



The Commercial Bank (P.S.Q.C.)
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Commercial Bank (P.S.Q.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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International 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.

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
1. Impairment of loans and advances to customers	
<p>The process of estimating Expected Credit Losses (ECL) on credit risk associated with loans and advances in accordance with IFRS 9 Financial instruments (IFRS 9) involves complexity and significant judgement.</p> <p>COVID-19 pandemic and the regulatory payment holidays associated with it have impacted the management determination of the ECL as they increased the level of uncertainty associated with the management judgement, which may result in outputs significantly different from the future credit losses and staging of the customers.</p> <p>IFRS 9 requires use of the ECL model for the purposes of calculating impairment provision. Due to the complexity of requirements under IFRS 9, significance of judgements applied and the Group's exposure to loans and advances forming a major portion of the Group's assets, the audit of ECL for loans and advances is a key audit matter.</p> <p>As at 31 December 2021, the Group's gross loans and advances amounted to QR 101,510 million and the related allowances for impairment amounted to QR 4,662 million, comprising QR 1,672 million of ECL against Stage 1 and 2 exposures and QR 2,990 million against exposures classified under Stage 3.</p> <p>The basis of calculation of ECL is presented in the summary of significant accounting policies and notes 4(b) and 10 to the consolidated financial statements.</p>	<p>Our audit approach included testing the controls associated with the relevant processes for estimating the ECL and performing substantive procedures on such estimates. We involved our internal specialist where their specific expertise was required. Our key audit procedures were as follows:</p> <ul style="list-style-type: none"> • We obtained understanding of the Group's ECL policy and the design of the controls and tested the design and operating effectiveness of relevant controls and governance around it. • We assessed: <ul style="list-style-type: none"> ▶ the Group's ECL policy including the criteria of staging and significant increase in credit risk with the requirements of IFRS 9, considering the regulatory guidelines to address the COVID-19 pandemic; ▶ the Group's forward-looking economic variables by comparing them on a sample basis against supporting evidences, where applicable; ▶ the reasonableness of changes made to the economic scenarios to reflect the effect of COVID-19; and ▶ the basis of determination of the management overlays considering the impact of the COVID-19 global pandemic against the requirements of the Group's ECL policy and guidance issued by the regulator. • We have checked the completeness of the data used as input for the ECL model and the mathematical accuracy through the model processes. • For a sample of exposures, we performed procedures to evaluate: <ul style="list-style-type: none"> ▶ appropriateness of exposure at default, probability of default and loss given default in the calculation of ECL; ▶ timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and ▶ the ECL calculation.

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
1. Impairment of loans and advances to customers (continued)	
	<ul style="list-style-type: none"> Assessed the impairment allowance for individually impaired loans and advances (stage 3) in accordance with IFRS 9. Assessing the adequacy of the Group's disclosures in relation to IFRS 9 by reference to the requirements of the relevant financial reporting standards.
2. Impairment of investments in associates	
<p>The determination of recoverable amounts of the Group's investments in associates relies on management's estimates of future cash flows and their judgment with respect to the associates' performance. Due to the uncertainty of forecasting and discounting future cash flows, the level of management's judgement involved and the significance of the Group's investment in associates, this audit area is considered as a key audit matter.</p> <p>As at 31 December 2021, the Group's investment in associates amounted to QR 2,954 million. Refer to the significant accounting policies and note 12 to the consolidated financial statements.</p>	<p>Our audit procedures focused on the following key areas:</p> <ul style="list-style-type: none"> We obtained the calculation of recoverable amounts of the Group's investments in associates. With the assistance of our own specialists, we assessed the assumptions and compared the estimates used to externally available industry, economic and financial data and methodologies used by the management to determine the recoverable amount of the investments in associates. We assessed the forecasts of future cash flows prepared by management. Discussions with management on the performance of the associates and their future outlook.

Other information

Other information consists of the information included in the Group's annual report (the "Annual Report"), other than the Group's consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE COMMERCIAL BANK (P.S.Q.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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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, 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 are 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 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 THE COMMERCIAL BANK (P.S.Q.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, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association and the amendments thereto, the Qatar Commercial Companies Law No. 11 of 2015, whose certain provisions were subsequently amended by Law No.8 of 2021, during the financial year that would have had a material adverse effect on the Group's consolidated financial position or performance as at and for the year ended 31 December 2021.



Ahmed Sayed
of Ernst & Young
Qatar Auditors Registry Number 326

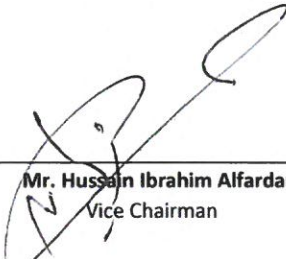
Doha - State of Qatar
Date: 22 February 2022

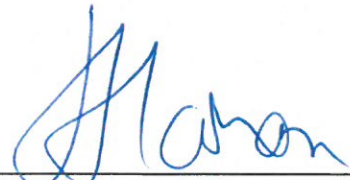


	Notes	2021	2020
ASSETS			
Cash and balances with central banks	8	17,915,385	8,278,537
Due from banks	9	10,942,011	10,401,014
Loans and advances to customers	10	98,003,163	96,698,098
Investment securities	11	26,722,691	25,778,211
Investment in associates and a joint arrangement	12	2,961,240	3,116,557
Property and equipment	13	2,753,339	3,158,264
Intangible assets	14	75,375	174,830
Other assets	15	6,090,977	6,000,204
TOTAL ASSETS		165,464,181	153,605,715
LIABILITIES			
Due to banks	16	17,776,904	20,006,985
Customer deposits	17	81,958,484	75,789,543
Debt securities	18	15,285,788	13,107,134
Other borrowings	19	15,718,753	14,125,676
Other liabilities	20	10,651,030	8,405,896
TOTAL LIABILITIES		141,390,959	131,435,234
EQUITY			
Share capital	21	4,047,254	4,047,254
Legal reserve	21	9,875,823	9,871,972
General reserve	21	26,500	26,500
Risk reserve	21	2,131,459	2,037,236
Fair value reserve	21	392,230	1,000,301
Foreign currency translation reserve	21	(2,845,211)	(2,235,107)
Other reserves	21	684,027	557,273
Revaluation reserve	21	1,018,411	1,287,569
Retained earnings		2,922,719	1,577,474
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		18,253,212	18,170,472
Non-controlling interests		10	9
Instruments eligible for additional capital	21	5,820,000	4,000,000
TOTAL EQUITY		24,073,222	22,170,481
TOTAL LIABILITIES AND EQUITY		165,464,181	153,605,715

The consolidated financial statements were approved by the Board of Directors on 19 January 2022 and were signed on its behalf by:


 Sheikh Abdulla Bin Ali Bin Jabor Al Thani
 Chairman


 Mr. Hussein Ibrahim Alfardan
 Vice Chairman


 Mr. Joseph Abraham
 Group Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

ERNST & YOUNG
Doha - Qatar

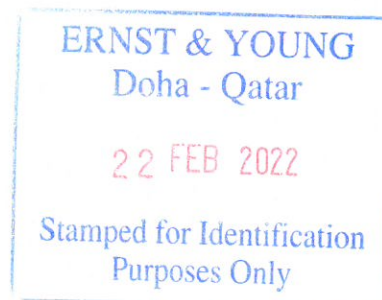
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	Notes	2021	2020
Interest income	24	6,012,448	5,671,377
Interest expense	25	(2,310,919)	(2,571,242)
Net interest income		3,701,529	3,100,135
Fee and commission income	26	1,322,978	1,110,095
Fee and commission expense	27	(395,187)	(299,246)
Net fee and commission income		927,791	810,849
Net foreign exchange gain	28	309,362	296,351
Net income / (loss) from investment securities	29	24,907	(23,447)
Other operating income	30	137,121	53,245
Net operating income		5,100,710	4,237,133
Staff costs	31	(947,021)	(632,599)
Depreciation	13	(213,354)	(140,345)
Amortization of intangible assets	14	(58,850)	(58,395)
Net impairment losses on investment securities		(2,377)	(32,041)
Net impairment losses on loans and advances to customers	10	(1,099,419)	(836,386)
Net impairment reversals / (losses) on other financial assets		22,485	(115,124)
Impairment on investment in an associate	12	(291,000)	(591,242)
Other provisions		(67,226)	(40,177)
Other expenses	32	(260,343)	(265,038)
Profit before share of results of associates and a joint arrangement		2,183,605	1,525,786
Share of results of associates and a joint arrangement	12	129,254	(210,006)
Profit before tax		2,312,859	1,315,780
Income tax expense	33	(8,605)	(14,566)
Profit for the year		2,304,254	1,301,214
Attributable to:			
Equity holders of the bank		2,304,253	1,301,213
Non-controlling interests		1	1
Profit for the year		2,304,254	1,301,214
Earnings per share			
Basic/diluted earnings per share (QAR)	34	0.50	0.27

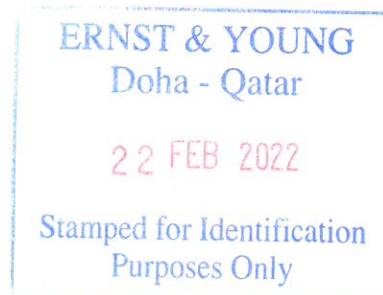
The attached notes 1 to 39 form an integral part of these consolidated financial statements.





	Note	2021	2020
Profit for the year		2,304,254	1,301,214
Other comprehensive income for the year:			
Items that are, or may be subsequently reclassified to profit or loss:			
Foreign currency translation differences from foreign operation	22	(610,104)	(288,430)
Share of other comprehensive (loss) / income of investment in associates and a joint arrangement	22	(6,309)	1,214
Net movement in cash flow hedges-effective portion of changes in fair value	22	59,629	59,634
Net change in fair value of investments in debt securities designated at FVOCI :	22		
Net change in fair value		(440,466)	443,081
Net amount transferred to consolidated statement of income		(597)	(3,519)
Items that may not be subsequently reclassified to profit or loss:			
Net change in fair value of equity investments designated at FVOCI	22	(235,569)	(88,168)
Share of other comprehensive income of investment in associates and a joint arrangement	22	15,241	(12,035)
Loss on revaluation on land and buildings		(269,158)	-
Other comprehensive (loss) / income for the year		(1,487,333)	111,777
Total comprehensive income for the year		816,921	1,412,991
Attributable to:			
Equity holders of the bank		816,920	1,412,990
Non-controlling interests		1	1
Total comprehensive income for the year		816,921	1,412,991

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



Notes	Share Capital	Legal Reserve	General Reserve	Risk Reserve	Fair Value Reserve	Treasury Shares	Foreign Currency Translation Reserve	Other Reserves	Revaluation Reserve	Retained Earnings	Total Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Instruments Eligible for Additional Capital	Total Equity
Balance as at 1 January 2021	4,047,254	9,871,972	26,500	2,037,236	1,000,301	-	(2,235,107)	557,273	1,287,569	1,577,474	18,170,472	9	4,000,000	22,170,481
Profit for the year	-	-	-	-	-	-	-	-	-	2,304,253	2,304,253	1	-	2,304,254
Other comprehensive loss	-	-	-	-	(608,071)	-	(610,104)	-	(269,158)	-	(1,487,333)	-	-	(1,487,333)
Total comprehensive income for the year	-	-	-	-	(608,071)	-	(610,104)	-	(269,158)	2,304,253	816,920	1	-	816,921
Transfer to legal reserve	-	3,851	-	-	-	-	-	-	-	(3,851)	-	-	-	-
Expenses on issue of instrument for additional Tier 1 capital	-	-	-	94,223	-	-	-	-	-	(94,223)	-	-	-	-
Issue of instrument for additional Tier 1 capital	-	-	-	-	-	-	-	-	-	(7,899)	(7,899)	-	-	(7,899)
Dividend for instruments eligible for additional capital	-	-	-	-	-	-	-	-	-	-	-	-	1,820,000	1,820,000
Net movement in revaluation and other reserves	-	-	-	-	-	-	-	126,754	-	(263,950)	(263,950)	-	-	(263,950)
Provision for Sports and Social Activities Support Fund	-	-	-	-	-	-	-	-	-	(126,754)	-	-	-	-
Movement in treasury shares	-	-	-	-	-	-	-	-	-	(57,606)	(57,606)	-	-	(57,606)
Tax Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders of the bank:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends for the year 2020	-	-	-	-	-	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
Total contributions by and distributions to equity holders of the bank	-	-	-	-	-	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	4,047,254	9,875,823	26,500	2,131,459	392,230	-	(2,845,211)	684,027	1,018,411	2,922,719	18,253,212	10	5,820,000	24,073,222
Balance as at 1 January 2020	4,047,254	9,841,333	26,500	1,421,236	600,094	(38,860)	(1,946,677)	859,893	1,283,920	1,661,524	17,756,217	10	4,000,000	21,756,227
Profit for the year	-	-	-	-	-	-	-	-	-	1,301,213	1,301,213	1	-	1,301,214
Other comprehensive income	-	-	-	-	400,207	-	(288,430)	-	-	-	111,777	-	-	111,777
Total comprehensive income for the year	-	-	-	-	400,207	-	(288,430)	-	-	1,301,213	1,412,990	1	-	1,412,991
Transfer to legal reserve	-	6,717	-	616,000	-	-	-	-	-	(6,717)	-	-	-	-
Transfer to risk reserve	-	-	-	-	-	-	-	-	-	(616,000)	-	-	-	-
Dividend for Instruments eligible for additional capital	-	-	-	-	-	-	-	-	-	(223,000)	(223,000)	-	-	(223,000)
Net movement in revaluation and other reserves	-	-	-	-	-	-	-	(302,620)	3,649	302,620	3,649	-	-	3,649
Provision for Sports and Social Activities Support Fund	-	-	-	-	-	-	-	-	-	(32,530)	(32,530)	-	-	(32,530)
Movement in treasury shares	-	-	-	-	-	38,860	-	-	-	-	62,782	-	-	62,782
Tax Adjustment	-	23,922	-	-	-	-	-	-	-	(185)	(185)	-	-	(185)
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders of the bank:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends for the year 2019	-	-	-	-	-	-	-	-	-	(809,451)	(809,451)	-	-	(809,451)
Total contributions by and distributions to equity holders of the bank	-	-	-	-	-	-	-	-	-	(809,451)	(809,451)	-	-	(809,451)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2)	-	(2)
Balance as at 31 December 2020	4,047,254	9,871,972	26,500	2,037,236	1,000,301	-	(2,235,107)	557,273	1,287,569	1,577,474	18,170,472	9	4,000,000	22,170,481

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



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	Notes	2021	2020
Cash flows from operating activities			
Profit before tax		2,312,859	1,315,780
<i>Adjustments for:</i>			
Net impairment losses on loans and advances to customers		1,099,419	836,386
Net impairment losses on investment securities		2,377	32,041
Net impairment losses on other financial assets		(22,485)	115,124
Depreciation	13	213,354	140,345
Amortization of intangible assets		94,971	87,904
Gain on sale of treasury shares		-	(23,922)
Net (income) / loss from investment securities		(14,999)	27,111
Other provisions		67,226	40,177
Loss on disposal of property and equipment		13,373	-
Impairment on investment in an associate		291,000	591,242
Share of results of associates and a joint arrangement	12	(129,254)	210,006
Operating profit before working capital changes		3,927,841	3,372,194
<i>Working capital changes</i>			
Change in due from banks		(1,238,892)	213,462
Change in loans and advances to customers		(8,437,435)	(11,710,184)
Change in other assets		(579,760)	1,016,089
Change in due to banks		(2,255,294)	(2,635,334)
Change in customer deposits		11,434,631	1,430,497
Change in other liabilities		3,046,088	2,745,022
Contribution to social and sports fund		(32,530)	(50,526)
Net cash flows from / (used in) operating activities		5,864,649	(5,618,780)
Cash flows from investing activities			
Acquisition of investment securities		(8,981,399)	(4,725,866)
Proceeds from sale of treasury shares		-	62,782
Dividend received from a joint arrangement and associates	12	2,500	92,614
Proceeds from sale/maturity of investment securities		5,278,171	5,567,499
Acquisition of property and equipment and intangible assets	13&14	(200,589)	(125,311)
Proceeds from the sale of property and equipment and other assets		173	150
Net cash flows (used in) / from investing activities		(3,901,144)	871,868
Cash flows from financing activities			
Proceeds from issue of debt securities	18	8,831,102	5,452,640
Repayment of debt securities	18	(6,642,025)	(2,157,982)
Repayment of other borrowings	19	(9,841,975)	(6,073,532)
Proceeds from other borrowings	19	12,308,391	8,922,233
Proceeds from issue of additional Tier 1 note		1,820,000	-
Payment of Lease Liability		(105,160)	(34,074)
Payment on Coupon of instrument eligible for additional Tier 1 Capital		(263,950)	(223,000)
Dividends paid		(404,725)	(809,451)
Net cash flows from financing activities		5,701,658	5,076,834
Net increase in cash and cash equivalents		7,665,163	329,922
Effect of exchange rate fluctuation		773,956	136,072
Cash and cash equivalents as at 1 January		10,521,965	10,055,971
Cash and cash equivalents at the end of the year	36	18,961,084	10,521,965
Net cash flows from interest and dividend from operating activities:			
Interest paid		2,423,807	2,808,966
Interest received		5,798,476	5,355,351
Dividend received		9,609	3,664

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

ERNST & YOUNG
Doha - Qatar

22 FEB 2022

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Purposes Only



1- REPORTING ENTITY

The Commercial Bank (P.S.Q.C.) (the "Bank") is an entity domiciled in the State of Qatar and was incorporated in 1974 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration number of the Bank is 150. The address of the Bank's registered office is PO Box 3232, Doha, State of Qatar. The consolidated financial statements of the Bank comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in conventional banking, brokerage services and the credit card business and operates through its head office, branches and subsidiaries.

Subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Capital of the subsidiary	Activity of the subsidiary	Percentage of ownership	
				2021	2020
Alternatifbank A.S.	Turkey	TRY 2,213,740,000	Banking services	100%	100%
Commercial Bank Financial Services L.L.C.	Qatar	QAR 700,000,000	Brokerage services	100%	100%
CBQ Finance Limited	Bermuda	US\$ 1,000	Debt issuance for the Bank	100%	100%
CB Global Trading Limited	Cayman Islands	US\$ 1	Financial services	100%	100%
CB Innovation Services L.L.C.	Qatar	QAR 3,640	Management services	100%	100%
CB Asset Management L.L.C.	Qatar	QAR 50,000,000	Wealth Management	100%	100%
CB Leasing Company L.L.C.	Qatar	QAR 50,000,000	Leasing	100%	100%
Orient 1 Limited	Bermuda	US\$ 20,000,000	Support Services	100%	100%
CB Real Estate Properties L.L.C.	Qatar	QAR 1,000	Advisory services- (Inactive)	100%	100%
CB Global Limited	Cayman Islands	US\$ 1	Debt issuance for the Bank (Inactive)	100%	100%

2- BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated financial statements comply with the requirements of Qatar Commercial Companies Law No.11 of 2015, whose certain provisions were subsequently amended by Law No.8 of 2021.

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement of assets/liabilities within twelve months after the end of the reporting date ("current") and more than twelve months after the reporting date ("non-current") is presented in Note 4(c) (iii).

(b) Basis of measurement

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

- derivative financial instruments;
- investments measured at fair value through profit or loss ('FVTPL');
- other financial assets designated at fair value through profit or loss ('FVTPL');
- financial investment measured at fair value through other comprehensive income ('FVOCI');
- land and buildings; and
- the carrying values of recognized assets and liabilities that are hedged items in quantifying fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS and QCB regulations requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized 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, and have been applied consistently by the Group entities.

(a) New standards, amendments and interpretations**New standards, amendments and interpretations effective from 1 January 2021**

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

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
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Standards issued but not yet effective

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

Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16	1 January 2022
Onerous contracts – Costs of fulfilling a contract – Amendments to IAS 37	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of liabilities as Current or Non-current	1 January 2023
Definition of accounting estimates – Amendments to IAS 8	1 January 2023
Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023

(b) Basis of consolidation**(i) Business combination**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred of any non-controlling interest and the acquisition-date fair value of any previous equity interest over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

(ii) Non-controlling interests (NCI)

In accordance with IFRS 3R, for each business combination, the acquirer can measure, at the acquisition date, components of NCI in the acquired business that represent ownership interests and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value on the acquisition date; or

(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

NCI is measured only on initial recognition. The Group measures the NCI at fair value, including its share of goodwill.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group.

(iv) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(v) Associates and joint arrangements

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

Investments in associates and joint arrangements 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 associates and joint arrangement). The Group's investment in associates and joint arrangements includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

The Bank performs impairment assessment of investment in associates on an annual basis. Impairment testing involves calculating the value in use (VIU) by estimating the present values of future cash flows based on management's estimates of future earnings available to ordinary shareholders and observable market inputs. Where the carrying amount exceeds the VIU, an impairment would be recognized in the statement of income and the carrying amount will be reduced.

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

Associates' financial statements are being prepared using similar accounting policies and period end as the parent.

(vi) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in Note 38.

(c) Foreign currency

(i) Foreign currency transactions and balances

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

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

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

(ii) Foreign operations

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

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

When the Group has any foreign operation that is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign exchange translation reserve in equity.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

(ii) Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

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

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

Reclassifications

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial liabilities

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

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

A financial asset (in whole or in part) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

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

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

(iv) Modification of financial assets and liabilities

Financial Assets

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

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 statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial Liabilities

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

(v) Offsetting

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

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

(vi) Measurement principles

- Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate (EIR).

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets and financial liabilities (continued)

(vi) Measurement principles (continued)

- Fair value measurement

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Group recognises any change in the fair value, when they have reliable indicators to support such a change. In such instances the Group may use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Expected credit losses (ECL) / Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

The Group applies three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets and financial liabilities (continued)

(vii) Expected credit losses (ECL) / Impairment (continued)

Stage 1: 12 months ECL - not credit impaired Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Interest is computed on the gross carrying amount of the asset.

Stage 2: Lifetime ECL - not credit impaired Stage 2 includes financial assets that have had a significant increase in credit risk (SICR) since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime ECL - credit impaired Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

Measurement of ECL

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

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

Financial guarantee contracts held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. If the Group determines that the guarantee is an integral element of the financial asset, then the Group considers the effect of the protection when measuring the fair value of the financial asset and when measuring ECL.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents includes amounts due from banks and with an original maturity of 90 days or less. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(f) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to customers are initially measured at the transaction price, which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, except for the financial assets which are classified to be measured at FVTPL, which are measured at fair value with changes recognised immediately in the consolidated statement of income.

(g) Investment Securities

The investment securities' includes:

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

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

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

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

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

(h) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships.

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

The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Fair value hedges

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivatives (continued)

(i) Derivatives held for risk management purposes and hedge accounting (continued)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect statement of income, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to statement of income as a reclassification adjustment in the same period as the hedged cash flows affect statement of income, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of income. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to statement of income as a reclassification adjustment when the forecast transaction occurs and affects statement of income. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to statement of income as a reclassification adjustment.

(ii) Derivatives held for trading purposes

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

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any, except for land and building which are subsequently measured at fair value. Capital work in progress is stated at cost, net of accumulated impairment losses, if any

Revaluations of freehold land and buildings are carried out by an independent valuer. Net surpluses arising on revaluation are credited to a revaluation reserve, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. A decrease as a result of a revaluation is recognised as an expense, except that it is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. On disposal the related revaluation surplus is credited to retained earnings.

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Buildings	20 - 30 years
Leasehold improvements	6 - 10 years
Furniture and equipment	3 - 8 years
Motor vehicles	5 years

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property and equipment (continued)

(iv) Right-of-use assets (Leases)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases less than 12 months and leases of low-value assets (USD 5,000 or less). The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	2 - 40 years
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At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date. Right-of-use assets are subject to impairment in line with the policy for the impairment of non-financial assets.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

(j) Impairment of goodwill and intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Intangible assets

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.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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 statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

The estimated useful economic life of intangible assets with finite lives are; Brand 18 to 19 years, Customer relationship 11 to 12 years, Core deposit 13 to 16 years and Internally developed software and others 5 years.

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. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(k) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

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

(m) Financial guarantee contract and loan commitments

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

(n) Employee benefits

Defined contribution plans

The Bank 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 in staff cost in the consolidated statement of income. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Bank makes provision for end of service benefits payable to its expatriate employees on the basis of the employees' length of service in accordance with the employment policy of the Bank and the applicable provisions of the Labour Law. This provision is included in other provisions as part of other liabilities in the consolidated statement of financial position. The expected costs of these benefits are accrued over the period of employment.

Alternatifbank, under Turkish Labour Law, is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary subject to a maximum threshold per employee for each year of service. There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

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.

Share-based payments

Employees (including senior management) of the Bank receive remuneration in the form of share-based payments, whereby employees are granted share appreciation rights, which are settled in cash (cash settled transactions).

Cash settled transactions

The cost of cash settled transactions is measured at fair value at the grant date using Black Scholes model, further details of which are given in Note 20. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense Note 31. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

(o) Share capital and reserves

(i) Share issue costs

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

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's equity holders.

(p) Interest income and expense

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

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

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(p) Interest income and expense (continued)**

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income / expense;
- The ineffective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of interest rate risk; and
- Fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items in fair value hedges of interest rate risk.

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

(q) Fee and commission income and expense

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(r) Income from investment securities

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

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

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

(s) Dividend income

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

(t) Income tax expenses

Taxes are calculated based on tax laws and regulations in the countries in which the Group operates. Tax is recognized based on an evaluation of the expected tax charge/credit. Income tax and deferred tax mainly arising from Alternatif bank operations. The parent company operations inside Qatar are not subject to income tax except certain subsidiaries operations, which are subject to tax as per the General Tax Authority and Qatar Financial Centre Authority tax regulations.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on laws that have been enacted at the reporting date.

(u) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Bank, further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 Capital, if any, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer of the Bank as its chief operating decision maker.

All transactions between operating segments are conducted on an arm's length basis directly associated with each segment are included in determining operating segment performance.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, 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.

(x) Repossessed collateral

Repossession collateral against settlement of customer debts are stated within the consolidated statement of financial position under "Other assets" at their acquisition value. According to QCB instructions, the Group should dispose of any land and properties acquired in settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended with the approval of QCB.

(y) Appropriations for Instruments Eligible for Additional Capital

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

(z) Comparatives

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



4- FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Group's business involves taking 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.

Financial instruments

Financial instruments comprise the Group's financial assets and liabilities. Financial assets include cash and balances with Central banks, due from banks, loans and advances, investment securities, derivative financial assets and certain other assets and financial liabilities include customer deposits, borrowings under repurchase agreements and interbank takings, debt issued and other borrowed funds, derivative financial liabilities and certain other liabilities. Financial instruments also include rights and commitments included in off- balance sheet items.

Note 3(d) describes the accounting policies followed by the Group in respect of recognition and measurement of the key financial instruments and their related income and expense.

Risk management

The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations. Market risk, which includes foreign currency, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields. Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events or execution or regulatory issues.

Risk and other committees

The governance structure of the Group is headed by the Board of Directors. The Board of Directors evaluates risk by engaging with the Group Chief Executive Officer and Chief Risk Officer along with the following Board and Management Committees:

- 1). Board Risk Committee is responsible for all aspects of Risk Management across the Group including but not restricted to credit risk, market risk, and operational risk. This committee sets the policy on all risk issues and maintains oversight of all Group risks through the Management Risk Committee.
- 2). Board Audit and Compliance Committee is responsible for setting the policy on all Audit issues and maintains oversight of all Bank audit issues through the Chief Internal Auditor. In addition, the committee is also responsible for Compliance & Anti-Money Laundering which is managed through the Chief Compliance Officer.
- 3). Board Executive Committee is responsible for evaluating and granting credit facilities and approval of the Group's investment activities within authorized limits per Qatar Central Bank and Board of Directors' guidelines. In addition, this committee is also responsible for all policies and strategies of the business and compliance of corporate governance.
- 4). Management Credit Committee (MCC) is the third highest-level authority on all Counterparty Credit Risk Exposures, after the Board of Directors and Board Executive Committee. The MCC also is responsible for watch list and non-performing assets to minimize risks, prevent losses, maximize recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions. MCC exercises its credit authority as conferred upon them by the Delegation of Authority ("DoA") as approved by the Board.
- 5). Management Risk Committee is the highest management authority on all risk related issues in the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.
- 6). Asset and Liability Committee (ALCO) is a management committee which is a decision making body relating to Asset and Liability management. (i.e. balance sheet structure, funding, pricing, hedging, setting limits etc.) Under the overall risk management framework, ALCO is a key component of risk management within the Bank.

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) Introduction and overview (continued)****Risk and other committees (continued)**

7). Investment Committee (ICO) is the decision making committee for Bank's proprietary investment activities, with a view to optimize returns, ensuring that the investment book provides a liquidity buffer for the bank and mitigate market risk attached to the nature of targeted investment.

8). Crisis Management Committee (CMC) is the authority for management of a crisis, entailing business continuity, prevention, planning, testing, and evaluation. The CMC's objective is to mitigate and minimize the consequences of crisis events.

9). Information Security Committee (ISC) oversees the management of cyber risks in alignment with risk appetite, regulatory and governmental mandates.

10). Technology Risk Committee (TRC) will oversee and facilitate the implementation of a Technology Risk Management Framework in Commercial Bank. The impact of technology risk issues generally are felt across more than one unit in the Bank and hence a cross functional team is required to address these issues effectively.

11). Sustainability Committee responsible for the Bank's Environment, Social and Governance (ESG) strategy, performance and reporting. This committee will oversee the Bank's initiatives for implementation and evaluate the related risk and opportunities.

(b) Credit risk

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Loans and advances are the largest sources of credit risk for the Group. Other sources of credit risk exist throughout the activities of the Group, including investments in the banking book and in the trading book. The Group also faces credit risk (or counterparty risk) in various financial instruments other than loans, including: acceptances, interbank transactions, trade financing, foreign exchange transactions, derivative instruments, and in the extension of commitments and guarantees, as well as the settlement of transactions. The Group maintains well defined, written policies and procedures for identifying, measuring, monitoring, and controlling credit risk, governing credit-granting activities in conformance with the risk appetite and limits defined by the Board. All extensions of credit are made on an arm's length basis in accordance with the Group's credit-granting approval process by a combination of authorized individuals, groups or credit committees, depending on the size and nature of the credit, who have the experience, knowledge and background to exercise prudent judgement in assessing, approving and managing credit risks.

(i) Credit risk measurement**1. Loans and advances**

The Group's aim is to maintain a sound asset portfolio by optimizing its loan mix. This is being achieved through a strategy of reducing exposure to non-core client relationships while selectively targeting economic sectors that are core to the overall business strategy. In addition, the Group intends to diversify risk by increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages. In measuring credit risk of loan and advances to customers and to banks, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely potential future exposure, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

(i) The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They combine statistical analysis along with the business relationship officers and credit risk officers assessment and are independently validated. Clients of the Group are segmented based on a 10-point rating scale (22 notches including modifiers) for the corporate book and product based application scores for the retail book. The Group's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, the probability of default changes with the migration of ratings. The rating tools are kept under review and upgraded as necessary.

The ratings of the major rating agency are mapped to Group's rating grades based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the carrying value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. For undrawn facilities, the Group applies credit conversion factors that are prescribed by Qatar Central Bank and are aligned to Bank of International Settlements (BIS) guidelines.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

2. Debt securities and other bills

For debt securities and other bills, external ratings are used by Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to improve the overall asset quality, enhance yield and provide a readily available source to meet the funding requirement.

(ii) Risk limit control and mitigation policies**Portfolio diversification**

Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Group is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfil its payment obligations, large exposure limits have been established per credit policy following the local regulations. Limits are also in place to manage exposures to a particular country or sector. These risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary.

Collateral

In order to proactively respond to credit deterioration, the Group employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Lending against lien marked deposits;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Credit risk (continued)****(ii) Risk limit control and mitigation policies (continued)****Collateral (continued)**

Longer-term finance and lending to corporate entities are generally secured; working capital credit facilities are generally unsecured. In addition, in order to minimize the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as at the reporting date. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation but the counterparty fails to deliver the counter-value.

(iii) Maximum exposure to credit risk before collateral held or other credit enhancements

	2021	2020
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	11,558,894	5,851,972
Due from banks	10,942,011	10,401,014
Loans and advances to customers	98,003,163	96,698,098
Investment securities - debt	26,243,426	24,977,468
Other assets	1,559,522	2,486,722
Total as at 31 December	148,307,016	140,415,274
Other credit risk exposures are as follows:		
Guarantees	18,178,171	17,788,756
Letters of credit	3,044,915	2,291,488
Unutilized credit facilities	2,433,180	4,465,134
Total as at 31 December	23,656,266	24,545,378
	171,963,282	164,960,652

The above table represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached.

(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 categorized by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

2021	Qatar	Other GCC	Other Middle East	Rest of the World	Total
Balances with central banks	9,699,541	-	1,859,353	-	11,558,894
Due from banks	1,109,795	157,668	3,864,511	5,810,037	10,942,011
Loans and advances to customers	80,729,496	1,162,509	10,832,955	5,278,203	98,003,163
Investment securities - debt	20,108,918	1,530,280	3,005,082	1,599,146	26,243,426
Other assets	1,197,357	-	362,165	-	1,559,522
	112,845,107	2,850,457	19,924,066	12,687,386	148,307,016
2020	Qatar	Other GCC	Other Middle East	Rest of the World	Total
Balances with central banks	4,168,694	-	1,683,278	-	5,851,972
Due from banks	991,136	200,706	3,094,605	6,114,567	10,401,014
Loans and advances to customers	74,958,590	204,077	18,226,563	3,308,868	96,698,098
Investment securities - debt	18,935,247	446,275	4,280,798	1,315,148	24,977,468
Other assets	2,097,767	-	388,955	-	2,486,722
	101,151,434	851,058	27,674,199	10,738,583	140,415,274

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Credit risk (continued)****(iv) Concentration of risks of financial assets with credit risk exposure (continued)****Geographical sectors (continued)**

2021	Qatar	Other GCC	Other Middle East	Rest of the World	Total
Guarantees	8,523,198	597,432	869,217	8,188,324	18,178,171
Letters of credit	1,706,643	-	506,049	832,223	3,044,915
Unutilized credit facilities	1,980,687	100,132	198,960	153,401	2,433,180
	12,210,528	697,564	1,574,226	9,173,948	23,656,266
2020	Qatar	Other GCC	Other Middle East	Rest of the World	Total
Guarantees	9,181,740	775,795	59,798	7,771,423	17,788,756
Letters of credit	1,196,565	463	38,465	1,055,995	2,291,488
Unutilized credit facilities	2,728,362	1,456,059	173	280,540	4,465,134
	13,106,667	2,232,317	98,436	9,107,958	24,545,378

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 categorized by the industry sectors of the Group's counterparties.

Funded	Gross exposure 2021	Gross exposure 2020
Government	44,309,991	40,183,405
Government agencies	6,605,118	4,676,713
Industry	8,185,946	8,560,647
Commercial	18,208,579	15,324,793
Services	43,153,829	36,974,355
Contracting	2,618,631	2,845,738
Real estate	18,206,163	20,555,049
Consumers	3,653,631	6,701,930
Other sectors	3,365,128	4,592,644
Total funded	148,307,016	140,415,274
Un-funded		
Government institutions & semi government agencies	2,471,536	2,237,635
Services	8,968,904	10,096,812
Commercial and others	12,215,826	12,210,931
Total un-funded	23,656,266	24,545,378
Total	171,963,282	164,960,652

(v) Credit Quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 4- represents investment grade, ORR 5+ to 7+ represents sub-investment grade and 7 and 7- represent watch list. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group 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.

2021				
Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks				
	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	15,193,469	7,584	-	15,201,053
Sub-investment grade - ORR 5 to 7	4,868,817	2,506,155	-	7,374,972
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	20,062,286	2,513,739	-	22,576,025
Loss allowance	(23,570)	(58,672)	-	(82,242)
	20,038,716	2,455,067	-	22,493,783
Accrued Interest				7,122
Carrying amount				22,500,905
2021				
Loans and advances to Customers				
	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	46,168,623	1,336,613	-	47,505,236
Sub-investment grade - ORR 5 to 7	34,375,176	14,840,441	-	49,215,617
Substandard - ORR 8	-	-	633,746	633,746
Doubtful - ORR 9	-	-	1,915,244	1,915,244
Loss - ORR 10	-	-	2,236,536	2,236,536
Total - Gross	80,543,799	16,177,054	4,785,526	101,506,379
Loss allowance	(221,717)	(1,450,366)	(2,989,970)	(4,662,053)
	80,322,082	14,726,688	1,795,556	96,844,326
Accrued Interest				1,158,837
Carrying amount				98,003,163

4- FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit Quality (continued)

	2021			
Investment Securities - Debt	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	18,696,067	261,038	-	18,957,105
Sub-investment grade - ORR 5 to 7	4,228,153	111,720	-	4,339,873
Substandard - ORR 8	-	-	-	-
Doubtful ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	22,924,220	372,758	-	23,296,978
Loss allowance	(38,494)	(13,112)	-	(51,606)
	22,885,726	359,646	-	23,245,372
Accrued interest				296,638
Carrying amount				23,542,010

	2021			
Loan Commitments and financial Guarantees	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	5,636,266	99,553	-	5,735,819
Sub-investment grade - ORR 5 to 7	13,863,019	3,544,445	-	17,407,464
Substandard - ORR 8	-	-	1,670	1,670
Doubtful ORR 9	-	-	292,724	292,724
Loss - ORR 10	-	-	218,592	218,592
Total - Gross	19,499,285	3,643,998	512,986	23,656,269
Loss allowance	(86,785)	(54,374)	(26,434)	(167,593)
Carrying amount	19,412,500	3,589,624	486,552	23,488,676

	2020			
Cash and Balances with Central Banks	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	9,518,594	-	-	9,518,594
Sub-investment grade - ORR 5 to 7	4,814,478	1,991,315	-	6,805,793
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	14,333,072	1,991,315	-	16,324,387
Loss allowance	(23,961)	(63,524)	-	(87,485)
	14,309,111	1,927,791	-	16,236,902
Accrued Interest				16,084
Carrying amount				16,252,986

	2020			
Loans and advances to Customers	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	41,424,708	476,114	-	41,900,822
Sub-investment grade - ORR 5 to 7	38,296,983	15,478,765	-	53,775,748
Substandard - ORR 8	-	-	741,024	741,024
Doubtful - ORR 9	-	-	1,426,348	1,426,348
Loss - ORR 10	-	-	2,159,756	2,159,756
Total - Gross	79,721,691	15,954,879	4,327,128	100,003,698
Loss allowance	(281,049)	(1,239,905)	(2,875,668)	(4,396,622)
	79,440,642	14,714,974	1,451,460	95,607,076
Accrued Interest				1,091,022
Carrying amount				96,698,098

	2020			
Investment Securities - Debt	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	19,296,219	282,620	-	19,578,839
Sub-investment grade - ORR 5 to 7	4,310,623	102,886	-	4,413,509
Substandard - ORR 8	-	-	-	-
Doubtful ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	23,606,842	385,506	-	23,992,348
Loss allowance	(35,166)	(14,112)	-	(49,278)
	23,571,676	371,394	-	23,943,070
Accrued interest				141,519
Carrying amount				24,084,589

	2020			
Loan Commitments and financial	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	5,724,049	115,806	-	5,839,855
Sub-investment grade - ORR 5 to 7	14,945,312	3,472,303	-	18,417,615
Substandard - ORR 8	-	-	45,837	45,837
Doubtful ORR 9	-	-	1,035	1,035
Loss - ORR 10	-	-	241,036	241,036
Total - Gross	20,669,361	3,588,109	287,908	24,545,378
Loss allowance	(89,665)	(47,673)	(23,545)	(160,883)
Carrying amount	20,579,696	3,540,436	264,363	24,384,495

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Credit risk (continued)****Rescheduled loans and advances to customers**

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non-impaired. The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indices of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against loans and advances to customers. Aggregate collateral for stage 1 as at 31 December 2021 is QAR 58,352 million (2020: QAR 62,752 million), stage 2 QAR 16,544 million (2020: QAR 17,797 million) and stage 3 QAR 2,281 million (2020: QAR 3,332 million).

(vi) Repossessed collateral

During the year, the Group acquired ownership of land and building by taking possession of collateral held as security for an amount of QAR 529 million (2020: QAR 512 million).

Repossession proceeds are used to reduce the outstanding indebtedness and are sold as soon as practicable. Repossessed property is classified in the consolidated statement of financial position within other assets.

(vii) Write-off policy

The Group writes off a loan or an investment in debt security balance, and any related allowances for impairment losses, when the relevant Credit Committees determines that the loan or security is uncollectible. QCB approval is required for local write offs when the amount to be written off exceeds Qatar Riyal one hundred thousand.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 208 million (2020: QAR 450 million).

(viii) Inputs, assumptions and techniques used for estimating impairment*Significant increase in credit risk*

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

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

- i) Two 'absolute' notches downgrade for ratings better than Rating Grade 5 at the time of origination and one 'absolute' notch rating downgrade for other rated customers.
- ii) Facilities restructured during previous twelve months.
- iii) Facilities overdue by 30 days as at the reporting date in case of Retail Products and overdue by 60 days for corporate customers.

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 uses its own database of default history to model estimates of PD for respective ratings that are used in credit decision making. Yearly transition matrices are developed to capture the rating migration of borrowers and yearly PDs are calculated over 5 years to get the through-the-cycle (TTC) PD. In order to transform the TTC PD to point in time, a credit index for the last five historical years is calculated based upon minimizing the sum of the squared differences between the TTC PD and Point-in-time (PIT) PD matrix elements. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group has exposures.

Renegotiated financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

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



4- FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(viii) 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 9 (Doubtful) or 10 (Loss).

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 for regulatory capital purposes.

Measurement of ECL

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

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

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors.

LGD is the magnitude of the likely loss if there is a default. The Group has applied LGD factors based on the type of collateral available and has used the LGD floors that are prescribed by QCB for certain collateral types.

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.
- 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 its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Incorporation of forward-looking information

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

The assessment of Significant Increase in Credit Risk (SICR) and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In the case that none of the macro-economic parameters are statistically significant or the results of forecasted PDs are too deviated from the present forecast of the economic conditions, qualitative PD overlay is used by management based on portfolio analysis.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the 'base economic scenario') are based on available information and include mean reversion approaches for long-term forecasts. The impact of these economic variables on the PD has been determined by performing statistical regression analysis.

In addition to the base economic scenario, other possible scenarios are assessed along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non linearities are captured. At 31 December 2021, the Group concluded that three scenarios appropriately captured non linearities for all portfolios. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the base, and other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historically data estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

For the year end 31 December 2021, the Group has updated inputs and assumptions used for the determination of expected credit losses ("ECLs") in response to uncertainties caused by COVID 19. ECLs were estimated based on a range of forecast economic conditions as at that date. 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 and will continue to review the same for the upcoming reporting periods.

The ECL models have been updated through adjustments in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical default rates of the specific portfolios. The credit index is used to forecast expected point-in-time probabilities of default for the credit portfolio of the Bank.

For the purpose of estimation of ECL, following assumptions were used:

	2021	2020
Average oil prices	\$73/bbl	\$43/bbl
GDP growth	3.6%	-3.5%

The Bank also continues to review its Loss Given Default assumptions and has made adjustments to the same. The aforementioned values of macro-economic factors have been further overlaid by applying conservative scenario weightings as follows:

	2021	2020
Upside Case	0%	0%
Base Case	65%	55%
Downside Case	35%	45%

As the COVID-19 situation continues to evolve, these estimates may be reassessed and adjusted in future.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The Commercial Bank (P.S.Q.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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QAR '000s

4- FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

	2021	2020
100% Base Case, loss allowance would be higher/ (lower) by	(66,510)	(87,998)
100% Upside Case, loss allowance would be higher/ (lower) by	(134,101)	(325,294)
100% Downside Case, loss allowance would be higher/ (lower) by	123,790	92,079

These estimates are based on comparisons performed during the year.

Movement in ECL

	2021			
Opening Balance as at 1 January 2021	Stage1	Stage2	Stage3	Total
Due from banks and balances with central banks	23,961	63,524	-	87,485
Loans and advances to customers	281,049	1,239,905	2,875,668	4,396,622
Investment Securities (Debt)	35,166	14,112	-	49,278
Loan Commitments and Financial Guarantees	89,665	47,673	23,545	160,883
	429,841	1,365,214	2,899,213	4,694,268

ECL Charge for the Period (net)

Due from banks and balances with central banks	(176)	(4,851)	-	(5,027)
Loans and advances to customers	(66,442)	271,907	1,073,347	1,278,812
Investment Securities (Debt)	3,367	(990)	-	2,377
Loan Commitments and Financial Guarantees	1,881	(24,388)	5,049	(17,458)
	(61,370)	241,678	1,078,396	1,258,704

Write offs / Transfer

Due from banks and balances with central banks	-	-	-	-
Loans and advances to customers	-	-	(837,654)	(837,654)
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	-	-
	-	-	(837,654)	(837,654)

Exchange differences

Due from banks and balances with central banks	(216)	-	-	(216)
Loans and advances to customers	7,109	(61,445)	(121,391)	(175,727)
Investment Securities (Debt)	(49)	-	-	(49)
Loan Commitments and Financial Guarantees	(4,761)	31,090	(2,161)	24,168
	2,083	(30,355)	(123,552)	(151,824)

Closing Balance as at 31 December 2021

Due from banks and balances with central banks	23,569	58,673	-	82,242
Loans and Advances to Customers*	221,716	1,450,367	2,989,970	4,662,053
Investment Securities (Debt)	38,484	13,122	-	51,606
Loan Commitments and Financial Guarantees	86,785	54,375	26,433	167,593
	370,554	1,576,537	3,016,403	4,963,494

*Allowance for impairment of loans and advances to customers includes QAR 611 million of interest in suspense (2020: QAR 892 million).

The Commercial Bank (P.S.Q.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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QAR '000s

4- FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Movement in ECL

	2020			
Opening Balance as at 1 January 2020	Stage1	Stage2	Stage3	Total
Due from banks and balances with central banks	7,515	33,037	-	40,552
Loans and advances to customers	61,964	872,666	2,751,042	3,685,672
Investment Securities (Debt)	4,277	12,979	-	17,256
Loan Commitments and Financial Guarantees	26,345	41,764	27,644	95,753
	100,101	960,446	2,778,686	3,839,233
ECL Charge for the Period (net)				
Due from banks and balances with central banks	17,250	30,487	-	47,737
Loans and advances to customers	216,851	392,976	612,014	1,221,841
Investment Securities (Debt)	30,908	1,133	-	32,041
Loan Commitments and Financial Guarantees	65,041	5,892	(3,546)	67,387
	330,050	430,488	608,468	1,369,006
Write offs / Transfer				
Due from banks and balances with central banks	-	-	-	-
Loans and advances to customers	-	-	(450,479)	(450,479)
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	-	-
	-	-	(450,479)	(450,479)
Exchange differences				
Due from banks and balances with central banks	(804)	-	-	(804)
Loans and advances to customers	2,234	(25,737)	(36,909)	(60,412)
Investment Securities (Debt)	(19)	-	-	(19)
Loan Commitments and Financial Guarantees	(1,721)	17	(553)	(2,257)
	(310)	(25,720)	(37,462)	(63,492)
Closing Balance as at 31 December 2020				
Due from banks and balances with central banks	23,961	63,524	-	87,485
Loans and Advances to Customers	281,049	1,239,905	2,875,668	4,396,622
Investment Securities (Debt)	35,166	14,112	-	49,278
Loan Commitments and Financial Guarantees	89,665	47,673	23,545	160,883
	429,841	1,365,214	2,899,213	4,694,268

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) 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 derivatives etc. Such outflows would deplete available cash resources for client lending, 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 lending 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 management of liquidity risk is governed by the Group's liquidity policy. The primary objective of liquidity risk management; over which 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. ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Group's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by the Bank's credit ratings, which are as follows:

Moody's: Long Term A3, Short Term P2, financial strength Ba1 and outlook Stable.
 Fitch : Long Term A, Short Term F1, financial strength bb+ and outlook Stable.
 Standard & Poor's: Long Term BBB+, Short Term A-2, financial strength bb+ and outlook stable

(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, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB under the heading 'Liquidity coverage ratio' (LCR). **The average liquidity coverage ratio maintained by the Group as at 31 December 2021 is 420.95% (2020: 121.24%), as against the minimum requirement of 100% for the year ended 31 December 2021 (100% for 31 December 2020) as per QCB regulations.**

(iii) Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2021								
Cash and balances with central banks	17,915,385	8,215,244	-	-	8,215,244	-	-	9,700,141
Due from banks	10,942,011	6,214,797	681,562	3,812,948	10,709,307	232,704	-	-
Loans and advances to customers	98,003,163	11,412,286	2,328,064	12,012,606	25,752,956	20,662,226	51,587,981	-
Investment securities	26,722,691	22,757	104,094	2,099,212	2,226,063	14,938,689	8,788,160	769,779
Investment in associates and a joint arrangement	2,961,240	-	-	-	-	-	-	2,961,240
Property and equipment and all other assets	8,919,691	1,292,567	775,167	36,888	2,104,622	3,363,269	-	3,451,800
Total	165,464,181	27,157,651	3,888,887	17,961,654	49,008,192	39,196,888	60,376,141	16,882,960
Due to banks	17,776,904	5,940,042	2,935,537	2,602,941	11,478,520	6,297,361	-	1,023
Customer deposits	81,958,484	43,941,107	14,975,254	17,626,309	76,542,670	5,414,230	-	1,584
Debt securities	15,285,788	85,734	1,863,298	2,625,212	4,574,244	9,551,240	1,159,222	1,082
Other borrowings	15,718,753	398,971	1,432,474	5,420,025	7,251,470	8,458,371	-	8,912
Other liabilities	10,651,030	4,295,086	1,426,448	4,153,640	9,875,174	713,217	-	62,639.0
Total	141,390,959	54,660,940	22,633,011	32,428,127	109,722,078	30,434,419	1,159,222	75,240
Difference	24,073,222	(27,503,289)	(18,744,124)	(14,466,473)	(60,713,886)	8,762,469	59,216,919	16,807,720



4- FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2020								
Cash and balances with central banks	8,278,537	2,890,659	-	-	2,890,659	-	-	5,387,878
Due from banks	10,401,014	5,564,842	1,458,600	2,962,451	9,985,893	415,121	-	-
Loans and advances to customers	96,698,098	10,788,017	2,576,137	10,300,869	23,665,023	19,250,983	53,782,092	-
Investment securities	25,778,211	7,191	461,789	2,527,467	2,996,447	11,154,389	10,808,777	818,598
Investment in associates and a joint arrangement	3,116,557	-	-	-	-	-	-	3,116,557
Property and equipment and all other assets	9,333,298	2,602,763	402,291	-	3,005,054	2,995,151	-	3,333,093
Total	153,605,715	21,853,472	4,898,817	15,790,787	42,543,076	33,815,644	64,590,869	12,656,126
Due to banks	20,006,985	9,806,955	4,469,548	5,274,050	19,550,553	203,048	253,384	-
Customer deposits	75,789,543	44,038,234	13,707,994	13,857,373	71,603,601	4,185,942	-	-
Debt securities	13,107,134	182,463	2,040,317	3,490,996	5,713,776	6,030,537	1,362,821	-
Other borrowings	14,125,676	216,320	2,205,732	7,959,518	10,381,570	3,512,158	231,948	-
Other liabilities	8,405,896	4,321,852	953,528	2,315,979	7,591,359	814,537	-	-
Total	131,435,234	58,565,824	23,377,119	32,897,916	114,840,859	14,746,222	1,848,153	-
Difference	22,170,481	(36,712,352)	(18,478,302)	(17,107,129)	(72,297,783)	19,069,422	62,742,716	12,656,126

(iv) Maturity analysis (financial liabilities and derivatives)

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

2021	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	17,776,904	18,624,358	6,051,140	2,934,825	3,286,996	6,295,349	56,048
Customer deposits	81,958,484	85,046,410	45,498,158	16,070,552	17,961,794	5,515,906	-
Debt securities	15,285,788	17,249,408	5,935	1,902,423	3,831,131	10,397,152	1,112,767
Other borrowings	15,718,753	17,746,486	274,329	1,842,036	6,441,810	9,188,311	-
Total liabilities	130,739,929	138,666,662	51,829,562	22,749,836	31,521,731	31,396,718	1,168,815
2020							
Non-derivative financial liabilities							
Due to banks	20,006,985	21,018,672	9,889,605	4,445,636	6,187,663	210,670	285,098
Customer deposits	75,789,543	76,685,385	44,535,786	13,880,596	14,031,635	4,237,368	-
Debt securities	13,107,134	14,907,263	187,103	2,055,339	4,800,641	6,953,485	910,695
Other borrowings	14,125,676	14,445,693	219,881	2,222,083	8,169,722	3,602,303	231,704
Total liabilities	123,029,338	127,057,013	54,832,375	22,603,654	33,189,661	15,003,826	1,427,497

**4- FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Liquidity risk (continued)****(iv) Maturity analysis (financial liabilities and derivatives) (continued)**

Derivative financial instruments:

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

2021	Total	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Derivatives Held for Trading:					
Forward foreign exchange contracts					
Outflow	(28,135,952)	(2,545,089)	(11,683,342)	(13,301,230)	(606,291)
Inflow	26,550,681	2,569,700	10,380,801	12,988,104	612,076
Interest rate swaps:					
Outflow	(97,435)	(3,365)	(50,594)	(35,928)	(7,548)
Inflow	108,674	5,054	54,710	40,319	8,591
Derivatives Held as Fair Value Hedges:					
Interest rate swaps:					
Outflow	(292,365)	(3,902)	(18,899)	(97,796)	(171,768)
Inflow	19,592	369	1,261	6,864	11,098
Derivatives Held as Cash Flow Hedges:					
Forward foreign exchange contracts:					
Outflow	(4,312,808)	-	(468,787)	(3,650,056)	(193,965)
Inflow	4,178,972	-	77,923	3,914,032	187,017
Interest rate swaps:					
Outflow	(2,300,280)	(364,051)	(1,046,939)	(766,004)	(123,286)
Inflow	2,297,201	364,051	1,045,190	764,674	123,286
Total Outflows	(35,138,840)	(2,916,407)	(13,268,561)	(17,851,014)	(1,102,858)
Total inflows	33,155,120	2,939,174	11,559,885	17,713,993	942,068
2020	Total	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Derivatives Held for Trading:					
Forward foreign exchange contracts					
Outflow	(24,726,645)	(9,577,210)	(2,863,279)	(8,943,978)	(3,342,178)
Inflow	24,273,283	9,350,891	2,855,802	8,724,013	3,342,577
Interest rate swaps:					
Outflow	(2,383,799)	(3,735)	(186,217)	(1,375,220)	(818,627)
Inflow	2,410,152	6,364	193,987	1,389,147	820,654
Derivatives Held as Fair Value Hedges:					
Interest rate swaps:					
Outflow	(313,669)	-	(22,800)	(99,005)	(191,864)
Inflow	31,580	-	2,115	8,792	20,673
Derivatives Held as Cash Flow Hedges:					
Forward foreign exchange contracts:					
Outflow	(4,664,191)	(1,316,125)	(460,683)	(2,887,383)	-
Inflow	4,800,575	1,384,472	424,242	2,991,861	-
Interest rate swaps:					
Outflow	(392,460)	(7,352)	(115,026)	(270,082)	-
Inflow	375,803	4,037	104,552	267,214	-
Total Outflows	(32,480,764)	(10,904,422)	(3,648,005)	(13,575,668)	(4,352,669)
Total inflows	31,891,393	10,745,764	3,580,698	13,381,027	4,183,904

(v) Off-balance sheet items

The table below summarizes contractual expiry dates of the Group's off - financial position financial instruments:

2021	Below 1 Year	Above 1 Year	Total
Loan commitments	1,326,616	1,106,564	2,433,180
Guarantees and other financial facilities	10,401,575	10,821,511	21,223,086
Capital commitments	315,200	-	315,200
Total liabilities	12,043,391	11,928,075	23,971,466
2020	Below 1 Year	Above 1 Year	Total
Loan commitments	1,914,115	2,551,019	4,465,134
Guarantees and other financial facilities	8,339,842	11,740,402	20,080,244
Capital commitments	127,548	-	127,548
Total liabilities	10,381,505	14,291,421	24,672,926

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(d) Market risk**

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

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 interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and sovereign bond 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 ALCO) and for the day-to-day review of their implementation.

The Group's proprietary investments are managed according to the Group's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the Qatar Central Bank guidelines. The Group's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Group employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits.

Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under ALCO oversight and approved by the Board.

(ii) Exposure to interest rate risk – non – trading portfolio

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 interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group Treasury in its day-to-day monitoring activities.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The Asset and Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Group's non-trading financial instruments.

The Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Group typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non-discretionary and discretionary. The non-discretionary portfolio consists of the Group's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Group's non-discretionary portfolio, the Group uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements, and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Group largely manages the interest rate sensitivity in the non-discretionary portfolio.

The following table summarizes the interest sensitivity position at year end, by reference to the re-pricing period or maturity of the Group's assets and liabilities.

A summary of the Group's interest rate gap position on non-trading balances are as follows:

2021	Carrying amount	Repricing in:				Non-interest sensitive	Effective interest rate %
		Less than 3 months	3-12 months	1-5 years	More than 5 years		
Cash and balances with central banks	17,915,385	8,055,430	-	-	-	9,859,955	
Due from banks	10,942,011	6,861,411	4,073,720	-	-	6,880	1.69%
Loans and advances to customers	98,003,163	35,337,584	53,010,446	3,399,940	879,793	5,375,400	4.72%
Investment securities	26,722,691	1,240,368	2,599,234	13,480,736	8,627,507	774,846	4.85%
Investment in associates and a joint arrangement	2,961,240	-	-	-	-	2,961,240	
Property and equipment and all other assets	8,919,691	-	-	-	-	8,919,691	
	165,464,181	51,494,793	59,683,400	16,880,676	9,507,300	27,898,012	-
Due to banks	(17,776,904)	(8,875,579)	(8,901,325)	-	-	-	1.01%
Customer deposits	(81,958,484)	(42,400,300)	(17,626,309)	(5,414,230)	-	(16,517,645)	2.25%
Debt securities	(15,285,788)	(1,949,914)	(2,625,214)	(9,550,932)	(1,159,728)	-	2.70%
Other borrowings	(15,718,753)	(2,456,072)	(4,982,466)	(8,280,215)	-	-	1.69%
Other liabilities	(10,651,030)	-	-	-	-	(10,651,030)	
Equity	(24,073,222)	-	-	-	-	(24,073,222)	
	(165,464,181)	(55,681,865)	(34,135,314)	(23,245,377)	(1,159,728)	(51,241,897)	-
Interest rate sensitivity gap	-	(4,187,072)	25,548,086	(6,364,701)	8,347,572	(23,343,885)	-
Cumulative Interest rate sensitivity gap	-	(4,187,072)	21,361,014	14,996,313	23,343,885	-	-

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(d) Market risks (continued)****(ii) Exposure to interest rate risk – non – trading portfolio (continued)**

A summary of the Group's interest rate gap position on non-trading balances are as follows:

2020	Carrying amount	Repricing in:				Non-interest sensitive	Effective interest rate %
		Less than 3 months	3-12 months	1-5 years	More than 5 years		
Cash and balances with central banks	8,278,537	2,796,073	-	-	-	5,482,464	-
Due from banks	10,401,014	7,003,679	3,397,335	-	-	-	1.79%
Loans and advances to customers	96,698,098	40,328,884	49,004,989	3,140,173	835,460	3,388,592	4.91%
Investment securities	25,778,211	1,583,294	3,507,324	8,935,315	9,910,557	1,841,721	4.28%
Investment in associates and a joint arrangement	3,116,557	-	-	-	-	3,116,557	-
Property and equipment and all other assets	9,333,298	-	-	-	-	9,333,298	-
	153,605,715	51,711,930	55,909,648	12,075,488	10,746,017	23,162,632	-
Due to banks	(20,006,985)	(14,276,504)	(5,730,481)	-	-	-	1.79%
Customer deposits	(75,789,543)	(43,060,955)	(13,857,373)	(4,185,942)	-	(14,685,273)	2.42%
Debt securities	(13,107,134)	(1,422,763)	(4,287,073)	(6,033,550)	(1,363,748)	-	3.81%
Other borrowings	(14,125,676)	(2,182,560)	(11,688,594)	(190,619)	(63,903)	-	2.40%
Other liabilities	(8,405,896)	-	-	-	-	(8,405,896)	-
Equity	(22,170,481)	-	-	-	-	(22,170,481)	-
	(153,605,715)	(60,942,782)	(35,563,521)	(10,410,111)	(1,427,651)	(45,261,650)	-
Interest rate sensitivity gap	-	(9,230,852)	20,346,127	1,665,377	9,318,366	(22,099,018)	-
Cumulative Interest rate sensitivity gap	-	(9,230,852)	11,115,275	12,780,652	22,099,018	-	-

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 25 basis point (bp) parallel fall or rise in all yield curves worldwide and a 25 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no a symmetrical movement in yield curves and a constant financial position, is as follows:

		25 bp parallel increase	25 bp parallel decrease
Sensitivity of net interest income			
	2021		
At 31 December		39,239	(39,239)
Average for the year		61,972	(61,972)
	2020		
At 31 December		82,764	(82,764)
Average for the year		46,964	(46,964)
Sensitivity to reported Fair value reserve in equity of interest rate movements			
	2021		
At 31 December		471	(471)
Average for the year		614	(614)
	2020		
At 31 December		757	(757)
Average for the year		464	(464)

Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- Fair value reserves arising from increases or decreases in fair values of debt securities which are reported directly in other comprehensive income.

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

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(d) Market risks (continued)****(ii) Exposure to interest rate risk – non – trading portfolio (continued)****Inter Bank Offered Rate (IBOR) Reforms**

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'). Interest Rate Benchmark Reform 'phase 1' amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. These reliefs should not generally cause hedge accounting to terminate prior to contracts being amended. However, any hedge ineffectiveness continued to be recorded in the statement of income.

Interest Rate Benchmark Reform - Phase 2 amendments have become effective from 1 January 2021 which address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.

The IBOR reform phase 2 amendments address issues arising during interest rate benchmark reform (IBOR reform), including specifying when the 'phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate or alternative reference rate (ARR) as the hedged risk are permitted.

For this purpose, the hedge designation is amended only to make one or more of the following changes: – designating an alternative benchmark rate as the hedged risk;

– updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

– updating the description of the hedging instrument.

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

– it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and

– the original hedging instrument is not derecognised.

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

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

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

The majority of LIBOR and other Interbank Offer Rates are to be discontinued after 31 December 2021 and replaced with certain Alternative Benchmark Rates, with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023.

The Group has exposures to IBORs on its financial instruments that have been and will be replaced or reformed as part of these market-wide initiatives. The Bank has established a cross-functional IBOR steering committee sponsored by the Executive Management which is evaluating the IBORs related exposure. The Steering committee is managing the transition activities to the alternative reference rates by engaging with various stakeholders to support an orderly transition and mitigating risks resulting from the transition. The project is under the governance of the Chief Risk Officer.

The Bank has in place detailed plans, to support the transition of the IBOR exposures prior to the Benchmark cessation. The Group has set up a methodical framework to monitor the progress of transition from IBORs to new benchmark rates by reviewing its exposure and contracts on a regular basis.

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

□

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

The Group's exposure to US dollar LIBOR designated in hedge accounting relationships at 31 December 2021 represents a nominal amount of QAR 6 billion. The objective of the majority of these hedges and consistent with the overall interest rate risk management strategy of CBQ is to reduce fluctuations of the fair value of bonds purchased by CBQ or its own issuances which pay a fixed rate and also reduce fluctuations from foreign exchange risk if these are denominated in another currency that is not QAR or USD.

No immediate gain or loss recognized, for the financial instruments measured using amortised cost, where the effective interest rate to determine contractual cash flows may be impacted by the IBOR reform. Further, there was no impact on the lease liabilities where the discounted lease payments may be impacted by the IBOR reform.

4- FINANCIAL RISK MANAGEMENT (CONTINUED)**(d) Market risks (continued)****(iii) Exposure to other market risks – non-trading portfolios****Foreign currency transactions**

The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities. The table shows the net foreign currency exposure by major currencies at the end of the reporting period along with the sensitivities if there were to be a change in the currency exchange rate.

Net foreign currency exposure:

	2021		2020	
Pound Sterling	36,406		30,483	
Euro	1,231,417		1,456,561	
USD	(35,972,238)		(23,158,726)	
TRY	853,839		1,282,338	
Other currencies	3,341,967		3,793,133	

	Increase (decrease) in profit or loss		Increase (decrease) in fair value reserve	
	2021	2020	2021	2020
5% increase in currency exchange rate				
Pound Sterling	1,820	1,524	-	-
Euro	61,571	72,828	-	-
USD	(1,798,612)	(1,157,936)	-	-
TRY	42,692	64,117	19,402	32,153
Other currencies	167,098	189,657	-	-

Open exchange position in other currencies represents Group's investment in associates and a joint arrangement denominated in OMR and AED.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through other comprehensive income. A 10 per cent increase in the Qatar Exchange market index at 31 December 2020 would have increased equity by QAR 1,777 (2020: QAR Nil). An equivalent decrease would have resulted in an equivalent but opposite impact.

The Group is also exposed to equity price risk and the sensitivity analysis there of is as follows:

	2021	2020
Increase / (decrease) in other comprehensive income:		
Qatar Exchange	8	-

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

(e) 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 behavior.

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 authorization 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.

(f) Capital management**Regulatory capital**

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank in supervising the Group.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. The Capital Adequacy Ratio (CAR) of the group is calculated in accordance with the Basel Committee guidelines as adopted by Qatar Central Bank (QCB). From 1st January 2014 QCB adopted Basel III guidelines for CAR calculation.

4- FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Regulatory capital (continued)

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

	Basel III 2021	Basel III 2020
Common Equity Tier 1 (CET 1) Capital	13,631,019	14,122,195
Additional Tier 1 Capital	4,983,528	4,000,000
Tier 1 Capital	18,614,547	18,122,195
Tier 2 Capital	2,418,374	2,404,946
Total Eligible Capital	21,032,921	20,527,141
Risk Weighted Assets for Credit Risk	106,974,791	105,900,553
Risk Weighted Assets for Market Risk	1,453,281	2,173,161
Risk Weighted Assets for Operational Risk	7,488,468	7,459,902
Total Risk Weighted Assets	115,916,540	115,533,616
Total Capital Ratio	18.1%	17.8%

	CET 1 ratio Without Capital Conservation buffer	CET 1 ratio Including Capital Conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB' buffer	Total capital including conservation buffer, DSIB' buffer and ICAAP Pillar II capital charge
2021						
Actual	11.7%	11.7%	16.0%	18.1%	18.1%	18.1%
Minimum QCB limit	6.0%	8.5%	10.5%	12.5%	13.0%	14.0%
2020						
Actual	12.2%	12.2%	15.7%	17.8%	17.8%	17.8%
Minimum QCB limit	6.0%	8.5%	10.5%	12.5%	13.0%	14.0%

5- USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Going concern

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

(ii) Allowances for credit losses

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

(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 the accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

(iv) Goodwill impairment

Goodwill is tested annually for impairment; assets are grouped together into smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to the CGU which is expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

5- USE OF ESTIMATES AND JUDGMENTS (CONTINUED)**(b) Critical accounting judgements in applying the Group's accounting policies**

The spread of coronavirus ("COVID-19") pandemic has severely impacted various economies globally, causing disruption to business and economic activities. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Group is actively monitoring the COVID 19 situation and in response to this outbreak CBQ, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

In preparing the consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were impacted by the 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.

The Bank has performed an assessment of oil prices volatility and COVID-19 in line with the available guidance of Qatar Central Bank ("QCB") and IFRS. Related policies has been disclosed under Note 4 (b) credit risk and Note 5 use of estimates and judgements related to expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2021.

(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: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist.

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:

2021	Level 1	Level 2	Level 3	Carrying amount
Derivative assets	-	873,873	-	873,873
Investment securities	2,228,265	6,485,572	23,716	8,737,553
	<u>2,228,265</u>	<u>7,359,445</u>	<u>23,716</u>	<u>9,611,426</u>
Derivative liabilities	-	710,720	-	710,720
	<u>-</u>	<u>710,720</u>	<u>-</u>	<u>710,720</u>
2020	Level 1	Level 2	Level 3	Carrying amount
Derivative assets	-	1,621,501	-	1,621,501
Investment securities	2,284,663	4,874,555	36,320	7,195,538
	<u>2,284,663</u>	<u>6,496,056</u>	<u>36,320</u>	<u>8,817,039</u>
Derivative liabilities	-	1,059,829	-	1,059,829
	<u>-</u>	<u>1,059,829</u>	<u>-</u>	<u>1,059,829</u>

There have been no transfers between level 1 and level 2

Reconciliation of level 3 investments are as follows :

	2021	2020
Balance at 1 January	36,320	29,102
Cost movement	1,092	26,729
Profit and loss movement	(13,696)	(19,511)
Fair value reserve movement	-	-
Balance at 31 December	<u>23,716</u>	<u>36,320</u>

(ii) Financial asset and liability classification

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

(iii) Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

(iv) Impairment of investments in equity and debt securities

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. Refer to note 4 (b) (viii) Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

(v) Useful life of intangible assets

The Group's management determines the estimated useful life of its intangible assets for calculating amortization. This estimate is determined after considering the expected economic benefits from the use of intangible assets.

(vi) Fair value of land and buildings

The fair value of land and building is determined by valuations from an external professional real estate valuer using recognized valuation techniques and the principles of IFRS 13 "Fair Value Measurement"

(vii) Leases - Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates).



6- OPERATING SEGMENTS

For management purposes, the Group is divided into four operating segments, which are based on business lines, together with its associates and a joint arrangement companies, as follows:

Qatar operations:

1. **Wholesale Banking** provides an extensive range of conventional funded and non-funded credit facilities, demand and time deposit services, currency exchange facilities, interest rate swaps and other derivative trading services, loan syndication and structured financing services to corporate, commercial and multinational customers. Money market funds and proprietary investment portfolio are also managed by this operating segment.
2. **Retail Banking** provides personal current, savings, time and investment account services, credit card and debit card services, consumer and vehicle loans, residential mortgage services, custodial services to retail and individual customers and brokerage services provided by Commercialbank Financial Services L.L.C. wholly owned subsidiary operating in Qatar.
3. **Others** include subsidiaries and joint arrangement operating in Qatar.

International:

4. **Alternatif Bank:** A subsidiary that provides banking services through its branch network in Turkey. Alternatif bank also has its subsidiaries. The Group reported Abank group result under this operating segment.
5. Investment in associates includes strategic investments in the National Bank of Oman in the Sultanate of Oman, United Arab Bank in the United Arab Emirates.

All Associates and joint arrangement Companies are accounted for under the equity method.

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations. (For example, Group headquarters, common property & equipment, cash functions and net of intra-group transactions).

Management monitors the results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis.



6- OPERATING SEGMENTS (CONTINUED)

(a) By operating segment

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

2021	Qatar Operations				Unallocated and Intra-group transactions	Total
	Wholesale Banking	Retail Banking	Others	International		
Net interest income	2,681,775	789,829	781	235,125	(5,981)	3,701,529
Net fee, commission and other income	597,316	588,825	44,853	105,212	62,975	1,399,181
Segmental revenue	3,279,091	1,378,654	45,634	340,337	56,994	5,100,710
Net Impairment losses on investment securities	(2,335)	-	-	(42)	-	(2,377)
Net impairment loss on loans and advances to customers and other financial assets	(928,302)	(80,258)	-	(68,374)	-	(1,076,934)
Segmental profit	1,663,715	811,537	(22,266)	23,727	(10,713)	2,466,000
Impairment for investment in an associate	-	-	-	(291,000)	-	(291,000)
Share of results of associates and a joint arrangement	-	-	1,491	127,763	-	129,254
Net profit for the period	1,663,715	811,537	(20,775)	(139,510)	(10,713)	2,304,254
Other information						
Loans and advances to customers	78,543,875	11,788,933	-	7,670,355	-	98,003,163
Investments in associates and a joint arrangement	-	-	6,943	2,954,297	-	2,961,240
Assets (other than above)	45,344,666	1,481,502	348,825	5,190,145	12,134,640	64,499,778
						165,464,181
Customer deposits	50,004,429	25,572,835	-	7,038,209	(656,989)	81,958,484
Liabilities (other than above)	51,195,342	1,989,379	298,399	5,110,185	839,169	59,432,474
						141,390,958
Contingent items	18,808,826	219,448	560,000	4,067,992	-	23,656,266

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,725 million, Liabilities: QAR 2,109 million).

2020	Qatar Operations				Unallocated and Intra-group transactions	Total
	Wholesale Banking	Retail Banking	Others	International		
Net interest income	1,926,142	881,452	282	292,259	-	3,100,135
Net fee, commission and other income	447,666	553,259	-	113,744	22,329	1,136,998
Segmental revenue	2,373,808	1,434,711	282	406,003	22,329	4,237,133
Net Impairment reversal on investment securities	(31,899)	-	-	(142)	-	(32,041)
Net impairment loss on loans and advances to customers and other financial assets	(984,886)	158,403	-	(125,027)	-	(951,510)
Segmental profit	986,118	1,080,017	4,749	57,517	(25,939)	2,102,462
Impairment for investment in an associate	-	-	-	(591,242)	-	(591,242)
Share of results of associates and a joint arrangement	-	-	2,528	(212,534)	-	(210,006)
Net profit for the period	986,118	1,080,017	7,277	(746,259)	(25,939)	1,301,214
Other information						
Loans and advances to customers	73,792,143	11,265,125	-	11,640,830	-	96,698,098
Investments in associates and a joint arrangement	-	-	7,952	3,108,605	-	3,116,557
Assets (other than above)	39,098,828	1,494,733	90,243	6,570,806	6,536,450	53,791,060
						153,605,715
Customer deposits	41,774,265	25,075,689	-	8,939,589	-	75,789,543
Liabilities (other than above)	45,563,122	2,166,967	1,065	7,797,358	117,179	55,645,691
						131,435,234
Contingent items	18,987,074	1,071,245	-	4,487,059	-	24,545,378

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,409 million, Liabilities: QAR 1,347 million).

6- OPERATING SEGMENTS (CONTINUED)

(b) By geography

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2021							
Cash and balances with central banks	15,901,765	-	2,013,620	-	-	-	17,915,385
Due from banks	1,109,795	157,668	3,864,512	3,211,893	1,676,459	921,684	10,942,011
Loans and advances to customers	80,729,496	1,162,509	10,832,955	1,761,993	443,577	3,072,633	98,003,163
Investment securities	20,445,207	1,542,569	3,117,500	125,505	11,915	1,479,995	26,722,691
Investment in associates and a joint arrangement	6,943	2,954,297	-	-	-	-	2,961,240
Property and equipment and all other assets	8,079,724	-	839,967	-	-	-	8,919,691
Total assets	126,272,930	5,817,043	20,668,554	5,099,391	2,131,951	5,474,312	165,464,181
Due to banks	4,076,931	568,515	2,648,798	7,091,097	457,191	2,934,372	17,776,904
Customer deposits	57,532,032	570,347	6,977,103	7,294,193	1,843,482	7,741,327	81,958,484
Debt securities	-	-	954,792	14,330,996	-	-	15,285,788
Other borrowings	2,420,404	3,280,901	1,930,285	1,559,278	3,359,834	3,168,051	15,718,753
Other liabilities	9,931,897	-	718,072	-	-	1,061	10,651,030
Equity	23,361,111	-	712,111	-	-	-	24,073,222
Total liabilities and equity	97,322,375	4,419,763	13,941,161	30,275,564	5,660,507	13,844,811	165,464,181
Consolidated statement of income							
Year ended 31 December 2021							
Net interest income	3,545,889	68,801	501,413	(441,772)	(22,018)	49,216	3,701,529
Net fee, commission and other income	1,252,404	4,861	132,414	7,882	1,266	354	1,399,181
Net operating income	4,798,293	73,662	633,827	(433,890)	(20,752)	49,570	5,100,710
Staff cost	(843,954)	-	(103,067)	-	-	-	(947,021)
Depreciation	(195,154)	-	(18,200)	-	-	-	(213,354)
Amortization of intangible assets	(46,269)	-	(12,581)	-	-	-	(58,850)
Impairment loss on investment securities	(2,335)	-	(42)	-	-	-	(2,377)
Net impairment loss on loans and advances to customers	(1,009,889)	-	(89,530)	-	-	-	(1,099,419)
Net impairment losses on other financial assets	1,329	-	21,156	-	-	-	22,485
Impairment on Investment in an Associate	-	(291,000)	-	-	-	-	(291,000)
Other Provision	(21,697)	-	(45,529)	-	-	-	(67,226)
Other expenses	(199,018)	-	(61,224)	-	-	(101)	(260,343)
Profit before share of results of associates and a joint arrangement	2,481,306	(217,338)	324,810	(433,890)	(20,752)	49,469	2,183,605
Share of results of associates and a joint arrangement	1,490	127,764	-	-	-	-	129,254
Profit for the year before tax	2,482,796	(89,574)	324,810	(433,890)	(20,752)	49,469	2,312,859
Income tax expenses	(1,008)	-	(7,592)	-	-	(5)	(8,605)
Net profit for the year	2,481,788	(89,574)	317,218	(433,890)	(20,752)	49,464	2,304,254

6- OPERATING SEGMENTS (CONTINUED)

(b) By geography (continued)

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2020							
Cash and balances with central banks	6,503,599	-	1,774,938	-	-	-	8,278,537
Due from banks	989,234	200,843	3,095,675	2,796,577	2,639,510	679,175	10,401,014
Loans and advances to customers	74,937,510	210,530	18,229,926	849,025	125,555	2,345,552	96,698,098
Investment securities	18,957,962	534,775	4,932,909	43,020	201,790	1,107,755	25,778,211
Investment in associates and a joint arrangement	7,952	3,108,605	-	-	-	-	3,116,557
Property and equipment and all other assets	8,177,819	-	1,155,346	-	-	133	9,333,298
Total assets	109,574,076	4,054,753	29,188,794	3,688,622	2,966,855	4,132,615	153,605,715
Due to banks	6,137,077	1,851,087	738,059	10,003,894	56,470	1,220,398	20,006,985
Customer deposits	53,368,020	1,828,676	8,967,145	4,467,046	1,187,311	5,971,345	75,789,543
Debt securities	-	-	1,292,145	11,814,989	-	-	13,107,134
Other borrowings	485,639	1,501,959	3,186,509	4,086,530	1,458,942	3,406,097	14,125,676
Other liabilities	7,337,001	-	1,067,831	-	-	1,064	8,405,896
Equity	20,968,798	-	1,201,683	-	-	-	22,170,481
Total liabilities and equity	88,296,535	5,181,722	16,453,372	30,372,459	2,702,723	10,598,904	153,605,715
Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2020							
Net interest income	3,093,161	(11,366)	658,626	(551,387)	(39,893)	(49,006)	3,100,135
Net fee, commission and other income	922,504	99,338	144,013	(30,802)	232	1,713	1,136,998
Net operating income	4,015,665	87,972	802,639	(582,189)	(39,661)	(47,293)	4,237,133
Staff cost	(518,432)	-	(114,167)	-	-	-	(632,599)
Depreciation	(116,889)	-	(23,456)	-	-	-	(140,345)
Amortization of intangible assets	(48,268)	-	(10,127)	-	-	-	(58,395)
Impairment loss on investment securities	(31,899)	-	(142)	-	-	-	(32,041)
Net impairment loss on loans and advances to customers	(719,021)	-	(117,365)	-	-	-	(836,386)
Net impairment losses on other financial assets	(107,461)	-	(7,663)	-	-	-	(115,124)
Impairment on Investment in an Associate	-	(591,242)	-	-	-	-	(591,242)
Other Provision	(40,177)	-	-	-	-	-	(40,177)
Other expenses	(202,653)	-	(62,284)	-	-	(101)	(265,038)
Profit before share of results of associates and a joint arrangement	2,230,865	(503,270)	467,435	(582,189)	(39,661)	(47,394)	1,525,786
Share of results of associates and a joint arrangement	2,528	(212,534)	-	-	-	-	(210,006)
Profit for the year before tax	2,233,393	(715,804)	467,435	(582,189)	(39,661)	(47,394)	1,315,780
Income tax expenses	(759)	-	(13,282)	-	-	(525)	(14,566)
Net profit for the year	2,232,634	(715,804)	454,153	(582,189)	(39,661)	(47,919)	1,301,214



7- FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

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

	Fair value through Profit or loss		Fair value through other comprehensive income				
Consolidated statement of financial position							
	Debt instruments	Equity instruments	Debt instruments	Equity instruments	Amortised Cost	Total carrying amount	Fair value
2021							
Cash and balances with central banks	-	-	-	-	17,915,385	17,915,385	17,915,385
Due from banks	-	-	-	-	10,942,011	10,942,011	10,942,011
Loans and advances to customers	-	-	-	-	98,003,163	98,003,163	98,003,163
Investment securities	2,713,488	68,246	5,656,873	411,020	17,873,064	26,722,691	26,755,550
	2,713,488	68,246	5,656,873	411,020	144,733,623	153,583,250	153,616,109
Due to banks	-	-	-	-	17,776,904	17,776,904	17,776,904
Customer deposits	-	-	-	-	81,958,484	81,958,484	81,958,484
Debt securities	-	-	-	-	15,285,788	15,285,788	11,816,932
Other borrowings	-	-	-	-	15,718,753	15,718,753	15,718,753
	-	-	-	-	130,739,929	130,739,929	127,271,073

	Fair value through Profit or loss		Fair value through other comprehensive income				
Consolidated statement of financial position							
	Debt instruments	Equity instruments	Debt instruments	Equity instruments	Amortised Cost	Total carrying amount	Fair value
2020							
Cash and balances with central banks	-	-	-	-	8,278,537	8,278,537	8,278,537
Due from banks	-	-	-	-	10,401,014	10,401,014	10,401,014
Loans and advances to customers	-	-	-	-	96,698,098	96,698,098	96,698,098
Investment securities:	906,755	127,368	5,549,692	648,267	18,546,129	25,778,211	26,373,538
	906,755	127,368	5,549,692	648,267	133,923,778	141,155,860	141,751,187
Due to banks	-	-	-	-	20,006,985	20,006,985	20,006,985
Customer deposits	-	-	-	-	75,789,543	75,789,543	75,789,543
Debt securities	-	-	-	-	13,107,134	13,107,134	13,358,818
Other borrowings	-	-	-	-	14,125,676	14,125,676	14,125,676
	-	-	-	-	123,029,338	123,029,338	123,281,022

8- CASH AND BALANCES WITH CENTRAL BANKS

	2021	2020
Cash	6,356,491	2,426,565
Cash reserve with central banks *	4,483,446	3,898,915
Other balances with central banks	7,069,901	1,950,130
	17,909,838	8,275,610
Accrued interest	5,547	2,927
	17,915,385	8,278,537

* The cash reserve with central banks is a mandatory reserve and is not available for use in the Group's day to day operations.

9- DUE FROM BANKS

	2021	2020
Current accounts	5,553,178	3,523,796
Placements	1,593,990	3,774,293
Loans to banks	3,875,510	3,177,253
	11,022,678	10,475,342
Accrued interest	1,575	13,157
Allowance for impairment of due from bank	(82,242)	(87,485)
	10,942,011	10,401,014

**10- LOANS AND ADVANCES TO CUSTOMERS****(a) By type**

	2021	2020
Loans	85,370,349	86,134,540
Overdrafts	10,692,164	10,674,888
Bills discounted	72,395	152,870
Bankers acceptances	5,375,400	3,046,190
	101,510,308	100,008,488
Deferred profit	(3,929)	(4,790)
	101,506,379	100,003,698
Accrued interest	1,158,837	1,091,022
Allowance for impairment of loans and advances to customers*	(2,989,971)	(2,875,668)
ECL on loans and advances to customers	(1,672,082)	(1,520,954)
Net loans and advances to customers *	98,003,163	96,698,098

*The aggregate amount of non-performing loans and advances to customers amounted QAR 4,786 million which represents 4.7% of total loans and advances to customers (2020: QAR 4,327 million 4.3% of total loans and advances to customers).

**Allowance for impairment of loans and advances to customers includes QAR 611 million of interest in suspense (2020: QAR 892 million).

Modified financing assets

The Group has allowed delayed repayments of certain customers in line with the QCB instructions issued to local banks in Qatar. The modification loss on these loans was not considered to be material for the year.

Zero rated repo facility by QCB

QCB has issued zero rated repo facilities to the local banks in Qatar in order to support the banks liquidity who are extending loans to affected sectors at reduced rates and guarantees from the government of the State of Qatar.

(b) By sector

	2021	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies		11,543,044	6,592,047	-	-	18,135,091
Non-banking financial institutions		428,415	1,831	-	-	430,246
Industry		8,515,398	6,612	3,957	3,983	8,529,950
Commercial		13,931,294	387,289	7,134	3,039,070	17,364,787
Services		25,629,524	1,235,249	35,617	1,722,079	28,622,469
Contracting		2,822,900	558,323	25,687	514,789	3,921,699
Real estate		18,435,242	324,364	-	-	18,759,606
Personal		2,605,236	1,561,403	-	-	4,166,639
Others		1,459,294	25,046	-	95,481	1,579,821
		85,370,347	10,692,164	72,395	5,375,402	101,510,308
Accrued interest						1,158,837
Less: Deferred profit						(3,929)
Allowance for impairment of loans and advances to customers						(2,989,971)
ECL on loans and advances to customers						(1,672,082)
						(3,507,145)
Net loans and advances to customers						98,003,163

	2020	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies		9,355,381	7,926,307	-	-	17,281,688
Non-banking financial institutions		921,067	10,876	-	-	931,943
Industry		8,728,538	8,445	3,204	4,002	8,744,189
Commercial		12,029,839	356,887	12,086	1,689,140	14,087,952
Services		23,043,631	411,085	68,142	971,699	24,494,557
Contracting		2,789,230	470,797	69,438	379,298	3,708,763
Real estate		20,453,442	50,455	-	-	20,503,897
Personal		6,014,864	1,401,803	-	-	7,416,667
Others		2,798,548	38,233	-	2,051	2,838,832
		86,134,540	10,674,888	152,870	3,046,190	100,008,488
Accrued interest						1,091,022
Less: Deferred profit						(4,790)
Allowance for impairment of loans and advances to customers						(2,875,668)
ECL on loans and advances to customers						(1,520,954)
						(3,310,390)
Net loans and advances to customers						96,698,098

**10- LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(c) Movement in allowance for impairment of loans and advances to customers**

	2021	2020
Balance at 1 January	4,396,622	3,685,672
Allowance made during the year	1,792,893	1,622,189
Recoveries / reversals during the year	(514,081)	(400,348)
Net allowance for impairment during the year *	1,278,812	1,221,841
Written off / transferred during the year	(837,653)	(450,479)
Exchange differences	(175,728)	(60,412)
Balance at 31 December	4,662,053	4,396,622

*This includes net interest suspended during the year QAR 151.2 million (2020: QAR 244.5 million) as per QCB regulations.

Net impairment losses on loans and advances to customers

	2021	2020
Gross allowance made during the year	1,792,893	1,622,189
Less: Recoveries / reversals during the year	(514,081)	(400,348)
	1,278,812	1,221,841
Less: Interest suspended during the year	(139,911)	(244,467)
Less: Recoveries on previously written off loans	(39,482)	(140,988)
	1,099,419	836,386

10- LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movement in allowance for impairment of loans and advances to customers

	Commercial Bank							Subsidiaries							Total
	Stage 1		Stage 2		Stage 3			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatif bank			Total Alternatif Bank	Others			
Balance at 1 January 2021	204,407	72,444	1,008,746	86,354	1,311,312	1,345,152	4,028,415	3,767	144,806	207,404	355,977	431	-	11,799	4,396,622
Adjustment due to reclassification between segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance made during the year	(68,518)	1,533	216,846	22,445	871,194	280,251	1,323,751	94	32,616	435,982	468,692	450	-	-	1,792,893
Recoveries/reversal during the year	-	-	-	-	(9,826)	(124,929)	(134,755)	-	-	(379,326)	(379,326)	-	-	-	(514,081)
Written off / transferred during the year	-	-	-	-	(763,492)	(62,362)	(825,854)	-	-	-	-	-	-	(11,799)	(837,653)
Exchange differences	-	-	-	-	-	-	-	7,109	(61,445)	(121,392)	(175,728)	-	-	-	(175,728)
Balance at 31 December 2021	135,889	73,977	1,225,592	108,799	1,409,188	1,438,112	4,391,557	10,970	115,977	142,668	269,615	881	-	-	4,662,053

	Commercial Bank							Subsidiaries							Total
	Stage 1		Stage 2		Stage 3			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatif bank			Total Alternatif Bank	Others			
Balance at 1 January 2020	45,023	40,938	716,379	43,822	1,332,104	1,215,927	3,394,193	(23,997)	112,466	191,211	279,680	-	-	11,799	3,685,672
Adjustment due to reclassification between segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance made during the year	159,384	31,506	292,367	42,532	355,116	397,290	1,278,195	140,732	127,505	75,326	343,563	431	-	-	1,622,189
Recoveries/reversal during the year	-	-	-	-	(96,302)	(99,265)	(195,567)	(115,202)	(69,428)	(20,151)	(204,781)	-	-	-	(400,348)
Written off / transferred during the year	-	-	-	-	(279,606)	(168,800)	(448,406)	-	-	(2,073)	(2,073)	-	-	-	(450,479)
Exchange differences	-	-	-	-	-	-	-	2,234	(25,737)	(36,909)	(60,412)	-	-	-	(60,412)
Balance at 31 December 2020	204,407	72,444	1,008,746	86,354	1,311,312	1,345,152	4,028,415	3,767	144,806	207,404	355,977	431	-	11,799	4,396,622

**11- INVESTMENT SECURITIES**

	2021	2020
Fair value through other comprehensive income (FVOCI)	5,983,964	6,166,547
Fair value through profit & loss (FVTPL)	2,753,589	1,028,991
Amortised cost (AC)	17,688,500	18,441,154
	26,426,053	25,636,692
Accrued interest	296,638	141,519
	26,722,691	25,778,211

*The carrying value of investment securities pledged under repurchase agreements (REPO) is QAR 8,123 million (2020: QAR 9,947 million).

(a) Fair value through other comprehensive income:

	2021		
	Quoted	Unquoted	Total
Equities	405,821	5,199	411,020
State of Qatar debt securities	3,829,751	-	3,829,751
Debt and other securities*	1,743,193	-	1,743,193
Total	5,978,765	5,199	5,983,964
	2020		
	Quoted	Unquoted	Total
Equities	643,069	5,199	648,268
State of Qatar debt securities	4,044,987	-	4,044,987
Debt and other securities*	1,415,449	57,843	1,473,292
Total	6,103,505	63,042	6,166,547

* Fixed rate securities and floating rate securities amounted to QAR 1,554 million and QAR 189 million respectively (2020: QAR 1,171 million and QAR 302 million respectively).

(b) Fair value through profit & loss:

	2021		
	Quoted	Unquoted	Total
Equities	30,735	11,896	42,631
State of Qatar debt securities	111,000	-	111,000
Debt and other securities	2,574,344	-	2,574,344
Investment funds	8,829	16,785	25,614
Total	2,724,908	28,681	2,753,589
	2020		
	Quoted	Unquoted	Total
Equities	105,220	22,148	127,368
State of Qatar debt securities	111,000	-	111,000
Debt and other securities	765,516	-	765,516
Investment funds	6,948	18,159	25,107
Total	988,684	40,307	1,028,991

(c) Amortized Cost:**By Issuer**

	2021		
	Quoted	Unquoted	Total
State of Qatar debt securities	14,234,890	-	14,234,890
Debt and other securities	3,428,350	25,260	3,453,610
Total	17,663,240	25,260	17,688,500

By Interest Rate

	2021		
	Quoted	Unquoted	Total
Fixed Rate Securities	17,688,500	-	17,688,500
Floating Rate Securities	-	-	-
Total	17,688,500	-	17,688,500

11- INVESTMENT SECURITIES (CONTINUED)

(c)Amortised Cost (continued)

By Issuer

	2020	
	Quoted	Unquoted
Total		
State of Qatar debt securities	14,255,183	-
Debt and other securities*	3,940,129	245,842
Total	18,195,312	245,842

By Interest Rate

	2020	
	Quoted	Unquoted
Total		
Fixed Rate Securities	18,157,936	245,842
Floating Rate Securities	37,376	-
Total	18,195,312	245,842

12- INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT

The Group's investment in associates and a joint arrangement are as follows:

	2021	2020
Balance at 1 January	3,116,557	4,021,239
Share of results -(note 21)	129,254	(210,006)
Cash dividend - (note 21)	(2,500)	(92,614)
Other movements	8,929	(10,820)
Impairment of investment in an associate	(291,000)	(591,242)
Balance at 31 December	2,961,240	3,116,557

Name of the Entity	Classification	Country	Activities	Ownership %		Price per share (QAR)
				2021	2020	
				%	%	
National Bank of Oman SAOG ('NBO')	Associate	Oman	Banking	34.9%	34.9%	1.89
United Arab Bank PJSC ('UAB')	Associate	UAE	Banking	40.0%	40.0%	0.66
Massoun Insurance Services L.L.C	Joint venture	Qatar	Insurance brokerage	50.0%	50.0%	Not Listed

	2021	2020
Total assets	53,613,728	49,052,758
Total liabilities	46,865,045	42,599,295
Operating income	1,620,304	1,504,786
Net profit	355,897	(489,645)
Total comprehensive income	378,809	(557,932)
Share of results	127,763	(212,534)

13- PROPERTY AND EQUIPMENT

	Land and buildings	Right of use assets	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost							
Balance at 1 January 2020	2,164,485	165,541	117,860	1,277,748	7,781	493,051	4,226,466
Additions / transfers	271,689	385,403	5,142	86,309	8,843	(263,650)	493,736
Disposals	(53)	(14,025)	(1,211)	(1,323)	(2)	-	(16,614)
Exchange differences	(27,910)	(8,293)	(5,219)	(10,735)	(1,195)	-	(53,352)
Balance at 31 December 2020	2,408,211	528,626	116,572	1,351,999	15,427	229,401	4,650,236
Balance at 1 January 2021	2,408,211	528,626	116,572	1,351,999	15,427	229,401	4,650,236
Additions / transfers	16,290	4,497	460	71,130	17,744	73,111	183,232
Revaluation on land & buildings	(269,158)	-	-	-	-	-	(269,158)
Disposals	(101)	(15,213)	(2,233)	(618)	(5,292)	-	(23,457)
Exchange differences	(57,947)	(28,957)	(15,922)	(27,489)	(11,739)	-	(142,054)
Balance at 31 December 2021	2,097,295	488,953	98,877	1,395,022	16,140	302,512	4,398,799
Accumulated depreciation							
Balance at 1 January 2020	119,514	32,925	102,202	1,114,552	3,561	-	1,372,754
Depreciation for the year	32,630	32,827	4,381	69,293	1,214	-	140,345
Disposals	(53)	(6,811)	(1,207)	(1,179)	-	-	(9,250)
Exchange differences	(3,422)	(349)	(2,031)	(5,789)	(286)	-	(11,877)
Balance at 31 December 2020	148,669	58,592	103,345	1,176,877	4,489	-	1,491,972
Balance at 1 January 2021	148,669	58,592	103,345	1,176,877	4,489	-	1,491,972
Depreciation for the year	32,053	100,506	3,079	75,452	2,264	-	213,354
Disposals	-	(3,088)	(1,211)	(457)	(1,994)	-	(6,750)
Exchange differences	(2,388)	(22,033)	(12,054)	(15,304)	(1,337)	-	(53,116)
Balance at 31 December 2021	178,334	133,977	93,159	1,236,568	3,422	-	1,645,460
Net carrying amounts							
Balance at 31 December 2020	2,259,542	470,034	13,227	175,122	10,938	229,401	3,158,264
Balance at 31 December 2021	1,918,961	354,976	5,718	158,454	12,718	302,512	2,753,339
Right of use asset pertains to the following:							
						2021	2020
Land and buildings						354,976	469,561
Vehicles						-	473

14- INTANGIBLE ASSETS

	Goodwill	Brand	Customer relationship	Core deposit	Internally developed software	Total
Cost						
Balance at 1 January 2020	159,656	65,889	286,249	70,471	38,280	620,545
Acquisitions	-	319	-	-	16,659	16,978
Exchange differences	(30,819)	(10,735)	16,334	2,211	(7,304)	(30,313)
Balance at 31 December 2020	128,837	55,473	302,583	72,682	47,635	607,210
Balance at 1 January 2021	128,837	55,473	302,583	72,682	47,635	607,210
Acquisitions	-	3,375	-	-	18,185	21,560
Exchange differences	(58,389)	(22,125)	15,768	613	(25,714)	(89,847)
Balance at 31 December 2021	70,448	36,723	318,351	73,295	40,106	538,923
Amortisation and Impairment						
Balance at 1 January 2020	49,800	38,488	221,362	49,938	24,580	384,168
Amortisation during the year	-	3,034	38,894	8,322	8,145	58,395
Exchange differences	-	(6,322)	-	-	(3,861)	(10,183)
Balance at 31 December 2020	49,800	35,200	260,256	58,260	28,864	432,380
Balance at 1 January 2021	49,800	35,200	260,256	58,260	28,864	432,380
Amortisation during the year	-	2,675	36,893	8,323	10,959	58,850
Exchange differences	-	(13,196)	-	1	(14,487)	(27,682)
Balance at 31 December 2021	49,800	24,679	297,149	66,584	25,336	463,548
Net carrying amounts						
Balance at 31 December 2020	79,037	20,273	42,327	14,422	18,771	174,830
Balance at 31 December 2021	20,648	12,044	21,202	6,711	14,770	75,375

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU-Alternatifbank. A cost of equity of 24.7% (2020: 24.7%) and a terminal growth rate of 2.5 % (2020: 2.5%) were used to estimate the recoverable amount of Alternatifbank.

The recoverable amount for the CGU has been calculated based on the 'Value in Use Method', determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. The discount rate was a pre-tax measure based on the Government Bonds 10 year yield TL, adjusted for an equity market risk premium and equity beta.

Five years of cash flows are included in the discounted cash model. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which CGU operate and the long term compound annual profit before taxes, depreciation and amortization growth rate estimated by the management. The key assumptions described above may change as economic and market conditions change.

No impairment loss is recognized in 2021 (2020: nil) as the recoverable amount of this CGU was determined to be higher than its carrying amount.

15- OTHER ASSETS

	2021	2020
Accrued income	17,251	31,345
Prepaid expenses	99,633	79,564
Accounts receivable	479,321	610,225
Repossession collateral*	3,523,860	2,995,151
Positive fair value of derivatives (note 37)	873,873	1,621,501
Clearing cheques	206,327	223,651
Deferred tax assets (note 33)	53,449	86,874
Others	837,263	351,893
	6,090,977	6,000,204

*This represents the value of the properties acquired in settlement of debts and subsequent additions, which have been stated at their carrying value net of any allowance for impairment and credit enhancement. The estimated market values of these properties at the end of the reporting period are not materially different from the carrying values.



16- DUE TO BANKS

	2021	2020
Balances due to central banks	3,038,156	1,257,471
Current accounts	528,442	547,091
Placement with banks	6,564,929	9,073,036
Repurchase agreements with banks	7,631,743	9,015,570
Accrued interest	13,634	113,817
Total	17,776,904	20,006,985

17- CUSTOMER DEPOSITS

	2021	2020
Current and call deposits	24,400,462	23,492,174
Saving deposits	5,901,947	5,792,621
Time deposits	51,418,229	46,229,937
Accrued interest	237,846	274,811
Total	81,958,484	75,789,543

	2021	2020
Government	5,010,809	4,316,909
Government and semi government agencies	13,912,585	10,953,947
Individuals	23,028,915	24,561,045
Corporate	28,746,764	28,904,155
Non-banking financial institutions	11,021,565	6,778,676
	81,720,638	75,514,732
Accrued interest	237,846	274,811
	81,958,484	75,789,543

18- DEBT SECURITIES

	2021	2020
EMTN unsecured Programme – Senior unsecured notes *	10,469,133	10,506,478
Senior Notes*	230,111	199,921
Subordinated Notes *	716,589	1,089,822
Others#	3,816,156	1,269,506
Accrued interest	53,799	41,407
Total	15,285,788	13,107,134

* The following table provides the breakdown of the Debt Securities as at close of 31 December 2021.

Instrument	Issuer	Issued amount	Issued on	Maturity	Coupon
EMTN - Senior notes	CBQ Finance Ltd	USD 500 million *	May-18	May-23	Fixed Rate 5.00%
	CBQ Finance Ltd	CHF 100 million *	Oct-18	Oct-22	Fixed Rate 1.125%
	CBQ Finance Ltd	USD 36 million *	Feb-19	Feb-24	LIBOR + 1.95%
	CBQ Finance Ltd	USD 25 million *	Sep-19	Sep-22	LIBOR + 1.15%
	CBQ Finance Ltd	CHF 150 million *	Oct-19	Oct-23	Fixed Rate 0.38%
	CBQ Finance Ltd	USD 10 million *	Feb-20	Feb-25	LIBOR + 1.24%
	CBQ Finance Ltd	USD 10 million *	Jun-20	Jun-22	Fixed Rate 2.14%
	CBQ Finance Ltd	CNH 171 million *	Aug-20	Aug-23	Fixed Rate 4%
	CBQ Finance Ltd	HKD 660 million *	Aug-20	Aug-25	Fixed Rate 2.06%
	CBQ Finance Ltd	USD 500 million *	Sep-20	Sep-25	Fixed Rate 2.06%
	CBQ Finance Ltd	JPY 1 billion *	Sep-20	Sep-23	Fixed Rate 0.60%
	CBQ Finance Ltd	JPY 1 billion *	Nov-20	Nov-23	Fixed Rate 0.60%
	CBQ Finance Ltd	JPY 1.5 billion *	Nov-20	Nov-23	Fixed Rate 0.65%
	CBQ Finance Ltd	USD 10 million *	Nov-20	Nov-23	Fixed Rate 1.48%
	CBQ Finance Ltd	CHF 185 million *	Nov-20	Nov-24	Fixed Rate 0.745%
	CBQ Finance Ltd	USD 10 million *	Dec-20	Dec-23	Fixed Rate 1.5%
	CBQ Finance Ltd	USD 13.4 million *	Jan-21	Jul-23	Fixed Rate 1.4%
	CBQ Finance Ltd	CHF 150 million *	Apr-21	Apr-24	Fixed Rate 0.21%
	CBQ Finance Ltd	USD 700 million *	May-21	May-26	Fixed Rate 2%
	CBQ Finance Ltd	AUD 100 million *	Jun-21	Jun-23	Fixed Rate 1%
	CBQ Finance Ltd	CNH 1 billion *	Jul-21	Jul-23	Fixed Rate 3.22%
	CBQ Finance Ltd	HKD 77 million *	Aug-21	Aug-24	LIBOR + 0.48%
	CBQ Finance Ltd	NZD 36 million *	Aug-21	Aug-31	LIBOR + 1.38%
	CBQ Finance Ltd	NZD 32 million *	Sep-21	Sep-31	LIBOR + 1.36%
Subordinated Notes	Alternatifbank	USD 200 million	Apr-16	Apr-26	Fixed Rate 9.85%
Senior Notes	Alternatifbank	TL 150 million	Sep-21	Jan-22	Fixed Rate 19.25%
	Alternatifbank	TL 170 million	Sep-21	Jan-22	Fixed Rate 18.3%
	Alternatifbank	TL 175 million	Oct-21	Feb-22	Fixed Rate 18.2%
	Alternatifbank	TL 56 million	Dec-21	Feb-22	Fixed Rate 17%
	Alternatifbank	TL 71.9 million	Dec-21	Mar-22	Fixed Rate 20.3%
	Alternatifbank	TL 130 million	Nov-21	Apr-22	Fixed Rate 17.48%
	Alternatifbank	TL 61 million	Nov-21	May-22	Fixed Rate 17.38%
	Alternatifbank	TL 71 million	Aug-21	Aug-23	Fixed Rate 19.3%

* Issued for and Guaranteed by the Bank

Others include certificate of deposits issued by the bank.

**18- DEBT SECURITIES (CONTINUED)**

Movement in debt securities are analysed as follows:

	2021	2020
Balance at 1 January	13,107,134	9,524,590
Additions	8,831,102	5,452,640
Repayments	(6,642,025)	(2,157,982)
Amortization of discount and transaction cost	(140,791)	13,623
Accrued interest	19,098	(1,731)
Exchange difference	111,270	275,994
Balance at 31 December	15,285,788	13,107,134

The table below shows the maturity profile of debt securities:

	2021	2020
Up to 1 year	4,575,164	5,710,764
Between 1 and 3 years	3,630,309	3,259,122
Over 3 years	7,080,315	4,137,248
Total	15,285,788	13,107,134

19- OTHER BORROWINGS

	2021	2020
Bilateral loans	1,434,285	1,427,572
Syndicated loans	6,891,794	5,178,191
Others	7,300,406	7,439,514
Accrued interest	92,268	80,399
Total	15,718,753	14,125,676

Movement in other borrowings are as follows:

	2021	2020
Balance at 1 January	14,125,676	12,043,167
Additions	12,308,391	8,922,233
Repayments	(9,841,975)	(6,073,532)
Amortization of discount and transaction cost	23,484	15,886
Accrued interest	40,864	(20,274)
Exchange difference	(937,687)	(761,804)
Balance at 31 December	15,718,753	14,125,676

The table below shows the maturity profile of other borrowings:

	2021	2020
Up to 1 year	7,177,394	10,370,990
Between 1 and 3 years	2,233,117	3,108,991
Over 3 years	6,308,242	645,695
Total	15,718,753	14,125,676

20- OTHER LIABILITIES

	2021	2020
Accrued expense payable	224,637	307,874
Other provisions (Note i)	182,902	198,147
Negative fair value of derivatives (Note 37)	710,720	1,059,829
Unearned income	198,768	248,365
Cash margins	770,276	631,355
Accounts payable	403,924	588,751
Directors' remuneration and meeting attendance fee	18,500	18,500
Provision for sports and social activities support fund ("Daam") (Note 23)	57,606	32,530
Dividend payable	19,602	23,211
Managers' cheque and payment order	166,977	52,619
Unclaimed balances	13,846	14,065
Due for trade acceptances	5,375,401	3,046,192
Deferred tax liabilities (note 33)	314	438
Lease liabilities (Note ii)	384,420	491,035
Employees' benefit liability (Note 31 and Note iii)	376,965	90,474
Income tax payable	12,118	17,440
Others	1,559,908	1,424,190
Net impairment losses on loan commitments and financial guarantees	174,146	160,881
Total	10,651,030	8,405,896

(i) Other provisions

	Provident fund (a)	Pension fund (b)	Total 2021	Total 2020
Balance at 1 January	197,923	224	198,147	194,267
Provision made during the year (note 31)	10,446	12,001	22,447	23,652
Earnings of the fund	5,163	-	5,163	5,376
Provident fund – staff contribution	4,479	4,684	9,163	10,528
Transferred to state retirement fund authority	-	(13,221)	(13,221)	(15,205)
Payment during the year	(34,821)	(513)	(35,334)	(19,729)
Exchange difference	(3,463)	-	(3,463)	(742)
Balance at 31 December	179,727	3,175	182,902	198,147

(a) The provident fund includes the Group's obligations for end of service benefits to expatriate staff per Qatar labour law and the employment contracts.

(b) Pension fund contributions in respect of the national staff are paid to the State administered retirement fund at the end of each month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

(ii) Lease liabilities

The table below shows the maturity profile of lease liabilities:

	2021	2020
Up to 1 year	107,158	110,719
Above 1 year	277,262	380,316
Total	384,420	491,035

(iii) Employees' benefit liability

The Bank has granted performance rights to employees including senior management. Performance rights represent a contingent right to receive a cash payment by referencing to the value of Bank shares during a specified period of time. These performance rights do not provide any entitlement to receive Bank shares, voting rights or dividends associated with them. The fair value at the grant date was estimated using the Black Scholes model, considering the terms and conditions upon which the performance rights were granted. Performance rights will be settled in cash.

a. The following table summarises information about options at 31 December 2021:

Vesting year	Outstanding Options
2016	26,280,047
2017	4,081,063
2017	29,596,518
2018	6,319,921
2018	26,052,945
2020	109,094,413

b. Movement during the year as follows:

	2021		2020	
	Number of options	Weighted average strike price	Number of options	Weighted average strike price
At 1 January	157,566,860	3.58	180,744,702	3.56
Granted during the year	109,094,413	5.02	-	-
Exercised during the year	(65,236,366)	3.31	(23,177,842)	3.43
At 31 December	201,424,907	4.44	157,566,860	3.58
Exercisable at 31 December	24,679,695		74,533,780	
	2021		2020	
	Max	Min	Max	Min
Expected volatility (%)	22.40%	15.70%	30.05%	21.45%
Dividend yield (%)	7.01%	2.28%	14.45%	4.75%
Risk - free int. rate (%)	2.19%	1.16%	2.07%	1.36%
Vesting period	3 years		3 years	
Share price (QAR)	6.75		4.4	

21- EQUITY

(a) Share capital

The issued, subscribed and paid up share capital of the Bank is QAR 4,047,253,750 (2020: QAR 4,047,253,750) divided into 4,047,253,750 (2020: 4,047,253,750) ordinary shares of QAR 1 each (2020: QAR 1 each).

	2021	2020
Authorized number of ordinary shares	4,047,253,750	4,047,253,750
Nominal value of ordinary shares (QAR)	1	1
Issued and paid up capital (in thousands of Qatar Riyals)	4,047,254	4,047,254

At 31 December 2021, the authorized share capital comprised 4,047,254 thousand ordinary share (2020: 4,047,254 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' Annual/Extra-ordinary General meeting of the Bank.

21- EQUITY (CONTINUED)**(b) Legal reserve**

The legal reserve of Commercial Bank and Alternatifbank are QAR 9,764 million (2020: QAR 9,764 million) and QAR 104 million (2020: QAR 101 million) respectively.

In accordance with Qatar Central Bank Law No 13 of 2012, 10% of the net profit of the Group for the year is required to be transferred to legal reserve. Share premium collected from the issuance of new shares and sale of treasury shares is also transferred to legal reserve. Transfer to legal reserve from net profit is mandatory until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No 11 of 2015 and is subject to pre-approval from QCB.

In accordance with the Turkish Commercial code, an entity is required to transfer 5% of net profit until the legal reserve is equal to 20% of issued and fully paid up share capital. Rate for transfer to legal reserve goes up to 10% of net profit allocated for distribution excluding the first 5% of the allocated profit. Share premium and proceeds from cancelled shares, if any net of related expenses are also transferred to legal reserve.

(c) General reserve

As per the Bank's Articles of Association, the general reserve may only be used in accordance with a resolution from the General Assembly upon the Board of Directors recommendation and after obtaining Qatar Central Bank approval.

(d) Risk reserve

In accordance with QCB regulations, a risk reserve should be maintained created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.50% of the total loans and advances of the Group inside and outside Qatar after the exclusion of the credit impairment losses and interest in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees is excluded from the gross direct finance. During the year QAR 94.2 million (2020: QAR 616 million) was transferred to the risk reserve account.

(e) Fair value reserve

The fair value reserve arises from the revaluation of the investment securities through FVOCI, cash flow hedges and change of post acquisition fair value reserve of its associates and a joint arrangement.

Fair value reserve

Balance as at 1 January

- on equity securities

- on debt securities

Net amount transferred to statement of income

Net movement in effective portion of Cash Flow hedges

Net change in fair value of investment in associates

Net movement during the year

Balance as at 31 December

	2021	2020
Balance as at 1 January	1,000,301	600,094
- on equity securities	(235,569)	(88,168)
- on debt securities	(440,466)	443,081
Net amount transferred to statement of income	(597)	(3,519)
Net movement in effective portion of Cash Flow hedges	59,629	59,634
Net change in fair value of investment in associates	8,932	(10,821)
Net movement during the year	(608,071)	400,207
Balance as at 31 December	392,230	1,000,301

(f) Treasury shares

Treasury shares represents ordinary shares of The Commercial Bank (P.S.Q.C.) with nominal value of QAR 1 each. All treasury shares were sold during the year 2020. Treasury shares are presented as a deduction from equity.

(g) Foreign currency translation reserve

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

21- EQUITY (CONTINUED)**(h) Other reserves**

This includes the Group's share of profit from investment in associates and a joint arrangement and non-distributable profit of subsidiaries, net of cash dividend received, as required by QCB regulations as follows:

	2021	2020
Balance as at 1 January	557,273	859,893
Share of result of associates and a joint arrangement (note 12)	129,254	(210,006)
Dividend from associates and a joint arrangement (note 12)	(2,500)	(92,614)
Net movement	126,754	(302,620)
Balance as at 31 December	684,027	557,273

(i) Proposed dividend

The Board of Directors has proposed a cash dividend of 16% for the year 2021 (2020: 10% cash dividend). This proposal is subject to approval at the Annual General Assembly.

(j) Dividends

A cash dividend of 10% for the year 2020 (2019: 20% cash dividend), was approved at the Annual General Assembly held on 10 March 2021 and distributed to shareholders.

(k) Revaluation reserve

This represents the surplus on revaluation of land and buildings that are used in Group's operations and is not available for distribution until the related assets have been disposed off or used.

(l) Instruments eligible for additional capital

In December 2013; the Bank raised regulatory tier 1 capital of QAR 2 billion by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes. The coupon payments are discretionary and non-cumulative. On the first call date of 30 December 2019, the interest rates on the notes have been agreed at 5.15% (previous rate 6%) and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year which will be at 30 December 2025.

In February 2016, the Bank raised additional regulatory tier 1 capital of QAR 2 billion by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes. The coupon payments are discretionary and non-cumulative and priced at a fixed rate of 6% per annum, payable annually until the first call date and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year. As per amendments required by Qatar Central Bank the first call date was amended from 27 February 2022 to 31 December 2021.

In March 2021, the Bank raised additional regulatory tier 1 capital of USD 500 million (equivalent to QAR 1.82 billion) by issuing unsecured perpetual non-cumulative listed Tier 1 notes. The coupon payments are discretionary and non-cumulative and priced at a fixed rate of 4.5% per annum, payable half yearly until the first reset date and thereafter to be reset every five years at the relevant reset reference rate plus the margin converted from an annual to a semi-annual rate in accordance with market conditions. The first reset date will be 3 March 2026.

The Notes are ranked junior to the Bank's existing unsubordinated obligations including existing subordinated debt and depositors, pari passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank.

The Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstance as mentioned in the term sheet i.e. regulatory / tax redemption and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the proposed Capital issue, if a "loss absorption" event is triggered and the Bank has non-discretionary obligation to deliver cash or financial assets. These notes have been classified under equity.

22- OTHER COMPREHENSIVE INCOME

	2021	2020
Changes in fair value of investments in debt securities designated at FVOCI (IFRS 9):		
Positive change in fair value	38,001	445,568
Negative change in fair value	(478,467)	(2,487)
Net change in fair value	(440,466)	443,081
Net amount transferred to profit or loss*	(597)	(3,519)
Foreign currency translation differences for foreign operation	(610,104)	(288,430)
Share of other comprehensive income of associates and a joint arrangement	(6,309)	1,214
Net changes in FV of Cash Flow hedges	59,629	59,634
	(997,847)	211,980
Net changes in fair value of equity investments designated at FVOCI (IFRS 9):		
Net changes in FV of equity investments – FVOCI	(235,569)	(88,168)
Share of other comprehensive income of associates and a joint arrangement	15,241	(12,035)
Revaluation on land and buildings	(269,158)	-
Total other comprehensive income	(1,487,333)	111,777

*Net amount transferred to profit or loss includes a positive change in fair value of QAR 597 thousand (2020: QAR 10.4 million) and no negative change in fair value (2020: QAR 6.9 million).

23- CONTRIBUTION TO PROVISION FOR SPORTS AND SOCIAL ACTIVITIES SUPPORT FUND ("DAAM")

Pursuant to Law No. 13 of 2008, the Bank made an appropriation of QAR 57.6 million (2020: QAR 32.5 million) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit of the Group for the year ended 31 December 2021.

24- INTEREST INCOME

	2021	2020
Loans and advances to customers	4,528,471	4,303,977
Debt securities	1,240,153	1,116,704
Amounts deposited with banks	184,504	235,349
Amounts deposited with central banks	59,320	15,347
	<u>6,012,448</u>	<u>5,671,377</u>

The amounts reported above include interest income, calculated using the effective interest method, that relate to, at amortized cost QAR 5,536 million (2020 : QAR 5,280 million) and at fair value QAR 476 million (2020: QAR 391 million).

25- INTEREST EXPENSE

	2021	2020
Customer deposits	1,513,679	1,568,113
Debt securities	337,807	333,942
Other borrowings	318,648	412,444
Interest expense on lease liabilities	3,127	8,475
Amount deposited by central banks and other banks	137,658	248,268
	<u>2,310,919</u>	<u>2,571,242</u>

The amounts reported above include interest expense, calculated using the effective interest method, on financial liabilities at amortized cost.

26- FEE AND COMMISSION INCOME

	2021	2020
Loans and advances	275,014	343,103
Credit and debit card fees	484,935	397,322
Indirect credit facilities	125,946	138,052
Banking and other operations	437,083	231,618
	<u>1,322,978</u>	<u>1,110,095</u>

27- FEE AND COMMISSION EXPENSE

	2021	2020
Credit and debit card fees	305,511	209,186
Brokerage services	41,750	14,619
Others	47,926	75,441
	<u>395,187</u>	<u>299,246</u>

28- NET FOREIGN EXCHANGE GAIN

	2021	2020
Dealing in foreign currencies & revaluation of spot assets	<u>309,362</u>	<u>296,351</u>

29- NET INCOME / (LOSS) FROM INVESTMENT SECURITIES

	2021	2020
Net gain on disposal of investment securities measured at fair value	10,745	26,560
Net Change in Fair-value of Investment securities	4,553	(53,671)
Dividend income	9,609	3,664
	<u>24,907</u>	<u>(23,447)</u>

30- OTHER INCOME

	2021	2020
Rental and other income	137,121	53,245

31- STAFF COSTS

	2021	2020
Salary and benefits (Note)	910,700	589,897
Health care and medical insurance expenses	13,264	17,498
Staff end of services and pension fund contribution (Note 20 (i))	22,447	23,652
Training and education	610	1,552
	947,021	632,599

Note: Salary and benefits include a cost of QR 329 million (2020: a surplus of QAR 6.8 million) with respect to performance rights.

32- OTHER EXPENSES

	2021	2020
Marketing and advertisement	35,306	34,750
Professional fees	23,413	19,638
Communication, utilities and insurance	51,711	50,044
Board of Directors' remuneration	18,500	18,500
Occupancy, IT consumables and maintenance	47,863	49,490
Travel and related costs	331	446
Printing and stationery	4,573	4,847
Outsourcing service costs	24,147	31,199
Others	54,499	56,124
	260,343	265,038

33- INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
Current income tax	9,615	38,088
Deferred tax (benefit) / expense	(1,010)	(23,522)
	8,605	14,566
Profit Before Tax	2,312,859	1,315,780
Less: Profit not Subject to Tax	(2,461,099)	(1,228,196)
Profit Subject to Tax	(148,240)	87,584
Effective tax rate	16.21%	16.63%
Tax Calculated Based on the Current Tax Rate (Effective Rate)	8,603	14,565
Income not subject to taxation	611,526	62,904
Expenses not deductible for taxation	(455,292)	(50,588)
Adjustments related to prior years	(156,232)	(12,315)
Income tax expense	8,605	14,566

Movement in Deferred Tax Balances 31 December 2021

	Net balances at 1 January	Recognized in			Net	Deferred tax	
		Income Statement	OCI	Exchange difference		Asset	Liability
Property and Equipment	2,594	8,962	-	(4,411)	7,145	7,145	-
Provisions	60,172	36,998	382	(40,624)	56,928	56,928	-
Derivatives and investment securities	16,022	(74,416)	4,844	19,599	(33,951)	(33,951)	-
Unearned Revenue	5,551	1,457	-	(3,042)	3,966	3,966	-
Tax losses carried forward	26	27,587	-	(9,969)	17,644	17,644	-
Others	2,071	422	-	(1,090)	1,403	1,717	(314)
	86,436	1,010	5,226	(39,537)	53,135	53,449	(314)

31 December 2020

	Net balances at 1 January	Recognized in			Net	Deferred tax	
		Income Statement	OCI	Exchange difference		Asset	Liability
Property and Equipment	(3,366)	6,542	(860)	278	2,594	2,594	-
Provisions	52,586	18,591	203	(11,208)	60,172	60,172	-
Derivatives and investment securities	2,323	17,611	(2,462)	(1,450)	16,022	16,022	-
Unearned Revenue	4,853	1,733	-	(1,035)	5,551	5,551	-
Tax losses carried forward	16,232	(13,861)	-	(2,345)	26	26	-
Others	10,859	(7,094)	-	(1,694)	2,071	2,509	(438)
	83,487	23,522	(3,119)	(17,454)	86,436	86,874	(438)

34- EARNINGS PER SHARE

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year:

	2021	2020
Basic and diluted		
Profit for the year attributable to the equity holders of the Bank	2,304,253	1,301,213
Less: Dividend on Instrument eligible for additional capital	(263,950)	(223,000)
Profit for EPS calculation	<u>2,040,303</u>	<u>1,078,213</u>
Weighted average number of outstanding shares in thousands (Note 21 (a))	4,047,254	4,047,254
Basic and diluted earnings per share (QAR)	<u>0.50</u>	<u>0.27</u>

35- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2021	2020
(a) Contingent liabilities		
Unutilized credit facilities	2,433,180	4,465,134
Guarantees	18,178,171	17,788,756
Letters of credit	3,044,915	2,291,488
Total	<u>23,656,266</u>	<u>24,545,378</u>
(b) Capital commitments		
Total	<u>315,200</u>	<u>127,548</u>

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The total contractual amounts do not necessarily represent future cash requirements, since commitments may expire without being drawn upon.

Guarantees and letters of credit

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

36- CASH AND CASH EQUIVALENTS

	2021	2020
Cash and balances with central banks *	12,760,381	4,376,695
Due from banks up to 90 days	6,200,703	6,145,270
	18,961,084	10,521,965

*Cash and balances with central banks exclude the mandatory cash reserve.

37- DERIVATIVES**At 31 December 2021:****Derivatives held for trading:**

	Positive fair value	Negative fair value	Notional amount	within 3 months	3-12 months	1-5 years	More than 5 years
Interest rate swaps	538,434	421,783	14,032,962	103,798	484,356	4,385,723	9,059,085
Forward foreign exchange contracts & others	309,966	173,870	46,444,284	9,675,694	15,017,203	21,322,186	429,201

Derivatives held for fair value hedges:

Interest rate swaps	-	114,416	1,892,800	-	-	-	1,892,800
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Derivatives held for cash flow hedges:

Forward foreign exchange contracts & others	1,646	-	9,317,620	-	767,528	7,872,492	677,600
Interest rate swaps	23,827	651	4,081,789	409,404	3,429,407	242,978	-

Total	873,873	710,720	75,769,455	10,188,896	19,698,494	33,823,379	12,058,686
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At 31 December 2020:**Derivatives held for trading:**

Interest rate swaps	952,605	873,971	12,946,978	322,990	463,585	4,484,822	7,675,581
Forward foreign exchange contracts & others	487,706	164,685	50,522,392	18,928,096	5,719,082	17,966,645	7,908,569

Derivatives held for fair value hedges:

Interest rate swaps	177,350	19,031	8,763,546	2,686,102	949,070	3,235,574	1,892,800
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Derivatives held for cash flow hedges:

Forward foreign exchange contracts & others	-	-	2,960,421	-	-	2,960,421	-
Interest rate swaps	3,840	2,142	2,857,455	-	449,297	2,408,158	-

Total	1,621,501	1,059,829	78,050,792	21,937,188	7,581,034	31,055,620	17,476,950
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The bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counter-parties.

At 31 December 2021, the Group held the following derivatives as hedging instruments:-

			Hedging instrument		
			Currency	Notional in currency	Average Rate
Cash Flow Hedges:					
Interest Rate Swaps	Customer Deposits	Fixed for floating	USD	295,000,000	0.2%
	Customer Deposits	Fixed for floating	TRY	3,627,500,000	16.3%
	Bond Issuance	Fixed for floating	USD	71,000,000	2.5%
Cross Currency Swaps	Bond Issuance	CHF to USD	USD	614,886,381	1.9%
			CHF	585,000,000	1.2%
		CNH to USD	USD	179,033,979	1.1%
			CNH	1,171,000,000	3.3%
		HKD to USD	USD	95,053,138	1.9%
			HKD	737,847,300	1.9%
		JPY to USD	USD	33,957,809	1.5%
			JPY	3,500,000,000	0.6%
		AUD to USD	USD	77,510,000	1.1%
			AUD	100,000,000	1.0%
		NZD to USD	USD	48,043,480	2.3%
			NZD	68,000,000	2.2%
	Loans	JPY to USD	USD	155,074,752	1.3%
		JPY	16,700,000,000	-0.4%	
Fair value Hedges:					
Interest Rate Swaps	Govt Bonds	Fixed for floating	USD	260,000,000	2.79%

**38- FUND MANAGEMENT**

As at the end of the reporting date, the Group holds QAR 706 million (2020: QAR 913 million) worth of international investment securities on behalf of its customers. Out of this amount, investment securities with a value of QAR 644 million (2020: QAR 552 million) are held with an international custody and settlement house. The remaining investment securities are held with the financial institutions through whom the securities were purchased. These financial institutions are industry leaders in their respective fields. The Group has established maximum limits for such holding with each financial institution according to its risk management policy.

39- RELATED PARTIES

	2021	2020
Board members of the bank		
- Loans, advances and financing activities (a)	1,639,417	1,435,891
- Deposits	1,620,662	1,150,952
- Contingent liabilities and other commitments	2,653	73,214
- Interest and fee income	56,413	52,200
- Interest paid on deposits accounts of board members	9,925	19,959
- Remuneration	18,500	18,500
Associates and joint arrangement companies		
Due from banks	145,600	145,814
Due to banks	22,087	155,476
Deposits	6,660	8,274
Contingent liabilities	13,849	1,472,211
- Interest paid to associates	97	1,402
Senior management of the bank		
- Remuneration and other benefits*	41,698	47,864
- Loans and advances	4,747	5,634

* Remuneration and other benefits include cost for performance rights amounting to QAR 171 million (2020: QAR 1.62 million).

(a) A significant portion of the loans, advances and financing activities' balance at 31 December 2020 and 31 December 2019 with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities are performing satisfactorily honouring all obligations.

(a) Statement of Financial Position - Parent

	2021	2020
ASSETS		
Cash and balances with central banks	15,901,765	6,503,599
Due from banks	10,921,498	10,406,613
Loans and advances to customers	90,021,904	84,938,536
Investment securities	24,369,757	23,174,627
Investment in associates and a joint arrangement and subsidiaries	4,109,786	4,343,780
Property and equipment	2,359,247	2,616,006
Other assets	5,423,227	5,199,800
TOTAL ASSETS	153,107,184	137,182,961
LIABILITIES		
Due to banks	17,684,588	20,402,012
Customer deposits	75,569,974	67,037,368
Debt securities	14,330,996	11,814,989
Other borrowings	12,373,748	9,177,529
Other liabilities	9,627,419	6,984,993
TOTAL LIABILITIES	129,586,725	115,416,891
EQUITY		
Share capital	4,047,254	4,047,254
Legal reserve	9,763,429	9,763,429
General reserve	26,500	26,500
Risk reserve	2,197,217	2,102,994
Fair value reserve	417,617	1,131,212
Foreign currency translation reserve	(3,136,032)	(2,493,892)
Other reserves	634,027	507,273
Revaluation reserve	995,636	1,264,794
Retained earnings	2,754,811	1,416,506
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE	17,700,459	17,766,070
Instruments eligible for additional capital	5,820,000	4,000,000
TOTAL EQUITY	23,520,459	21,766,070
TOTAL LIABILITIES AND EQUITY	153,107,184	137,182,961



(b) statement of income - Parent

	2021	2020
Interest income	4,698,985	4,553,007
Interest expense	(1,236,765)	(1,750,374)
Net interest income	3,462,220	2,802,633
Fee and commission income	1,177,422	923,606
Fee and commission expense	(353,292)	(245,783)
Net fee and commission income	824,130	677,823
Net foreign exchange gain	304,928	301,034
Net income from investment securities	15,814	(32,453)
Other operating income	78,808	54,546
Net operating income	4,685,900	3,803,583
Staff costs	(736,870)	(419,900)
Depreciation	(115,568)	(109,509)
Amortization and impairment of intangible assets	(46,268)	(48,268)
Net impairment (losses)/reversal on investment securities	(2,335)	(31,899)
Net impairment losses on loans and advances to customers	(1,009,438)	(718,590)
Net impairment losses on other financial assets	1,329	(107,461)
Impairment on Investment in an Associate	(291,000)	(591,242)
Other provisions	(21,697)	(40,177)
Other expenses	(299,846)	(298,331)
Profit for the year	2,164,207	1,438,206