638)	2,230,438
	1,055,923	**1,672,298**	**71,167**	**74,530**	**(49,231)**	**(3,638)**	**2,821,049**

For the year ended 31 December 2020	At 1 January 2020	Movements during the year					At 31 December 2020
	Total value QAR '000	Investment / (withdrawal) QAR '000	Revaluation QAR '000	Gross Income QAR '000	Dividends paid QAR '000	Group's fee as an agent QAR '000	Total value QAR '000
Discretionary Portfolio Management	234,628	3,052	29,132	8,862	-	-	275,674
Other Restricted Wakalas	561,655	144,844	73,750	-	-	-	780,249
	796,283	147,896	102,882	8,862	-	-	1,055,923

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

1. REPORTING ENTITY

Dukhan Bank (formerly known as Barwa Bank) was incorporated as a Qatari Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). Dukhan Bank (the "Bank") commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2007. On 21 March 2019, the Bank changed its status from Qatari Shareholding Company to Qatari Private Shareholding Company (Q.P.S.C.) following the approval from the shareholders and the Ministry of Business and Trade, State of Qatar. The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in financing, investing and advisory activities in accordance with Islamic Shari'a rules as determined by the Shari'a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

On 12 August 2018, the Bank and International Bank of Qatar ("IBQ") entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by shareholder of both banks at respective extraordinary general meetings in December 2018. On 21 April 2019, the merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the Central Bank Law, Article 278 of the Companies Law, and the Merger Agreement. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 9 branches in the State of Qatar. The Bank shares are 24.48% owned by the General Retirement and Social Insurance Authority, 11.67% by the Military Pension Fund (Qatar), and 6.96% by Qatar Holding, strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; and remaining shares are owned by several individuals and corporate entities. The Bank rebranded itself from Barwa Bank to Dukhan Bank during October 2020 post obtaining necessary approvals as per the State of Qatar applicable laws and regulations.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	***Country of incorporation***	***Year of incorporation***	***Percentage of ownership as at as as 31 December***	
			2021	*2020*
The First Investor P.Q.S.C. ("TFI") (i)	Qatar	1999	**100%**	100%
First Finance Company P.Q.S.C. ("FFC") (ii)	Qatar	1999	**100%**	100%
First Leasing Company P.Q.S.C ("FLC") (iii)	Qatar	2008	**100%**	100%
BBG Sukuk limited (iv)	Cayman Islands	2015	**100%**	100%
Dukhan Tier-1 Sukuk Limited (v)	Cayman Islands	2021	**100%**	-
IBQ Finance Limited (vi)	Cayman Islands	2015	**-**	100%
IBQ Global Markets Limited (vii)	Cayman Islands	2017	**-**	100%

(i) TFI provides a full range of investment banking products and services that comply with Shari'a principles.
(ii) FFC is engaged in Shari'a compliant financing activities in accordance with its Articles of Association and QCB regulations.
(iii) FLC is primarily engaged in the Islamic leasing business.
(iv) BBG Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk financing (issuance) for the benefit of the Group.
(v) Dukhan Tier-1 Sukuk Limited was incorporated during the year for issuance of sukuk eligible as capital on behalf of the Group .
(vi) IBQ Finance Limited was incorporated in the Cayman Islands to engage in debt issuance for the benefit of IBQ, during the year, the Group wound-up the operations of this entity.
(vii) IBQ Global Markets Limited was incorporated in the Cayman Islands to engage in conducting derivative transactions on behalf of the Group , during the year, the Group wound-up the operations of this entity.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Committee of the Group. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard ("IFRS").

Qatar Central Bank modifications to Financial Accounting Standards ("FAS") has been disclosed below:

FAS 32 – Ijarah and Ijarah Muntahia Bittamleek
QCB had issued a circular dated 11 April 2021, requesting Islamic banks in Qatar to perform impact assessment for FAS 32 adoption on assets, liabilities, income account, interim profit, capital adequacy, liquidity, any relevant indicators and regulatory ratios. The Islamic Banks in Qatar are in process of comlying with the requirements of QCB in this respect and full implementation of the standard will be made in line with the QCB instructions. The Bank has performed an impact assessment during the year and submitted to QCB. According to the assessment made, the impact is not material to the consolidated financial statement as a whole.

Investments classified as fair value through equity
QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at Fair Value Through Equity. The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank, which did not result in any material adjustment.

FAS 1
QCB circular 13/2020 also modifies the requirements of FAS 1 "General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions" in respect of retrospective adoption and disclosures related to the change in accounting policy Accordingly, the Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank, as disclosed in note 3(a).

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the statement of income, derivatives held for risk management purposes and Shari'a compliant risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial statements presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 judgments in applying the accounting policies that have 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.

(a) New standards, amendments and interpretations

***New standards, amendments and interpretations effective from* 1 January 2021**

FAS 32 - Ijarah

This standard supersedes FAS 8 “Ijarah and Ijarah Muntahia Bittamleek”. FAS 32 sets out the principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard is effective beginning 1 January 2021. QCB had issued a circular dated 11 April 2021, requesting Islamic banks in Qatar to perform impact assessment for FAS 32 adoption on assets, liabilities, income account, interim profit, capital adequacy, liquidity, any relevant indicators and regulatory ratios. The Islamic banks in Qatar are in the process of complying with the requirements of QCB in this respect and implementation of the standard will be made in line with the QCB instructions. The Bank has performed an impact assessment during the period and submitted to QCB.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its Ijarah into a) operating Ijarah b) Ijara Muntahia Biltamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Biltamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including Diminishing Musharaka Ijarah.

The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a net Ijarah liability, duly comprising of a) gross Ijarah liability and b) deferred Ijarah cost (shown as contra-liability). Further, the net Ijarah liability should be netted-off against the advance rental’s payments made prior to the commencement of lease term.

Transitional provisions

An entity may opt not to apply this standard on a prospective basis for transactions executed on or after the effective date.

The Group has adopted FAS 32 Ijarah as issued by AAOIFI from its mandatory adoption date, 1 January 2021, on a prospective basis. The adoption of FAS 32 has resulted in certain changes in the accounting policies for recognition, classification and measurement of Ijarah type transactions. Set out below are the details of the specific FAS 32 accounting policies applied in the year.

Categorization and classification

FAS 32 contains classification for Ijarah type transactions that the Group as a lessor or lessee, shall classify each of its Ijarah as:
(a) An operating Ijarah;
(b) An Ijarah Muntahia Bittamleek (“Ijarah MBT”), including:

- (i) An Ijarah MBT with expected transfer of ownership after end of Ijarah term either through a sale or a gift; and
- (ii) An Ijarah MBT with gradual transfer of ownership during the Ijarah term (Including Diminishing Musharaka Ijarah;

The application of this standard has resulted in almost all type of Ijarah being recognized on the statement of financial position, as the distinction of accounting treatment between operating and Ijarah MBT (financing Ijarah) is removed. Under the new standard, an asset (the right to use the Ijarah item) and a financial liability to pay rentals are recognized as Ijarah liability. The only recognition exemptions are short-term and low-value Ijarah.

The standard resulted in changes regarding accounting treatment of operating Ijarah as a lessee. Following adoption of this standard from 1 January 2021, the Group has applied the simplified transition approach and has not restated comparative amounts, prior to the date of adoption of the standard. As allowed under FAS 32, right-of-use assets are measured at the amount of the Ijarah liability on adoption (adjusted for any prepaid or accrued expenses).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

***New standards, amendments and interpretations effective from* 1 January 2021 (continued)**

FAS 32 - Ijarah (continued)
Further the Group has used the following practical expedients on initial application:

- Used the Group's previous assessment of which existing contracts are, or contain, operating Ijarah;
- Exclude initial direct costs from the measurement of right-of-use asset at the date of initial application;
- Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the operating lease; and
- Where unexpired Ijarah term of less than 12 months of leases are of low value (QAR 25,000 or less), then the Group has elected to use the short term Ijarah exception.

When measuring operating Ijarah liabilities, the Group discounted operating Ijarah payments using its effective rate of borrowing at 1 January 2021.

The Group's activities as a lessor in relation to operating Ijarah of land or building are not material and hence the Group did not have any significant impact on consolidated financial statements. Regarding Ijarah financing transactions, the adoption of FAS 32 had no impact on any amounts reported in the consolidated financial statements for the year ended 31 December 2021. The Groups' existing accounting policies around all type of Ijarah financing transactions will remain the same even pursuant to the adoption of FAS 32 as mandated by QCB (until any further instructions are received in this regard from their end), where it will continue to be recognised as part of the 'Financing Assets' and its corresponding revenue is recognised as part of the 'Net Income from Financing Activities' on effective rate of return basis on net Ijarah (financing) assets.

The following amounts are recognised under the new standard and included in the respective headings of the consolidated statement of financial position and consolidated statement of income.

	31 December 2021 QAR'000
Right-of-use asset	**69,582**
Less: Accumulated depreciation	**(23,416)**
Net right-of-use asset ('Fixed assets')	**46,166**
Gross operating Ijarah liability	**68,185**
Less: Deferred profit	**(27,409)**
Net operating Ijarah liability ('Other liabilities')	**40,776**

	For the year ended 31 December 2021 QAR'000
Depreciation charge for right-of-use asset ('Depreciation & amortization')	**23,416**
Profit expense on operating Ijarah liabilities ('Finance cost')	**9,823**

FAS 35 - Risk Reserves
AAOIFI has issued FAS 35 in 2019. This standard along with FAS 30 - Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs / the institutions). The adoption of this standard does not have any significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

***New standards, amendments and interpretations effective from* 1 January 2021 (continued)**

IBOR Reform – Phase 2
IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero.

The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives.

For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The Group is in the process of establishing policies for amending the interbank offered rates that will be replaced as part of IBOR reforms. The Bank had discussion with counterparties in relation to exposure to derivative and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021.

The Bank is in discussions with various stakeholders to amend the contractual terms in preparation for IBOR reform and assess preparedness for adopting alternate reference rates and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The Group intends to use the practical expedients in future periods if they become applicable. The effect of adopting the new amendments has been disclosed in note 4(e)(v).

New standards, amendments and interpretations issued but not yet effective

FAS 38 Wa'ad, Khiyar and Tahawwut
AAOIFI has issued FAS 38 "Wa'ad, Khiyar and Tahawwut" in 2021. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. Wa'ad and Khiyar are used by institutions in various forms. Some are ancillary to other transactions, whereas a few are used as primary products. This standard intends to provide accounting principles for both of these, as well as the Tahawwut transactions which are normally based on Wa'ad or Khiyar, or a series or combination thereof. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The Group is currently evaluating the impact of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2021. The Group consolidates a subsidiary when it controls it. Control is achieved when the Bank 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.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, 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 loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

(i) Subsidiaries

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Non-controlling interests (continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in consolidated income statement. In addition, any amounts previously recognised in owners' equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

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

(iii) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee, but not to control or joint control over those polices, generally significant influence presumed to exist when the Group has 20% or more of the voting rights. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Joint Ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures 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 investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated income statement; its share of post-acquisition movements in reserve is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint venture

Intergroup gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses in associates and joint ventures are recognised in the consolidated income statement. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group.

(v) Business combination 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 other expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(v) Business combination and goodwill (continued)

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 consolidated statement of income.

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.

(c) Foreign currency transactions and balances

Foreign currency transactions are 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 transaction dates.

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 consolidated statement of income.

Foreign currency differences are generally recognised in consolidated statement of income. However, foreign currency differences arising from the translation of the following items are recognized in consolidated statement of changes in equity:

- Fair value through equity investments (except on impairment, in which case foreign currency differences that have been recognized in consolidated statement of changes in equity are reclassified to consolidated income statement);

- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency transactions and balances (continued)

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in this case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

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

On disposal of a foreign operation, the component of consolidated statement of changes in equity relating to that particular foreign operation is recognised in the consolidated income statement

Hedge of a net investment in foreign operation
The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency.

To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in consolidated statement of changes in equity and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in consolidated income statement. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to consolidated income statement as part of the gain or loss on disposal.

(d) Investment securities
Investment securities comprise investments in debt-type and equity-type financial instruments.

(i) Classification
Under FAS 33 "Investment in Sukuks, shares and similar instruments", each investment is to be categorized as investment in:

a) equity-type instruments;
b) debt-type instruments, including (monetary and non-monetary);
c) other investment instruments
Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:
a) the Bank's business model for managing the investments; and
b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Amortised cost
An investment shall be measured at amortised cost if both of the following conditions are met:

a) the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument; and
b) the investment represents either a debt-type instrument or other investment instrument having reasonable determinable effective yield.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(i) Classification (continued)

Fair through equity

An investment shall be measured at fair value through equity cost if both of the following conditions are met:

a) the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
b) the investment represents a non-monetary debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair through income statement

An investment shall be measured at fair value through income statement unless it is measured at amortised cost or fair value through equity or if irrevocable classification at initial recognition is applied.

Irrevocable classification at initial recognition

The Group may make an irrevocable election to designate a particular investment, at initial recognition, being:

a) an equity-type instrument that would otherwise be measured at fair value through income statement, to present subsequent changes in fair value through equity; and
(b) a non-monetary debt-type instrument or other investment instrument, as measured at fair value through income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different bases.

(ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated statement of income.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated statement of income.

Fair value through equity

Policy applicable after the issuance of QCB circular 13/2020

The Group adapted Qatar Central Bank's Circular number 13/2020 dated 29 April 2020 (the adoption date) which amended the requirements of FAS 33 "Investment in Sukuk, Shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and required banks to follow the requirements of International Financial Reporting Standard No. ("IFRS") 9 "Financial Instruments" relating to Equity Investments at Fair Value through Equity. As QCB circular 13/2021, equity type instruments classified as fair value through equity are not tested for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(iii) Measurement (continued)

Fair value through equity (continued)
However, prior to that, equity-type investments classified as fair value through equity and measured at fair value, a significant or prolonged decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the condensed consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. The Group may elect to present in statement of changes in equity, changes in the fair value of certain investments in equity-type 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-type instruments are never subsequently reclassified to consolidated income statement, including on disposal. However, cumulative gains and losses recognised in fair value reserve are transferred to retained earnings on disposal of an investment. 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 statement of changes in equity.

Whereas for debt type investments classified as fair value through equity, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

(iv) 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 capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement
Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

(e) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financing assets (continued)

Murabaha and Musawama
Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any). Based on QCB instructions, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Musawama receivables are stated net of deferred profits and impairment allowance (if any). On initial recognition Murabaha receivables are classified and measured at:

- Amortised cost when the contractual terms of the Murabaha receivables give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding; or
- Fair value through income statement ("FVTIS") when the contractual terms of the Murabaha receivables does not give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Mudaraba
Mudaraba financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah
Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a
Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price. Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala
Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

(f) Other financial assets and liabilities

(i) Recognition and initial measurement
The Group initially recognises due from banks, financing assets, investments, customer current accounts, due to banks, and financing liabilities including sukuk and fixed income financing on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

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

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (conitnued)

(ii) De-recognition of financial assets and financial liabilities

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated 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 derecognized.

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

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is de-recognised if it meets the de-recognition 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 de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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 profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such amodification is carried out because of financial difficulties of the financed counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as net income from financing activities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (conitnued)

(iv) Modification of financial assets and liabilities (continued)

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.

(g) Impairment of financial assets

Measurement of ECL
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through income statement:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

With effect from the issuance of QCB circular 13/2020, equity type instruments classified as fair value through equity are not tested for impairment. However, prior to that, equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through consolidated income statement.

Impairment and ECL are used interchangeably throughout these consolidated financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Measurement of ECL (continued)

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 financing commitments and Letter of credit: 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.

The determination of the FAS 30 provision results from a two-step approach:

Step 1: The facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit impaired.

Step 2: The expected credit loss is calculated i.e., 12-month expected loss for all facilities in stage 1 and lifetime expected credit loss for all facilities in stage 2. The facilities in stage 3 are covered by specific provisions as per QCB regulations.

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 derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;
- If the expected restructuring will result in derecognition of 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. The 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.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through equity 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 financing asset by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

Any credit exposures to the Government of Qatar, represented by the Ministry of Finance and QCB are exempted from the application of expected credit loss model as per QCB's Circular 9 / 2017.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- Debt instruments measured at fair value through equity: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(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 less than three months from the reporting 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) Investment property

Properties held for rental or for capital appreciation purpose are classified as investment property, Investment properties are measured initially at cost, including transaction costs and borrowing costs that are directly attributable to construction of the asset. The carrying amount includes the cost of replacing part of an existing investment furniture at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and impairment. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment property (continued)

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Major expenditure incurred by the entity related to additions and improvement subsequent to its acquisition will be added to the carrying amount of investment property in the consolidated statement of financial position, provided that the Group expects that such expenditure will increase the future economic benefits to the Group from the investment property. However, if such economic benefits are not expected to take place, the entity will recognize this expenditure in the consolidated statement of income in the financial period in which it is incurred.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the difference between the carrying value and the fair value at the reporting date of transfer is recognised as a revaluation reserve in the consolidated statement of equity and is released to the consolidated statement of income upon disposal of such property.

(j) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position and any resulting gain or loss is recognised in the consolidated statement of income in the financial period in which it is incurred.

(k) Fixed assets

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of related equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised financing costs. The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement.

The cost of replacing a component of fixed asset 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 fixed assets are recognised in consolidated statement of income as incurred.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative years are given below.

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

Buildings	20 years
IT Equipment (hardware/software)	3-5 years
Fixtures, fittings and office equipment	4-7 years
Motor vehicles	5-7 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of income.

A summary of the useful lives and amortisation methods of Group's intangible assets are as follows:

	Goodwill	Customer relationship	Core deposits
Useful lives	Indefinite	Finite (10 years)	Finite (8.5 years)
Amortization method used	Tested for impairment either individually or at cash generating unit level	Amortized on a straight line basis over the periods of availability	Amortized on a straight line basis over the periods of availability
Internally generated or acquired	Acquired	Acquired	Acquired

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of non-financial assets (continued)

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

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

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

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

(n) Customer current accounts

Balances in current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

(o) Equity of unresticted investment account holders

Equity of unrestricted investment account holders is funds held by the Group, which it can invest at its own discretion. The unrestricted investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges a management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts. Investment accounts are carried at their book values (amortised cost).

(p) Distribution of profit between equity of unrestricted investment account holders and owners

The Group complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and owners.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

(r) Sukuk eligible as additional capital

Sukuks issued by the Group which are perpetual, unsecured, subordinated to ordinary equity shares and the payment of profit for such sukuk is non-cumulative, and are made at the discretion of Group are initially recognized as equity. The Group has the right not to pay profit on these sukuk, and the sukuk holders will have no claim with respect to nonpayment. The sukuk does not have a fixed maturity date.

The Group incurs various costs in issuing its own instruments which are accounted as equity as mentioned in the above paragraph. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense. Profit distributions on perpetual sukuk are recognized as a deduction in equity after declaration due to their profit's non-cumulative feature.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(t) Employee benefits

Defined contribution plans
The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff cost under note 27 in the consolidated financial statements. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit scheme
The Group provides for employees end of service benefits determined in accordance with the requirements of Qatar Labour law pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date.

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 under short-term cash bonus or profit-sharing plans 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

Murabaha and Musawama
Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when it is actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba
Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated statement of income on declaration by the Mudarib. In case Mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Group. In case of termination or liquidation, unpaid portion by Mudarib is recognized as receivable due from Mudarib.

Musharaka
Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara
Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

Istisna'a
Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion method.

Wakala
Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from investment banking services
Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income
Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

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

(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 net profit or loss attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the net profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(y) Earnings prohibited by Shari'a
The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account, the Group reserve these funds for charitable purposes.

(z) Taxation
The Group is taxable to the extent of foreign shareholding and pay income tax to General Tax Authority in this regard. Further the Group and its subsidiaries of the Group that meet the Tax Law criteria are required to file income tax returns annually with the General Tax Authority.

(aa) Financial information of the parent
A statement of financial position and income statement of the Parent as disclosed at the end of the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

(ab) Repossessed collateral
Repossessed collateral against settlement of financing assets are stated within the consolidated statement of financial position under "Other liabilities" and are accounted for in line with Group's policy.

(ac) Wakala payables
The Group accepts deposits from customers under wakala arrangement under which return payable to customers is agreed in the wakala agreement. There is no restriction on the Group for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit.

(ad) Financial guarantees
In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit and guarantees.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "fee and commission income".

(ae) Share capital and reserves
Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders' of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(af) Sukuk and fixed income financing

Financing raised under Sukuks or fixed income financing program are recognised at amortised cost and disclosed as a separate line in the consolidated statement of financial position as “Sukuk and fixed income financing”. Profit expense is recognised periodically till maturity of the program using applicable effective profit rate.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Group’s business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group’s risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group’s aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group’s financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

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

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

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

Credit Committee
The Board of Directors has delegated authority to Credit Committee to approve, sub-delegate, direct, monitor and reviews the Group's financing activities, within specified limits, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

The Credit Committee is the highest level of executive credit approval authority in the Group and is responsible for taking credit decisions within its delegated authority, recommending credit policies and future direction of the credit activities in the Group.

Asset Liability Committee (ALCO)
ALCO is responsible for the overall balance sheet management of the Group. ALCO set guidelines for the overall management of the liquidity and profit rate risk. ALCO also determine the borrowing and funding strategy (asset allocation) of the Group in order to maximize the profit and minimize risk.

Operational Risk Committee
The Operational Risk Committee is responsible for managing and overseeing all aspects of operational risk in the Group. The Committee is responsible for the effective implementation of all operational risk policies and standards.

Internal Audit
Risk management processes are audited by the Group Internal Audit function which examines both the adequacy and compliance with the procedures in addition to a specific audit of the Group Risk function itself as per the approved audit plan. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Key changes to the significant estimates and judgements

Risk management in the current economic scenario
The COVID - 19 and the measures to reduce its spread has impacted the local economy. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Group is closely monitoring the situation and has invoked required actions to ensure safety and security of Group staff and an uninterrupted service to our customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Group has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected. COVID 19 has impacted the banks in Qatar from various facets which includes increase in overall credit risk pertaining to financing assets portfolio in certain sectors, reduced fee income. We have mentioned below the major aspects of COVID 19 on the Group's risk management policies:

i) Covid-19 and Expected Credit Loss (ECL)
Any changes made to ECL to estimate the overall impact of Covid-19 is subject to high levels of uncertainty as so little reasonable and supportable forward-looking information is currently available on which to base those changes. However, the Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. Forecast of these economic variables (the “base, upside and downside economic scenario”) are obtained externally.

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as 1) Average volume of exports of Qatar government; 2) Average volume of government expenditures; and 3) Gross Domestic Product of Qatar. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination.

In light of the current uncertain economic environment, the Group has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 31 December 2021. 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.

ii) Assets quality and credit risk
The Risk department of the Group is conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. Group has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained of 16.4% is sufficient.

iii) Liquidity management
Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments of certain customers. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Group has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

iv) Capital Adequacy Ratio
Under the current scenario, the financial institutions are under pressure to extend further credit to its borrowers under national guarantee program, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Group from Capital Adequacy Ratio perspective. The Group believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Key changes to the significant estimates and judgements (continued)

Valuation of financial and non-financial assets (including goodwill)
The Group has also considered potential impacts of the current economic volatility in determination of the fair value of the Group's financial and non-financial assets and liabilities, for which there is no observable inputs, and these are considered to represent management's best assessment based on available or observable information. However markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

Measurement of equity-type instruments classified as fair value through equity
According to QCB circular 13/2020, the Group is required to follow IFRS-9 for equity-type instruments classified as fair value through equity which requires changes in the fair value of certain investments in equity-type instruments that are not held for trading to be kept under statement of changes in equity. Gains and losses on such equity-type instruments are never subsequently reclassified to consolidated income statement, including on disposal. However, cumulative gains and losses recognised in fair value reserve are transferred to retained earnings on disposal of an investment. 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 statement of changes in equity.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risk through diversification of investments, capital markets, lending and financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or customer (collectively referred as "counterparties"). It is the risk that a loss will be incurred if counterparty defaults or fails to honor a financial obligation that is due. It takes into account both probability of involuntary default, wherein the counterparty does not possess the financial means to repay, and strategic default, wherein counterparty with the ability to repay deliberately defaults.

Credit risk may have the following results:

- Delay in payment obligation;
- Partial loss of the credit exposure; or
- Complete loss of the credit exposure.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk
The Board of Directors has delegated responsibility for the oversight of credit risk upto a specified limit to its Credit Committee, which is responsible for management of the Group's credit risk, including:

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Management of credit risk (continued)

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, compliance with QCB regulations, other applicable legal and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Facilities exceeding a certain threshold require Board of Directors approval;
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of financial risk;
- Limiting geographical exposures, concentration risk based on internal and external ratings, exposure limits and QCB guidelines;
- Collateralising the exposures by adequate tangible and intangible collaterals. The types of collaterals obtained include cash, mortgages over real estate properties, pledges over shares and personal/corporate guarantees, as appropriate; and
- Reviewing business units compliance of agreed exposure limits, including those for selected industries, country risk and product types. Regular review of the credit quality of Group's portfolios is performed and appropriate corrective actions are taken when required.

The Group has implemented Moody's Risk Analyst Rating System, in order to effectively monitor credit risk at an obligor's level on the Group's portfolio and align capital adequacy to such risks. The system is globally proven and enables the Group to rate credit risk on a more objective basis.

(i) Credit risk measurement

Group regularly analyze the quality of the overall credit portfolio with particular focus on the problem credits and the remedial management process.
This include:

- Transaction level review
- Obligor level review
- Portfolio based review
- Exception based review.

Credit review and Credit Administration units are responsible to ensure that all financing activity is undertaken within the approved framework and any deviations are promptly detected, reported and followed up for remedial action.

Credit portfolio management

Objective and responsibility
Portfolio management is an integral part of the credit process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. It does so by incorporating portfolio strategy and planning, performance assessment and reporting functions into one comprehensive management process.

Group is responsible for carrying out the activities in relation to credit risk portfolio management by seeking information from different business units on a regular basis to perform this function. The portfolio analyst undertakes the review, monitoring and control of limits structures based on the portfolio diversification parameters. Further, it prepares portfolio studies and periodic sector/ regional exposure information for management review.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(i) Credit risk measurement (continued)

Credit portfolio management (continued)

Portfolio diversification
The Group takes into consideration the following parameters to assess the diversification of the credit portfolio across:

- Group exposure limits
- Industry/ sector exposure limits
- Country exposure limits
- Product exposure limits
- Exposure to a particular credit risk mitigant

Stress testing of credit portfolio
The Group follows a rigorous and forward looking stress testing procedure (in line with pillar 2 requirements of Basel 3 Accord as well as taking into consideration QCB guidelines) that identifies possible events or changes in market conditions (or risk factors) that could adversely impact the Group. This requires foreseeing situations under hypothetical scenarios considering the question 'what-if' and development of stress tests in such scenarios. This enables the Group to be well equipped to cope with the crisis situations when they arise. Risk function has the responsibility of conducting periodic stress testing of the credit portfolio.

The stress-testing program of the Group involves the following steps:

- Capturing reliable data (accuracy and timeliness)
- Identification of risk factors that have an impact on the portfolio value. The different categories of risk factors used by the Group are:

  a. Obligor rating
  b. Environment (industry, economic, political, real estate prices, etc.)
  c. Model (assumptions, holding period, etc.)
  d. Analytics (correlation, transition matrices, etc.)

- Construction of stress tests on the basis of single factor or multi-factor scenarios
- Deciding magnitude of factor shock
- Running stress tests
- Reporting results of stress tests
- Assessing the impact of abovementioned results on capital adequacy of the Group
- Reassessing the relevance of stress tests on yearly basis.

Credit risk management information system (MIS)
Information on all elements of the Group's risk asset portfolio, and most particularly on irregular accounts and on those displaying characteristics of deterioration, are readily available with the concerned staff. Reports are thoroughly scrutinized and, where indicated, triggers appropriate response from the department concerned.

(ii) Risk limit control and mitigation policies

The Group has processes in place for mitigating credit risk which mainly include processes for credit Initiation, credit standards, collateral management and large exposure management.

Collateral
The Group secures credit exposures through a variety of collaterals including cash margins, lien on fixed deposits, real estate and marketable securities. Independent valuation of real estate collaterals are obtained periodically to determine collateral coverage. The value of marketable securities is constantly monitored to determine whether any replenishments /disposals are required.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Financing limits (for risk management instrument and financing books)
The Group has defined limits by counterparty, borrowing group, country, Board of Directors, subsidiaries and affiliates. Exposures against these limits are monitored and any breach is reported to the Board through Risk Management and Compliance Committee.

(iii) Maximum exposure to credit risk before collateral held or other credit enhancements

At 31 December	***2021*** ***QAR'000***	*2020* *QAR'000*
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with Qatar Central Bank	**6,866,517**	2,894,321
Due from banks	**5,558,980**	5,891,788
Financing assets	**75,221,707**	58,536,992
Investment securities – debt type	**19,408,687**	15,552,472
Other assets	**163,523**	143,890
	107,219,414	83,019,463
Other credit risk exposures are as follows:		
Guarantees	**18,451,919**	18,569,351
Letters of credit	**2,233,924**	2,096,827
Unutilised credit facilities	**17,111,413**	17,424,667
	37,797,256	38,090,845

The above tables represent a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

(iv) Concentration of risks of financial assets with credit risk exposure

Geographical sectors

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(iv) Concentration of risks of financial assets with credit risk exposure (continued)

Geographical sectors (continued)

31 December 2021

	Qatar QAR'000	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	**6,866,517**	**-**	**-**	**-**	**6,866,517**
Due from banks	**3,249,674**	**28,356**	**292,569**	**1,988,381**	**5,558,980**
Financing assets	**70,990,019**	**70,846**	**2,242,526**	**1,918,316**	**75,221,707**
Investment securities – debt type	**18,547,748**	**277,095**	**-**	**583,844**	**19,408,687**
Other assets	**147,425**	**-**	**16,098**	**-**	**163,523**
	99,801,383	**376,297**	**2,551,193**	**4,490,541**	**107,219,414**

31 December 2020

	Qatar QAR'000	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	2,894,321	-	-	-	2,894,321
Due from banks	5,422,481	14,727	132,577	322,003	5,891,788
Financing assets	54,068,710	187,838	2,141,330	2,139,114	58,536,992
Investment securities – debt type	14,470,278	338,824	-	743,370	15,552,472
Other assets	143,890	-	-	-	143,890
	76,999,680	541,389	2,273,907	3,204,487	83,019,463

31 December 2021

Other credit risk exposures	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Guarantees	**15,575,378**	**246,311**	**1,288,653**	**1,341,577**	**18,451,919**
Letters of credit	**2,178,506**	**-**	**-**	**55,418**	**2,233,924**
Unutilised credit facilities	**17,110,411**	**1,002**	**-**	**-**	**17,111,413**
	34,864,295	**247,313**	**1,288,653**	**1,396,995**	**37,797,256**

31 December 2020

Other credit risk exposures	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Guarantees	15,782,306	334,392	1,196,674	1,255,979	18,569,351
Letters of credit	2,060,012	-	-	36,815	2,096,827
Unutilised credit facilities	17,387,902	36,765	-	-	17,424,667
	35,230,220	371,157	1,196,674	1,292,794	38,090,845

Industry sectors

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(iv) Concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors (continued)

As at 31 December	Total exposure	
	2021	2020
	QAR'000	QAR'000
Funded and unfunded		
Government	**47,510,309**	27,016,165
Industry and Manufacturing	**2,778,215**	2,319,093
Commercial	**11,826,033**	11,111,726
Financial services	**10,322,299**	11,168,338
Contracting	**18,796,782**	19,316,416
Real estate	**20,593,729**	19,305,535
Personal	**13,113,989**	11,887,277
Services and others	**20,075,314**	18,985,758
	145,016,670	121,110,308

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation, based on Moody's ratings or their equivalent Standard & Poor's / Fitch:

At 31 December	**2021**	2020
	QAR'000	QAR'000
Equivalent grades		
Aaa to Aa3	**46,720,720**	30,335,231
A1 to A3	**5,929,623**	4,493,853
Baa1 to Baa3	**699,667**	72,618
Ba1 to B3	**841,829**	750,411
Unrated	**90,824,831**	85,458,195
	145,016,670	121,110,308

(v) Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings except retail portfolio. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 5 represents investment grade and ORR 6 to 7 represents sub-investment while grade ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(v) Credit quality (continued)

Due from banks	31 December 2021				31 December 2020
	Stage 1 QAR'000	Stage 2 QAR'000	Stage 3 QAR'000	Total QAR'000	Total QAR'000
Investment grade - ORR 1 to 5	**5,387,659**	**164,901**	-	**5,552,560**	5,891,625
Sub-investment grade - ORR 6 to 7	**6,392**	**69**	-	**6,461**	289
Substandard - ORR 8	**-**	-	-	-	-
Doubtful ORR 9	**-**	-	-	-	-
Loss - ORR 10	**-**	-	-	-	-
	5,394,051	**164,970**	**-**	**5,559,021**	5,891,914
Loss allowance	**(41)**	**-**	**-**	**(41)**	(126)
Carrying amount	**5,394,010**	**164,970**	**-**	**5,558,980**	5,891,788

Financing assets	31 December 2021				31 December 2020
	Stage 1 QAR'000	Stage 2 QAR'000	Stage 3 QAR'000	Total QAR'000	Total QAR'000
Investment grade - ORR 1 to 5	**59,594,556**	**2,963,127**	**-**	**62,557,683**	46,039,170
Sub-investment grade - ORR 6 to 7	**3,109,585**	**9,038,612**	**-**	**12,148,197**	12,157,811
Substandard - ORR 8	**-**	**-**	**215,739**	**215,739**	308,949
Doubtful ORR 9	**-**	**-**	**216,206**	**216,206**	644,377
Loss - ORR 10	**-**	**-**	**2,844,295**	**2,844,295**	1,224,437
	62,704,141	**12,001,739**	**3,276,240**	**77,982,120**	60,374,744
Loss allowance	**(60,715)**	**(584,884)**	**(1,911,031)**	**(2,556,630)**	(1,695,352)
Suspended profit	**-**	**-**	**(203,783)**	**(203,783)**	(142,400)
	(60,715)	**(584,884)**	**(2,114,814)**	**(2,760,413)**	(1,837,752)
Carrying amount	**62,643,426**	**11,416,855**	**1,161,426**	**75,221,707**	58,536,992

Investment securities	31 December 2021				31 December 2020
	Stage 1 QAR'000	Stage 2 QAR'000	Stage 3 QAR'000	Total QAR'000	Total QAR'000
Investment grade - ORR 1 to 5	**1,098,024**	**-**	**-**	**1,098,024**	1,431,695
Sub-investment grade - ORR 6 to 7	**736,799**	**98,569**	**-**	**835,368**	699,885
Substandard - ORR 8	**-**	**-**	**-**	**-**	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-
	1,834,823	**98,569**	**-**	**1,933,392**	2,131,580
Loss allowance	**(3,432)**	**(10,431)**	**-**	**(13,863)**	(13,433)
Carrying amount	**1,831,391**	**88,138**	**-**	**1,919,529**	2,118,147

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(v) Credit quality (continued)

Financing commitments and financial guarantees	***31 December 2021***				*31 December 2020*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**14,886,697**	**1,732,664**	**-**	**16,619,361**	16,179,777
Sub-investment grade - ORR 6 to 7	**1,907,486**	**1,981,359**	**-**	**3,888,845**	4,471,450
Substandard - ORR 8	**-**	**-**	**7,518**	**7,518**	11,661
Doubtful ORR 9	**-**	**-**	**5,020**	**5,020**	-
Loss - ORR 10	**-**	**-**	**165,099**	**165,099**	3,290
	16,794,183	**3,714,023**	**177,637**	**20,685,843**	20,666,178
Loss allowance	**(35,429)**	**(94,773)**	**(168,715)**	**(298,917)**	(317,440)
Carrying amount	**16,758,754**	**3,619,250**	**8,922**	**20,386,926**	20,348,738

At 31 December 2021 and 2020, none of the financial assets in other assets were either past due or impaired and did not have any expected credit loss allowance recognised against them.

(vi) Collateral

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no material deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group. The Group has collateral in form of blocked deposits, pledge of shares and legal mortgages. The aggregate fair value of collateral as at 31 December 2021 is QAR 75,324.8 million (31 December 2020: QAR 44,162.9 million).The value of the collateral held against credit-impaired financing assets and advances as at 31 December 2021 is QR 2,070.8 million (31 December 2020: QR 1,193.4 million).

The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2021 and 31 December 2020 was Nil.

(vii) Inputs, assumptions and techniques used for estimating impairment

To determine if the risk of default of a financial instrument has increased significantly since origination, the current risk of default at the reporting date is compared with the risk of default at initial recognition. The Group considers SICR based on the rating migration data, historical default rates, Days Past Due (DPD) status of the account, the internal credit rating of the Group and QCB guidelines. The SICR criteria for Internally rated portfolio (Wholesale and Private banking), Un-rated portfolio (Retail banking) and externally rated portfolio (Financials institution/ Banks) has been described below.

Internally rated portfolio:
For the internally rated portfolio the below criteria are used to determine the SICR for each facility

1. Two notch downgrade from ratings 1,2,3 and 4
2. One notch downgrade from ratings 5 and 6
3. Accounts classified under rating 7
4. 30-59 Days Past Due (subject to rebuttal)
5. 60-89 Days past Due
6. Renegotiated accounts in last 12 months

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Externally rated financial instruments
For all the financing portfolio and investments which are externally rated will be subject to the below criteria for determining the SICR:

1. Investment Grade – 2 notch downgrade from Aaa to Baa3
2. Speculative Grade – 1 notch downgrade from Ba1 to Caa3
3. Unrated exposures
4. Restructured accounts

Retail Portfolio
The following staging criteria based on Days Past Dues (DPDs) has been fixed for retail portfolio as per the FAS 30 and QCB guidelines:

FAS 30 presumes 30 DPD criteria for Stage 2 classification. This will be further assessed through forward and backward flow rates to rebut the 30 DPD criteria. However, in any case, this should not exceed 60 days as a back stop measure as defined by QCB.

Apart from the above mentioned staging criteria based upon rating grades and DPD buckets, following qualitative criteria is also evaluated by the management to categorize a particular borrower or portfolio into Stage 2 by providing appropriate reasoning for the same at the time of ECL computation.

1. Any particular industry/sector under stress can be treated as stage 2 for a temporary period as a whole irrespective of individual borrower ratings;
2. Any cross border exposures leading to deterioration in credit quality based upon worsening economic conditions of the country can be adjudged as stage 2 (e.g. all exposures to a country X can be deemed Stage 2);

For retail stage 2 assets, based upon its internal experience, the Group may treat sub portfolios differently as compared to portfolio level staging in case a significant increase in credit risk is seen for a particular segment of borrowers (e.g. by salary bands, employer, nationality etc.).

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

Generating the term structure of Probability of Default (PD)
The Group employs statistical models to analyse the data collected and generate estimates of PD to determine Expected Credit Loss (ECL). The Group has used different methodology for different portfolios based on the default history and rating methodologies. The statistical techniques include Transition matrix analysis for corporate portfolio, Pluto Tasche methodologies for low default portfolio like private Banking, flow rate analysis for retail portfolio.

Renegotiated financial assets
The contractual terms of a financing asset 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 financing asset whose terms have been modified may be derecognised and the renegotiated financing asset recognised as a new financing asset at fair value. Where possible, the Group seeks to restructure financing assets rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing asset conditions. Management continuously reviews renegotiated financing assets to ensure that all criteria are met and that future payments are likely to occur. As at 31 December 2021, QAR 5,184.6 million (31 December 2020: QAR 3,925.0 million) of deals were restructured.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

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 8, 9 or 10.

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information
The Group employs statistical models to incorporate macro-economic factors to reflect all potential future deterioration scenarios for the loan according to their associated probability. This estimation integrates all information available including current conditions and anticipations of future potential economic conditions. The group has developed Merton model (with Principal Component Analysis), along with other statistical analyses for incorporation of forward-looking information.

In case none of the macro - economic parameters are statistically significant or the results of forecasted PD's are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analyzing the portfolio as per the diagnostic tool. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instruments. 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 World Bank and Qatar Central Bank, which provide the best estimate view of the economy and commodity prices over the coming one to five years. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

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

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Measurement of ECL (continued)

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is the amount that is outstanding at the time of default.

The off-Balance Sheet instruments such as lending commitments and financial guarantees, the EAD estimation is calculated after applying the credit conversion factor (CCF) to the nominal amount of the off-balance sheet instruments.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- credit risk grading's;
- product type; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance
The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under FAS 30.

Covid-19 impact
While it is challenging to estimate the impact of COVID-19 on our ECL estimates as the situation is still evolving, it is expected to have a deep impact on the macro-economic environment.The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS. The Bank has assessed the impact of the crisis and changed the weightages assigned to the scenario probabilities of its ECL models whereever was required since strat of the pendamic (refer note 40).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Loss allowance (continued)

Due from banks	31 December 2021				31 December 2020
	Stage 1 QAR'000	*Stage 2 QAR'000*	*Stage 3 QAR'000*	*Total QAR'000*	*Total QAR'000*
Balance at 1 January	**126**	**-**	**-**	**126**	118
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**-**	**-**	**-**	**-**	-
Transfers to Stage 3	**-**	**-**	**-**	**-**	-
Impairment allowance for the year, net	**(85)**	**-**	**-**	**(85)**	8
Amounts written off	**-**	**-**	**-**	**-**	-
	41	**-**	**-**	**41**	126

Financing assets	31 December 2021				31 December 2020
	Stage 1 QAR'000	*Stage 2 QAR'000*	*Stage 3 QAR'000*	*Total QAR'000*	*Total QAR'000*
Balance at 1 January	**113,381**	**585,984**	**1,138,387**	**1,837,752**	2,016,488
Transfers to Stage 1	**11,406**	**(11,406)**	**-**	**-**	-
Transfers to Stage 2	**(41,983)**	**41,983**	**-**	**-**	-
Transfers to Stage 3	**(4,494)**	**(263,731)**	**268,225**	**-**	-
Impairment allowance for the year, net	**(17,595)**	**232,054**	**649,622**	**864,081**	929,804
Suspended profit, net movement	**-**	**-**	**61,383**	**61,383**	43,058
Amounts written off	**-**	**-**	**(2,803)**	**(2,803)**	(1,151,598)
	60,715	**584,884**	**2,114,814**	**2,760,413**	1,837,752

Investment securities	31 December 2021				31 December 2020
	Stage 1 QAR'000	*Stage 2 QAR'000*	*Stage 3 QAR'000*	*Total QAR'000*	*Total QAR'000*
Balance at 1 January	**3,967**	**9,466**	**-**	**13,433**	8,172
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**-**	**-**	**-**	**-**	-
Transfers to Stage 3	**-**	**-**	**-**	**-**	-
Impairment allowance for the year, net	**(535)**	**965**	**-**	**430**	5,261
Amounts written off	**-**	**-**	**-**	**-**	-
	3,432	**10,431**	**-**	**13,863**	13,433

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Loss allowance (continued)

Financing commitments and financial guarantees (including LC & LG)		***31 December 2021***			*31 December 2020*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**56,406**	**257,804**	**3,230**	**317,440**	332,383
Transfers to Stage 1	**3,629**	**(3,629)**	**-**	**-**	-
Transfers to Stage 2	**(18,765)**	**18,765**	**-**	**-**	-
Transfers to Stage 3	**-**	**(160,401)**	**160,401**	**-**	-
Impairment allowance for the year, net	**(5,841)**	**(17,766)**	**5,084**	**(18,523)**	(14,943)
Amounts written off	**-**	**-**	**-**	**-**	-
	35,429	**94,773**	**168,715**	**298,917**	317,440

(viii) Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when the Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

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 standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 2.8 million (31 December 2020: QAR 1,151.6 million).

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Group monitor its liquidity risk according to QCB's guidelines on Basel III through two key ratios, the Liquidity Coverage Ratio (LCR) to monitor the short term (30 days) resilience of the bank's liquidity and non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(i) Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible that it has sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Group's reputation. The primary objective of liquidity risk management over which the Asset and Liability Committee (ALCO) has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. The ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit mobilization plans are regularly reviewed for consistency with the liquidity policy requirements. A contingency plan is also in place which is reviewed periodically.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policy and procedures are subject to review and approval of the Board of Directors and ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors and ALCO.

(ii) 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, other borrowings and commitments maturing within the next month. The Group ratio of liquid assets to customer deposits As at 31 December 2021 was 23% (31 December 2020: 21%).

A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB. As at 31 December 2021, liquidity coverage ratio as per QCB prescribed method was 278.1 % (31 December 2020: 159.4%). The minimum liquidity ratio determined by the QCB is 100%.

(iii) Maturity analysis

Maturity analysis of Group's financial assets and liabilities are prepared on the basis of their contractual maturities. The contractual maturities have been determined on the basis of the remaining period at the statement of financial postion date and do not take into account effective maturities as indicated by the Group's deposit retention history. Cash in hand is not considered for liquidity risk management.

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2021						
Balances with Qatar Central Bank	**6,866,517**	**3,484,086**	**-**	**-**	**-**	**3,382,431**
Due from banks	**5,558,980**	**5,275,023**	**164,901**	**82,444**	**36,612**	**-**
Financing assets	**75,221,707**	**2,282,605**	**4,497,763**	**11,337,251**	**14,557,930**	**42,546,158**
Investment securities – debt type	**19,408,687**	**-**	**272,558**	**1,268,345**	**14,280,880**	**3,586,904**
Other assets	**163,523**	**87,188**	**-**	**76,335**	**-**	**-**
Total financial assets	**107,219,414**	**11,128,902**	**4,935,222**	**12,764,375**	**28,875,422**	**49,515,493**
Due to banks	**16,755,141**	**14,591,624**	**-**	**1,033,260**	**1,130,257**	**-**
Customer current accounts	**6,200,820**	**6,200,820**	**-**	**-**	**-**	**-**
Other liabilities	**1,708,424**	**957,080**	**40,357**	**710,987**	**-**	**-**
Total financial liabilities	**24,664,385**	**21,749,524**	**40,357**	**1,744,247**	**1,130,257**	**-**
Equiy of unrestricted investment account holders	**71,225,407**	**25,436,213**	**18,304,125**	**17,984,754**	**9,500,315**	**-**
Total	**95,889,792**	**47,185,737**	**18,344,482**	**19,729,001**	**10,630,572**	**-**
Difference	**11,329,622**	**(36,056,835)**	**(13,409,260)**	**(6,964,626)**	**18,244,850**	**49,515,493**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2020						
Balances with Qatar Central Bank	2,894,321	659,521	-	-	-	2,234,800
Due from banks	5,891,788	5,387,705	131,277	272,846	99,960	-
Financing assets	58,536,992	4,241,561	5,380,884	12,627,520	16,086,911	20,200,116
Investment securities – debt type	15,552,472	47,339	109,244	971,419	9,962,258	4,462,212
Other assets	143,890	80,321	-	63,569	-	-
Total financial assets	83,019,463	10,416,447	5,621,405	13,935,354	26,149,129	26,897,128
Due to banks	18,947,753	12,157,122	1,140,867	4,920,546	729,218	-
Customer current accounts	7,335,487	7,335,487	-	-	-	-
Other liabilities	1,248,861	683,524	30,613	534,724	-	-
Total financial liabilities	27,532,101	20,176,133	1,171,480	5,455,270	729,218	-
Equiy of unrestricted investment account holders	46,546,052	22,175,119	7,154,728	13,470,341	3,745,864	-
Total	74,078,153	42,351,252	8,326,208	18,925,611	4,475,082	-
Difference	8,941,310	(31,934,805)	(2,704,803)	(4,990,257)	21,674,047	26,897,128

(iv) Maturity analysis (Financial liabilities and risk management instruments)

31 December 2021	***Carrying amount QAR'000***	***Gross undisc-ounted cash flows QAR'000***	***Less than 1 month QAR'000***	***1-3 months QAR'000***	***3 months – 1 year QAR'000***	***1-5 years QAR'000***	***More than 5 years QAR'000***
Non-derivative financial liabilities							
Due to banks	**16,755,141**	**16,755,141**	**14,591,624**	**-**	**1,033,260**	**1,130,257**	**-**
Customer current accounts	**6,200,820**	**6,200,820**	**6,200,820**	**-**	**-**	**-**	**-**
Other liabilities	**1,708,424**	**1,708,424**	**957,080**	**40,357**	**710,987**	**-**	**-**
Total liabilities	**24,664,385**	**24,664,385**	**21,749,524**	**40,357**	**1,744,247**	**1,130,257**	**-**
Equity of unrestricted investment account holders	**71,225,407**	**71,225,407**	**25,436,213**	**18,304,125**	**17,984,754**	**9,500,315**	**-**
Risk management instruments							
Risk Management:	**(63,706)**						
Outflow		**19,546,596**	**2,932,400**	**799,496**	**11,422,787**	**4,391,913**	**-**
Inflow		**(19,610,308)**	**(2,949,244)**	**(832,676)**	**(11,435,273)**	**(4,393,115)**	**-**
	95,826,086	**95,826,080**	**47,168,893**	**18,311,302**	**19,716,515**	**10,629,370**	**-**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iv) Maturity analysis (Financial liabilities and risk management instruments) (continued)

31 December 2020	*Carrying amount QAR'000*	*Gross undisc-ounted cash flows QAR'000*	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
Non-derivative financial liabilities							
Due to banks	18,947,753	18,947,753	12,157,122	1,140,867	4,920,546	729,218	-
Customer current accounts	7,335,487	7,335,487	7,335,487	-	-	-	-
Other liabilities	1,248,861	1,248,861	683,524	30,613	534,724	-	-
Total liabilities	27,532,101	27,532,101	20,176,133	1,171,480	5,455,270	729,218	-
Equity of unrestricted investment account holders	46,546,052	46,546,052	22,175,119	7,154,728	13,470,341	3,745,864	-
Risk management instruments							
Risk Management:	10,782						
Outflow		4,551,639	1,232,751	1,098,342	1,814,276	406,270	-
Inflow		(4,540,799)	(1,233,112)	(1,104,843)	(1,789,709)	(413,135)	-
	74,088,935	74,088,993	42,350,891	8,319,707	18,950,178	4,468,217	-

(e) 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 profit 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 profit 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 two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the profit rate management of the entity's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by Board of Directors) and for the day-to-day review of their implementation.

The Board of Directors has set risk limits based on different factors including country-wise exposure limits. These limits are closely monitored by senior management and reviewed by ALCO on a regular basis.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(ii) Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). A fully integrated VaR computation system is used by the Group to calculate VaR through historical simulation, analytical and Monte Carlo approaches, which is based upon a 99 percent confidence level assuming a 1-day, 10-day and 30-day holding periods. Taking account of market data from the previous one year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Market Risk limits are set and monitored by the Market Risk Management function endorsed by BOD.The Group uses VaR limits for total market risk and specific foreign exchange, profit rate, equity and other price risks. The overall structure of VaR limits are reviewed by ALCO and approval by the Board of Directors. VaR limits are allocated to trading portfolios

The Group's trading portfolio is comparitively insignificant in size, consist mainly of equities however, the Group has established policies for VaR measurement to overlook the trends for market risk management. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

(iii) Exposure to profit rate risk – non-trading portfolios

The principal risk to which non-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 profit rates. Profit rate risk is managed principally through monitoring profit 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 central Treasury in its day-to-day monitoring activities.

The Islamic Financial Services Board ("IFSB") has issued a document on Risk Management guidelines for Institutions (other than Insurance Institutions) offering only Islamic Financial Service ("IFS"). This includes sections on 'Rate of Return Risk' and 'Liquidity Risk'. The Group adheres to the guidelines on 'Rate of Return Risk' and 'Liquidity Risk'.

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*Effective profit rate QAR'000*
31 December 2021							
Balances with Qatar Central Bank	**6,866,517**	**-**	**-**	**-**	**-**	**6,866,517**	**0.0%**
Due from banks	**5,558,980**	**36,612**	**-**	**-**	**-**	**5,522,368**	**0.2%**
Financing assets	**75,221,707**	**48,753,120**	**15,940,765**	**3,354,761**	**-**	**7,173,061**	**3.8%**
Investment securities-debt type	**19,408,687**	**-**	**-**	**-**	**-**	**19,408,687**	**3.6%**
	107,055,891	**48,789,732**	**15,940,765**	**3,354,761**	**-**	**38,970,633**	
Due to banks	**16,755,141**	**728,803**	**-**	**-**	**-**	**16,026,338**	**0.2%**
Equity of unresticted investment account holders	**71,225,407**	**35,311,967**	**17,984,754**	**9,500,315**	**-**	**8,428,371**	**1.9%**
Consolidated statement of financial position items - Profit rate sensitivity gap	**19,075,343**	**12,748,962**	**(2,043,989)**	**(6,145,554)**	**-**	**14,515,924**	
Off-consolidated statement of financial position items	**17,111,413**	**3,456,403**	**7,668,374**	**3,073,324**	**2,913,312**	**-**	**3.6%**
Cumulative profit rate sensitivity gap	**36,186,756**	**16,205,365**	**5,624,385**	**(3,072,230)**	**2,913,312**	**14,515,924**	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(iii) Exposure to profit rate risk – non-trading portfolios (continued)

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*Effective profit rate QAR'000*
31 December 2020							
Balances with Qatar Central Bank	2,894,321	-	-	-	-	2,894,321	0.0%
Due from banks	5,891,788	36,645		99,960		5,755,183	0.8%
Financing assets	58,536,992	29,235,039	16,573,139	5,669,702	72,945	6,986,167	4.4%
Investment securities-debt type	15,552,472	-	-	-	-	15,552,472	3.9%
	82,875,573	29,271,684	16,573,139	5,769,662	72,945	31,188,143	
Due to banks	18,947,753	729,219	-	-	-	18,218,534	0.4%
Equity of unrestricted investment account holders	46,546,052	21,131,352	13,470,341	3,745,864	-	8,198,495	1.9%
Consolidated statement of financial position items - Profit rate sensitivity gap	17,381,768	7,411,113	3,102,798	2,023,798	72,945	4,771,114	
Off-consolidated statement of financial position items	17,424,667	5,344,547	4,736,815	4,895,866	2,447,439	-	4.1%
Cumulative profit rate sensitivity gap	34,806,435	12,755,660	7,839,613	6,919,664	2,520,384	4,771,114	

Sensitivity analysis

Management monitors sensitivity of the Group's financial assets and liabilities to various standard and Non - standard profit rate scenarios. Standard scenario that is considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in yield curve. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	***10 bp parallel increase QAR'000***	***10 bp parallel decrease QAR'000***
31 December 2021		
At 31 December	**10,705**	**(10,705)**
Average for the year	**9,878**	**(9,878)**
31 December 2020		
At 31 December	10,100	(10,100)
Average for the year	10,884	(10,884)

Profit rate movements affect reported equity in the following way:

- retained earnings arising from increases or decreases in net profit and the fair value changes reported in consolidated income statement.

Overall non-trading profit rate risk positions are managed by Treasury & Investments Group (TIG), which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities. The use of risk management instruments to manage profit rate risk.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(iv) Exposure to other market risks – non-trading portfolios

Foreign currency transactions

Foreign exchange risks arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within approved limits established by the Board of Directors.

As at the reporting date the net foreign currency exposures, other than USD which is pegged to the Qatari Riyal, and their respective sensitivities to a 5% change in the rate is as follows:

Functional currency of the Group entities **At 31 December**	***2021***	*2020*
	QAR'000	*QAR'000*
Net foreign currency exposure:		
Pounds Sterling	**3,770**	4,201
Euro	**447**	1,156
Other currencies*	**25,931**	8,844

	Increase / decrease in profit		***Increase / decrease in equity***	
5% increase / decrease in currency exchange rate as at 31 December	***2021***	*2020*	***2021***	*2020*
	QAR'000	*QAR'000*	***QAR'000***	*QAR'000*
Pound Sterling	**189**	210	**189**	210
Euro	**22**	58	**22**	58
Other currencies	**1,297**	442	**1,297**	442

* Other currencies include net exposure to Other GCC currencies amounting to QAR 20.8 million (31 December 2020: QAR 1.8 million).

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through income statement and fair value through equity.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2021	*2020*
	QAR'000	*QAR'000*
5% increase / decrease in QE and other index		
Increase / decrease in profit and loss	**8,866**	4,436
Increase / decrease in equity	**69,547**	55,435

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(v) Inter bank offered rate (IBOR) reforms

Overview
A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as ‘IBOR reform’).

The Group has exposures to IBORs on its financial instruments that 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 associated instruments related accounting.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators.

In response to the announcements, the Group has set up an IBOR Steering Committee comprised of the various work streams including risk management, business units, treasury, finance, legal, operations and IT. The programme is under the governance of the Group Chief Risk Officer. The aim is to effect an orderly transition of legacy transactions onto risk free rate based repricing indices, and to enable a smooth adoption for new transactions. The IBOR Steering Committee oversights the IBOR transition process in its entirety, including development, legal considerations, system enhancements, operational readiness, staff awareness and customer communication. During 2021, the Bank commenced the transition of its IBOR exposures to RFRs and has in place detailed plans, processes and procedures to support the transition of the remainder. Following the progress made during 2021, the Bank is confident that it has the operational capability to process the remaining transitions to RFRs for those interest rate benchmarks such as USD LIBOR that will cease to be available the Group aims to finalise its transition and fall back plans by the end of first half of 2022.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from changes to the Bank’s IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.
- Accounting risk if the Bank’s hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(v) Inter bank offered rate (IBOR) reforms (continued)

The tables below show the Bank's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current year end, including those exposures which transitioned immediately after the current year end. The tables exclude exposures to IBOR that will expire before transition is required.

31 December 2021	Non-derivative financial assets carrying value in QAR	Non-derivative financial liabilities carrying value in QAR	Derivatives nominal value in USD
USD LIBOR 3 month	6,144,369	-	61,353
USD LIBOR 6 month	3,696,956	-	620,077
GBP LIBOR 3 month	52,964	-	-
	9,894,289	-	681,430

Risk Management Instruments

The Bank holds Profit rate swaps for risk management purposes. The Profit rate swaps have floating legs that are indexed principally to LIBOR. The Bank's derivative instruments are governed by contracts based on the master hedging agreements.

The bank is monitoring developments with regards to IBOR related amendments, and should it be discontinued or unavailable, then calculations will be determined by fallback arrangements as set out in relevant agreements.

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Operational risks (continued)

The strategy and framework for operational risk management is set by the Operational Risk Committee (ORC) and is implemented consistently across the Group. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework is coordinated by a dedicated and independent team led by an Operational Risk Manager (ORM). This team reports to the Chief Risk Officer (CRO) of the Group. Each business unit has nominated a "Unit Operational Risk Manager (UORM)" who acts as a single point of contact for ORM regarding all Operational Risks for the respective business unit.

The organization has also invested in a state-of-the-art Operational Risk System to create a repository for all Operational risk incidents, losses and near-miss events. There is a robust process for reporting of issues, conducting of root cause analysis (where applicable) and rolling out mitigation plans to avoid recurrence of the issues.

(g) Compliance Risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Group incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Group's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Group operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Group, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

(h) 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 owners' 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 period. The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB. The Group's regulatory capital position under Basel III and QCB regulations was as follows:

At 31 December	***2021*** ***QAR'000***	*2020* *QAR'000*
Common equity tier 1 (CET 1) capital	**10,446,133**	9,913,641
Additional tier 1 capital	**1,820,750**	-
Tier 1 capital	**12,266,883**	9,913,641
Tier 2 capital	**789,705**	751,097
Total regulatory capital	**13,056,588**	10,664,738

Eligible capital (numerator in Capital Adequecy Ratio) consists of Tier 1 and Tier 2 capitals. Tier 1 consists of two parts: Common Equity Tier 1 (CET1), and Aditional Tier 1 (AT1). CET1, is part of Tier 1 capital and is the purest form of capital, which includes share capital, statutory reserves, general reserve, retained earnings, exchange translation reserve and non-controlling interests, risk reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes. The Group deducts intangible assets (including goodwill) and treasury stock from CET1/ Tier1. Additional tier 1 capital represent sukuks issed by the Group eligible as additional tier 1 capital as per the Qatar Central Bank regulations.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Capital management (continued)

Regulatory capital (continued)

The Group is following the standardised approach for credit and market and Basic Indicator approach for operational risk as permitted by the Qatar Central Bank and as per Pillar 1 of Basel 3. Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Qatar Central Bank. The required information is computed and monitored on monthly basis and filed with the regulators on a quarterly basis after getting reviewed by Group appointed external auditors.

Risk weighted assets and carrying amounts

	Risk weighted amount		*Carrying amount*	
	2021 QAR'000	*2020 QAR'000*	***2021 QAR'000***	*2020 QAR'000*
Balances with Qatar Central Bank	**-**	-	**6,866,517**	2,894,321
Due from banks	**1,153,765**	1,219,819	**5,558,980**	5,891,788
Financing assets	**48,288,596**	43,580,566	**75,221,707**	58,536,992
Investment securities	**1,307,248**	1,260,481	**19,690,824**	15,849,438
Investment in associates and joint ventures	**187,671**	257,162	**62,557**	83,535
Other assets	**964,614**	681,443	**1,225,591**	1,158,172
Off balance sheet assets	**12,165,376**	12,803,314	**37,797,256**	38,090,845
Total risk weighted assets for credit risk	**64,067,270**	59,802,785	**146,423,432**	122,505,091
Risk weighted assets for market risk	**2,247,741**	1,637,650	**1,108,796**	811,725
Risk weighted assets for operational risk	**4,670,314**	3,650,798	**-**	-
	6,918,055	5,288,448	**1,108,796**	811,725
Total risk weighted assets			**70,985,325**	65,091,233
Total regulatory capital			**13,056,588**	10,664,738
Common Equity Tier 1 (CET 1) Ratio			**14.7%**	15.2%
Tier 1 Ratio			**17.3%**	15.2%
Total Capital Ratio			**18.4%**	16.4%

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 ("DSIB") buffer*	*Total capital Including capital conservation buffer, DSIB buffer and ICAAP Pillar II capital charge*
Actual	**14.7%**	**14.7%**	**17.3%**	**18.4%**	**18.4%**	**18.4%**
Minimum limit (QCB)	**6.0%**	**8.5%**	**10.5%**	**12.5%**	**13.0%**	**15.0%**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Capital management (continued)

Risk weighted assets and carrying amounts (continued)

The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2020 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 ("DSIB") buffer*	*Total capital Including capital conservation buffer, DSIB buffer and ICAAP Pillar II capital charge*
Actual	15.2%	15.2%	15.2%	16.4%	16.4%	16.4%
Minimum limit (QCB)	6.0%	8.5%	10.5%	12.5%	13.0%	15.0%

The Group has also adopted new capital requirements for Profit Rate Risk on Banking Book (PRRBB) and have set aside capital based on new standard under Pillar II.

5. USE OF ESTIMATES AND JUDGMENTS

(a) Going concern

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

(b) Key sources of estimation uncertainty

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

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(ii) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) 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 significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Critical accounting judgments 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.

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

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

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

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies (continued)

(ii) Financial asset and liability classification

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

	Level 1 QAR'000	*Level 2 QAR'000*	*Level 3 QAR'000*	*Total QAR'000*
31 December 2021				
Risk management instruments – assets	**-**	**-**	**87,136**	**87,136**
Investment securities carried at fair value	**1,108,796**	**-**	**282,137**	**1,390,933**
	1,108,796	**-**	**369,273**	**1,478,069**
Risk management instruments – liabilities	**-**	**-**	**23,430**	**23,430**
	-	**-**	**23,430**	**23,430**
31 December 2020				
Risk management instruments – assets	-	-	80,311	80,311
Investment securities carried at fair value	811,725	-	296,966	1,108,691
	811,725	-	377,277	1,189,002
Risk management instruments – liabilities	-	-	91,093	91,093
	-	-	91,093	91,093

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through income statement, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used. Details of the Group's classification of financial assets and liabilities are given in note 7.

(iii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note 3.

(iv) Useful lives of fixed assets

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

(v) Useful life of intangible assets

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

6. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Wholesale Banking	Includes financings, deposits and other transactions and balances with wholesale customers
Personal and Private Banking	Includes financings, deposits and other transactions and balances with retail and private customers
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

31 December 2021	*Wholesale banking QAR'000*	*Personal and Private banking QAR'000*	*Treasury and Investments division QAR'000*	*Investment banking and Asset management QAR'000*	*Unallocated QAR'000*	*Total QAR'000*
Total income from financing and investing activities	1,526,363	1,406,314	675,311	6,965	-	3,614,953
Net fee and commission income	106,810	41,232	-	11,302	-	159,344
Foreign exchange gain	50,809	64,374	54,365	-	-	169,548
Other income	111,459	-	-	1,009	-	112,468
Share of results of associates and joint ventures	-	-	-	(5,841)	-	(5,841)
Total segment revenue	1,795,441	1,511,920	729,676	13,435	-	4,050,472
Other material non-cash items:						
Net impairment loss on financing assets	(284,690)	(579,391)	-	-	-	(864,081)
Net impairment loss on investment securities	-	-	58	(488)	-	(430)
Net impairment recovery from off balance sheet exposures subject to credit risk	18,523	-	-	-	-	18,523
Reportable segment net profit	752,330	(29,087)	503,556	(33,406)	-	1,193,393
Reportable segment assets	39,871,076	35,883,804	33,558,886	421,206	992,182	110,727,154
Reportable segment liabilities	36,967,991	42,232,478	17,528,680	11,444	-	96,740,593

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

31 December 2020	*Wholesale banking QAR'000*	*Personal and Private banking QAR'000*	*Treasury and Investments division QAR'000*	*Investment banking and Asset management QAR'000*	*Unallocated QAR'000*	*Total QAR'000*
Total income from financing and investing activities	1,665,494	1,116,666	677,355	5,750	-	3,465,265
Net fee and commission income	114,246	45,728	20,148	8,045	-	188,167
Foreign exchange gain	48,324	54,995	40,082	-	-	143,401
Other income	11,669	-	-	-	-	11,669
Share of results of associates and joint ventures	-	-	-	(19,962)	-	(19,962)
Total segment revenue	1,839,733	1,217,389	737,585	(6,167)	-	3,788,540
Other material non-cash items:						
Net impairment loss on financing assets	(444,610)	(485,194)	-	-	-	(929,804)
Net impairment loss on investment securities	-	-	(4,943)	(574)	-	(5,517)
Net impairment loss on intangible assets	-	-	-	-	(450,179)	(450,179)
Net impairment recovery from off balance sheet exposures subject to credit risk	14,943	-	-	-	-	14,943
	-	-	-	-	-	-
Reportable segment net profit	576,636	86,747	393,203	(39,799)	(450,179)	566,608
Reportable segment assets	38,999,372	19,904,854	25,855,870	465,875	1,070,650	86,296,621
Reportable segment liabilities	29,481,960	25,860,824	19,441,858	7,941	-	74,792,583

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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 income statement QAR'000*	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
Cash and balances with Qatar Central Bank	-	-	7,245,842	7,245,842	7,245,842
Due from banks	-	-	5,558,980	5,558,980	5,558,980
Financing assets	-	-	75,221,707	75,221,707	75,221,707
Investment securities:					
- Carried at fair value	177,323	1,213,610	-	1,390,933	1,390,933
- Carried at amortised cost	-	-	19,408,687	19,408,687	19,479,609
Risk management instruments	87,136	-	-	87,136	87,136
	264,459	**1,213,610**	**107,435,216**	**108,913,285**	**108,984,207**
Due to banks	-	-	16,755,141	16,755,141	16,755,141
Customer current accounts	-	-	6,200,820	6,200,820	6,200,820
Risk management instruments	23,430	-	-	23,430	23,430
	23,430	**-**	**22,955,961**	**22,979,391**	**22,979,391**
Equity of unrestricted investment account holders	-	-	71,225,407	71,225,407	71,225,407
	23,430	**-**	**94,181,368**	**94,204,798**	**94,204,798**

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (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 income statement QAR'000*	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
Cash and balances with Qatar Central Bank	-	-	3,367,553	3,367,553	3,367,553
Due from banks	-	-	5,891,788	5,891,788	5,891,788
Financing assets	-	-	58,536,992	58,536,992	58,536,992
Investment securities:					
- Carried at fair value	88,724	1,019,967	-	1,108,691	1,108,691
- Carried at amortised cost	-	-	15,552,472	15,552,472	15,668,454
Risk management instruments	80,311	-	-	80,311	80,311
	169,035	1,019,967	83,348,805	84,537,807	84,653,789
Due to banks	-	-	18,947,753	18,947,753	18,947,753
Sukuk and fixed income financing	-	-	-	-	-
Customer current accounts	-	-	7,335,487	7,335,487	7,335,487
Risk management instruments	91,093	-	-	91,093	91,093
	91,093	-	26,283,240	26,374,333	26,374,333
Equity of unrestricted investment account holders	-	-	46,546,052	46,546,052	46,546,052
	91,093	-	72,829,292	72,920,385	72,920,385

8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2021 ***QAR'000***	*2020* *QAR'000*
Cash	**379,325**	473,232
Cash reserve with QCB*	**3,382,431**	2,234,800
Other balances with QCB	**3,484,086**	659,521
	7,245,842	3,367,553

*The cash reserve with QCB is not available for use in the Group's day to day operations.

9. DUE FROM BANKS

	2021 ***QAR'000***	*2020* *QAR'000*
Current accounts	**2,051,712**	375,127
Wakala placements with banks	**3,275,204**	5,273,921
Mudaraba placements	**184,433**	163,228
Commodity Murabaha receivable	**47,563**	78,165
Accrued profit	**109**	1,473
Allowance for impairment*	**(41)**	(126)
	5,558,980	5,891,788

* For stage-wise exposure and allowance for impairment, refer to Note 4.

10. FINANCING ASSETS

(a) By type

	2021 ***QAR'000***	*2020* *QAR'000*
Murabaha	**68,753,773**	51,113,474
Ijarah Muntahia Bittamleek	**4,992,064**	4,750,666
Istisna	**690,408**	1,247,706
Musawama	**1,094,061**	1,172,913
Acceptances	**912,987**	559,503
Cards	**182,570**	195,739
Others	**2,129,757**	2,248,299
Accrued profit	**497,826**	601,826
Total financing assets	**79,253,446**	61,890,126
Less: Deferred profit	**1,271,326**	1,515,382
Allowance for impairment on financing assets	**2,556,630**	1,695,352
Suspended profit on non performing financing assets	**203,783**	142,400
Allowance for impairment*	**2,760,413**	1,837,752
Net financing assets	**75,221,707**	58,536,992

* For stage-wise exposure and allowance for impairment, refer to Note 4. The total non-performing financing assets at 31 December 2021 amounted to QAR 3,276.2 million, representing 4.2 % of the financing assets (31 December 2020: QAR 2,177.8 million, representing 3.6%).

10. FINANCING ASSETS (CONTINUED)

(a) By type (continued)

Others include QAR 2,129.8 million of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products. These are carried at amortised cost and its corresponding income is recognised on a time-apportioned basis over the period of the loan term using effective profit rate till conversion is completed.

Modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors, via a circular issued on 27 December 2021, pursuant to which the Bank has delayed repayments of certain SME and Corporate customers up to end of March 2022 as mentioned in the circular. In line with the requirements of the FAS, the Bank will amortize the remaining amount of the deferred profit over the remaining period of the financing facilities.

	2021 QAR'000	*2020 QAR'000*
Government	**21,287,488**	8,748,222
Corporate	**38,119,229**	34,026,216
Retail and Private	**19,846,729**	19,115,688
	79,253,446	61,890,126
Less: Deferred profit	**1,271,326**	1,515,382
Allowance for impairment on financing assets	**2,556,630**	1,695,352
Suspended profit on non performing financing assets	**203,783**	142,400
Allowance for impairment	**2,760,413**	1,837,752
	75,221,707	58,536,992

(b) Movement in the allowance (provision) for impairment on financing assets:

	2021 QAR'000	*2020 QAR'000*
Balance at 1 January	**1,695,352**	1,917,146
Provided during the year	**924,469**	964,271
Recoveries during the year	**(60,388)**	(34,467)
	864,081	929,804
Written off during the year	**(2,803)**	(1,151,598)
	2,556,630	1,695,352
Break down as below:		
Allowance for impairment on financing assets – Specific	**1,911,031**	995,987
Allowance for impairment on financing assets – Expected Credit Loss	**645,599**	699,365

10. FINANCING ASSETS (CONTINUED)

(c) Movement in the suspended profit on non performing financing assets:

	2021 QAR'000	*2020 QAR'000*
Balance at 1 January	**142,400**	99,342
Additions during the year	**65,979**	48,300
Recoveries during the year	**(4,596)**	(5,242)
	61,383	43,058
Balance at the year end	**203,783**	142,400

(d) Movement in the provision for specific impairment and suspended profit on financing assets - sector wise:

	Corporates QAR'000	***SMEs QAR'000***	***Retail and Private QAR'000***	***Total QAR'000***
Balance at 1 January 2021	**175,457**	**171,080**	**791,850**	**1,138,387**
Provided during the year	**65,573**	**59,290**	**651,126**	**775,989**
Recoveries during the year	**(2,039)**	**(2,151)**	**(60,794)**	**(64,984)**
Trasfer from ECL during the year	**75,963**	**8,591**	**183,671**	**268,225**
Written off during the year	**-**	**(61)**	**(2,742)**	**(2,803)**
Balance at 31 December 2021	**314,954**	**236,749**	**1,563,111**	**2,114,814**

	Corporates QAR'000	*SMEs QAR'000*	*Retail and Private QAR'000*	*Total QAR'000*
Balance at 1 January 2020	780,515	168,195	329,306	1,278,016
Provided during the year	101,425	5,650	453,438	560,513
Recoveries during the year	(7,455)	(2,212)	(30,042)	(39,709)
Trasfer from ECL during the year	448,556	-	42,609	491,165
Written off during the year	(1,147,584)	(553)	(3,461)	(1,151,598)
Balance at 31 December 2020	175,457	171,080	791,850	1,138,387

(e) By sector

	2021 QAR'000	*2020 QAR'000*
Government	**21,287,488**	8,738,788
Industry and Manufacturing	**1,833,771**	1,588,869
Commercial	**7,064,140**	7,160,710
Contracting	**4,448,381**	3,767,855
Real estate	**20,023,261**	17,815,074
Consumer	**4,731,244**	4,891,126
Services & Others	**19,865,161**	17,927,704
Total financing assets	**79,253,446**	61,890,126
Less: Deferred profit	**1,271,326**	1,515,382
Allowance for impairment	**2,760,413**	1,837,752
Net financing assets	**75,221,707**	58,536,992

11. INVESTMENT SECURITIES

At 31 December	2021			2020		
	Quoted QAR'000	Unquoted QAR'000	Total QAR'000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
Investments classified as fair value through income statement						
Investments classified as held for trading:						
• equity-type investments	81,801	-	81,801	79,688	-	79,688
• debt-type investments	95,522	-	95,522	9,036	-	9,036
	177,323	-	177,323	88,724	-	88,724
Debt-type investments classified at amortised cost						
- Fixed rate*	2,924,257	16,333,216	19,257,473	3,125,772	12,280,720	15,406,492
- Allowance for impairment**	(13,863)	-	(13,863)	(13,433)	-	(13,433)
	2,910,394	16,333,216	19,243,610	3,112,339	12,280,720	15,393,059
Equity-type investments classified as fair value through equity	931,473	282,137	1,213,610	723,001	296,966	1,019,967
	4,019,190	16,615,353	20,634,543	3,924,064	12,577,686	16,501,750
Accrued profit income			165,077			159,413
			20,799,620			16,661,163

* Investments in unquoted debt-type instruments classified at amortised cost represent investments in Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 3,138.2 million on business combination, which are in process of conversion into Sovereign sukuks at same terms.

** For stage-wise exposure and allowance for impairment, refer to Note 4.

The carrying amount of the debt-type investments pledged under repurchase agreements amounted to QAR 7,775.9 million (31 December 2020: QAR 7,686.4 million).

11. INVESTMENT SECURITIES (CONTINUED)

The cumulative change in fair value of equity-type investments designated as fair value through equity, during the year is as follows:

	2021 ***QAR'000***	*2020* *QAR'000*
Balance at 1 January	**(24,621)**	22,901
Net change in fair value	**(13,103)**	(47,480)
Transferred to consolidated statement of income on impairment	**9,568**	256
	(3,535)	(47,224)
Share of associate's fair value changes	**1,058**	(3)
Appropriated to equity of unrestricted investment account holders (note 20)	**-**	(295)
Balance at year end	**(27,098)**	(24,621)

As at 31 December 2021, the cumulative positive and negative balances in the fair value reserve are QAR 12.0 million (31 December 2020: QAR 36.9million) and QAR 14.4 million (31 December 2020: QAR 61.6 million).

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2021 ***QAR'000***	*2020* *QAR'000*
Balance at 1 January	**83,535**	147,404
Share of results	**(5,841)**	(19,962)
Disposal during the year	**-**	(9,029)
Share of associates and joint venture fair value changes	**1,058**	(3)
Share of associates currency translation reserve (12a)	**-**	81
Impairment	**(16,195)**	(34,956)
	62,557	83,535

Name of the Associates and Joint Ventures As at 31 December	***Activities***	***Country***	***Ownership %***		***Amount in QAR'000***	
			2021	*2020*	***2021***	*2020*
Emdad Equipment Leasing Company Qatar W.L.L. (Emdad)	Machinery and equipment leasing	Qatar	**39.2%**	39.2%	**1**	1
TFI-Tanween Investment* Company (Tanween Inv.)	Real estate	Qatar	**-**	-	**-**	-
Juman Village	Real estate	Saudi Arabia	**27.4%**	27.4%	**2,930**	2,930
Tanween W.L.L. (Tanween)	Real Estate development management	Qatar	**48.0%**	48.0%	**59,626**	63,969
Shatter Abbas	Restaurant	Qatar	**49.0%**	49.0%	**-**	16,635
Total					**62,557**	83,535

**Disposed during 2020.*

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The Group holds significant influence on all above listed associates. The financial position, revenue and results of significant associates and joint ventures based on latest financial statements, as at and for the year ended 31 December 2021 and 31 December 2020 are as follows:

31 December 2021	***Shatter Abbas QAR'000***	***Emdad QAR'000***	***Tanween QAR'000***	***Juman Village QAR'000***	***Tanween Inv. QAR'000***
Total assets	**30,131**	**68,906**	**252,409**	**11,429**	**-**
Total liabilities	**38,200**	**39,590**	**119,196**	**126**	**-**
Total revenue	**33,133**	**-**	**67,141**	**-**	**-**
Net profit	**(8,070)**	**-**	**(11,252)**	**-**	**-**
Share of profit / (loss)	**(3,954)**	**-**	**(5,401)**	**-**	**-**

31 December 2020	*Shatter Abbas QAR'000*	*Emdad QAR'000*	*Tanween QAR'000*	*Juman Village QAR'000*	*Tanween Inv. QAR'000*
Total assets	17,348	68,906	301,918	105,741	-
Total liabilities	16,154	39,590	188,893	107,163	-
Total revenue	30,497	-	75,276	27	107
Net profit	(4,408)	-	(36,440)	(1,176)	22
Share of profit / (loss)	(2,160)	-	(17,491)	(322)	11

(a) Foreign currency translation reserve

	2021 QAR'000	*2020 QAR'000*
Balance at 1 January	**-**	(81)
Share of associate foreign currency translation reserve changes	**-**	81
	-	-

13. INVESTMENT PROPERTIES

The carrying amount of investment property as of 31 December 2021 is QAR 135.254 million (31 December 2020: QAR 3.497 million). During the year QAR 131.990 million was reclassified from fixed assets under land and buildings category to investment properties. Investment properties are located in the State of Qatar. The fair value of the investment properties is not materially different from the carrying amount as of the reporting date.

14. FIXED ASSETS

	Land and Buildings QAR'000	*IT Equipment QAR'000*	*Fixtures, Fittings and office equipment QAR'000*	*Motor Vehicles QAR'000*	*Right of Use Assets QAR'000*	*Total QAR'000*
Cost:						
Balance at 1 January 2020	320,560	295,790	249,821	32,318	-	898,489
Acquisitions	-	12,165	7,004	7,202	-	26,371
Disposals	-	(3,123)	(3,834)	(5,812)	-	(12,769)
Balance at 31 December 2020	320,560	304,832	252,991	33,708	-	912,091
Balance at 1 January 2021	**320,560**	**304,832**	**252,991**	**33,708**	**-**	**912,091**
Acquisitions	**-**	**23,538**	**2,115**	**16,808**	-	**42,461**
On FAS 32 Implementation	**-**	**-**	**-**	**-**	**69,582**	**69,582**
Transfer to investment properties (note 13)	**(132,780)**	**-**	**-**	**-**	-	**(132,780)**
Impairment	**(10,160)**	**-**	**-**	**-**	-	**(10,160)**
Disposals	**-**	**(4,705)**	**(5,131)**	**(12,383)**	-	**(22,219)**
Balance at 31 December 2021	**177,620**	**323,665**	**249,975**	**38,133**	**69,582**	**858,975**
Accumulated depreciation and impairment losses:						
Balance at 1 January 2020	9,619	265,785	232,236	11,454	-	519,094
Depreciation charged during the year	756	18,837	5,940	5,800	-	31,333
Disposals	-	(3,107)	(3,772)	(3,583)	-	(10,462)
Balance at 31 December 2020	10,375	281,515	234,404	13,671	-	539,965
Balance at 1 January 2021	**10,375**	**281,515**	**234,404**	**13,671**	**-**	**539,965**
Depreciation charged during the year	**1,227**	**19,910**	**6,407**	**6,556**	**23,416**	**57,516**
Transfer to investment properties (note 13)	**(790)**	**-**	**-**	**-**	-	**(790)**
Disposals	**-**	**(4,701)**	**(4,960)**	**(7,951)**	-	**(17,612)**
Balance at 31 December 2021	**10,812**	**296,724**	**235,851**	**12,276**	**23,416**	**579,079**
Carrying amounts						
Net book value at 31 December 2021	**166,808**	**26,941**	**14,124**	**25,857**	**46,166**	**279,896**
Net book value at 31 December 2020	310,185	23,317	18,587	20,037	-	372,126

15. INTANGIBLE ASSETS

	Goodwill	Customer Relationship	Core Deposits	As at 31 December 2021 QAR'000	As at 31 December 2020 QAR'000
Goodwill and Intangibles					
Balance at 1 January	**443,060**	**492,031**	**135,559**	**1,070,650**	1,599,269
Impairment	**-**	**-**	**-**	**-**	(450,179)
Amortisation	**-**	**(58,750)**	**(19,718)**	**(78,468)**	(78,440)
Carrying amounts	**443,060**	**433,281**	**115,841**	**992,182**	1,070,650

Goodwill

The Group has assumed the carrying value of IBQ financial assets and liabilities as at 21 April 2019 (the date of acquisition) to be equal to the fair value for the purpose of calculating goodwill amount except when it was readily available in the market.

	21 April 2019 QAR'000
Total purchase consideration	4,412,348
Net Assets of IBQ	(4,296,339)
Goodwill on business combination	116,009
Existing goodwill	327,051
Total	**443,060**

The goodwill was attributable to the synergies expected to be achieved from integrating IBQ into the Group. The following approach was followed to estimate the fair value of identifiable intangibles:

Customer relationship

The income approach has been used in estimating the fair value of IBQ customer relationships as an intangible asset as at the Transaction Date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life.

Under the income approach, the Multi-period excess earnings method ("MEEM") has been utilized which is a commonly accepted method for valuing customer relationships. MEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").

The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets.

Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental cash flows attributable to the subject intangible asset are then discounted to their present value.

Core deposits

The incremental profit method under the income approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the Transaction Date. Under this method, the economic benefits earned from the core deposit have been computed over the life of the core deposits considering an attrition rate. Such benefits have then been discounted to the present value considering an appropriate discounting rate. The Incremental profit method utilized is a commonly accepted method for valuing core deposits.

15. INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash-generating unit containing goodwill
For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries and goodwill acquired on IBQ acquisition at Bank level, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU is carried out at each year-end. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. During the year QAR 450.2 million of impairment was recorded on goodwill relating to subsidiaries namely First Finance Company, First Leasing Company and The First Investor. The impairment resulted mainly due to prevailing market conditions because of COVID-19, which impacted cash flow forecast of these subsidiaries. Further deteriorating macro-economic factors and high level of uncertainty also impacted peer multiples under market approach. Due to these factors, the said impairment was accounted considering lowest end of the valuation range resulting in highest level of impairment.

16. OTHER ASSETS

	2021 ***QAR'000***	*2020* *QAR'000*
Positive fair value of risk management instruments	**87,136**	80,311
Prepayments and advances	**20,547**	32,394
Projects under process	**239,805**	124,458
Operating lease receivables	**1,948**	3,404
Sundry debtors	**1,988**	1,786
Others	**80,051**	67,323
	431,475	309,676
Allowance for impairment	**(359)**	(359)
	431,116	309,317

17. DUE TO BANKS

	2021 ***QAR'000***	*2020* *QAR'000*
Commodity Murabaha payable*	**1,130,257**	1,337,297
Wakala payable	**9,174,602**	11,509,631
Due to QCB*	**6,450,000**	6,100,000
Profit payable	**282**	825
	16,755,141	18,947,753

* This includes amount held under repurchase agreements amounting to QAR 7,775.9 million (31 December 2020: QAR 7,686.4 million).

18. CUSTOMER CURRENT ACCOUNTS

	2021 ***QAR'000***	*2020* *QAR'000*
Current accounts by sector:		
- Government & GREs	**812,977**	775,569
- Non-Banking Financial Institutions	**130,811**	137,025
- Corporate	**2,475,547**	3,719,225
- Individuals	**2,781,485**	2,703,668
	6,200,820	7,335,487

19. OTHER LIABILITIES

	2021 ***QAR'000***	*2020* *QAR'000*
Acceptances	**923,898**	586,086
Allowance for impaiment on off balance sheet exposures subject to credit risk *	**298,917**	317,440
Accrued expenses	**201,843**	159,966
Employees' end of service benefits (note 19.1)	**168,868**	143,547
Cash margins	**143,988**	110,842
Unearned commission income	**180,586**	93,079
Sundry creditors	**38,076**	33,529
Negative fair value of risk management instruments	**23,430**	91,093
Others	**579,619**	427,709
	2,559,225	1,963,291

* For stage-wise exposure and allowance for impairment, refer to Note 4.

19.1 Movement in employees' end of service benefits is as follows:

	2021 ***QAR'000***	*2020* *QAR'000*
Balance at 1 January	**143,547**	141,653
Charge for the year	**32,478**	18,718
Paid during the year	**(7,157)**	(16,824)
Balance at 31 December	**168,868**	143,547

20. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2021 ***QAR'000***	*2020* *QAR'000*
Unrestricted investment account holders balance before share of profit (a)	**70,676,723**	46,330,383
Distributable profits for the year (b)	**1,123,607**	875,308
Profit already distributed during the year	**(575,455)**	(660,171)
Profit payable to unrestricted investment account holders	**548,152**	215,137
Share in fair value reserve	**532**	532
Total unrestricted investment account holders balance	**71,225,407**	46,546,052

20. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

By type:		
Saving accounts	**5,972,076**	5,868,654
Call accounts	**2,456,295**	2,329,841
Term accounts	**62,248,352**	38,131,888
Total (a)	**70,676,723**	46,330,383
By sector:		
Government & GREs	**26,327,246**	11,430,908
Non-banking financial institution	**8,853,602**	9,237,390
Individuals	**20,042,251**	14,542,714
Corporate	**15,453,624**	11,119,371
Total (a)	**70,676,723**	46,330,383

	2021 ***QAR'000***	*2020* *QAR'000*
Unrestricted Investment account holders' share of profit for the year	**1,396,245**	915,117
Bank shares as Mudarib	**(1,326,433)**	(869,361)
Owners' contribution	**1,053,795**	829,552
	(272,638)	(39,809)
Distributable profits to unrestricted investment account holders for the year (b)	**1,123,607**	875,308

	For the year ended 31 December	
	2021 ***QAR'000***	*2020* *QAR'000*
Net return breakup as below:		
Saving accounts	**77,382**	78,568
Call accounts	**3,596**	5,613
Term accounts - 1 month	**60,113**	104,176
Term accounts - 3 month	**259,828**	112,433
Term accounts - 6 month	**77,254**	91,131
Term accounts - 9 month	**2,588**	663
Term accounts - 1 year and above	**642,846**	482,724
Total(b)	**1,123,607**	875,308

Movement in share of fair value reserve:

	2021 ***QAR'000***	*2020* *QAR'000*
Balance at 1 January	**532**	237
Share in fair value reserve movement (note 11)	**-**	295
Balance at 31 December	**532**	532

21. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
	2021	2020
In thousands of shares		
Issued	**523,410**	523,410

The authorised share capital of the Bank is 523,410 thousand ordinary shares (31 December 2020: 523,410 thousand ordinary shares), having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2020: 523,410 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 as amended and the Memorandum and Articles of Association of the Group, 10 % (31 December 2020: 10%) of net profit attributable to the owners of the Group for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law and after QCB approval. The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law. During the year ended 31 December 2021, the appropriation made to legal reserve amounts to QAR 119.3 million (31 December 2020: QAR 56.7 million).

(c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total direct credit facilities granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. During the year ended 31 December 2021, the appropriation made to risk reserve amounts to QAR 103.1 million (31 December 2020: QAR 425.1 million).

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates and joint ventures, and should be transferred to a separate reserve account in Owners' equity. Further, the Group can set aside any amount on recommendation of the Board of Directors as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events. Nil appropriation was made under other reserve during the year ended 31 December 2021 (31 December 2020: Nil).

	2021 QAR'000	2020 QAR'000
Undistributed profit from investments in associates and joint ventures	**73,333**	73,333
Contingency reserve	**-**	-
	73,333	73,333

21. OWNERS' EQUITY (CONTINUED)

(e) Treasury shares

Treasury shares represent ordinary shares of Dukhan Bank with nominal value of QAR 10 each. Treasury shares are presented as a deduction from equity.

(f) Proposed dividend

The Board of Directors in their meeting held on 9 March 2022 proposed a cash dividend of 14.0% (31 December 2020: 10.0%) of the paid up share capital amounting to QAR 727.4 million – QAR 1.4 per share (31 December 2020: QAR 520 million – QAR 1.0 per share), which is subject to approval for distribution at the Annual General Meeting of the shareholders of the Group.

22. NON-CONTROLLING INTERESTS

This represents non-controlling interests in a Group's subsidiary.

23. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

In 2021, the Group issued a perpetual, unsecured, subordinated sukuk eligible as additional tier 1 capital amounting to USD 500 million listed in London Stock Exchange. The sukuk is unsecured and the profit distributions are non-cumulative, payable semi-annually at an agreed expected profit rate of 3.950% and are made at the discretion of Dukhan Bank. The Group has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The applicable profit rate has a reset date as per the terms of the agreement of the issued sukuks. The sukuk does not have a maturity date and have been classified as equity.

24. NET INCOME FROM FINANCING ACTIVITIES

	2021 ***QAR'000***	*2020* *QAR'000*
Murabaha	**2,528,736**	2,303,245
Ijarah	**179,590**	209,237
Istisna	**40,653**	58,333
Musawama	**96,396**	103,488
Others	**87,302**	107,857
	2,932,677	2,782,160

25. NET INCOME FROM INVESTING ACTIVITIES

	2021 ***QAR'000***	*2020* *QAR'000*
Coupon income from investment in debt-type instruments, net of amortisation	**602,268**	611,580
Income from inter-bank and murabaha placements with Islamic banks	**10,380**	30,663
Dividend income	**41,688**	35,447
Net gain on sale of debt-type investments	**22,832**	3,346
Net gain on sale of equity-type investments	**6,471**	1,802
Net fair value and capital (loss) / gain on investment securities carried as fair value through income statement	**(1,363)**	249
Other income	**-**	18
	682,276	683,105

26. NET FEE AND COMMISSION INCOME

	2021	2020
	QAR'000	*QAR'000*
Management and other fee income	**142,202**	159,621
Commission income	**101,556**	92,081
Advisory fee income	**945**	815
Structuring and placement fee	**373**	455
Performance fee income	**814**	1,033
	245,890	254,005
Commission expense	**(86,546)**	(65,838)
Net fee and commission income	**159,344**	188,167

27. STAFF COSTS

	2021	2020
	QAR'000	*QAR'000*
Basic salaries	**148,300**	162,970
Housing allowance	**48,457**	52,688
Staff indemnity costs	**32,478**	18,718
Transport allowance	**28,428**	30,342
Education fee	**13,701**	12,273
Medical expenses	**9,389**	11,133
Social Allowance	**7,636**	7,620
Others	**131,669**	120,718
	420,058	416,462

28. OTHER EXPENSES

	2021	2020
	QAR'000	*QAR'000*
IT expenses	**44,723**	33,989
Utility and services	**32,844**	34,394
Advertising and marketing expenses	**22,000**	27,540
Legal and professional fees	**21,534**	11,707
Rent	**19,125**	46,973
Board of Directors' remuneration	**17,100**	17,100
Government fee and charges	**9,693**	540
Repair and maintenance	**7,362**	7,938
Travel expenses	**133**	163
Other expenses	**51,558**	42,504
	226,072	222,848

29. CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities

	2021 QAR'000	*2020 QAR'000*
Unused credit facilities	**17,111,413**	17,424,667
Guarantees	**18,451,919**	18,569,351
Letters of credit	**2,233,924**	2,096,827
	37,797,256	38,090,845

b) Commitments

	2021 QAR'000	*2020 QAR'000*
Profit rate swaps	**2,481,427**	2,492,703
Options	**865,362**	706,692
Other risk management instruments - WAAD	**18,054,183**	3,815,314
	21,400,972	7,014,709

Unused facilities

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

Guarantees and Letters of credit

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

Lease commitments

The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	2021 QAR'000	*2020 QAR'000*
Within one year	**5,647**	41,253
After one year but not more than five years	**2,952**	89,087

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

Geographical sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

31 December 2021	*Qatar* *QAR'000*	*Other GCC* *QAR'000*	*Europe* *QAR'000*	*North America* *QAR'000*	*Others* *QAR'000*	*Total* *QAR'000*
Assets						
Cash and balances with central bank	**7,245,842**	**-**	**-**	**-**	**-**	**7,245,842**
Due from banks	**3,249,674**	**28,356**	**292,569**	**1,972,870**	**15,511**	**5,558,980**
Financing assets	**70,990,019**	**70,846**	**2,242,526**	**731,997**	**1,186,319**	**75,221,707**
Investment securities	**18,893,224**	**1,037,969**	**-**	**-**	**868,427**	**20,799,620**
Investment in associates and joint ventures	**59,627**	**2,930**	**-**	**-**	**-**	**62,557**
Investment property	**135,254**	**-**	**-**	**-**	**-**	**135,254**
Intangible assets	**992,182**	**-**	**-**	**-**	**-**	**992,182**
Fixed assets	**279,896**	**-**	**-**	**-**	**-**	**279,896**
Other assets	**415,018**	**-**	**16,098**	**-**	**-**	**431,116**
Total assets	**102,260,736**	**1,140,101**	**2,551,193**	**2,704,867**	**2,070,257**	**110,727,154**
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	**14,587,620**	**1,033,686**	**950,321**	**182,145**	**1,369**	**16,755,141**
Customer current accounts	**6,167,193**	**9,755**	**20,705**	**234**	**2,933**	**6,200,820**
Other liabilities	**2,543,127**	**-**	**16,098**	**-**	**-**	**2,559,225**
Total liabilities	**23,297,940**	**1,043,441**	**987,124**	**182,379**	**4,302**	**25,515,186**
Equity of unrestricted investment account holders	**55,673,453**	**20,641**	**9,020,274**	**3,887,265**	**2,623,774**	**71,225,407**
Total liabilities and equity of unrestricted investment account holders	**78,971,393**	**1,064,082**	**10,007,398**	**4,069,644**	**2,628,076**	**96,740,593**

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

31 December 2020	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*North America QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets						
Cash and balances with central bank	3,367,553	-	-	-	-	3,367,553
Due from banks	5,422,481	14,727	132,577	286,358	35,645	5,891,788
Financing assets	54,068,710	187,838	2,141,330	732,436	1,406,678	58,536,992
Investment securities	14,833,891	897,732	36,471	-	893,069	16,661,163
Investment in associates and joint ventures	80,605	2,930	-	-	-	83,535
Investment property	3,497	-	-	-	-	3,497
Intangible assets	1,070,650	-	-	-	-	1,070,650
Fixed assets	372,126	-	-	-	-	372,126
Other assets	298,288	-	11,029	-	-	309,317
Total assets	79,517,801	1,103,227	2,321,407	1,018,794	2,335,392	86,296,621
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	16,851,984	1,689	941,379	182,228	970,473	18,947,753
Customer current accounts	7,314,180	4,635	11,232	26	5,414	7,335,487
Other liabilities	1,952,262	-	11,029	-	-	1,963,291
Total liabilities	26,118,426	6,324	963,640	182,254	975,887	28,246,531
Equity of unrestricted investment account holders	37,839,353	26,356	5,760,126	1,271	2,918,946	46,546,052
Total liabilities and equity of unrestricted investment account holders	63,957,779	32,680	6,723,766	183,525	3,894,833	74,792,583

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into industrial sectors regions:

31 December 2021	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with central bank	-	-	-	7,245,842	-		7,245,842
Due from banks	-	-	-	5,558,980	-		5,558,980
Financing assets	18,390,251	5,208,472	636,051	-	11,770,967	39,215,966	75,221,707
Investment securities	175,245	69,198	-	2,049,118	-	18,506,059	20,799,620
Investment in associates and joint ventures	59,626	2,930	-	-	-	1	62,557
Investment property	135,254	-	-	-	-	-	135,254
Intangible assets	-	-	-	992,182	-	-	992,182
Fixed assets	-	-	-	-	-	279,896	279,896
Other assets	-	-	-	87,136	-	343,980	431,116
Total assets	18,760,376	5,280,600	636,051	15,933,258	11,770,967	58,345,902	110,727,154
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	16,755,141	-	-	16,755,141
Customer current accounts	209,596	584,288	1,324	126,558	2,657,056	2,621,998	6,200,820
Other liabilities	-	660,539	-	34,341	518	1,863,827	2,559,225
Total liabilities	209,596	1,244,827	1,324	16,916,040	2,657,574	4,485,825	25,515,186
Equity of unrestricted investment account holders	4,009,618	2,410,662	4,061,470	8,853,602	15,453,624	36,436,431	71,225,407
Total liabilities and equity of unrestricted investment account holders	4,219,214	3,655,489	4,062,794	25,769,642	18,111,198	40,922,256	96,740,593

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector (continued)

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into industrial sectors regions:

31 December 2020	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with central bank	-	-	-	3,367,553	-	-	3,367,553
Due from banks	-	-	-	5,891,788	-	-	5,891,788
Financing assets	16,674,655	4,166,355	814,052	-	10,565,602	26,316,328	58,536,992
Investment securities	121,149	77,241	-	2,203,717	-	14,259,056	16,661,163
Investment in associates and joint ventures	63,969	2,930	-	-	-	16,636	83,535
Investment property	3,497	-	-	-	-	-	3,497
Intangible assets	-	-	-	1,070,650	-	-	1,070,650
Fixed assets	-	-	-	-	-	372,126	372,126
Other assets	-	-	-	80,311	-	229,006	309,317
Total assets	16,863,270	4,246,526	814,052	12,614,019	10,565,602	41,193,152	86,296,621
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	18,947,753	-	-	18,947,753
Customer current accounts	295,351	1,071,386	3,575	137,025	2,700,703	3,127,447	7,335,487
Other liabilities	-	449,824	-	26,583	104	1,486,780	1,963,291
Total liabilities	295,351	1,521,210	3,575	19,111,361	2,700,807	4,614,227	28,246,531
Equity of unrestricted investment account holders	1,164,729	1,825,416	800,015	9,237,391	14,539,498	18,979,003	46,546,052
Total liabilities and equity of unrestricted investment account holders	1,460,080	3,346,626	803,590	28,348,752	17,240,305	23,593,230	74,792,583

31. MATURITY PROFILE

31 December 2021	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months - 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	3,863,411	-	-	-	3,382,431	7,245,842
Due from banks	5,439,924	-	82,444	-	36,612	5,558,980
Financing assets	6,780,368	7,354,057	3,983,194	10,561,125	46,542,963	75,221,707
Investment securities	1,498,117	259,209	1,009,136	6,338,032	11,695,126	20,799,620
Investment in associates and joint ventures	-	-	-	-	62,557	62,557
Investment property	-	-	-	-	135,254	135,254
Intangible assets	-	-	-	-	992,182	992,182
Fixed assets	-	-	-	15,472	264,424	279,896
Other assets	87,188	26,199	317,729	-	-	431,116
Total financial assets	**17,669,008**	**7,639,465**	**5,392,503**	**16,914,629**	**63,111,549**	**110,727,154**
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	14,591,624	984,115	49,145	1,046,030	84,227	16,755,141
Customer current accounts	6,200,820	-	-	-	-	6,200,820
Other liabilities	997,481	1,392,876	-	-	168,868	2,559,225
Total liabilities	**21,789,925**	**2,376,991**	**49,145**	**1,046,030**	**253,095**	**25,515,186**
Equity of unrestricted investment account holders	**43,740,338**	**7,458,601**	**10,526,153**	**9,492,315**	**8,000**	**71,225,407**
Total liabilities and equity of unrestricted investment account holders	**65,530,263**	**9,835,592**	**10,575,298**	**10,538,345**	**261,095**	**96,740,593**
Maturity gap	**(47,861,255)**	**(2,196,127)**	**(5,182,795)**	**6,376,284**	**62,850,454**	**13,986,561**

31. MATURITY PROFILE (CONTINUED)

31 December 2020	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months – 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	1,132,753	-	-	-	2,234,800	3,367,553
Due from banks	5,518,982	272,846	-	99,960	-	5,891,788
Financing assets	9,622,445	10,952,977	1,674,543	7,021,831	29,265,196	58,536,992
Investment securities	1,110,018	290,210	690,000	5,822,767	8,748,168	16,661,163
Investment in associates and joint ventures	-	-	-	-	83,535	83,535
Investment property	-	-	-	-	3,497	3,497
Intangible assets	-	-	-	-	1,070,650	1,070,650
Fixed assets	-	-	-	19,250	352,876	372,126
Other assets	209,898	29,271	70,148	-	-	309,317
Total financial assets	17,594,096	11,545,304	2,434,691	12,963,808	41,758,722	86,296,621
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	13,297,989	4,920,546	-	729,218	-	18,947,753
Customer current accounts	7,335,487	-	-	-	-	7,335,487
Other liabilities	714,137	1,105,607	-	-	143,547	1,963,291
Total liabilities	21,347,613	6,026,153	-	729,218	143,547	28,246,531
Equity of unrestricted investment account holders	29,329,847	5,867,255	7,603,086	3,738,404	7,460	46,546,052
Total liabilities and equity of unrestricted investment account holders	50,677,460	11,893,408	7,603,086	4,467,622	151,007	74,792,583
Maturity gap	(33,083,364)	(348,104)	(5,168,395)	8,496,186	41,607,715	11,504,038

32. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share ("EPS") is calculated by dividing the net profit for the year attributable to the owners of the Group by the weighted average number of ordinary shares in issue during the year.

	2021 ***QAR'000***	*2020* *QAR'000*
Net profit for the year attributable to the owners of the Group	**1,193,393**	566,608
Less: Profit attributable to sukuk eligible as additional capital	**(32,963)**	-
Net profit for EPS computation	**1,160,430**	566,608
Weighted average number of outstanding shares	**519,575**	519,575
Basic and diluted earning per share (QAR)	**2.23**	1.09

The weighted average number of shares have been calculated as follows:

	2021 ***QAR'000***	*2020* *QAR'000*
Weighted average number of shares from beginning	**523,410**	523,410
Treasury shares	**(3,835)**	(3,835)
Weighted average number of shares	**519,575**	519,575

33. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with maturities of less than three months:

	2021 ***QAR'000***	*2020* *QAR'000*
Cash and balances with Qatar Central Bank (excluding QCB restricted reserve account)	**3,863,411**	1,132,753
Due from banks	**5,439,924**	5,518,982
	9,303,335	6,651,735

34. 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 the significant owners' and entities over which the Group and the owners' exercise significant influence, directors and executive management of the Group. All transactions conducted with related parties are at arm's length. The related party transactions and balances included in these consolidated financial statements are as follows:

	31 December 2021		
	Subsidiaries QAR'000	***Board of directors QAR'000***	***Others QAR'000***
Assets:			
Customer financing	**-**	**5,464,360**	**-**
Liabilities:			
Customer deposits	**567,466**	**1,333,655**	**3,742,212**
Off balance sheet items:			
Unfunded credit facilities	**16,866**	**376,991**	**-**

34. RELATED PARTIES (CONTINUED)

	31 December 2020		
	Subsidiaries QAR'000	*Board of directors QAR'000*	*Others QAR'000*
Assets:			
Customer financing	-	4,854,194	-
Liabilities:			
Customer deposits	630,966	1,247,641	3,377,413
Off balance sheet items:			
Unfunded credit facilities	21,608	454,435	-

Consolidated statement of income items for the year ended in the same order as above:

	31 December 2021			*31 December 2020*		
	QAR'000	***QAR'000***	***QAR'000***	*QAR'000*	*QAR'000*	*QAR'000*
Profit income	**-**	**189,393**	**-**	-	177,674	-
Profit expense	**10,951**	**29,190**	**43,481**	15,406	11,044	115,671

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as:

	2021 QAR'000	*2020 QAR'000*
Financing to key management personel	**8,946**	13,015

Key management personnel compensation comprised as:

	2021 QAR'000	*2020 QAR'000*
Short-term employee benefits	**65,664**	62,652
Post-employment benefits	**6,114**	4,920
	71,778	67,572

35. RISK MANAGEMENT INSTRUMENTS

	Positive fair value QAR'000	*Negative fair value QAR'000*	*Notional amount QAR'000*	*Notional / expected amount by term to maturity*			
				within 3 months QAR'000	*3 - 12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
At 31 December 2021:							
Risk management instruments:							
Profit rate swaps*	**12,340**	**(12,340)**	**2,481,427**	**-**	**-**	**2,481,427**	**-**
Options	**3,758**	**(3,758)**	**865,362**	**28,481**	**53,582**	**783,299**	**-**
Forward foreign exchange contracts	**71,038**	**(7,332)**	**18,054,183**	**1,659,627**	**12,018,784**	**4,375,772**	**-**
Total	**87,136**	**(23,430)**	**21,400,972**	**1,688,108**	**12,072,366**	**7,640,498**	**-**

**Profit rate swaps are subject to IBOR transition.*

At 31 December 2020:							
Risk management instruments:							
Profit rate swaps	10,099	(10,099)	2,492,703	-	-	2,492,703	-
Options	930	(930)	706,692	-	388	706,304	-
Forward foreign exchange contracts	69,282	(80,064)	3,815,314	1,637,528	1,786,506	391,280	-
Total	80,311	(91,093)	7,014,709	1,637,528	1,786,894	3,590,287	-

36. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners, in accordance with the Articles of Association.

37. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Shari'a Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

38. ASSETS UNDER MANAGEMENT

Assets under management represent the funds belonging to Group's customers, for which it has assumed investment management responsibilities in accordance with the terms and conditions of the investment agreement entered into with the customers. Such funds are invested on behalf of the customers by the Group, acting as an agent or a trustee, and accordingly such funds and the attributable investment gains or losses are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or fee. As at 31 December 2021, such assets total was QAR 3.9 billion (31 December 2020: QAR 3.1 billion). However, of such assets, QAR 2,870.3 million (31 December 2020: QAR 1,889.0 million) was held in a fiduciary capacity.

39. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current year. However, such reclassification did not have any effect on the consolidated net profit or the consolidated owners' equity for the comparative year.

40. IMPACT OF COVID-19

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

In addition, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group 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.

The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2021:

i. Expected credit losses

a) Reasonableness of Forward-Looking Information and probability weights:
The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2021. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightings assigned to these scenarios.

40. IMPACT OF COVID-19 (CONTINUED)

i. Expected credit losses (continued)

a) Reasonableness of Forward-Looking Information and probability weights (continued):
Vasicek Merton Single Factor Model has been deployed to convert the TTC PDs to a PiT PD term structure. This model employs a macroeconomic index to incorporate the forward-looking macroeconomic variables that are relevant to the different portfolios. The output of the model is the forecast of the expected point-in-time probability of defaults for the credit portfolio of the Bank. As of 31 December 2021, Gross domestic product (%Change), Volume of exports of goods (%Change) and General government total expenditure (as a % of GDP) have been considered as the relevant macroeconomic variables for the corporate portfolio. For the Retail Portfolio, Inflation (%Change) and Gross domestic product (%Change) have been used. These variables have been sourced for Qatar from IMF (World Economic Outlook): i) Gross domestic product (%Change) is 3.96 and 2.63 for 2022 and 2023 respectively; ii) Volume of exports of goods (%Change) is 1.51 and 1.79 for 2022 and 2023 respectively; iii) General government total expenditure (as a % of GDP) is 30.76 and 28.25 for 2022 and 2023 respectively; iv) Inflation (%Change) is 3.18 and 2.39 for 2022 and 2023 respectively. These multiple macroeconomic variables have been statistically integrated (Principal Component Analysis) to create a single macroeconomic index. The ECL has been calculated as probability weighted figure for three scenarios viz.; Baseline, Extreme Downside and Improved with 65%, 25% and 10% weightings respectively. The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue. In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

b) Identifying significant increase in credit risk (SICR):
During 2020, the Group has delayed repayments for the affected sectors, that payment delay may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger an SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers due to the effect of Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constrains and a change in its lifetime credit risk.

The Group continues to assess borrowers for other indicators of unlikeliness 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.

ii. Valuation estimates and judgements

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

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments for the affected sectors. The accounting impact of the onetime extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of AAOIFI AAB 1-/2020 " Accounting implications of the impact of COVID- 19 pandemic".

iv. Accounting for zero rate repo facility

The QCB has encouraged banks to defer existing repayments of principal and profit due and extend new financing to affected sectors at reduced rates. It has extended support to all local banks to avail repo facilities at zero cost as well as providing guarantees in some cases from the Government of the State of Qatar to support the affected sectors. The benefit arising out from the zero rate repos was not considered to be material for the year ended 31 December 2021.

PARENT BANK

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

i. STATEMENT OF FINANCIAL POSITION OF THE PARENT

As at 31 December	*2021* *QAR'000*	*2020* *QAR'000*
ASSETS		
Cash and balances with Qatar Central Bank	**7,245,655**	3,367,031
Due from banks	**5,546,523**	5,881,220
Financing assets	**74,157,067**	57,400,245
Investment securities	**20,544,010**	16,456,075
Investment in subsidiaries and associates	**2,369,322**	2,376,986
Investment property	**131,990**	-
Intangible assets	**665,131**	743,599
Fixed assets	**216,796**	311,523
Other assets	**412,002**	291,668
TOTAL ASSETS	**111,288,496**	86,828,347
LIABILITIES		
Due to banks	**16,755,141**	18,947,753
Customer current accounts	**6,203,805**	7,336,080
Other liabilities	**2,476,202**	1,899,186
TOTAL LIABILITIES	**25,435,148**	28,183,019
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	**71,789,888**	47,175,893
OWNERS' EQUITY		
Share capital	**5,234,100**	5,234,100
Legal reserve	**4,449,812**	4,270,626
Treasury shares	**(26,550)**	(26,550)
Risk reserve	**1,338,716**	1,235,629
Fair value reserve	**(8,937)**	(30,630)
Retained earnings	**1,255,569**	786,260
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**12,242,710**	11,469,435
Sukuk eligible as additional capital	**1,820,750**	-
TOTAL OWNERS' EQUITY	**14,063,460**	11,469,435
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**111,288,496**	86,828,347

ii. INCOME STATEMENT OF THE PARENT

For the year ended 31 December	*2021* QAR'000	*2020* QAR'000
Net income from financing activities	**2,811,456**	2,650,516
Net income from investing activities	**672,961**	676,128
Total net income from financing and investing activities	**3,484,417**	3,326,644
Fee and commission income	**232,495**	244,125
Fee and commission expense	**(86,546)**	(65,838)
Net fee and commission income	**145,949**	178,287
Net foreign exchange gain	**169,548**	143,401
Dividend from subsidiaries	**191,745**	255,660
Other income	**98,276**	-
Total income	**4,089,935**	3,903,992
Staff costs	**(381,087)**	(371,723)
Depreciation	**(125,422)**	(101,264)
Other expenses	**(190,661)**	(194,946)
Finance cost	**(77,105)**	(190,603)
Total expenses	**(774,275)**	(858,536)
Net impairment reversal / (loss) on due from banks	**85**	(25)
Net impairment loss on financing assets	**(890,025)**	(885,313)
Net impairment reversal / (loss) on investments	**58**	(4,926)
Net impairment loss on fixed assets	**(10,160)**	-
Net impairment loss on an associate	**(7,664)**	(12,400)
Net impairment reversal on off balance sheet exposures subject to credit risk	**18,523**	14,943
Profit for the year before return to unrestricted investment account holders	**2,426,477**	2,157,735
Net return to unrestricted investment account holders	**(1,134,558)**	(890,714)
Net profit for the year before tax	**1,291,919**	1,267,021
Tax expense	**(1,750)**	(1,320)
Net profit for the year	**1,290,169**	1,265,701

DUKHAN BANK Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (REVIEWED)

DUKHAN BANK Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months period ended 30 June 2022

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Building a better working world

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External Auditors (License No. 120154)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF DUKHAN BANK Q.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dukhan Bank Q.P.S.C. ("the Bank") and its subsidiaries (together referred to as the "Group") at 30 June 2022, comprising of the interim consolidated statement of financial position as at 30 June 2022, and the related interim consolidated statement of income for the three month and six month periods ended 30 June 2022, interim consolidated statement of changes in owner's equity, interim consolidated statement of cash flows and interim consolidated statement of changes in restricted investment accounts for the six months period then ended, and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by Qatar Central Bank ("QCB"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by ("AAOIFI") as modified by Qatar Central Bank ("QCB").

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

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ص.ب : ١٦٤، الدوحة - قطر

Date: 7 July 2022
Doha

DUKHAN BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Notes	30 June 2022 (Reviewed) QAR '000	31 December 2021 (Audited) QAR '000
ASSETS			
Cash and balances with Qatar Central Bank	7	**6,048,377**	7,245,842
Due from banks	8	**1,349,821**	5,558,980
Financing assets	9	**74,009,444**	75,221,707
Investment securities	10	**19,929,560**	20,799,620
Investment in associates and joint ventures	11	**63,441**	62,557
Investment properties		**135,137**	135,254
Fixed assets		**265,739**	279,896
Intangible assets	16	**952,948**	992,182
Other assets		**950,084**	431,116
TOTAL ASSETS		**103,704,551**	110,727,154
LIABILITIES			
Due to banks	12	**14,439,592**	16,755,141
Customers current accounts		**6,926,182**	6,200,820
Other liabilities		**2,867,080**	2,559,225
TOTAL LIABILITIES		**24,232,854**	25,515,186
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	13	**65,578,436**	71,225,407
OWNERS' EQUITY			
Share capital	14(a)	**5,234,100**	5,234,100
Legal reserve	14(b)	**4,449,812**	4,449,812
Treasury shares	14(e)	**(38,350)**	(38,350)
Risk reserve	14(c)	**1,338,716**	1,338,716
Fair value reserve	10	**(102,442)**	(27,098)
Other reserves	14(d)	**73,333**	73,333
Retained earnings		**1,117,251**	1,135,207
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**12,072,420**	12,165,720
Non-controlling interests		**91**	91
Sukuk eligible as additional capital	21	**1,820,750**	1,820,750
TOTAL OWNERS' EQUITY		**13,893,261**	13,986,561
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**103,704,551**	110,727,154

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These interim condensed consolidated financial statements were approved by the Board of Directors on 6 July 2022 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

DUKHAN BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the six months period ended 30 June 2022

	Notes	*For the three month period ended 30 June* **2022 (Reviewed) QAR'000**	*2021 (Reviewed) QAR'000*	*For the six month period ended 30 June* **2022 (Reviewed) QAR'000**	*2021 (Reviewed) QAR'000*
Net income from financing activities		**724,332**	737,545	**1,460,406**	1,382,718
Net income from investing activities		**178,563**	162,399	**366,999**	348,983
Total net income from financing and investing activities		**902,895**	899,944	**1,827,405**	1,731,701
Fee and commission income		**80,751**	56,616	**164,467**	113,506
Fee and commission expense		**(25,951)**	(20,323)	**(50,740)**	(38,709)
Net fee and commission income		**54,800**	36,293	**113,727**	74,797
Net foreign exchange gain		**49,512**	39,682	**123,456**	75,115
Share of results of associates and joint ventures	11	**496**	(1,384)	**884**	(4,305)
Other income		**2,783**	8,533	**8,244**	51,586
Total income		**1,010,486**	983,068	**2,073,716**	1,928,894
Staff costs		**(101,321)**	(98,133)	**(207,156)**	(193,733)
Depreciation and amortisation		**(34,428)**	(33,493)	**(67,802)**	(67,152)
Other expenses		**(44,544)**	(46,887)	**(84,133)**	(98,950)
Finance cost		**(19,646)**	(25,315)	**(27,137)**	(52,369)
Total expenses		**(199,939)**	(203,828)	**(386,228)**	(412,204)
Net impairment loss on financing assets	4(c)	**(141,116)**	(167,168)	**(320,930)**	(426,071)
Net impairment (loss) / reversal on due from banks	4(c)	**(345)**	54	**(399)**	22
Net Impairment reversal on investment securities	4(c)	**9,440**	-	**9,643**	58
Net impairment (loss) / reversal on off balance sheet exposures subject to credit risk	4(c)	**(9,624)**	(11,873)	**(11,883)**	3,702
		(141,645)	(178,987)	**(323,569)**	(422,289)
Profit for the period before return to unrestricted investment account holders		**668,902**	600,253	**1,363,919**	1,094,401
Return to unrestricted investment account holders	13	**(314,924)**	(280,737)	**(617,250)**	(507,662)
Net profit for the period before tax		**353,978**	319,516	**746,669**	586,739
Tax expense		**(710)**	(450)	**(1,260)**	(1,000)
Net profit for the period		**353,268**	319,066	**745,409**	585,739
Net profit for the period attributable to:					
Equity holders of the Bank		**353,268**	319,066	**745,409**	585,739
Non-controlling interests		**-**	-	**-**	-
Net profit for the period		**353,268**	319,066	**745,409**	585,739
Earnings per share					
Basic and diluted earnings per share (QAR per share)	17	**0.65**	0.61	**1.37**	1.13

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The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

For the six months period ended 30 June 2022	*Share capital QAR '000*	*Legal Reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Sukuk eligible as additional capital QAR '000*	*Total owners' equity QAR '000*
Balance at 1 January 2022 (Audited)	**5,234,100**	**4,449,812**	**(38,350)**	**1,338,716**	**(27,098)**	**73,333**	**1,135,207**	**12,165,720**	**91**	**1,820,750**	**13,986,561**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**745,409**	**745,409**	**-**	**-**	**745,409**
Fair value reserve movement (Note 10)	**-**	**-**	**-**	**-**	**(75,344)**	**-**	**-**	**(75,344)**	**-**	**-**	**(75,344)**
Total recognised income for the period	**-**	**-**	**-**	**-**	**(75,344)**	**-**	**745,409**	**670,065**	**-**	**-**	**670,065**
Profit paid on Sukuk eligible as additional capital (Note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**(35,960)**	**(35,960)**	**-**	**-**	**(35,960)**
Dividend paid (Note 14(f))	**-**	**-**	**-**	**-**	**-**	**-**	**(727,405)**	**(727,405)**	**-**	**-**	**(727,405)**
Balance at 30 June 2022 (Reviewed)	**5,234,100**	**4,449,812**	**(38,350)**	**1,338,716**	**(102,442)**	**73,333**	**1,117,251**	**12,072,420**	**91**	**1,820,750**	**13,893,261**

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DUKHAN BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the six months period ended 30 June 2022

For the six month period ended 30 June 2021	*Share capital QAR '000*	*Legal Reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Total owners' equity QAR '000*
Balance as at 1 January 2021 (Audited)	5,234,100	4,330,473	(38,350)	1,235,629	(24,621)	73,333	693,383	11,503,947	91	11,504,038
Net profit for the period	-	-	-	-	-	-	585,739	585,739	-	585,739
Fair value reserve movement	-	-	-	-	21,986	-	-	21,986	-	21,986
Transferred to retained earnings on disposal of equity-type instruments classified as fair value through equity	-	-	-	-	9,728	-	(9,728)	-	-	-
Share of comprehensive income of associates	-	-	-	-	1,058	-	-	1,058	-	1,058
Total recognised income for the period	-	-	-	-	32,772	-	576,011	608,783	-	608,783
Dividend paid (Note 14(f))	-	-	-	-	-	-	(519,575)	(519,575)	-	(519,575)
Balance at 30 June 2021 (Reviewed)	5,234,100	4,330,473	(38,350)	1,235,629	8,151	73,333	749,819	11,593,155	91	11,593,246

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DUKHAN BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months period ended 30 June 2022

	Notes	*For the six months period ended 30 June* 2022 (Reviewed) QAR '000	2021 (Reviewed) QAR '000
Cash flows from operating activities			
Net profit for the period before tax		**746,669**	586,739
Adjustments for:			
Net impairment loss / (reversal) on due from banks	4(c)	**399**	(22)
Net impairment loss / (reversal) on off balance sheet exposures subject to credit risk	4(c)	**11,883**	(3,702)
Net impairment loss on financing assets	4(c)	**320,930**	426,071
Net impairment reversal on investment securities	4(c)	**(9,643)**	(58)
Depreciation and amortisation		**67,802**	67,152
Employees' end of service benefits provision		**11,262**	8,733
Net gain on sale of investment securities		**(4,504)**	(26,897)
Dividend income		**(23,374)**	(19,159)
Gain on disposal of fixed assets		**(938)**	(1,134)
Share of results of associates and joint ventures	11	**(884)**	4,305
Profit before changes in operating assets and liabilities		**1,119,602**	1,042,028
Change in reserve account with Qatar Central Bank		**105,644**	(834,739)
Change in due from banks		**(27,302)**	228,093
Change in financing assets		**891,333**	(20,467,899)
Change in other assets		**(518,968)**	(71,472)
Change in due to banks		**(2,315,549)**	(2,067,109)
Change in customer current accounts		**725,362**	(240,455)
Change in other liabilities		**291,952**	326,531
		272,074	(22,085,022)
Dividends received		**23,374**	19,159
Tax paid		**(1,723)**	-
Employees' end of service benefits paid		**(6,779)**	(3,386)
Net cash from / (used in) operating activities		**286,946**	(22,069,249)
Cash flows from investing activities			
Acquisition of investments, net		**(220,869)**	(1,227,881)
Sale proceeds from Investment		**1,029,849**	1,286,711
Acquisition of fixed and intangible assets		**(15,881)**	(24,709)
Proceeds from sale of fixed assets		**2,408**	4,088
Net cash from investing activities		**795,507**	38,209
Cash flows from financing activities			
Change in unrestricted investment account holders		**(5,646,971)**	17,433,729
Profit paid on Sukuk eligible as additional capital		**(35,960)**	-
Dividend paid		**(727,405)**	(519,575)
Net cash (used in) / from financing activities		**(6,410,336)**	16,914,154
Net decrease in cash and cash equivalents		**(5,327,883)**	(5,116,886)
Cash and cash equivalents at 1 January		**9,303,335**	6,651,735
Cash and cash equivalents at 30 June	19	**3,975,452**	1,534,849

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The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

For the six months period ended 30 June 2022			***Movements during the period***				
	At 1 January 2022 (Audited) Total value QAR '000	***Investment / (withdrawal) QAR '000***	***Revaluation QAR '000***	***Gross Income QAR '000***	***Dividends paid QAR '000***	***Group's fee as an agent QAR '000***	***At 30 June 2022 (Reviewed) Total value QAR '000***
Discretionary Portfolio Management	**590,611**	**5,935**	**12,684**	**-**	**-**	**-**	**609,230**
Other Restricted Wakalas	**2,230,438**	**262,893**	**87,878**	**35,833**	**(35,833)**	**-**	**2,581,209**
	2,821,049	**268,828**	**100,562**	**35,833**	**(35,833)**	**-**	**3,190,439**

For the six month period ended 30 June 2021			*Movements during the period*				
	At 1 January 2021 (Audited) Total value QAR '000	*Investment / (withdrawal) QAR '000*	*Revaluation QAR '000*	*Gross Income QAR '000*	*Dividends paid QAR '000*	*Group's fee as an agent QAR '000*	*At 30 June 2021 (Reviewed) Total value QAR '000*
Discretionary Portfolio Management	275,674	73,000	5,561	13,030	-	-	367,265
Other Restricted Wakalas	780,249	134,929	4,560	-	-	-	919,738
	1,055,923	207,929	10,121	13,030	-	-	1,287,003

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The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

1. REPORTING ENTITY

Dukhan Bank was incorporated as a Qatari Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). Dukhan Bank (the "Bank") commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2007. On 21 March 2019, the Bank changed its status from Qatari Shareholding Company to Qatari Private Shareholding Company (Q.P.S.C.) following the approval from the shareholders and the Ministry of Business and Trade, State of Qatar. The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in financing, investing and advisory activities in accordance with Islamic Shari'a rules as determined by the Shari'a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

On 12 August 2018, the Bank and International Bank of Qatar ("IBQ") entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by shareholder of both banks at respective extraordinary general meetings in December 2018. On 21 April 2019 (the effective date), the merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the Central Bank Law, Article 278 of the Companies Law, and the Merger Agreement. On the effective date, the assets and liabilities of IBQ has been assumed by Dukhan Bank in consideration for the issue of new Dukhan Bank shares to existing IBQ shareholders. Upon the merger becoming effective, IBQ has been dissolved as a legal entity pursuant to the provisions of Article 291 of the Companies Law. The combined bank retains Dukhan Bank's legal registrations and licenses and continued to be a Shari'a compliant entity. The merger transaction has been executed through a share swap, with the IBQ shareholders receiving 2.031 Dukhan Bank shares for each of the IBQ share they hold. Following the issuance of the new Dukhan Bank shares, shareholders of the Bank own approximately 57% of the combined bank and IBQ shareholders own approximately 43%.

The Bank operates through its head office situated on Grand Hamad Street, Doha and its 9 branches in the State of Qatar. The Bank post completion of merger is now 24.48% owned by General Retirement and Social Insurance Authority, 11.67% by Military Pension Fund (Qatar), and 6.96% by Qatar Holding, strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; and remaining shares are owned by several individuals, Corporates and Government related entities. The Bank rebranded itself from Barwa Bank to Dukhan Bank during October 2020 post obtaining necessary approvals as per the State of Qatar applicable laws and regulations.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	***Country of incorporation***	***Year of incorporation***	***Percentage of ownership as at***	
			30 June 2022	*31 December 2021*
The First Investor Q.P.S.C. ("TFI")	Qatar	1999	**100%**	100%
First Finance Company Q.P.S.C. ("FFC")	Qatar	1999	**100%**	100%
First Leasing Company Q.P.S.C ("FLC")	Qatar	2008	**100%**	100%
BBG Sukuk limited	Cayman Islands	2015	**100%**	100%
BB Islamic Derivatives	Cayman Islands	2018	**100%**	100%
Dukhan Tier-1 Sukuk Limited	Cayman Islands	2021	**100%**	100%

BB Islamic Derivatives was incorporated in the Cayman Islands to engage in conducting derivative transactions on behalf of the Group. The business description and principal activities of each of the above listed subsidiaries is consistent with the explanation as provided in the 31 December 2021 year-end audited financial statements.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors passed on 6 July 2022.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated financial statements have been prepared using accounting policies which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021, except for adoption of new standards effective from 1 January 2022 as stated in note 3. These interim condensed consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard ("IFRS"). Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 'Interim Financial Reporting'.

QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at Fair Value Through Equity. The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank.

These interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021. The results for the period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

(b) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the statement of income, derivatives held for risk management purposes and Shari'a compliant risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

The preparation of these interim condensed consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2021 including the following estimates which are subject to high level of uncertainty due to COVID-19:

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments (continued)

i) Covid-19 and Expected Credit Loss (ECL)

Any changes made to ECL to estimate the overall impact of Covid-19 is subject to very high levels of uncertainty as so little reasonable and supportable forward-looking information is currently available on which to base those changes. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. Forecast of these economic variables (the “base, upside and downside economic scenario”) are obtained externally.

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as 1) Average volume of exports of Qatar government; 2) Average volume of government expenditures; and 3) Gross Domestic Product of Qatar. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination.

In light of the current uncertain economic environment, the Group has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 30 June 2022, refer to note 23. 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.

ii) Valuation of financial and non-financial assets (including goodwill)

The Group has also considered potential impacts of the current economic volatility in determination of the fair value of the Group’s financial and non-financial assets and liabilities, for which there is no observable inputs, and these are considered to represent management's best assessment based on available or observable information. However markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended 31 December 2021, except for the changes as described below:

During the period, the Group applied the following standards and amendments to standards that have been applied in the preparation of these interim condensed consolidated financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Group, but they may result in additional disclosures at year end.

New standards, amendments and interpretations effective from 1 January 2022

FAS 37 -Financial Reporting by Waqf Institutions

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari’ah principles and rules. The implementation of this comprehensive standard is expected, in turn, to contribute towards improving effectiveness and efficiency of operations of Waqfs, maximizing benefits to the beneficiaries and encouraging proper accountability and management.

FAS 38 - Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not yet effective

FAS 1 (Revised 2021) - General Presentation and Disclosures in the Financial Statements

AAOIFI has issued revised FAS 1 in 2021. The revised FAS 1 supersedes the earlier FAS 1 General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

FAS 39 - Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 on “Zakah” and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as relevant. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

FAS 40 - Financial Reporting for Islamic Finance Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 “Islamic Financial Services Offered by Conventional Financial Institutions”. This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

4 FINANCIAL RISK MANAGEMENT

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2021. Following are some special considerations due to the COVID - 19 pandemic, which are also consistent with the Group’s financial risk management objectives and policies as disclosed in the consolidated financial statements as at and for the year ended 31 December 2021 but subject to constant review and evaluation:

4 FINANCIAL RISK MANAGEMENT (CONTNUED)

(a) Risk management in the current economic scenario

The COVID - 19 and the measures to reduce its spread has impacted the local economy. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Group is closely monitoring the situation and has invoked required actions to ensure safety and security of Group staff and an uninterrupted service to our customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Group has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected. COVID 19 has impacted the banks in Qatar from various facets which includes increase in overall credit risk pertaining to financing assets portfolio in certain sectors, reduced fee income. We have mentioned below the major aspects of COVID 19 on the Group's risk management policies:

i) Assets quality and credit risk
The Risk department of the Group is conducting assessments to identify borrowers operating in various sectors which are most likely being affected by the pandemic. Group has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained of 18.3% is sufficient.

ii) Liquidity management
Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments of certain customers. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Group has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

iii) Capital Adequacy Ratio
Under the current scenario, the financial institutions are under pressure to extend further credit to its borrowers under national guarantee program, while overall deteriorating credit risk and increased non-performing assets (NPLs) may also put additional pressures on the Group from Capital Adequacy Ratio perspective. The Group believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

(b) FAS 30 and ECL Regulations

AAOIFI has issued FAS 30 Impairment, credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into six categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes six approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

The standard was effective from financial periods beginning 1 January 2020 with early adoption permitted. However, in 2018, the Group early adopted FAS 30 effective 1 January 2018 based on QCB instructions pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 1 January 2018 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Further detail on the key considerations relating to estimates and judgements relating to ECL calculation is given under note 2(d) and note 23.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Expected credit loss / Impairment allowances

	Stage 1 QAR '000	*Stage 2 QAR '000*	*Non - performing QAR '000*	*Total QAR '000*
Exposure (carrying value) subject to ECL as at 30 June 2022 (Reviewed)				
- Financing assets	61,215,089	12,063,241	3,825,578	77,103,908
- Due from banks	1,350,261	-	-	1,350,261
- Debt type investments carried at amortised cost	1,604,054	-	-	1,604,054
- Off balance sheet exposures subject to credit risk	14,778,510	6,165,091	175,300	21,118,901
	78,947,914	18,228,332	4,000,878	101,177,124
Opening Balance – as at 1 January 2022 (Audited)				
- Financing assets	60,715	584,884	2,114,814	2,760,413
- Due from banks	41	-	-	41
- Debt type investments carried at amortised cost	3,432	10,431	-	13,863
- Off balance sheet exposures subject to credit risk	35,429	94,773	168,715	298,917
	99,617	690,088	2,283,529	3,073,234
Net transfer between stages				
- Financing assets	(7,500)	(51,228)	58,728	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(3,448)	3,448	-	-
	(10,948)	(47,780)	58,728	-
Charge for the period (net)				
- Financing assets	19,686	72,658	228,586	320,930
- Due from banks	399	-	-	399
- Debt type investments carried at amortised cost	788	(10,431)	-	(9,643)
- Off balance sheet exposures subject to credit risk	2,685	9,198	-	11,883
	23,558	71,425	228,586	323,569
- Financing assets – write-off	-	-	(3,353)	(3,353)
- Financing assets – profit in suspense net movement	-	-	16,474	16,474
	23,558	71,425	241,707	336,690
Closing Balance – as at 30 June 2022 (Reviewed)				
- Financing assets	72,901	606,314	2,415,249	3,094,464
- Due from banks	440	-	-	440
- Debt type investments carried at amortised cost	4,220	-	-	4,220
- Off balance sheet exposures subject to credit risk	34,666	107,419	168,715	310,800
	112,227	713,733	2,583,964	3,409,924

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Expected credit loss / Impairment allowances (continued)

	Stage 1 QAR '000	*Stage 2 QAR '000*	*Non - performing QAR '000*	*Total QAR '000*
Exposure (carrying value) subject to ECL as at 30 June 2021 (Reviewed)				
- Financing assets	62,609,929	15,984,352	2,278,232	80,872,513
- Due from banks	1,179,291	-	-	1,179,291
- Debt type investments carried at amortised cost	1,855,041	53,509	-	1,908,550
- Off balance sheet exposures subject to credit risk	16,293,092	4,636,288	23,761	20,953,141
	81,937,353	20,674,149	2,301,993	104,913,495
Opening Balance – as at 1 January 2021 (Audited)				
- Financing assets	113,381	585,984	1,138,387	1,837,752
- Due from banks	126	-	-	126
- Debt type investments carried at amortised cost	3,967	9,466	-	13,433
- Off balance sheet exposures subject to credit risk	56,406	257,804	3,230	317,440
	173,880	853,254	1,141,617	2,168,751
Net transfer between stages				
- Financing assets	(31,615)	(48,503)	80,118	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(17,001)	17,001	-	-
	(48,616)	(31,502)	80,118	-
Charge for the period (net)				
- Financing assets	49,420	275,615	101,036	426,071
- Due from banks	(22)	-	-	(22)
- Debt type investments carried at amortised cost	(2,842)	2,784	-	(58)
- Off balance sheet exposures subject to credit risk	(5,936)	1,368	866	(3,702)
	40,620	279,767	101,902	422,289
- Financing assets – write-off	-	-	(988)	(988)
- Financing assets – profit in suspense net movement	-	-	30,858	30,858
	40,620	279,767	131,772	452,159
Closing Balance – as at 30 June 2021 (Reviewed)				
- Financing assets	131,186	813,096	1,349,411	2,293,693
- Due from banks	104	-	-	104
- Debt type investments carried at amortised cost	1,125	12,250	-	13,375
- Off balance sheet exposures subject to credit risk	33,469	276,173	4,096	313,738
	165,884	1,101,519	1,353,507	2,620,910

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit quality assessments

Pursuant to the adoption of the ECL regulations, the Group has mapped its internal credit rating scale to Moody's rating scale, the table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent) as at 30 June 2022:

Rating grade	***Financing assets QAR '000***	***Due from Banks QAR '000***	***Debt type investments carried at amortised cost QAR '000***	***Off balance sheet exposures subject to credit risk QAR '000***
Aaa to Aa3	**25,653,226**	**44,394**	**-**	**474,620**
A1 to A3	**8,305,271**	**818,027**	**966,482**	**5,335,791**
Baa1 to Baa3	**22,308,987**	**486,654**	**-**	**10,983,562**
Ba1 to B3	**11,024,947**	**1,186**	**637,572**	**4,149,628**
Below B3	**3,825,578**	**-**	**-**	**175,300**
Unrated	**5,985,899**	**-**	**-**	**-**
Total (Reviewed)	**77,103,908**	**1,350,261**	**1,604,054**	**21,118,901**

31 December 2021

Rating grade	*Financing assets QAR '000*	*Due from Banks QAR '000*	*Debt type investments carried at amortised cost QAR '000*	*Off balance sheet exposures subject to credit risk QAR '000*
Aaa to Aa3	30,340,945	546,855	55,730	1,529,303
A1 to A3	10,540,833	2,278,687	1,244,473	2,223,874
Baa1 to Baa3	16,121,304	525,863	103,874	12,086,891
Ba1 to B3	12,548,447	-	340,938	4,352,199
Below B3	2,195,827	-	-	23,761
Unrated	5,297,860	-	-	-
Total (Audited)	77,045,216	3,351,405	1,745,015	20,216,028

5. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

5. OPERATING SEGMENTS (CONTINUED)

Wholesale Banking	Includes financing, deposits and other transactions and balances with wholesale customers
Retail and private Banking	Includes financing, deposits and other transactions and balances with retail and private customers including part asset management activities for private customers.
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further it also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

5. OPERATING SEGMENTS (CONTINUED)

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about operating segments

30 June 2022 (Reviewed)	***Wholesale banking QAR '000***	***Retail and private banking QAR '000***	***Treasury and investments division QAR '000***	***Investment banking and asset management QAR '000***	***Unallocated QAR '000***	***Total QAR '000***
Total income from financing and investing activities	**698,489**	**761,917**	**363,560**	**3,439**	**-**	**1,827,405**
Net fee and commission income	**79,589**	**25,146**	**3,536**	**5,456**	**-**	**113,727**
Reportable segment net profit	**389,258**	**(9,408)**	**358,991**	**6,568**	**-**	**745,409**
Reportable segment assets	**38,935,911**	**36,975,342**	**26,418,179**	**422,171**	**952,948**	**103,704,551**

30 June 2021 (Reviewed)	*Wholesale banking QAR '000*	*Retail and private banking QAR '000*	*Treasury and investments division QAR '000*	*Investment banking and asset management QAR '000*	*Unallocated QAR '000*	*Total QAR '000*
Total income from financing and investing activities	700,925	681,793	345,266	3,717	-	1,731,701
Net fee and commission income	53,821	16,604	-	4,372	-	74,797
Reportable segment net profit	262,688	3,488	320,238	(675)	-	585,739
Reportable segment assets	44,330,025	35,554,282	20,526,513	468,047	1,031,416	101,910,283

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

30 June 2022 (Reviewed)	*Fair value through statement of income QAR '000*	*Fair value through equity QAR '000*	*Amortised cost QAR '000*	*Total carrying amount QAR '000*	*Fair value QAR '000*
Cash and balances with Qatar Central Bank	-	-	6,048,377	6,048,377	6,048,377
Due from banks	-	-	1,349,821	1,349,821	1,349,821
Financing assets	-	-	74,009,444	74,009,444	74,009,444
Investment securities:					
- Carried at fair value	169,147	1,155,434	-	1,324,581	1,324,581
- Carried at amortised cost	-	-	18,604,979	18,604,979	18,547,713
Risk management instruments	77,894	-	-	77,894	77,894
	247,041	1,155,434	100,012,621	101,415,096	101,357,830
Due to banks	-	-	14,439,592	14,439,592	14,439,592
Customers current accounts	-	-	6,926,182	6,926,182	6,926,182
Risk management instruments	45,198	-	-	45,198	45,198
	45,198	-	21,365,774	21,410,972	21,410,972
Equity of unrestricted investment account holders	-	-	65,578,436	65,578,436	65,578,436
	45,198	-	86,944,210	86,989,408	86,989,408

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

31 December 2021 (Audited)	*Fair value through income statement QAR'000*	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
Cash and balances with Qatar Central Bank	-	-	7,245,842	7,245,842	7,245,842
Due from banks	-	-	5,558,980	5,558,980	5,558,980
Financing assets	-	-	75,221,707	75,221,707	75,221,707
Investment securities:					
- Carried at fair value	177,323	1,213,610	-	1,390,933	1,390,933
- Carried at amortised cost	-	-	19,408,687	19,408,687	19,479,609
Risk management instruments	87,136	-	-	87,136	87,136
	264,459	1,213,610	107,435,216	108,913,285	108,984,207
Due to banks	-	-	16,755,141	16,755,141	16,755,141
Customer current accounts	-	-	6,200,820	6,200,820	6,200,820
Risk management instruments	23,430	-	-	23,430	23,430
	23,430	-	22,955,961	22,979,391	22,979,391
Equity of unrestricted investment account holders	-	-	71,225,407	71,225,407	71,225,407
	23,430	-	94,181,368	94,204,798	94,204,798

Note: Certain fair value and classification of financial instruments for the six months period ended 30 June 2021 were reclassified in the interim condensed consolidated financial statements for the the six months period ended 30 June 2022 to conform to the presentation and classification adopted in the current period.

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

30 June 2022 (Reviewed)	*Level 1 QAR '000*	*Level 2 QAR '000*	*Level 3 QAR '000*	*Total QAR '000*
Risk management instruments (assets)	**-**	**-**	**77,894**	**77,894**
Investment securities carried at fair value	**1,058,024**	**-**	**266,557**	**1,324,581**
	1,058,024	**-**	**344,451**	**1,402,475**
Risk management instruments (liabilities)	**-**	**-**	**45,198**	**45,198**
	-	**-**	**45,198**	**45,198**
31 December 2021 (Audited)				
Risk management instruments (assets)	-	-	87,136	87,136
Investment securities carried at fair value	1,108,796	-	282,137	1,390,933
	1,108,796	-	369,273	1,478,069
Risk management instruments (liabilities)	-	-	23,430	23,430
	-	-	23,430	23,430

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through Statement of Income, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used and quoted investment securities for which level 1 valuation method has been used. During the period ended 30 June 2022 and year ended 31 December 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The valuation technique in measuring the fair value financial instruments categorized as level 3 were in line with 31 December 2021.

7. CASH AND BALANCES WITH QATAR CENTRAL BANK

	30 June 2022 (Reviewed) QAR '000	*31 December 2021 (Audited) QAR '000*
Cash	**359,472**	379,325
Cash reserve with QCB*	**3,276,787**	3,382,431
Other balances with QCB	**2,412,118**	3,484,086
	6,048,377	7,245,842

*The cash reserve with QCB is not available for use in the Group's day to day operations.

8. DUE FROM BANKS

	30 June 2022 (Reviewed) QAR '000	*31 December 2021 (Audited) QAR '000*
Current accounts	**727,488**	2,051,712
Wakala placements with banks	**246,331**	3,275,204
Mudaraba placements	**74,770**	184,433
Commodity Murabaha receivable	**301,656**	47,563
Accrued profit	**16**	109
Allowance for impairment*	**(440)**	(41)
	1,349,821	5,558,980

*For stage wise exposure and allowance for impairment refer note 4(c).

9. FINANCING ASSETS

	30 June 2022 (Reviewed) QAR '000	*31 December 2021 (Audited) QAR '000*
Murabaha	**67,955,743**	68,753,773
Ijarah Muntahia Bittamleek	**5,035,580**	4,992,064
Istisna	**665,138**	690,408
Musawama	**1,081,041**	1,094,061
Acceptances	**1,108,832**	912,987
Cards	**188,057**	182,570
Others	**1,949,340**	2,129,757
Accrued profit	**552,444**	497,826
Total financing assets	**78,536,175**	79,253,446
Less: Deferred profit	**1,432,267**	1,271,326
Allowance for impairment on financing assets	**2,874,207**	2,556,630
Suspended profit on non performing financing assets	**220,257**	203,783
Allowance for impairment*	**3,094,464**	2,760,413
Net financing assets	**74,009,444**	75,221,707

*For stage wise exposure, allowance for impairment and profit in suspense refer note 4(c). The total non-performing financing assets at 30 June 2022 amounted to QAR 3,825.6 million, representing 5.0% of the gross financing assets (31 December 2021: QAR 3,276.2 million, representing 4.2%).

Others include QAR 1,949.3 million (31 December 2021: QAR 2,129.8 million) of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products or kept on a run-off basis. These are carried at amortised cost and its corresponding income is recognised on a time-apportioned basis over the period of the loan term using effective profit rate till conversion is completed.

10. INVESTMENT SECURITIES

	30 June 2022 (Reviewed)			*31 December 2021 (Audited)*		
	Quoted QAR'000	***Unquoted QAR'000***	***Total QAR'000***	*Quoted QAR'000*	*Unquoted QAR'000*	*Total QAR'000*
Investments classified as fair value through statement of income						
- Investments classified as held for trading:						
• Equity-type investments	**64,490**	**-**	**64,490**	81,801	-	81,801
• Debt-type investments	**104,657**	**-**	**104,657**	95,522	-	95,522
	169,147	**-**	**169,147**	177,323	-	177,323
Debt-type investments classified at amortised cost						
- Fixed rate*	**2,119,953**	**16,335,745**	**18,455,698**	2,924,257	16,333,216	19,257,473
- Allowance for impairment**	**(4,220)**	**-**	**(4,220)**	(13,863)	-	(13,863)
	2,115,733	**16,335,745**	**18,451,478**	2,910,394	16,333,216	19,243,610
Equity-type investments classified as fair value through equity	**888,877**	**266,557**	**1,155,434**	931,473	282,137	1,213,610
	3,173,757	**16,602,302**	**19,776,059**	4,019,190	16,615,353	20,634,543
Accrued profit income			**153,501**			165,077
			19,929,560			20,799,620

*Investments in unquoted debt-type instruments classified at amortised cost at fixed rate represent investments in the Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 3,140.7 million (31 December 2021: QAR 3,138.2 million) on business combination, which are being held till maturity without conversion to equivalent Sharia compliant Sovereign instrument as approved by the Sharia Board of the Bank.

** For stage wise exposure and allowance for impairment refer note 4(c).

The carrying amount of the debt-type instruments pledged under repurchase agreements amounted to QAR 3,434.8 million (31 December 2021: QAR 7,775.9 million).

10. INVESTMENT SECURITIES (CONTINUED)

The cumulative change in the fair value reserve of investments is as follows:

	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Balance at 1 January	**(27,098)**	(24,621)
Net change in fair value	**(75,344)**	(13,103)
Transferred to consolidated statement of income on impairment	**-**	9,568
	(75,344)	(3,535)
Share of associate's fair value changes	**-**	1,058
Balance at period / year end	**(102,442)**	(27,098)

11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Balance at 1 January	**62,557**	83,535
Share of results	**884**	(5,841)
Share of associates and joint venture fair value changes	**-**	1,058
Impairment	**-**	(16,195)
Balance at period / year end	**63,441**	62,557

12. DUE TO BANKS

	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Commodity Murabaha payable*	**727,528**	1,130,257
Due to QCB*	**3,000,000**	6,450,000
Wakala payable	**10,711,453**	9,174,602
Profit payable	**611**	282
	14,439,592	16,755,141

*This represents amounts held under repurchase agreements amounting to QAR 3,434.8 million (31 December 2021: QAR 7,775.9 million).

13. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Unrestricted investment account holders balance before share of profit (a)	**65,038,138**	70,676,723
Distributable profits to unrestricted investment account holders for the period (b)*	**617,250**	1,123,607
Profit distributed during the period	**(77,484)**	(575,455)
Net profit payable to unrestricted investment account holders	**539,766**	548,152
Share in fair value reserve	**532**	532
Total unrestricted investment account holders balance	**65,578,436**	71,225,407
(a) Unrestricted investment account holders balance before share of profit, by type:		
Saving accounts	**7,112,780**	5,972,076
Call accounts	**1,384,319**	2,456,295
Term accounts	**56,541,039**	62,248,352
Total	**65,038,138**	70,676,723

	For the six months period ended	
(b) Return to unrestricted investment account holders for the period:	***30 June 2022 (Reviewed) QAR'000***	*30 June 2021 (Reviewed) QAR'000*
Saving accounts	**39,758**	38,399
Call accounts	**1,806**	1,648
Term accounts - 1 month	**79,484**	28,897
Term accounts - 3 month	**122,287**	108,858
Term accounts - 6 month	**23,675**	33,380
Term accounts - 9 month	**10**	1,617
Term accounts - 12 month	**344,547**	284,757
Term accounts - 2 year	**3,573**	3,727
Term accounts - 4 year	**2,110**	6,379
Total*	**617,250**	507,662

*It represents net return to unrestricted investment account holders. However, Group's share as Mudarib and Owners' contribution will be determined at year end, which is not expected to change the distributable profit amount.

14. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Issued (*in thousands of shares)*	**523,410**	523,410

The authorised share capital of the Bank is 523,410 thousand (31 December 2021: 523,410 thousand) ordinary shares, having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2021: 523,410 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Bank, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law and after QCB approval. The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law. As at 31 December 2021, legal reserve balance was QAR 4,449.8 million. No further transfer has been made for the six months period ended 30 June 2022 as the Bank transfers required amount for the current year at year-end.

(c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. As at 31 December 2021, risk reserve balance was QAR 1,338.7 million which complies with the minimum requirement as stipulated by the Qatar Central Bank regulations. No further transfer has been made for the six months period ended 30 June 2022 as the Bank transfers required amount for the current year at year-end.

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates and joint ventures, and should be transferred to a separate reserve account in Owners' equity. Further the Group can set aside any amount on recommendation of Board of Directors as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events. As at 31 December 2021, other reserve total balance was QAR 73.3 million. No further transfer has been made for the six months period ended 30 June 2022 as the Bank transfers required amount for the current year at year-end.

(e) Treasury shares

Treasury shares represent ordinary shares of Dukhan Bank with nominal value of QAR 10 each. Treasury shares are presented as a deduction from equity.

(f) Dividend

The Board of Directors in its meeting held on 9 March 2022 proposed a cash dividend for the year 2021 of 14.0% (31 December 2020: 10.0%) of the paid up share capital amounting to QAR 727 million – QAR 1.40 per share (31 December 2020: QAR 520 million – QAR 1.00 per share), which was subsequently approved for distribution at the Annual General Meeting of the shareholders of the Bank held on 10 April 2022.

15. CONTINGENT LIABILITIES AND COMMITMENTS

		30 June 2022 (Reviewed) QAR'000	31 December 2021 (Audited) QAR'000
a)	**Contingent liabilities**		
	Unused credit facilities	**16,472,845**	17,111,413
	Guarantees	**19,305,849**	18,451,919
	Letters of credit	**1,813,052**	2,233,924
		37,591,746	37,797,256
b)	**Commitments**		
	Profit rate swaps	**2,745,665**	2,481,427
	Options	**820,370**	865,362
	Other risk management instruments – WAAD	**17,709,037**	18,054,183
		21,275,072	21,400,972

Unused credit facilities

Commitments to extend credit represent contractual commitments to make financings and revolving credits. 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 financings.

Lease commitments

The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	30 June 2022 (Reviewed) QAR'000	31 December 2021 (Audited) QAR'000
Within one year	**5,406**	5,647
After one year but not more than five years	**2,251**	2,952

16. INTANGIBLE ASSETS

	30 June 2022 (Reviewed) QAR'000	31 December 2021 (Audited) QAR'000
Goodwill and Intangibles		
Goodwill	**443,060**	443,060
Customer relationship	**403,906**	433,281
Core deposits	**105,982**	115,841
	952,948	992,182

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU will be carried out at the year-end, however refer note 2(d) (ii). When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

17. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the three months period ended		*For the six months period ended*	
	30 June 2022 (Reviewed) QAR'000	*30 June 2021 (Reviewed) QAR'000*	***30 June 2022 (Reviewed) QAR'000***	*30 June 2021 (Reviewed) QAR'000*
Net profit for the period attributable to the owners of the Group	**353,268**	319,066	**745,409**	585,739
Less: Profit attributable to sukuk eligible as additional capital	**(17,980)**	-	**(35,960)**	-
Net profit for EPS computation	**335,288**	319,066	**709,449**	585,739
Weighted average number of outstanding shares	**519,575**	519,575	**519,575**	519,575
Basic and diluted earning per share (QAR)	**0.65**	0.61	**1.37**	1.13
Weighted average number of shares from beginning	**523,410**	523,410	**523,410**	523,410
Less: Treasury shares	**(3,835)**	(3,835)	**(3,835)**	(3,835)
Weighted average number of shares at 30 June	**519,575**	519,575	**519,575**	519,575

(i) There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share are equal to the basic earnings per share.

18. 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 the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

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

	30 June 2022 (Reviewed)		
	Subsidiaries QAR'000	***Board of directors QAR'000***	***Others QAR'000***
Assets:			
Customer financing	**-**	**6,243,016**	**-**
Liabilities:			
Customer deposits	**710,401**	**1,098,082**	**3,434,373**
Off balance sheet items:			
Unfunded credit facilities	**3,490**	**455,810**	**-**

18. RELATED PARTIES (CONTINUED)

	31 December 2021 (Audited)		
	Subsidiaries QAR'000	*Board of directors QAR'000*	*Others QAR'000*
Assets:			
Customer financing	-	5,464,360	-
Liabilities:			
Customer deposits	567,466	1,333,655	3,742,212
Off balance sheet items:			
Unfunded credit facilities	16,866	376,991	-

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group as follows:

	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Financing to key management personnel	**9,468**	8,946

	For the six months period ended	
	30 June 2022 (Reviewed) QAR'000	*30 June 2021 (Reviewed) QAR'000*
Compensation of key management personnel		
Short-term employee benefits	**34,450**	33,079
Post-employment benefits	**2,660**	2,913
	37,110	35,992

19. CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than six months:

	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	**2,771,590**	3,863,411
Due from banks	**1,203,862**	5,439,924
	3,975,452	9,303,335

20. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassification did not have any effect on the consolidated net profit or the consolidated owners' equity for the comparative period/year.

21. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

In July 2021, the Group issued a perpetual, unsecured, subordinated sukuk eligible as additional tier 1 capital amounting to USD 500 million listed in London Stock Exchange. The sukuk is unsecured and the profit distributions are non-cumulative, payable semi-annually at an agreed expected profit rate of 3.950% per annum and are made at the discretion of Dukhan Bank. The Group has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The applicable profit rate has a reset date as per the terms of the agreement of the issued sukuks. The sukuk does not have a fixed maturity date and has been classified as equity.

22. CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the capital ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer, ICAAP pillar II capital charge and the applicable Domestically Systemically Important Bank ("DSIB") Buffer is 15.0% for 2022.

The table below summarises the composition of prevailing regulatory capital and the ratios of the Group. The Group complied with the externally imposed capital requirements to which they are subject to:

	30 June 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Common Equity Tier 1 (CET) Capital	**10,410,023**	10,446,133
Additional Tier 1 Capital	**1,820,750**	1,820,750
Additional Tier 2 Capital	**807,985**	789,705
Total Eligible Capital	**13,038,758**	13,056,588
Risk Weighted Assets	**71,419,560**	70,985,325
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio	**14.6%**	14.7%
Tier 1 Capital Adequacy Ratio	**17.1%**	17.3%
Total Capital Adequacy Ratio	**18.3%**	18.4%

23. 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.

In addition, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group 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.

The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 June 2022, which is consistent from expected credit loss methodology adopted and valuation estimates and judgements as at and for the year ended 31 December 2021:

23. IMPACT OF COVID-19 (CONTINUED)

i. Expected credit losses

a) Reasonableness of Forward-Looking Information and probability weights:
The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 June 2022. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightings assigned to these scenarios.

Vasicek Merton Single Factor Model has been deployed to convert the TTC PDs to a PiT PD term structure. This model employs a macroeconomic index to incorporate the forward-looking macroeconomic variables that are relevant to the different portfolios. The output of the model is the forecast of the expected point-in-time probability of defaults for the credit portfolio of the Bank. As of 30 June 2022, Gross domestic product (%Change), Volume of exports of goods (%Change) and General government total expenditure (as a % of GDP) have been considered as the relevant macroeconomic variables for the corporate portfolio. For the Retail Portfolio, Inflation (%Change) and Gross domestic product (%Change) have been used. These variables have been sourced for Qatar from IMF (World Economic Outlook): i) Gross domestic product (%Change) is 3.96 and 2.63 for 2022 and 2023 respectively; ii) Volume of exports of goods (%Change) is 1.51 and 1.79 for 2022 and 2023 respectively; iii) General government total expenditure (as a % of GDP) is 30.76 and 28.25 for 2022 and 2023 respectively; iv) Inflation (%Change) is 3.18 and 2.39 for 2022 and 2023 respectively. These multiple macroeconomic variables have been statistically integrated (Principal Component Analysis) to create a single macroeconomic index. The ECL has been calculated as probability weighted figure for three scenarios viz.; Baseline, Extreme Downside and Improved with 65%, 25% and 10% weightings respectively. The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue. In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

b) Identifying significant increase in credit risk (SICR):
Post start of pandemic and upto 30 June 2022, the Group has delayed repayments for the affected sectors, that payment delay may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger an SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers due to the effect of Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constrains and a change in its lifetime credit risk.

The Group continues to assess borrowers for other indicators of unlikeliness 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.

ii. Valuation estimates and judgements

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

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the Group has delayed repayments for the affected sectors. The accounting impact of the one-off extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of AAOIFI AAB 1-/2020 "Accounting implications of the impact of COVID- 19 pandemic".

23. IMPACT OF COVID-19 (CONTINUED)

iv. Accounting for zero rate repo facility

The QCB has encouraged banks to defer existing repayments of principal and profit due and extend new financing to affected sectors at reduced rates. It has extended support to all local banks to avail repo facilities at zero cost as well as providing guarantees in some cases from the Government of the State of Qatar to support the affected sectors. The benefit arising out from the zero rate repos was not considered to be material for the period ended 30 June 2022.

24. ASSETS UNDER MANAGEMENT

Assets under management represent the funds belonging to Group's customers, for which it has assumed investment management responsibilities in accordance with the terms and conditions of the investment agreement entered into with the customers. Such funds are invested on behalf of the customers by the Group, acting as an agent or a trustee, and accordingly such funds and the attributable investment gains or losses are not included in these interim condensed consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or fee. As at 30 June 2022, such assets total was QAR 3.9 billion (31 December 2021: QAR 3.9 billion). However, of such assets, only QAR 3,190.4 million (31 December 2021: QAR 2,821.0 million) was held in a fiduciary capacity.

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Taxation

16. TAXATION

The following provides an overview of the current tax regime in Qatar and is intended to provide a high level understanding in the context of a decision to purchase, hold or dispose of shares or the Shares in the Bank.

This tax summary does not discuss the tax regime of any other jurisdiction or specific circumstances applicable to individual investors. This summary does not constitute tax advice. Investors are advised to consult their own tax advisers concerning their personal situations.

16.1 Tax Legislation

Comments in relation to the Bank are based on the Tax Legislation.

16.2 Corporate Income Tax

The prevailing corporate income tax rate under the Tax Legislation is 10 per cent.

However, as a listed company, the Bank will be exempt from tax under the provisions of the Tax Legislation. As a listed company, though, the Bank will be required to contribute 2.5 per cent. of its net accounting profit to the Government to support sports, cultural, social and charitable activities (the "**Sports & Social Levy**"). The Sports & Social Levy is paid out of retained earnings which accordingly reduces the level of profits that can be distributed to shareholders.

Prior to its conversion into a Qatar public shareholding company, the share of profit in the Bank not attributable to direct Qatari citizen shareholders in the Bank is subject to 10 per cent. tax.

16.3 Dividends

Qatar does not apply withholding tax on dividends. Accordingly dividends distributed by the Bank will not be subject to withholding tax. Dividends paid out of the profits of the Bank and received by a Qatar tax resident shareholder (irrespective of nationality) are exempt from tax under the Tax Legislation.

16.4 Capital Gains

Capital gains realised by a Qatar tax resident shareholder will be exempt from tax under the Tax Legislation if:

(a) the shareholder is a natural person (irrespective of nationality) who does not hold those shares as part of a taxable business activity;

(b) the shareholder is a Qatari or another GCC national who is tax resident in Qatar; or

(c) the shareholder is a Qatar tax resident company which is wholly owned by Qatari or other GCC nationals who are all tax resident in Qatar.

16.5 VAT

Qatar signed the Unified Gulf Cooperation Council Value Added Tax Framework Agreement. However, it has yet to introduce VAT or issue the legislation governing VAT in Qatar. Accordingly, it is currently not possible to assess how VAT will apply to the Bank (both before and after its conversion from a Qatar private joint stock company into a Qatar public shareholding company).

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Dividend Policy

17. DIVIDEND POLICY

Each shareholder's share of the Bank's profits shall be determined based on its shareholdings in the Bank's share capital.

Under Qatari law, a Qatar public shareholding company's distribution of dividends for a given fiscal year and the amount and payment date thereof are resolved by a resolution of the shareholders at the annual General Assembly. Shareholders may vote to approve the proposal adopted by the Board for the distribution of profits.

Dividends may only be distributed from the distributable profit of the Bank. The distributable profit is calculated based on the Bank's annual financial statements prepared in accordance with IFRS as laid out in its annual report. When determining the amount available for distribution, net profit for the fiscal year must be adjusted for profit/loss carry-forwards from the prior fiscal years and release of, or allocations to, statutory reserves requirements in accordance with the Companies Law.

All dividends and distributions of the Bank shall be distributed in Qatari Riyals.

No dividend or distribution shall exceed the amount recommended by the Board and the Board shall not be obliged to recommend an amount of dividend or distribution. Shares acquired by investors in the Listing will be eligible for dividends and distributions in line with the Constitutional Documents, policies and recommendations of the Board, and requisite General Assembly and regulatory approvals.

The General Assembly approved the distribution of cash dividends amounting to QAR727.4 million (QAR1.40 per share for the year 2021) and cash dividends amounting to QAR520 million (QAR1.00 per share for the year 2020).

18

Legal Information

18. LEGAL INFORMATION

18.1 Board Declarations

The Board hereby declares the following:

(a) the issuance does not constitute a breach of the relevant laws and regulations in Qatar;

(b) the issuance does not constitute a breach of any contracts or agreements entered into by the Bank;

(c) all material legal information concerning the Bank has been disclosed in the Prospectus; and

(d) other than what has been mentioned in this Prospectus, the Bank and the Group Companies are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Bank or the Group Companies or their financial position.

18.2 Summary of all Material Contracts

The Bank's material contracts are generally on arm's length basis and in the ordinary course of business (for financing arrangements). In addition, the Bank has entered into the following material contracts:

(a) Lease Agreements

The Bank has entered into a number of leases. The properties leased to the Bank are mainly used as branches of the Bank to carry out its banking operations.

The leased properties are located in the following areas in Qatar: Lagoona Mall, City Centre Mall, Festival City Mall, Al Wakra property number 90180153, Qatar Airways Tower 2, Um Ghuwelenia property number 120873, Bin Mahmoud property number 90, New Al Salata property number 321, and New Al Rayan property number 21848.

As is common for these type of leases, they contain customary obligations on the Bank to:

(i) return the leased premises to their original condition upon the expiry or termination of the lease at its own expense;

(ii) comply with all terms and conditions and those under applicable laws and regulations; and

(iii) make timely rent and other payments.

(b) Real Estate Acquisitions

The Bank has acquired a number of commercial and residential properties which are being used for the operations of the Bank or for investments. These include:

(i) Marina District, Lusail City Zone 69, property number Marina-Com 02. This is valued at approximately QAR145,050,497. The property is a vacant land with approval for the construction and use as a commercial/residential tower; and

(ii) Marina District, Lusail City, Zone 69, property number Marina-Mix 009C. This is valued at approximately QAR122,708,954. The property is being developed as the potential future headquarters for the Bank.

(c) Summary of all Related Party Material Contracts

As part of its business operations, the Group enters into transactions with related parties.

The Bank has strict internal rules and guidelines when dealing with related parties and strictly prohibits any preferential treatment of related parties. These include requirement of collateral for any finance or advance to a related party and exclusion of the financing member of the Board from any decision-making process regarding whether or not to extend credit.

The Bank adopts the definition of related parties in accordance with the applicable laws.

The Bank has entered into a lease agreement with Al Mirqab Real Estate Company which is related to the chairman of the Bank. In accordance with the Companies Law, the chairman, Board members and senior executives should declare any direct or indirect interest in transactions entered into by the Bank. For the purpose of the Financial Statements, related party is defined in line with AAOIFI and IFRS accounting standards. As such, a related party is someone who 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 the significant owners and entities over which the Group and the owners exercise significant influence, directors and senior executive management personnel of the Group, close family members and entities owned or controlled by them, associates and affiliated companies.

Related party transactions and balances as per AAOIFI are disclosed in note 34 to the 2021 financial statements.

(d) Remuneration of Key Management Personnel

Please refer to note 34 of the 2021 financial statements.

18.3 Intellectual Property

The Group has various registered and unregistered intellectual property rights including trademarks.

The Group has registered trademarks for the names “Dukhan Bank” and “Barwa Bank”, together with related logos, devices and/or other marks, in Arabic, English and/or other languages, in classes 16, 35, 36, 37, 40, 41 and/or 42. The trademarks are registered in Qatar, Bahrain, Kuwait, Oman, Saudi Arabia, UAE, Jordan, Turkey, Syria, Croatia and the European Union, subject to any registrations which may have expired. The Group has certain registered trademarks in respect of the Group Companies for the names and logos “First Finance”, “First Leasing” and “The First Investor”, in Arabic and English, in class 36 in Qatar, and one of which has expired.

Based upon the information provided, although it does not seem that the Bank has registered its trademarks for class 9 (which covers goods such as automated banking machines, apparatus for processing card transactions and payment processing, apparatus for verifying data on magnetically encoded cards and computer communication software to allow customers to access bank account information and transact bank business), the Bank undergoes periodic reviews of its intellectual property portfolio.

18.4 Litigation

In the ordinary course of business, the Group is and may from time to time be subject to governmental, legal and arbitration proceedings. There are a number of debt collection cases that the Bank has instigated and the amount of recovery that is likely from these cases is difficult to predict with any certainty. No material provision has been made as at the date of this Prospectus regarding any outstanding legal proceedings against the Group. Procedurally, an annual review is conducted by the Legal Department to ascertain if provisioning is required for pending litigation and, if so, the estimated amount is communicated to the Finance division for the raising of the necessary provisions.

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Experts' Statements

19. EXPERTS' STATEMENTS

[On the day [Monday] dated 4/9/2022, His Eminence Sheikh [Dr. Walid bin Hadi], His Eminence Sheikh [Dr. Essam Al-Enazy] and His Eminence Sheikh [Dr. Osama Al-Dereai] issued a fatwa stating that there is no Shari'ah objection on the ownership of shares in the Dukhan Bank Q.P.S.C, as indicated in the fatwa text hereinafter quoted:

*In the name of Allah, the most merciful, the most compassionate.

Islamic advisory opinion (Fatwa) on the permissibility of purchasing the shares of Dukhan Bank Q.P.S.C

Praise be to Allah, and prayers and peace be upon His messenger, his family, and his companions and those who follow him.

As Dukhan bank has committed to following the rules of Shari'ah by virtue of its Memorandum of Association and Articles of Association, as well as to forming a Shari'ah Committee; it is permissible to purchase the shares of Dukhan Bank Q.P.S.C, with the blessings of Allah*.]

His Eminence Sheikh DR. Walid bin Hadi Signature:-

His Eminence Sheikh DR. Essam Al-Enazy Signature:-

His Eminence Sheikh DR. Osama Al-Dereai Signature:-

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Declarations

20. DECLARATIONS

The Board makes the following declarations:

(a) there has not been any interruption in the business of the Bank or any of its subsidiaries which may have or has had a significant effect on the financial position in the last 12 months;

(b) there has not been any material adverse change in the financial and trading position of the Bank or any of its subsidiaries in the last two financial years immediately preceding the date of the application for the Listing, in addition to the period covered by the Independent Auditors' report up to and including the date of approval of the Prospectus; and

(c) other than what has been mentioned in section 8 ("Management Discussion and Analysis) under sub-section titled "Related Party Transactions")of this Prospectus, the Board members or any of their relatives do not have any interest of any kind in the Bank or in any of its subsidiaries.

21

Qatar Stock Exchange

21. QATAR STOCK EXCHANGE

The Doha Securities Market, as the predecessor to the QSE, was established in 1995 and officially commenced operations in 1997.

In June 2009, Qatar Holding (the strategic investment arm of the QIA) and NYSE Euronext signed agreements to form a strategic partnership to establish the exchange as a world-class market. In October 2013, NYSE Euronext exited the QSE with Qatar Holding acquiring the entire share capital of the QSE.

The primary aim of the QSE is to support Qatar's economy by providing a venue for capital raising for Qatari companies and to give investors a platform through which they can trade a variety of products in a transparent and efficient manner. The QSE also provides the public with access to market information and ensures correct disclosure of information. In addition, the Qatari market has been upgraded by the Morgan Stanley Capital Index from a "frontier market" status to now an "emerging market" status. This clearly reflects the recognition of the positive steps made by the QSE over the years to meet requirements in terms of development of market infrastructure and the implementation of a number of important projects and initiatives. These were welcomed by international financial and investment institutions.

22

Qatar Financial Markets Authority

22. QATAR FINANCIAL MARKETS AUTHORITY

The QFMA is the capital markets authority in Qatar. It was established as an independent regulatory and supervisory authority pursuant to law number 33 of 2005 which was subsequently replaced by law number 8 of 2012. The primary mission of the QFMA is to implement a robust regulatory framework for the securities markets, in addition to conducting effective and responsible market oversight and supervision.

In accordance with its mandate, the QFMA is the licensing authority for the securities industry and relevant associated activities. It is also the listing authority in charge of overseeing and monitoring the issue of securities in the listing process on the QSE. The QFMA is also responsible for ensuring market integrity and transparency by enforcing market rules and regulations on market participants and by conducting necessary surveillance and supervision activities.

23

Qatar Central Securities Depository

23. QATAR CENTRAL SECURITIES DEPOSITORY

QCSD was established as a Qatar private shareholding company in 2014 and is owned by both the QCB and the QSE. It has obtained all necessary licences from the competent authorities in Qatar, including the QFMA.

QCSD's functions include safekeeping, management, ownership, clearing and settlement of securities and other financial instruments. It also provides related financial services including registration, acceptance and transfer of government bonds and treasury bills (known as T-bills). Moreover, it offers additional services including Delivery vs. Payment (DvP) implementation, securities lending and borrowing settlement, management and follow-up of the non-Qatari shareholders' equity, registration and authorisation of exchange-traded funds and participation in initial public offerings.

QSE's systems are linked to QCSD's systems to enforce the transfer of listed companies' shares at QSE between sellers and buyers. QCSD processes all off-market transfers, either by inheritance or by court order. QCSD is also responsible for pledging and un-pledging shares, among other operations.

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Enforcement of Judgments and Service Of Process In Qatar

24. ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS IN QATAR

The Qatari law relating to the enforcement of foreign judgments varies from that prevalent in certain other jurisdictions with which investors may be familiar. In general, as a matter of Qatari law, Qatari courts will enforce a foreign judgment upon the conditions determined in the foreign jurisdiction for the enforcement of a Qatari judgment as long as (a) the foreign judgment is a final award that has been handed down by a court of competent jurisdiction, (b) the party against whom the foreign judgment is to be enforced was properly served and represented in the proceedings in the foreign court, (c) the foreign judgment does not violate the public policy or morality of Qatar, (d) the issue in question is not res judicata in Qatar, and (e) the subject matter is not reserved for the exclusive jurisdiction of the Qatari courts.

Qatar has entered into a treaty governing the reciprocal enforcement of foreign judgments with the other member states of the GCC. Judgments obtained in the courts of a GCC member state shall be enforceable in the courts of any other GCC member state, provided that the conditions to enforcement in the treaty have been met.

Neither the State nor any State-owned entity is immune from suit in the civil court in Qatar in respect of its commercial activities. However, pursuant to the State Property Law, the State is immune from sequestration and execution by the civil court, unless waived by it in respect of its public and private assets invested in financial, commercial or industrial activities or deposited in banks. The Bank will not enjoy such immunity under the State Property Law in respect of its assets.

There is no doctrine of binding precedent in the Qatari courts and reports of the decisions of the Qatari courts are not always published. As a result, any experience with, and knowledge of, prior rulings of the Qatari courts may not be a reliable basis from which to predict decisions that Qatari courts may adopt in the future. The outcome of any legal disputes remains uncertain. It may have a material impact on the Bank's financial position, performance and prospects.

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Legal Advisers' Certification

25. LEGAL ADVISERS' CERTIFICATION

The following is a translation of the corresponding text included in the Arabic Prospectus:

We hereby confirm and certify that, to the best of our knowledge and belief, the listing of Shares by the shareholders is in accordance with the Companies Law and with the rules and regulations of the QFMA and the QSE and the Constitutional Documents. We further confirm that, to the best of our knowledge and belief, all procedures undertaken in this respect are in accordance with applicable laws and regulations.

K&L Gates LLP

K&L Gates LLP
Doha, Qatar
1 February, 2023

Sharq Law Firm
Doha, Qatar
1 February, 2023