Basel Pillar 3 Disclosures

31 December 2023

Qatar National Bank (Q.P.S.C.)
Basel Pillar 3 Disclosures
31 December 2023

(All amounts are shown in thousands of Qatari Riyals)

Table of Contents

(All amounts are shown in thousands of Qatari Riyals)

Overview of risk management, key prudential metrics and RWA: DIS20

Key metrics (at consolidated group level): KM1

		T	T-2	T-4
		31 December 2023	**30 June 2023**	**31 December 2022**
Available capital (amounts)				
1	Common Equity Tier 1 (CET1)*	76,825,790	70,204,353	75,501,023
1a	Fully loaded ECL accounting model	–	–	–
2	Tier 1	96,906,632	90,273,668	95,568,564
2a	Fully loaded ECL accounting model Tier 1	–	–	–
3	Total capital	102,842,149	95,876,504	101,425,296
3a	Fully loaded ECL accounting model total capital	–	–	–
Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	519,038,605	503,833,753	517,113,381
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	14.8%	13.9%	14.6%
5a	Fully loaded ECL accounting model CET1 (%)	14.8%	13.9%	14.6%
6	Tier 1 ratio (%)	18.7%	17.9%	18.5%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.7%	17.9%	18.5%
7	Total capital ratio (%)	19.8%	19.0%	19.6%
7a	Fully loaded ECL accounting model total capital ratio (%)	**19.8%**	**19.0%**	**19.6%**
Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	–	–	–
10	Bank D-SIB additional requirements (%)	2.5%	2.5%	2.5%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	5.0%	5.0%	5.0%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.8%	2.9%	3.6%
Leverage Ratio				
13	Total leverage ratio measure	1,284,519,184	1,255,662,475	1,259,123,906
14	Leverage ratio (%) (row 2/row 13)	7.5%	7.2%	7.6%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2a/row 13)	–	–	–
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	**7.5%**	**7.2%**	**7.6%**
Liquidity Coverage Ratio				
15	Total HQLA	180,297,026	166,673,442	159,471,322
16	Total net cash outflow	87,471,202	114,170,879	152,824,688
17	LCR ratio (%)	**206.1%**	**146.0%**	**104.3%**
Net Stable Funding Ratio				
18	Total available stable funding	722,770,397	705,572,127	652,706,087
19	Total required stable funding	685,906,347	667,223,440	680,575,029
20	NSFR ratio (%)	**105.4%**	**105.7%**	**95.9%**

*Figures are net of dividend. CET1 in the published financials are reported gross of dividend.

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Bank risk management approach: OVA

Overview

QNB Group faces various financial and non-financial risks in its business and operations, including capital, credit, liquidity, market (trading and banking book), compliance, legal and operational risks. In order to manage these risks, QNB has developed procedures (Risk Policies and Procedures) designed to ensure that appropriate risk governance is exercised at several levels of QNB Group, including the Board of Directors, the Group Executive Committees, the Senior Management team and through various management committees.

QNB Group's Risk Policies and Procedures document the framework for the identification and measurement of a much wider array of risk types as set out above, prescribe appropriate risk limitations, monitor and record the incidence of such risks on an ongoing basis and prescribe appropriate remedial action. QNB Group has established a risk management framework, which is reviewed on an annual basis. At the same time, QNB Group maintains its compliance with Basel III and other regulatory guidelines. A comprehensive, centralised and proactive risk management approach is exercised at all levels of QNB Group.

Risk Management Framework

Risk is inherent in QNB Group's activities, but it is managed through a process of established mechanisms that identify, assess, monitor and control those risks. The success of QNB Group's risk management framework is focused largely on encouraging pre-determined roles and responsibilities from the Board of Directors and Group Board Risk Committee (GBRC) level, down to the various executive managers, senior managers and individual employees. This process of risk management is critical to QNB Group's continuing profitability and sustainability, and each individual within the QNB Group is accountable for the risk exposures relating to his or her responsibilities in accordance with the "Three lines of defence" principle. QNB uses a risk adjusted return on capital (RAROC) methodology (based on the Basel foundation internal rating-based approach) alongside Moody's risk rating and portfolio management systems to assess corporate credits, as well as risk-based decision-making processes to drive allocation, utilisation and management of capital resources. These tools and techniques provide the Risk Committee and the Board of Directors with the ability to control risk appetite, capital allocations and the active monitoring of strategic targets.

QNB uses a leading asset-liability management and liquidity management solution to help optimise the management of the balance sheet and ensure that risk monitoring and controls are of the highest standards.

Operational risk management has been enhanced with further implementation of data security systems, continuous training and awareness, improved business continuity infrastructure and disaster recovery sites. The same risk governance impetus is scheduled to continue in line with the continued implementation of QNB Group's business strategy.

QNB Group strategic risk management function has group-wide responsibility for portfolio management, enterprise risk standards, asset/liability risk management, liquidity and market risk management, risk systems, projects, Internal Capital Adequacy Assessment Process (ICAAP) and regulatory relationships. Enterprise risk management standards are established in order to direct the overall internal control and governance activities, including risk model validations, and the establishment of relevant group policies in relation to principle risks and overall group risk classification.

Risk Measurement Systems

Risk is inherent in QNB's activities and managed through a process to identify, assess, control, report and manage those risks. QNB adopts a centralized approach, which is complimented by local expertise to ensure proactive risk management at a consolidated and local level. The Bank employs three lines of defence approach to risk management, supported by risk governance and enabled by a risk-minded culture. As a key part of Pillar I risks, QNB manages its credit risk as per established credit risk policies, internal credit ratings, regular obligor credit reviews and active monitoring at a credit portfolio level. Diversification of credit risk is managed with concentration limits at the individual, industry, geography and product level. Other credit risk mitigation occurs through the use of collateral, guarantees, credit structures and appropriate credit documentation.

The Bank manages its market risk exposures in line with market risk policies. Key traded risk mitigation occurs through a detailed framework of risk limits across open positions, Value at Risk (VaR), sensitivities and stop-loss limits. Daily reporting on mark-to-market profit and loss is performed in addition to periodic stress testing. QNB seeks to minimize actual or potential losses from operational risk failure in accordance with policies and procedures. Controls include, but are not limited to, segregation of duties, system controls, authorization and reconciliation procedures, staff education and assessment processes. Other tools employed include Risk Control Self-Assessment (RCSA), key risk indicators and a system to log all incidents and track ongoing risk mitigating actions. The Bank complies with the Qatar Central Bank (QCB) approach for assessment of Risk Weighted Assets (RWA) for Credit, Market and Operational Risk and Capital requirements. QNB maintains adequate capital levels as per its risk appetite statement. QNB considers Credit Concentration risk, Interest Rate Risk in the Banking Book (IRRBB) and Strategic risk in its Pillar II framework. The Bank manages credit concentration risk through diversification of lending activities and compliance with defined risk appetite limits. QNB's exposure to IRRBB is managed through hedging, monitoring of the re-pricing of assets and liabilities in addition to periodic stress testing. Funding liquidity risk is managed in line with established policies, cash flow planning, detailed limit framework and regular monitoring. Other material risks including compliance, regulatory and legal risk, and reputational risk are managed through comprehensive policies & procedures and well-established processes for assessment, monitoring and mitigation of these risks.

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Board and Management Committees for Risk Management

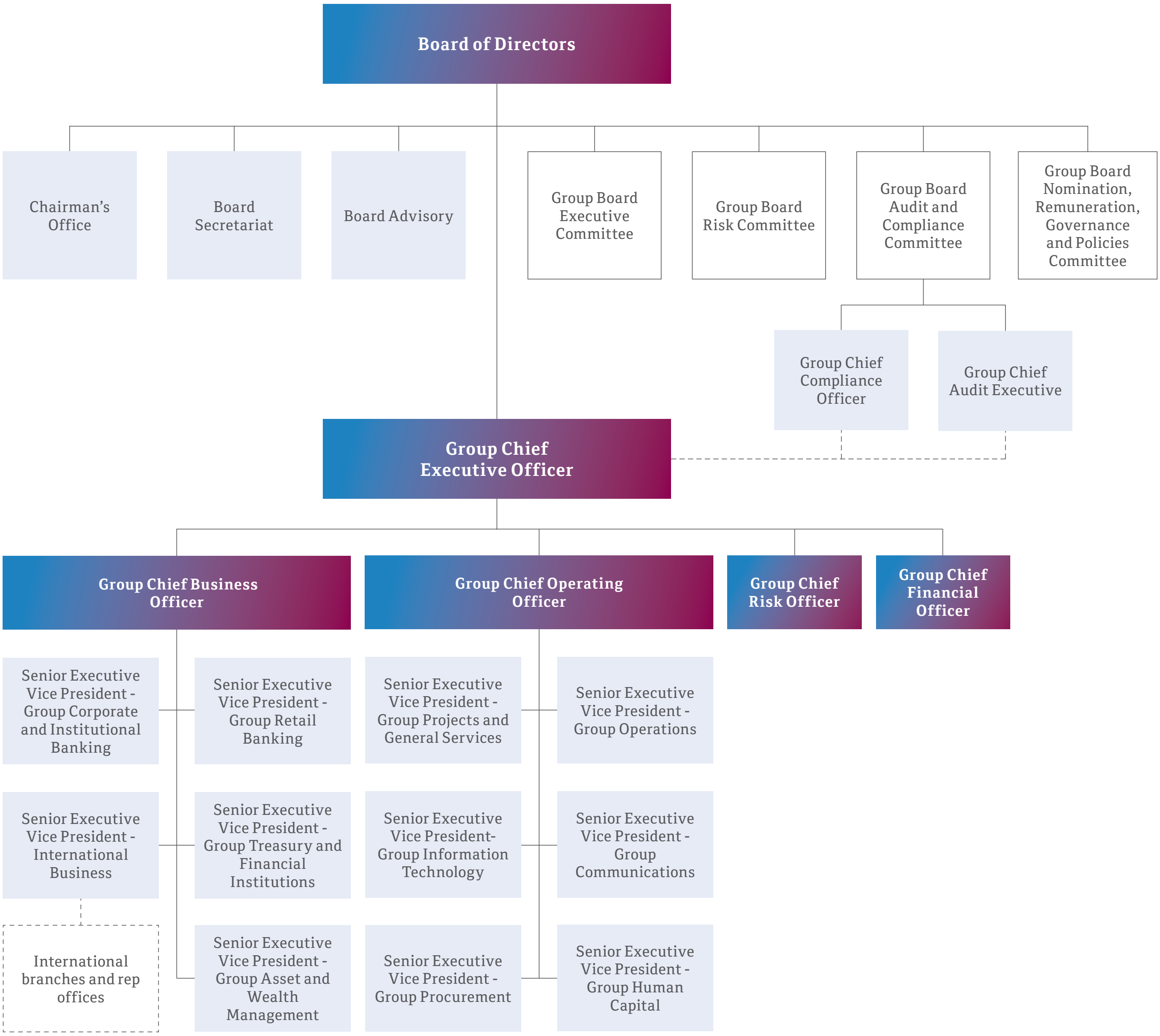
An overview of QNB Group's Risk Management Committee structure is set out below. The committees are further organised into committees at the Board of Directors level and at the management level.

Board of Directors

The Board of Directors of QNB heads QNB Group's governance structure. The Group Board Risk Committee evaluates and oversees QNB Group's risk profile in coordination with the Group Chief Executive Officer, the Group Management Risk Committee (GMRC) and the Group Credit Committee. The Board of Directors, in its entirety, takes responsibility for all aspects of QNB Group's risk management, including the management of credit, market and operational risks.

The Board of Directors has set forth the policy objectives and framework for the QNB Group on all risk-related issues and the executive management committees maintain the day-to-day oversight of all risks. These committees are responsible for formulating QNB Group's risk management policies, in line with the overall guideline and objectives set by the Board of Directors. The Group Risk Division, headed by Group Chief Risk Officer, carries out the implementation of such policies.

Organizational Structure



Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Board Committees

Group Board Audit and Compliance Committee (GBACC)

The Group Board Audit and Compliance Committee (GBACC) sets QNB Group's policy on all audit and compliance issues and maintains an oversight of both external and internal audit processes. The committee consists of three elected board members. The Group Chief Audit Executive (GCAE) and Group Chief Compliance Officer report to the GBACC and are therefore required to be present at the GBACC meetings. In addition to these members, certain other members of the executive management may also participate in committee meetings when required, including the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer and external auditors of QNB.

The GBACC carries out responsibilities relating to financial statements, internal controls, internal and external audits and compliance matters. These responsibilities include reviewing significant accounting and reporting issues (including complex or unusual transactions) in light of regulatory directives and professional pronouncements and conducting an analysis of the impact on the QNB Group financials. The committee also directly oversees audit compliance of the QNB Group. The committee reviews QNB Group annual report, notes thereto, related regulatory filings, and considers the accuracy and completeness of the information prior to release.

QNB Group risk management processes are audited by the internal audit function, which examines the adequacy of, and QNB Group's compliance with, the procedures. The internal audit team discusses the results of all assessments with management and reports its findings and recommendations to the GBACC.

Group Board Risk Committee (GBRC)

Group Board Risk Committee is the highest management authority in the QNB Group for various risk-related issues. The GBRC, among other matters:

> Reviews and endorses for Board approval the risk management strategy of QNB Group as well as risk appetite and portfolio strategies recommended by the Group Management Risk Committee (GMRC), and reviews any changes that arise in the QNB Group's risk strategy and/or risk appetite;
> Reviews and compares the QNB Group portfolio risk profile with the approved risk appetite and endorses GMRC-recommended portfolio strategies for approval by the Board of Directors;
> Approves risk frameworks and QNB Group risk policies and control structures in accordance with the approved strategy by the Board of Directors and oversees implementation of policies pertaining to QNB internal control system;
> Ensures the effectiveness of the risk control framework and oversees the GMRC's evaluation outcomes;
> Approves and oversees stress testing scenarios and results, as well as management action plans;
> Approves the QNB Group's capital management framework and any further enhancement proposed by the GMRC;
> Oversees the monitoring process performed by the GMRC and controls the risk management framework and the defined related roles and responsibilities across the QNB Group;
> Evaluates the monitoring process carried out by the GMRC in respect of QNB Group entities in the identification of operational, credit, market, strategic, legal and reputational risks, and the action plans implemented to monitor and manage these risks;
> Approves the Contingency Funding Planning document;
> Ensures that no material impact and/or risk identified by GMRC relates to anti-money laundering and/or terrorist financing; and also ensures the satisfaction of 'know your customer' requirements; and
> Reviews any breaches of risk limits or internal control failures (if any) and reviews investigation results performed by the GMRC.

Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC)

The GBNRGPC consists of three Board members, the majority of whom are non-executive and independent members. The committee is primarily responsible for:

> Identifying and assessing eligible and qualified candidates for Board and executive management positions according to the "fit-and-proper" criteria set by the committee, in addition to requirements for independent and non-executive directors;
> Monitoring the induction, training and continuous professional development of the QNB Group's directors with regard to corporate governance matters;
> Approving and reviewing QNB Group's remuneration and incentives guidelines and ensuring that the remuneration of the Board and executive management is in line with the criteria and limits set forth by the QCB and the Commercial Companies Law; and
> Directing and overseeing the preparation and update of QNB Group's corporate governance manual, in collaboration with executive management and the GBACC.

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Group Board Executive Committee (GBEC)

The Group Board Executive Committee is composed of three Board members and one of the Board members is selected by the Board of Directors as Chairman. The Group Chief Executive Officer attends all meetings, without voting powers. The committee is primarily responsible for;

> Reviewing and endorsing for Board approval QNB Group's long-term strategy, annual business plans and budgets, based on economic and market conditions and Board directives;
> Reviewing and approving credit proposals as per QNB Group's approved authority matrix;
> Reviewing and approving QNB Group's corporate social responsibility strategy, in light of brand values across the QNB Group;
> Reviewing and consolidating QNB Group's marketing, communications and resource distribution plans to support business development and growth; and

Reviewing and recommending action to be taken in respect of impaired loans, in line with delegated limits and authorities as approved by the Board and in line with QCB regulations.

Management Committees

Group Management Risk Committee (GMRC)

The GMRC establishes, reviews, and recommends QNB Group's risk management strategy and defines risk policies. It reviews the processes and control framework for the management of risks and defines related roles and responsibilities across the QNB Group. The GMRC also reviews the QNB Group portfolio risk profile, recommends portfolio risk management strategies to the GBRC for endorsement in order to obtain approval from the Board of Directors, reviews the effectiveness of the operation of the risk control framework and submits to the Group Board Risk Committee the annual evaluation for approval by the Board of Directors. The GMRC monitors risk management activities from several perspectives: enterprise-wide, operational, credit portfolio, liquidity, market, strategic, legal and reputational.

The review of the GMRC's policies and supervision of its activities falls under the responsibilities of the Board of Directors. The GMRC reviews compliance with policies and procedures, audit recommendations and regulatory requirements, including combating Money Laundering and Counter Terrorist Financing requirements. The GMRC implements and manages the Crisis Management Plan and framework and provides strategic directions during a crisis, including the management of external communications with media, regulatory authorities, emergency services and government agencies. The GMRC also provides the Group Risk Report and regularly reports to the GBRC.

Group Asset and Liability Committee (GALCO)

The GALCO has authority delegated by the Board of Directors for developing policies related to all asset and liability management matters, including balance sheet structure, funding, pricing, hedging and investment limits. Under the overall risk management framework, the Group ALCO is a key component of risk management within the QNB Group. The Group ALCO, among other matters:

> Reviews and recommends strategy, policies and procedures relating to asset and liability management across the QNB Group to the Group Board Executive Committee and the Board of Directors.
> Monitors and reviews the performance of all treasury activities across the QNB Group including the grouping and trading book portfolios in terms of profitability, credit performance, other risks, volatility and volumes.
> Monitors and reviews the management of interest rate risk across the QNB Group, particularly the interest rate gap reports, projected net interest income reports and current hedging strategy.
> Monitors and reviews the management of liquidity and foreign exchange risks across the QNB Group.
> Oversees the inter-group transfer pricing policy for cost of funds allocation within the management information system.
> Establishes and amends the base rates applicable to each entity in the QNB Group and related changes in deposits and risk asset interest rate structures.
> Monitors monthly financial performance and budget targets.

The Group Chief Executive Officer serves as the Chairman of the Group ALCO and the Group Chief Financial Officer serves as the Vice-Chairman.

Group Cyber Security Committee (GCSC)

This committee is mandated with responsibility to monitor, amend and implement the QNB Group's cyber security strategy in line with the expectations of the Board.

The committee monitors the implementation of the IT Security and Cyber Security governance framework, including strategy, plans, policies, controls, capabilities, skills, roles, and responsibilities across the QNB Group. GCSC has oversight over QNB's IT security programme and is comprised of responsible parties from various functions and levels within the QNB Group.

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Group Financial Recovery Management Committee (GFRMC)

The Group Financial Recovery Management Committee is the formalization of the crisis governance structure in relation to the Board-approved Group Recovery Plan. The structure will come into effect upon activation of predefined capital and liquidity triggers or any escalation arising from individual financial crisis plans (i.e. Contingency Funding Plan (CFP) and/or Capital Contingency Plan (ICAAP)). The committee consists of four key executive members who will call on relevant management who may be closely involved in the execution of options. The GCRO/GCFO can call an immediate meeting of the GFRMC upon verification of the breach of recovery trigger(s). The meeting can also be called due to an “expert call” by one or more of the members of the GFRMC.

The GFRMC is specifically authorized to:

> Select which recovery options should be deployed in the emerging crisis with direct access to Group Board to approved execution the selected option(s).
> Oversee, monitor and manage the implementation of crisis actions and accordingly report to the Group Board.
> Initiate the related communications to media, regulatory authorities, government agencies, investors.
> Decide whether to stand down on crisis actions (with agreement of authorities).

The GFRMC streamlines the regular procedures for information sharing with the Board of Directors to ensure that there is timely information sharing with Board of Directors, and relevant management teams with regard to the potential recovery measures and other mitigating plans during activation of the respective plans.

Management Sub-Committees

Group Operational Risk Management Committee (GORMC)

The Group Operational Risk Management Committee (Risk Management Committee) is charged with the responsibility of establishing, maintaining and reviewing procedures at a management and operational level to identify, monitor, review and mitigate operational risk in accordance with the QNB Group’s risk oversight and management policies.

The Risk Management Committee is a proactive strategic committee and does not replace executive management responsibility and accountability for the day-to-day management of operational risk and the enactment of business continuity processes in the event of an incident.

The Risk Management Committee, covering both domestic and international branches shall, among other core risk management activities:

> Develop and review a Group-wide methodology for the assessment of ‘Material Operational Risks’ by measuring the impact of risks, likelihood and corrective action plans across each individual business, function and international branch;
> Review and report on non-compliance with operational risk policy and procedures;
> Review and monitor all operational risk events across the group; and
> Review the annual ‘Risk Control Self-Assessment’ plan, ongoing execution and any outstanding tasks.

Risk Model Validation and Usage Committee (RMAUC)

Serving as technical advisers, and under the delegation of the GMRC for the review and approval of risk models, the responsibilities of the RMAUC in relation to model validation and governance activities cover several perspectives in relation to the approval of all existing models in use, newly proposed model development or refinement/redevelopment requirements that include:

> Assessing evaluation reports submitted by independent model validation units, whether internal or external, to the Bank;
> Review of recommendations whilst performing an assessment of severity, performed by model validation units in their evaluation of the technical soundness of models and its application in business/risk processes; and
> Regular reporting to the GMRC on the status of model inventory and of approved models.

Risk Appetite

Risk appetite is the aggregate amount of risk that the QNB Group is willing to accept in pursuit of its mission, vision, business objectives and strategic goals that is commensurate with its risk capacity as well as its culture, desired level of risk, risk management capability and business strategy. The QNB Group’s risk appetite statement serves to articulate the risk culture, boundaries and governance of the QNB Group and provides a framework for the QNB Group’s attitudes towards risk-taking. QNB’s risk appetite is reviewed, reassessed and agreed alongside QNB’s strategy, business and financial planning and budgeting processes. QNB also employs a Country Risk Management Framework, which aims to distribute global capital capacity in an optimal manner across countries and regions. Country risk limits establish the absolute level of risk appetite at individual country level, as annually approved by the Board.

The Board of Directors expresses its preferred risk appetite through a set of metrics, key among them being RAROC. Apart from its use for competitive risk-based pricing, RAROC is used for communicating and cascading risk appetite as a performance metric throughout QNB. Regular risk appetite assessments comparing the QNB Group’s risk profile with defined risk appetite is presented to the GMRC. Regular updates, prompt review and discussion of risk-taking activity in the pursuit of business strategy.

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Stress Testing
Following the principles set out in the Basel III Accord by the Basel Committee on Banking Supervision, QNB has in place an advanced framework for stress testing, which is wholly integrated with QNB's decision-making process based on the Basel III principles. The key components of the QNB stress testing framework emphasise the use of stress testing and integration within QNB's risk governance, the methodologies being applied at each level of testing, the scenarios being used at each level of testing and stress testing of specific risks and products of QNB.

Various levels of stress testing and scenario analysis is performed to inform a holistic assessment of risk, probe loss potential, augment risk identification and monitoring. These include:

i. Top-down stress testing which informs strategic decisions, for example capital adequacy, and aids articulation and challenge of enterprise-level risk appetite and Strategic Risk Objectives; and

ii. Bottom-up stress testing which informs tactical risk-specific actions, by way of portfolio monitoring, risk profitability measurement and reviewing appetite thresholds for enhanced internal controls. QNB's suite of scenarios covers various historical, forward-looking, sensitivity stresses and what-if scenarios. Stress testing and scenario analysis can be performed at various levels of granularity. Organization scope includes:

- Group Consolidated: scenarios developed and executed at Group level covering positions across the Group including overseas branches, subsidiaries (local and international) and all business units.
- QNB Local: scenarios developed and executed at the Local level (excluding international branches)
- QNB Solo: scenarios developed and executed at the QNB solo level (including international branches)
- International subsidiaries: scenarios developed and executed at the subsidiary level specifically
- Overseas branches: scenarios developed and executed at the branch level specifically
- Business units: scenarios developed and executed at the business unit level specifically

Stress testing and scenario analysis are key tools in day-to-day risk management. They provide useful insight into the specific vulnerabilities and risk characteristics of a particular portfolio or business unit. In addition, stress testing is a core aspect of the risk appetite calibration process linking bottom-up business plans and top-down Board appetite and capacity. Various emerging risks in the short-term could pose a threat to strategic goals. Group-wide stress tests and scenario analysis probe the loss potential of plausible downturn scenarios. The impact on the credit outlook and market risk factors are calibrated and the potential volatility in QNB's earnings and capital adequacy are quantified. In addition to quantifying loss potential, outcomes from stress tests facilitate management actions and discussions with branch and subsidiary CROs (e.g. reduce risk appetite, introduce operating level limits etc.). In addition, scenarios and stress testing are also used to assess the capital and liquidity adequacy of the Bank (including subsidiaries and branches) as required by local regulators, and for internal risk management purposes. Scenario analysis is essential in strategic and financial planning purposes.

In accordance with IFRS 9 guidelines for determining applicable credit impairment losses, the methodology incorporates forward-looking indicators in both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of expected credit loss (ECL). The Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF), and selected private-sector and academic forecasters.

QNB's stress tests take into account a range of scenarios across QNB's business and its written policies and procedures for the stress tests are sufficiently granular for the purposes of Basel III. The stress-testing framework at QNB covers all of the risks under Pillars I and II of Basel III, with special emphasis on risk materiality. Reverse stress testing is already being utilised within QNB to identify and to update QNB's risk profile and risk strategy. On a monthly basis, the mitigation framework is reviewed by the risk team and considered for further improvement. The Bank has also developed a recovery plan in line with industry best practice and regulatory requirements.

Credit Risk Mitigation
The Group has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees and/or insurance. Examples of the types of Credit Risk Mitigation (CRM) include collateral and security, guarantees and other non-contractual support. The Group ensures that all documentation is binding on all parties and is legally enforceable in all relevant jurisdictions. The Group also ensures that all the documents are reviewed by appropriate authority and have appropriate legal opinions to verify and ensure its enforceability. QNB has historically implemented a conservative credit policy. QNB believes that its conservative approach to lending ensures that there is an adequate spread of the risk through a diverse product range and customer base (by geography, industry and obligor type). QNB also believes that its conservative credit policy promotes the application of effective credit risk limits in its business, while providing adequate returns on the risk that is on par with the management's expectations. The Bank's effective monitoring of its risk, together with a conservative internal risk rating system and a timely recovery strategy, further augments QNB's approach to risk mitigation.

(All amounts are shown in thousands of Qatari Riyals)

Overview of risk management, key prudential metrics and RWA: DIS20 (continued)

Overview of Risk Weighted Assets (RWA): OV1

		RWA	Minimum capital requirements	RWA	Minimum capital requirements
		31 December 2023		30 June 2023	
1	**Credit risk (excluding counterparty credit risk)**	**459,655,166**	**73,544,827**	**433,314,983**	**69,330,397**
2	Of which: standardised approach (SA)	459,655,166	73,544,827	433,314,983	69,330,397
3	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–	–
4	Of which: supervisory slotting approach	–	–	–	–
5	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–	–
6	**Counterparty credit risk (CCR)**	**3,780,595**	**604,895**	**5,387,825**	**862,052**
7	Of which: standardised approach for counterparty credit risk	–	–	–	–
8	Of which: CEM	3,780,595	604,895	5,387,825	862,052
9	Of which: other CCR	–	–	–	–
10	**Credit valuation adjustment (CVA)**	**2,762,562**	**442,010**	**2,755,165**	**440,826**
11	**Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period**	**–**	**–**	**–**	**–**
12	**Equity investments in funds - look-through approach**	**784,092**	**125,455**	**–**	**–**
13	**Equity investments in funds - mandate-based approach**	**–**	**–**	**–**	**–**
14	**Equity investments in funds - fall-back approach**	**–**	**–**	**–**	**–**
15	**Settlement risk**	**–**	**–**	**–**	**–**
16	**Securitisation exposures in banking book**	**–**	**–**	**–**	**–**
17	Of which: securitisation IRB approach	–	–	–	–
	(SEC-IRBA)	–	–	–	–
18	Of which: securitisation external ratings-based approach	–	–	–	–
	(SEC-ERBA), including internal assessment approach (IAA)	–	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)	–	–	–	–
20	**Market risk**	**1,825,370**	**292,059**	**12,144,960**	**1,943,194**
21	Of which: standardised approach (SA)	1,825,370	292,059	12,144,960	1,943,194
22	Of which: internal model approach (IMA)	–	–	–	–
23	**Capital charge for switch between trading book and banking book**	**–**	**–**	**–**	**–**
24	**Operational risk**	**50,230,820**	**8,036,931**	**50,230,820**	**8,036,931**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**–**	**–**	**–**	**–**
26	Output floor applied	–	–	–	–
27	Floor adjustment (before application of transitional cap)	–	–	–	–
28	**Floor adjustment (after application of transitional cap)**	**–**	**–**	**–**	**–**
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**519,038,605**	**83,046,177**	**503,833,752**	**80,613,400**

Composition of capital and TLAC: DIS25

Main features of regulatory capital instruments: CCA

		Quantitative/Qualitative information	Quantitative/Qualitative information
1	Issuer	Qatar National Bank (Q.P.S.C.)	Qatar National Bank (Q.P.S.C.)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement 1	Private placement 2
3	Governing law(s) of the instrument	State of Qatar	State of Qatar
	Regulatory treatment	–	–
4	Transitional arrangement rules (i.e. grandfathering)	–	–
5	Post-transitional arrangement rules (i.e. grandfathering)	–	–
6	Eligible at solo/group/group and solo	–	–
7	Instrument type (types to be specified by each jurisdiction)	Perpetual Bond (AT1 Note)	Perpetual Bond (AT1 Note)
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	QAR 10 billion	QAR 10 billion
9	Nominal amount of instrument	QAR 50 million	QAR 50 million
9a	Issue price	–	–
9b	Redemption price	–	–
10	Accounting classification	Equity	Equity
11	Original date of issuance	June 2016	December 2018
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Callable every 6 years	Callable every 6 years
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends	–	–
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	6.0%	5.5%
19	Existence of a dividend stopper	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	–	–
21	Existence of step-up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	Writedown feature	Yes	Yes
25	If writedown, writedown trigger(s)	Point of Non Viability (PONV)	Point of Non Viability (PONV)
26	If writedown, full or partial	Full	Full
27	If writedown, permanent or temporary	Permanent	Permanent
28	If temporary write-own, description of writeup mechanism	N/A	N/A
28a	Type of subordination	Statutory, Contractual	Statutory, Contractual
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Rank junior to all Senior Obligations of QNB; rank pari passu with all Pari Passu Obligations of QNB; and rank senior to all Junior Obligations of QNB	Rank junior to all Senior Obligations of QNB; rank pari passu with all Pari Passu Obligations of QNB; and rank senior to all Junior Obligations of QNB.
30	Non-compliant transitioned features	N/A	N/A
31	If yes, specify non-compliant features	N/A	N/A

(All amounts are shown in thousands of Qatari Riyals)

Composition of capital and TLAC: DIS25 (continued)

Composition of regulatory capital: CC1

		31 December 2023	30 June 2023
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	9,236,429	9,236,429
2	Retained earnings	67,098,664	60,092,530
3	Accumulated other comprehensive income (and other reserves)	6,759,864	6,046,933
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	–	–
5	Common share capital issued by third parties (amount allowed in group CET1)	461,675	406,759
6	**Common Equity Tier 1 capital before regulatory deductions**	**83,556,632**	**75,782,651**
Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	–	–
8	Goodwill (net of related tax liability)	5,951,595	4,774,129
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	–	–
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	968,322	764,829
11	Cash flow hedge reserve	(189,075)	39,340
12	Securitisation gain on sale	–	–
13	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–
14	Defined benefit pension fund net assets	–	–
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	–	–
16	Reciprocal cross-holdings in common equity	–	–
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
20	Amount exceeding 15% threshold	–	–
21	Of which: significant investments in the common stock of financials	–	–
22	Of which: deferred tax assets arising from temporary differences	–	–
23	QCB specific regulatory adjustments	–	–
24	**Total regulatory adjustments to Common Equity Tier 1**	**6,730,842**	**5,578,298**
25	**Common Equity Tier 1 capital (CET1)**	**76,825,790**	**70,204,353**
Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	20,000,000	20,000,000
27	Of which: classified as equity under applicable accounting standards	20,000,000	20,000,000
28	Of which: classified as liabilities under applicable accounting standards	–	–
29	Directly issued capital instruments subject to phase-out from additional Tier 1	–	–
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	80,842	69,315
31	Of which: instruments issued by subsidiaries subject to phase-out	–	–
32	**Additional Tier 1 capital before regulatory adjustments**	**20,080,842**	**20,069,315**

(All amounts are shown in thousands of Qatari Riyals)

Composition of capital and TLAC: DIS25 (continued)

		31 December 2023	30 June 2023
Additional Tier 1 capital: regulatory adjustments			
33	Investments in own additional Tier 1 instruments	–	–
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
36	QCB specific regulatory adjustments	–	–
37	Total regulatory adjustments to additional Tier 1 capital	–	–
38	**Additional Tier 1 capital (AT1)**	**20,080,842**	**20,069,315**
39	**Tier 1 capital (T1= CET1 + AT1)**	**96,906,632**	**90,273,668**
Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	–
41	Directly issued capital instruments subject to phase-out from Tier 2	–	–
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	98,237	84,611
43	Of which: instruments issued by subsidiaries subject to phase-out	–	–
44	Provisions	5,837,280	5,518,225
45	**Tier 2 capital before regulatory adjustments**	**5,935,517**	**5,602,835**
46	**Tier 2 capital: regulatory adjustments**	**–**	**–**
47	Investments in own Tier 2 instruments	–	–
48	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	–
49	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
50	QCB specific regulatory adjustments	–	–
51	**Total regulatory adjustments to Tier 2 capital**	**–**	**–**
52	**Tier 2 capital (T2)**	**5,935,517**	**5,602,835**
53	**Total regulatory capital (TC = T1 + T2)**	**102,842,149**	**95,876,504**
54	**Total risk-weighted assets**	**519,038,605**	**503,833,753**
55	**Capital ratios and buffers**	**–**	**–**
56	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**14.8%**	**13.9%**
57	**Tier 1 (as a percentage of risk-weighted assets)**	**18.7%**	**17.9%**
58	**Total capital (as a percentage of risk-weighted assets)**	**19.8%**	**19.0%**
59	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**5.0%**	**5.0%**
60	Of which: capital conservation buffer requirement	2.5%	2.5%
61	Of which: bank-specific countercyclical buffer requirement	–	–
62	Of which: higher loss absorbency requirement (DSIB)	2.5%	2.5%
63	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement**	**3.8%**	**2.9%**
64	**The QCB Minimum Capital Requirement**	**–**	**–**
65	Common Equity Tier 1 minimum ratio	11.0%	11.0%
66	Tier 1 minimum ratio	13.0%	13.0%
67	Total capital minimum ratio	16.0%	16.0%

(All amounts are shown in thousands of Qatari Riyals)

Composition of capital and TLAC: DIS25 (continued)

Reconciliation of regulatory capital to balance sheet: CC2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to Financial Statements
	31 December 2023	31 December 2023	
Assets			
Cash and Balances with Central Banks	87,820,365	87,788,938	8
Due from Banks	86,476,920	84,628,016	9
Loans and Advances to Customers	852,987,250	858,111,983	10
Investment Securities	172,732,325	169,044,708	11
Investment in Associates	7,849,360	7,849,360	12
Property and Equipment	6,713,427	6,713,427	13
Intangible Assets	2,642,601	2,642,601	14
Other Assets	13,762,765	37,317,378	15
Total assets	**1,230,985,013**	**1,254,096,411**	
Liabilities			
Customer's deposits	857,106,277	847,401,720	17
Due to banks and financial institutions	156,991,401	152,489,711	16
Debt Securities	36,288,867	35,769,004	18
Other Borrowings	29,400,073	29,266,737	19
Other Liabilities	40,991,301	94,137,030	20
Total liabilities	**1,120,777,919**	**1,159,064,202**	
Shareholders' equity			
Share capital	9,236,429	9,236,429	22
Legal Reserve	25,326,037	25,326,037	22
Risk Reserve	12,000,000	11,000,000	22
Fair Value Reserve	(587,777)	(587,777)	22
Foreign Currency Translation Reserve	(29,157,890)	_	22
Other Reserves	(820,506)	(29,978,396)	22
Retained earnings	73,102,343	60,035,917	22
Non-controlling interests	1,108,458	_	23
Instruments Eligible for Additional Tier I Capital	20,000,000	20,000,000	24
Total shareholders' equity	**110,207,094**	**95,032,209**	

Notes: The difference between the published Balance Sheet and Regulatory scope of consolidation mainly relates to reporting of ECL/Provisions under Other Liabilities for regulatory purposes.

Capital distribution constraints: DIS26

Capital distribution constraints: CDC

		a	b
		CET1 capital ratio that would trigger capital distribution constraints (%)	**Current CET1 capital ratio (%)**
1	CET1 minimum requirement plus capital buffers (not taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	8.5%	14.8%
2	CET1 capital plus capital buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	11.0%	14.8%
		Minimum Leverage ratio requirement (%)	**Current Leverage Ratio (%)**
3	Leverage ratio	3.0%	7.5%

Remuneration: DIS35

Remuneration Policy: REMA

Purpose

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

This policy is aligned with the best practices, in particular, the guidelines and requirements of Commercial Companies Law - Financial Stability Board, Basel Committee for Banking Supervision, QCB and any other relevant regulatory requirements.

Scope

This policy is applicable to but not limited to the Chairman, Board members, Senior Executive Management and Employees of QNB Group.

Governance

In order to ensure effective governance of remunerations and compensation within QNB Group the following will be considered:

> The Board of Directors ("BOD") is fully responsible to enhance corporate governance and sound practices of granting financial bonus and incentives at the Group level.
> The BOD through the GBNRGPC will actively oversee the remuneration system's design and operation and ensure that it operates with adequate controls as intended.
> The BOD will ensure the existence of a system and communication channels among employees and senior officers to take notice and action on any complaints raised in this regard and to address any such genuine grievances.
> Employees engaged in control functions (Internal Audit, Risk, Compliance, Financial Control) must be independent and compensated in a manner that is independent of the business areas they oversee.
> The GBNRGPC consists of three Board members, the majority of whom are non-executive and independent members.

The committee is primarily responsible for:

> Identifying and assessing eligible and qualified candidates for Board and executive management positions according to the "fit-and-proper" criteria set by the committee, in addition to requirements for independent and non-executive directors;
> Monitoring the induction, training and continuous professional development of the QNB Group's directors with regard to corporate governance matters;
> Approving and reviewing QNB Group's remuneration and incentives guidelines and ensuring that the remuneration of the Board and executive management is in line with the criteria and limits set forth by the QCB and the Commercial Companies Law; and
> Directing and overseeing the preparation and update of QNB Group's corporate governance manual, in collaboration with executive management and the GBACC.

Effective Supervisory Oversight and Framework on Remunerations

The BOD will follow regulatory guidelines on compensation and remuneration. The following are principles of QNB remuneration framework.

The GBNRGPC will review the way compensation is paid by looking at all possible components of compensation.

Remuneration: DIS35 (continued)

This policy will be aligned with the risk management framework of the bank, updated accordingly and reviewed on annual basis internally by the relevant stakeholders. The review shall include assessment on adequacy of the policy to be consistent and aligned with latest international best practices and publications such as Financial Stability Board, Basel Committee for Banking Supervision and QCB instructions and guidelines. The GBNRGPC will be responsible for the preparation of recommendations to the BOD regarding the remunerations of the BOD members, Executive Management and all other staff.

The GBNRGPC will ensure that the remuneration framework and principles in place are in line with the remuneration policy and the Board's guidelines taking into consideration the balancing between achieved and realized profits and risk associated with the business activities. The GBNRGPC will approve and review the Group's remuneration and incentives guidelines and ensure that the remunerations of the Board of Directors and Executive Management are in line with the criteria set forth by QCB/QFMA and Commercial Companies law. In all cases, BOD remuneration will be subject to the limits set forth by Commercial Companies Law provisions and QCB/QFMA instructions and limitations in this regards. GBNRGPC will ensure adoption of Basel guidelines and other international best practices while setting remuneration criteria in the Group. GBNRGPC will ensure that the remuneration of the BOD members should be approved by QCB before being approved by the shareholders in the Annual General Assembly of the bank and before the payment.

GBNRGPC will assess on an annual basis the adequacy and appropriateness of the remuneration policy including the remuneration plans, processes and outcomes. The GBNRGPC will have access to advice, either internal or external, that is independent of advice provided by executive management. The GBNRGPC may consider the findings while determining the aspects related to granting bonus and incentives in an objective and independent manner. The GBNRGPC will have unfettered access to information and analysis required to discharge its responsibilities from control functions (Risk, Financial Control, Compliance, Internal Audit). The GBNRGPC will review a number of possible scenarios to test how their remuneration system will react to future external and internal events. Remuneration of Independent functions, such as Internal Audit and Compliance, will be reviewed by Group Board Audit and Compliance Committee (GBACC) to ensure their performance assessment and remuneration is in line with the Group related policies, charters and practices.

Criteria for Directors & Executive Management Remuneration

The GBNRGPC will be in charge of all aspects linked to the remuneration of the Board members.

The basis of deciding the bonus and incentives of the members of the board of directors and executive management will be based on their performance evaluation in consistency with the bank's long-term performance not only over the current year period.

The basis of granting bonus and incentives will stand on objective performance assessment system, according to the financial and non-financial standards, such as those pertaining to operating systems, internal control, compliance with laws and regulatory instructions, environmental and social issues, and matters related to governance, financial inclusion, digital transformation and management of all types of risks when evaluating and measuring the performance of board members and executive management.

There will be a formal and transparent process for fixing the remuneration packages of non-executive directors. Levels of remuneration will be sufficient to attract, retain and motivate non-executive directors of the quality required to add value to the Group. Levels of remuneration for non-executive directors will reflect the time, commitment and responsibilities of the role, including involvement at BOD level committees. Remuneration for independent directors will not include share options. The Board of Directors' remuneration will be treated as an operating expense.

Regulatory Requirements

In accordance with applicable laws and regulations, such as the Commercial Companies Law provisions, as well as the QCB circular related to 'the remuneration of the Board of Directors' Chairman and members' and QFMA requirements, this remuneration policy for the BOD is in line with the said regulations, whereby the Group's Articles of Association have established a framework for the Board Members' remuneration which is far below the limits referred to in the Commercial Companies Law. The General Assembly will approves the remuneration of the members of the Board of Directors within the limits stipulated by the regulators. The maximum limits for the BOD Chairman and BOD members would be aligned with the remuneration limits stipulated by QCB. In case the BOD member is a member of any BOD committee at the same time, he or she can be eligible for additional remuneration as decided by the Board in accordance with QCB guidelines. The Board members' yearly remuneration shall not exceed 5% of the Bank's net profit after deduction of reserves, legal deductions, and distribution of the dividends (in cash and in kind) to shareholders.

This policy will remain effective till any material change is needed due to change in regulatory guidance or any other need as deemed fit by the Board or management of the Group.

Additional Controls

Any reward or allowances received by the Board's Chairman or members during the year are to be deducted from the above mentioned remuneration limits. The remuneration shall be paid only in case the bank realises net profit after the deduction of reserves and distribution of a minimum 5% dividend to the shareholders.

Remuneration: DIS35 (continued)

The remuneration shall only be paid after obtaining the approval of QCB. The remuneration should be in line with Article no. 119 of the Commercial Companies Law no. 11/2015 requirements which stipulate that remuneration should not exceed 5% of the net income after legal reserves, approved deductions and dividends of at least 5% of the paid capital.

Criteria for Employees Remuneration

The remuneration for QNB Employees will be in line with the principles set out in this policy.

Basis and Method

The design and objective of the remuneration policy must take into consideration the bank's desire to attract, retain and reward employees with high level of technical knowledge, experience, skills and expertise. Contracts signed by employees shall have a legal basis to link their remuneration with the mechanism of performance evaluation.

Compensation outcomes will be symmetric with the risk outcomes and the overall performance of the bank including indicators of profitability, liquidity, capital adequacy and operational performance.

There will be no discrimination in bonus and incentives payment to employees based on any personal grounds outside the boundaries of this policy.

The following will be considered while setting the Goals & Objectives (G&O):

> All types of risks will be considered while deciding bonus and incentives for QNB as a whole so that total income or profit should not be the only parameter to measure the performance.
> There should be balance between profits and risk levels in the business activities which generate such profits.
> All types of risk are taken into account such as liquidity risk, reputation risk, burden on capital and complexity of risks of related activities, and whether they are difficult or easy to quantify.
> Staff will be required to complete their individual G&Os which will be assessed in line with the KPI's set by their business divisions which will be evaluated on a semi-annual basis. The results of which will be used to calculate the total compensation for each employee after considering any negative factors.
> In order to achieve QNB's strategic Goals and Objectives (G&O); each division will set the short, medium and long team goals and objectives at both divisional and individual level of their employees and outline the Key Performance Indicators (KPIs) that helps in the proper assessment of their performance.

Payment of the Compensations and Remunerations

Employees' incentive payments will be linked to the contribution of the individual and business to such performance. Compensation pay-out schedule shall be sensitive to the time horizon of risks. Payments of remuneration will be in line with the regulatory requirements and will consider best practices and international standards.

Board of Directors and Executive Management members' remuneration

The remuneration system within the Group is a key component of the governance and incentive structure through which the Board and Executive Management promote good performance, convey acceptable risk-taking behaviour and reinforce the Bank's operating and risk culture. Consequently, a separate "QNB Group Remuneration Policy for Board, Executive Management and Employees" defines the mechanism whereby the remuneration is directly linked to the effort and performance at both department and employee levels including that of the Board. This includes the achievement of assigned goals and objectives in accordance with the profitability, risk assessment and the overall performance of the Group. This policy applies to the Chairman, Board members, Senior Executive Management and employees of QNB Group. The BOD adheres to regulatory guidelines and leading practices on compensation and remuneration. The Board, through its GBNRGPC (by delegation), is responsible for the overall oversight of management's implementation of the remuneration system for the entire Bank. The GBNRGPC regularly monitors and reviews outcomes to assess whether the Bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity. The Board reviews the remuneration plans, processes and outcomes on an annual basis. The remuneration policy for QNB BOD members is duly acknowledged as being in accordance with QCB instructions and QFMA requirements.

The BOD presents at the annual general assembly meeting the remuneration/salaries, fees (if any), amounts received for technical or administrative work or other material advantages received for approval, in accordance with the Commercial Companies Law, QCB and QFMA instructions. QNB Group's adopted remuneration policy for the BOD is in line with applicable laws and regulations, such as the Commercial Companies Law provisions, as well as the QCB circular related to the remuneration of the Board of Directors' Chairman and members and QFMA requirements. The Group's Articles of Association have established a framework for the Board members' remuneration, which is far below the limits referred to in the Commercial Companies Law.

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

(All amounts are shown in thousands of Qatari Riyals)

Remuneration: DIS35 (continued)

Remuneration awarded during the financial year: REM1

Remuneration Amount			Senior Management FY2023	Senior Management FY2022
1	Fixed Remuneration	Number of employees	7	8
2		**Total fixed remuneration (3 + 5 + 7)**	**19,679**	**19,866**
3		Of which: cash-based	19,679	19,866
4		Of which: deferred	–	–
5		Of which: shares or other share-linked instruments	–	–
6		Of which: deferred	–	–
7		Of which: other forms	–	–
8		Of which: deferred	–	–
9	Variable Remuneration	Number of employees	7	8
10		**Total variable remuneration (11 + 13 + 15)**	**29,100**	**29,600**
11		Of which: cash-based	29,100	29,600
12		Of which: deferred	–	–
13		Of which: shares or other share-linked instruments	–	–
14		Of which: deferred	–	–
15		Of which: other forms	–	–
16		Of which: deferred	–	–
17	**Total Remuneration**		**48,779**	**49,466**

Special payments: REM2
Not applicable

Deferred remuneration: REM3
Not applicable

Asset encumbrance: DIS31

Asset encumbrance: ENC

	a	b	c	d
		[Optional]		
31 December 2023	Encumbered assets	Central bank facilities	Unencumbered assets	Total Assets
Total Asset encumbrance	39,842,323	–	1,191,142,690	1,230,985,013

Credit risk: DIS40

General qualitative information about credit risk: CRA

Credit Risk
QNB Group manages its credit risk exposure through diversification of its lending and financing, investments and capital markets activities to avoid undue concentrations of risk with individuals or groups of customers in specific locations or business lines. QNB Group also ensures that adequate collateral is obtained wherever possible, including cash, treasury bills, guarantees, bonds, mortgages over real estate properties and pledges over shares. QNB Group uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products. Formal sustainability requirements are integrated within the wholesale credit policy and the QNB Group has incorporated environmental, social and governance due diligence into the QNB Group's credit review practices.

QNB Group, acting through the Group Credit Committee, has implemented corporate credit approval processes governing all lending by the QNB Group. Management believes that the QNB Group's success in achieving low levels of non-performing loans has been due to the Group's strict adherence to this approval process. Before any credit exposure can be incurred by the QNB Group, the relationship manager for the respective customer must provide a credit application, in a prescribed format, to the Group Credit Risk Department, which will review, analyse and prepare an independent credit assessment and a recommendation for consideration by the Group Credit Committee. The credit presentation must include a detailed background on the borrower, including its intermediate and ultimate owners, sector, business operations, non-financial risks, historical financial statements, forward-looking financial information, the facility structure, relevant documentation and available collateral. Each credit application also includes a calculation of the RAROC at both facility and customer level and an obligor risk rating and facility risk rating in accordance with QNB Group's group-wide corporate risk rating policy.

QNB operates a highly centralised credit approval process with limited delegated authorities. Any credit approval which would lead to aggregate obligor group exposure for an amount over QAR 70 million equivalent must be submitted to and approved by the Group Credit Committee. If the credit application is within the Group Credit Committee limits, being less than 5.5% of the Group's eligible capital, the committee may approve the loan without further reference. Otherwise, the credit application is further submitted to the Group Board Executive Committee, with the Group Credit Committee's recommendation. The Group Board Executive Committee comprises three members of the Board of Directors and is chaired by the Vice-Chairman of the QNB Group. Any approval by the GBEC is then reported to the Board of Directors for their information.

QNB is active in the credit approval process of its subsidiaries, either through requiring submission of credit applications (after the initial approval by the subsidiary credit committee) to the QNB Group's Credit Division for a final decision or through QNB senior management representation on the subsidiary credit committee or supervisory board (through consultation). Credit Authorities delegated to subsidiary credit committees are set at levels determined by the obligor risk rating and tenor, with exclusions for certain sectors deemed high risk from time to time.

Any credit approval request recommended by a division for an amount below QAR 70 million equivalent may be approved by "Group Credit", which has been delegated approval authority by the Group Credit Committee. Group Credit also has the authority to approve renewal of previously approved credit facilities with a credit rating of 6- or better, provided there has been no adverse change in the business and/or financial condition of the borrower, nor deterioration of the terms and conditions of the credit facility, including security and collateral and where there has been no more than a one-level adverse change in the credit rating.

In addition to the credit approval threshold levels described above, QNB Group has established elements of "approval philosophy" to govern the entire credit approval process. In order for each credit to be approved.

> The borrower's primary source of repayment must be from business cash flows and not from proceeds of the sale of any collateral or insurance policy (which are considered secondary sources of repayment);
> The borrower must provide complete, accurate and current financial information and, where appropriate, satisfactory collateral or security; and
> The transaction must not fall within the scope of activities that are against the QNB Group's policies.

(All amounts are shown in thousands of Qatari Riyals)

Credit risk: DIS40 (continued)

Internal Risk Ratings and Related Credit Exposure
It is the QNB Group's policy to maintain accurate and consistent risk ratings across its credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the QNB Group's rating policy. The attributable risk ratings are assessed and updated regularly, and the system consists of a 10-scale credit rating system with positive and negative modifiers, giving a total scale range of 22 (compared to QCB's five-scale credit rating system), of which 19 (with positive and negative modifiers) relate to "performing", and three to "non-performing", as follows:

ORR	1 Yr PD	Minimum PD	Maximum PD	Equivalent Moody's Rating	Grades
1	0.01%	0.00%	0.01%	Aaa	Investment Grade
2+	0.02%	0.01%	0.02%	Aa1	
2	0.02%	0.02%	0.03%	Aa2	
2-	0.04%	0.03%	0.05%	Aa3	
3+	0.06%	0.05%	0.07%	A1	
3	0.09%	0.07%	0.11%	A2	
3-	0.14%	0.11%	0.18%	A3	
4+	0.22%	0.18%	0.27%	Baa1	
4	0.34%	0.27%	0.42%	Baa2	
4-	0.53%	0.42%	0.66%	Baa3	
5+	0.82%	0.66%	1.03%	Ba1	Sub-Investment Grade
5	1.28%	1.03%	1.59%	Ba2	
5-	1.99%	1.59%	2.48%	Ba3	
6+	3.09%	2.48%	3.85%	B1	
6	4.80%	3.85%	5.98%	B2	
6-	7.46%	5.98%	9.30%	B3	
7+	11.59%	9.30%	14.45%	Caa1	
7	18.02%	14.45%	22.46%	Caa2	Watch List
7-	28.00%	22.46%	99.99%	Caa3 to C	
8	–	–	–	20% Specific Provision	Default Grade
9	–	–	–	50% Specific Provision	
10	–	–	–	100% Specific Provision	

Non-Performing Credit Facilities - Classification and Provisioning
QNB classifies problem loans as "Substandard" (8), "Doubtful" (9) and "Bad Debt" (10). The overall management of problem loans is the responsibility of the Remedial Department, which reports to the Group Chief Credit Officer. Interest payments in respect of problem loans are suspended automatically when the underlying loans have not been serviced for 90 days and, consequently, such loans are downgraded. If a borrower has more than one credit facility with the QNB Group, a downgrade of any single facility will lead to a full assessment of all outstanding credit with that borrower and will require the Remedial Department to recommend a plan of recovery.

The following are considered indications of non-performance under a credit facility:

> Failure to pay amounts due under the credit facility in full and on time and such payments remain outstanding for more than 90 days past due.
> Failure to pay amounts due in full and on time under other credit facilities that the Bank may have with the obligor
> The obligor has exceeded a credit limit by 10% or more with no agreement and with no acceptable explanation
> Where an obligor has defaulted on a facility with another financial institution and a cross-default clause may be invoked
> Where the customer enters in to a rescheduling agreement or analogous arrangement.

When QCB, or other competent regulator, requests that an asset be classified in one of the non-performing categories, including as a special mention asset then, as a matter of policy, the rating requested by the regulator shall be the one used by the Bank.

Credit risk: DIS40 (continued)

Restructuring of Credit facilities

In line with industry best practices and widely approved regulatory standards, QNB typically defines an existing obligor with a 90 Days Past Due instance over his credit commitments (and / or repayments) as in default. Besides, as cited in the Basel supervisory framework; if the bank considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as liquidating collateral (if collateral is held) the obligor will be classified as default as well. Conditions describing unlikeliness to pay comprise a wide range of events including but not limited to cross-default, being classified as default in another financial institution, adverse market information etc. However, specific conditions of remedial cases, as defined under the Wholesale and Institutional Banking Credit Policy, apply for obligors in default, ORR 8, 9, and 10 must be used with due approvals from designated Credit Officers / Credit Committee.

The Policy recognises that supervisory rules relevant at local / jurisdictional level may be different from the 'standard' 90 days Past-Due definitions.

Restructuring: Asset modification due to commercial reasons

Loans modified purely because of non-stress reasons like retaining a reputed customer etc. are regarded as the commercially modified assets. The Bank does not incur material losses due to these kind of restructures. The losses due to these kind of restructures would be compensated for by future benefits. Some examples of Restructured cases where asset modification due to commercial reasons occurs are as follows:

> Any changes in interest rates including the changes done for strategic reasons.
> Any payment holidays declared for particular groups due to strategic or at behest of regulator.
> Any change to maturity that is initiated by the customer, who is in no financial difficulty, and the Bank is comfortable that even if the modification is not done, the client would be able to service the debt. Such assets that are modified due to commercial reasons can be treated as Stage 1 as there are no signs of significant increase of credit risk.

Credit Risk Reporting

The QNB Group has monitoring procedures put in place for all of its loans. These procedures include an annual (or more frequently on adverse developments) credit review by the Credit Department and monthly credit portfolio reporting. Any required change to a credit rating is performed immediately as deemed necessary. As part of the monitoring process, a reporting system is also in place that includes monthly Management Information System reports sent to the responsible heads of business sections along with monthly reporting to senior management at the QNB Group and periodic reporting to the QCB.

International branch portfolios and QNB subsidiary portfolios are closely monitored at a monthly meeting of QNB Senior Risk staff (including the QNB Group Chief Risk Officer), at which concentrations, rating migration, non-performing loans, restructurings and watch list trends are reviewed and action and/or direction is given as appropriate. Risk dashboards are maintained for each branch/entity.

QNB uses staging rules to categorize each facility or customer on a monthly basis. Stage allocation is based on the qualitative, quantitative and back-stop criteria assessment. All performing facilities will be categorized as either Stage 1 or Stage 2 whereas non-performing facilities will be allocated to Stage 3. Annual Expected Credit Loss is calculated for Stage 1 facilities, whereas for Stage 2 and 3 facilities the Lifetime Expected Credit Loss (LECL) is used. Both annual and life time calculations takes into account three macroeconomic scenarios. Stage-3 loan loss provisions are made by the QNB Group, following an automatic suspension of interest after non-servicing of the debt for a period of 90 days to reflect the potential loss from the borrowing relationship as follows: for credit rated '8' a provision of 20% loss is applied; for credit rated '9' a provision of 50% loss is applied; and for credit rated '10' a provision of 100% loss is applied.

(All amounts are shown in thousands of Qatari Riyals)

Credit risk: DIS40 (continued)

Additional disclosure related to the credit quality of assets: CRB

a) The scope and definitions of past due and impaired exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

Common definitions are used for both accounting and regulatory purposes. Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. Neither past due nor impaired and past due but not impaired comprise the total performing financing.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

There are no such exposures. Bank considers the past due exposures for more than 90 days as impaired.

c) Description of methods used for determining impairments.

Financing past due for more than 90 days are treated as impaired. The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as releasing collateral (if held).

d) The Bank's own definition of a restructured exposure.

A loan in respect of which the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider.

Geographic analysis of credit quality assets: CRB

Loans and advances	
Qatar	677,209,164
Other GCC countries	14,815,079
Europe	100,004,623
North America	8,061,909
Others	52,896,475
Total	**852,987,250**

Industry analysis of credit quality assets: CRB

Description	
(01) Public Sector	**309,739,897**
Government	92,654,092
Government Institutions	217,085,805
(02) Private Sector	**543,247,353**
Industry	38,651,847
Commercial	131,546,926
Services	228,765,183
Contractors	7,522,404
Real Estate	62,108,775
Consumption	74,375,596
Other	276,622
Total	**852,987,250**

(All amounts are shown in thousands of Qatari Riyals)

Credit risk: DIS40 (continued)

Residual Maturity analysis of credit quality assets: CRB

Loans and advances	
Within One month	143,972,788
1 - 3 Months	44,258,743
3 - 12 Months	96,611,990
1 - 5 Years	388,329,638
More than 5 Years	179,814,091
Total	**852,987,250**

Exposures by Industry and related ECL/Provision: CRB

	Exposures before CCF and CRM				
Industry Sector	Stage-1	Stage-2	Stage-3	Total gross amount	Impairment allowances
Government Agencies	306,174,752	3,742,196	–	**309,916,948**	**177,051**
Industry	36,540,989	2,586,394	1,201,374	**40,328,757**	**1,676,910**
Commercial	127,468,624	4,596,312	1,746,970	**133,811,906**	**2,264,980**
Service	216,579,243	15,176,628	4,174,355	**235,930,226**	**7,165,043**
Contracting	6,139,164	1,983,832	4,305,999	**12,428,995**	**4,906,591**
Real Estate	48,867,665	14,327,752	6,773,725	**69,969,142**	**7,860,367**
Consumption	69,848,540	6,404,691	7,975,154	**84,228,385**	**9,852,789**
Others	343,753	160,073	176,927	**680,753**	**404,131**
Total	**811,962,730**	**48,977,878**	**26,354,504**	**887,295,112**	**34,307,862**

Exposures by Country and related ECL/Provision: CRB

	Exposures before CCF and CRM				
Countries	Stage-1	Stage-2	Stage-3	Total Exposure	Total Allowance
Qatar	649,790,559	29,630,051	19,470,320	**698,890,930**	**21,681,766**
Other GCC	14,370,009	432,566	1,020,067	**15,822,642**	**1,007,563**
Europe	95,432,150	8,169,434	2,942,687	**106,544,271**	**6,539,648**
North America	8,085,303	–	18,687	**8,103,990**	**42,081**
Others	44,284,709	10,745,827	2,902,743	**57,933,279**	**5,036,804**
Total	**811,962,730**	**48,977,878**	**26,354,504**	**887,295,112**	**34,307,862**

Ageing analysis of days for past due credit risk exposures: CRB

	Past due credit risk exposures			
	<30 days	31-60 days	61-90 days	Total
Total past due credit risk exposures:	**5,565,770**	**118,724**	**355,223**	**6,039,717**

Credit risk: DIS40 (continued)

Qualitative disclosure related to credit risk mitigation techniques: CRC

a) Core features of policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.

Not Applicable.

b) Core features of policies and processes for collateral evaluation and management.

The Bank, in the ordinary course of financing activities, holds collateral as security to mitigate credit risk in financing. Collaterals mostly include customer deposits and other cash deposits, highly rated sovereign securities issues in major currencies, financial guarantees, local and international equities listed in major indexes, real estate and other property and equipment. The collateral is held mainly against commercial and consumer financing and managed against relevant exposures related to financing. Enforceability, value and the volatility of the value of the asset, and the liquidity of the assets are the key considerations for the eligible collaterals. The fair value of collateral is based on valuation performed by the independent experts, quoted prices in regulated exchanges and the common valuation techniques. Valuation methods and valuation frequencies complies with relevant regulatory rules. Experts have used various approaches in determining the fair value of real estate collateral including market comparable approach based on recent actual sales or discounted cash flow approach taking into account risk adjusted discount rates, rental yields and terminal values.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

It is essential to manage credit risk mitigation through the use of collateral, guarantees, credit structures and the protection of the Bank's position through proper use of the appropriate credit documentation; collateral, security and other support and legal documentation. Concentrations must be taken into account when accepting collateral or security assets which might be highly correlated to the exposure that it is securing. QNB aims to diversify security assets and achieve low Loan to Value thresholds which can help mitigating the risk of collateral value depreciation and provides cushion for adverse market conditions.

The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks to individuals or groups of customers in specific geographical locations or economic sectors, which is achieved through Risk Appetite thresholds, Target Market Criteria and Risk Acceptance Criteria.

Credit Risk Mitigation

The credit risk exposure in respect of a debtor, counterparty or other obligor is mitigated or reduced by taking various types of collateral. Every effort is made to ensure that any collateral provided by a potential client is perfected in accordance with local legal requirements before credit is provided against that collateral. Such collateral is also maintained in a secure format, and valuations are undertaken as required during the lifetime of the credit exposure.

QNB Group has historically implemented a conservative credit policy. The QNB Group believes that its conservative approach to lending ensures that there is an adequate spread of the risk through a diverse product range and customer base (by geography, industry and obligor type). The QNB Group also believes that its conservative credit policy promotes the application of effective credit risk limits in its business, while providing adequate returns on the risk that is on par with the management's expectations. The QNB Group's effective monitoring of its risk, together with a conservative internal risk rating system and a timely recovery strategy, further strengthens QNB Group's belief that it adequately meets and exceeds all regulatory limits and guidelines to which its business is subject.

Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk: CRD

a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;

Moody's and other internationally reputed rating agencies.

b) The asset classes for which each ECAI or ECA is used;

Externally rated corporates, banks and other institutions.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book;

Not applicable.

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply);

Refer to the QCB mapping table for rating equivalents presented under (DIS40-CRA) on page 20.

(All amounts are shown in thousands of Qatari Riyals)

Credit risk: DIS40 (continued)

Credit quality of assets: CR1

		Gross carrying values of			Of which ECL/Specific accounting provisions for credit losses on Standardised Approach (SA) exposures		
		Defaulted exposures (a)	Non- defaulted exposures (b)	Allowances/ Impairments (c)	Allocated in regulatory category of Specific (d)	Allocated in regulatory category of General (e)	Net values (a+b-c)
1	Loans	26,354,504	860,853,761	34,221,015	33,675,288	545,727	852,987,250
2	Debt securities and Banks	737,690	332,586,291	974,187	974,187	–	332,349,794
3	Off-balance sheet exposures	652,113	247,661,850	1,146,554	1,146,554	–	247,167,409
4	**Total**	**27,744,307**	**1,441,101,902**	**36,341,756**	**35,796,029**	**545,727**	**1,432,504,453**

Changes in the stock of defaulted Loans, Debt securities, Due from Banks and Other Assets: CR2

		31 December 2023
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**23,829,570**
2	Loans and debt securities that have defaulted since the last reporting period	8,359,722
3	Returned to non-default status	(75,161)
4	Amounts written off	(3,891,415)
5	Other changes	(1,130,522)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4-5)**	**27,092,194**

Credit risk mitigation techniques - overview: CR3

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	–	–	579,501,695	–	–	–	–
Debt securities	–	–	–	–	–	–	–
Total	**–**	**–**	**579,501,695**	**–**	**–**	**–**	**–**
Of which defaulted	–	–	–	–	–	–	–

No significant changes over the reporting period and the key drivers of such changes.

(All amounts are shown in thousands of Qatari Riyals)

Credit risk: DIS40 (continued)

Standardised approach - credit risk exposure and CRM effects: CR4

Asset classes	Exposures before CCF and CRM: On-balance sheet	Exposures before CCF and CRM: Off-balance sheet	Exposures post-CCF: On-balance sheet	Exposures post-CCF: Off-balance sheet	RWA and RWA density: RWA	RWA and RWA density: RWA density
Sovereigns and their central banks	280,357,477	3,870,727	190,546,841	1,215,515	34,567,397	18.0%
Public Sector Entities	206,742,168	1,597,458	10,451,356	801,966	11,253,323	100.0%
Multilateral development banks	–	–	–	–	–	–
Banks	86,926,469	23,120,949	86,926,469	18,693,332	28,558,154	27.0%
Securities firms	–	–	–	–	–	–
Corporates	493,663,453	123,621,185	207,337,366	59,440,801	266,778,167	100.0%
Regulatory retail portfolios	82,428,927	7,781,340	75,354,767	6,334,070	68,158,873	83.4%
Secured by residential property	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–
Equity Investment	7,266,361	–	7,266,361	–	14,920,407	205.3%
Past-due loans	–	315,939	–	63,189	72,875	115.3%
Higher-risk categories	–	–	–	–	–	–
Other assets	48,829,913	–	42,286,755	6,543,159	42,673,218	87.4%
Total	**1,206,214,768**	**160,307,598**	**620,169,915**	**93,092,032**	**466,982,415**	**65.5%**

Standardised approach - Exposures by asset classes and risk weights: CR5

Risk weight → / Asset Classes ↓	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns	156,895,519	–	–	598,880	–	34,267,957	–	–	**191,762,356**
PSEs	–	–	–	–	–	11,253,323	–	–	**11,253,323**
MDBs	–	–	–	–	–	–	–	–	**–**
Banks	–	81,394,802	–	24,058,305	–	–	166,694	–	**105,619,801**
Securities	–	–	–	–	–	–	–	–	**–**
Corporates	–	–	–	–	–	266,778,167	–	–	**266,778,167**
Retail	–	–	–	–	52,114,956	27,567,204	–	–	**79,682,160**
Residential property	–	–	–	–	2,004,897	–	–	–	**2,004,897**
Commercial Real estate	–	–	–	–	–	1,780	–	–	**1,780**
EIFs	–	–	–	–	–	1,019,198	1,716,698	4,530,465	**7,266,361**
Past dues	–	–	–	–	–	43,814	19,374	–	**63,188**
Higher-risk	–	–	–	–	–	–	–	–	**–**
Other assets	11,927,238	965,769	–	–	–	35,936,906	–	–	**48,829,913**
Total	**168,822,757**	**82,360,571**	**–**	**24,657,185**	**54,119,853**	**376,868,349**	**1,902,766**	**4,530,465**	**713,261,946**

(All amounts are shown in thousands of Qatari Riyals)

Counterparty Credit Risk: DIS42

Analysis of CCR exposures by approach: CCR1

		a	b	c	d	e	f
31 December 2023		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	CCR (for derivatives)	4,897,554	3,244,655		1.4	18,679,179	3,780,595
2	Internal Model Method (for derivatives and SFTs)						–
3	Simple Approach for credit risk mitigation (for SFTs)						–
4	Comprehensive Approach for credit risk mitigation (for SFTs)						–
5	Value-at-risk (VaR) for SFTs						–
6	**Total**						**3,780,595**

CVA capital charge: CCR2

		a	b
31 December 2023		EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		6,187,998	2,762,563
1	(i) VaR component (including the 3×multiplier)	–	–
2	(ii) Stressed VaR component (including the 3×multiplier)	–	–
3	All portfolios subject to the Standardised CVA capital charge	–	–
4	**Total subject to the CVA capital charge**	**6,187,998**	**2,762,563**

Standardised approach - CCR exposures by regulatory portfolio and risk weights: CCR3

31 December 2023	a	b	c	d	e	f	g	h	i
Risk weight → / Regulatory portfolio ↓	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	–	–	–	–	–	234,232	–	–	**234,232**
Non-central government public sector entities	–	–	–	–	–	–	–	–	**–**
Multilateral development banks	–	–	–	–	–	–	–	–	**–**
Banks	–	–	153,848	2,460,525	–	647,491	–	–	**3,261,864**
Securities firms	–	–	–	–	–	–	–	–	**–**
Corporates	–	–	–	9,756	–	274,194	–	–	**283,950**
Regulatory retail portfolios	–	–	–	–	550	–	–	–	**550**
Other assets	–	–	–	–	–	–	–	–	**–**
Total	**–**	**–**	**153,848**	**2,470,281**	**550**	**1,155,917**	**–**	**–**	**3,780,595**

Composition of collateral for CCR exposure: CCR5

Not Applicable

Credit derivatives exposures: CCR6

Not Applicable

Securitisation: DIS43

Securitisation: SECA

Group does not have Securitisation exposure in Banking or Trading Books.

Market risk: DIS50

General qualitative disclosure requirements related to market risk: MRA

Overview

Market risk is the risk to the change in QNB Group's earnings or capital due to changes in interest rates, foreign exchange rates, equity and bond security prices that generally arise as a result of the Bank's day-to-day business activities. The QNB Group's exposure to market risk arises due to positions held in both trading and banking books. Market risk is monitored using a range of metrics within tightly defined limits and within closely defined product mandates, reflecting QNB's conservative approach to market risk.

The management of market risks is defined by Board approved Group policies, where oversight of market risk is delegated by the Board to the Group ALCO, which in turn defines the limits and mandates to the first line of defence functions in the Group. Second line of defence oversight is provided by the Group Strategic Risk Management team within Group Risk, which monitors all market risks within the Group ALCO-approved delegated authority limits and product mandates. Group Internal Audit acts as the third line of defence in this management process. The market risk limits are set at very conservative levels to reflect a limited appetite for this type of risk exposure.

QNB Group's Exposures to Market Risk

Market risk exposures primarily relate to interest rate risk in the banking book and FX risks that generally arise as a result of the Bank's day-to-day business activities. These risks are generated through the course of the Group's primary activity of making loans and investments funded via liabilities with different profiles - primarily with respect to interest rates and currency (FX). These mismatches between interest rate and currencies are the primary drivers of market risk for QNB. The majority of QNB's market risk is Interest Rate Risk in the Banking Book (IRRBB), which is considered specifically in Disclosure IRRBBA. The FX risk from the above activity results in most of the risk in the Trading Book.

FX and interest rate derivatives are used in both the Trading and Banking Book, primarily for the purposes of hedging to ensure that market risk remains within risk appetite and management limits. Derivatives are used to manage risk at a transaction or "back to back" level as well as to manage overall positions. The exposures to market risk are measured and monitored via a number of metrics against management limits and described in detail in the next section.

Governance, Monitoring, Reporting and Limits Framework

The Board-approved Group Trading Book, Non-Traded Market Risk and Investment Policies collectively define the requirements for the management of the different sources of market risk across the Group. Under policy, the management of market risk is delegated by the Board of Directors to the Group ALCO. The First line of defence functions, such as Group Treasury, are responsible for the day to day management of these risks and ensuring that QNB operates within its management limits, product mandates and overall Risk Appetite.

The independent Second line of defence monitoring and reporting of market risk exposures against management limits is performed by the Strategic Risk Management team within Group Risk. Exposures against limits are reported to Management in the first line of defence and Group ALCO. Compliance with Group and Board level limits is also independently reported to the GMRC and GBRC. Group Internal Audit, as part of its role as the third line of defence, undertake routine reviews of the first and second line of defence functions.

The GBRC defines the overall market risk appetite in terms of acceptable activity and maximum limits. QNB has a conservative appetite towards market risk. The Group ALCO define business and entity level limits and the Group product mandate. These limits are in turn cascaded to more granular areas of business activity, international branches, etc.

The QNB Group applies standard and internal methodologies to measure the market risk on positions in both the trading and banking books and potential for market related, portfolio level losses. QNB has defined limits on the level of market risk that may be accepted. These include but are not limited to:

> Basis point value of interest rate positions (overall and bucketed).
> Net and gross currency open positions.
> Value at Risk (VaR) - measured based on a 99% confidence interval and 1 day holding period.
> Daily and monthly stop loss limits.
> Concentration and other position exposures.

Limits are monitored by Strategic Risk Management on a daily basis with results reported to first line of defence and Executive Management. Any breaches of Group ALCO or Board limits are immediately escalated to relevant Executive stakeholders.

(All amounts are shown in thousands of Qatari Riyals)

Market risk: DIS50 (continued)

In addition, the above metrics are supplemented with regular stress testing analysis based upon a range of historical and hypothetical severe but plausible events, as well as "forward looking" ad-hoc scenario analysis to assess the potential impacts of evolving market issues.

Periodic reports are provided to the Board of Directors, Group ALCO and GMRC summarizing key exposure measurements versus limits as well as summaries and recommendations with respect to new and emerging risks.

Market risk under the standardised approach: MR1

		31 December 2023	30 June 2023
		Risk Weighted Assets	Risk Weighted Assets
1	General interest rate risk	597,799	2,141,795
2	Equity risk	85,740	–
3	Commodity risk	609,772	–
4	Foreign exchange risk	532,059	10,003,165
5	Credit spread risk - non-securitisations	–	–
6	Credit spread risk - securitisations (non-correlation trading portfolio)	–	–
7	Credit spread risk - securitisation (correlation trading portfolio)	–	–
8	Default risk - non-securitisations	–	–
9	Default risk - securitisations (non-correlation trading portfolio)	–	–
10	Default risk - securitisations (correlation trading portfolio)	–	–
11	Options	–	–
12	Simplified Approach	–	–
13	Delta Plus Method	–	–
14	Residual risk add-on	–	–
15	**Total**	**1,825,370**	**12,144,960**

Operational risk: DIS60

General qualitative information on a bank's operational risk framework: ORA

Overview of Operational Risk

Definition of Operational Risk
The Bank has adopted the definition of the Basel III Accord, whereby "Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition specifies the broad categories of operational risk sources and in particular:

> Processes: refers to losses that have been incurred due to a deficiency in an existing procedure, or the absence of procedure documentation. Losses in this category can result from human error or failure to follow an existing procedure. Process-related losses are regarded as unintentional.
> People: refers to losses associated with intentional violation of internal policies by current or former employees. In some specific cases, this category may include independent contractors, people employed by outsourcers or people who are being considered for employment.
> Systems: reflects losses that are caused by breakdowns in existing systems or technology. Losses in this category are considered as unintentional (IT risk fall in this category). If intentional technology related losses occur, they should be categorized in either the People or External category.
> External events: reflects losses occurring because of natural or man-made forces, or the direct result of a third party's action.

Key Operational Risk Exposures
Every year QNB Group undertakes an assessment of the top Operational Risks facing the Banking industry as identified by Senior Industry Practitioners. This assessment is internally known as the Material Operational Risk Assessment. The top ten operational risks that are being monitored include Regulatory non-compliance; Cybersecurity risk; Change Management risk; Manual processing errors; People risk (Capacity & Capability); Information security risk; Technology & Infrastructure risk; Business continuity & Operational resilience risk; Fraud risk (Internal & External); and Third Party risk & Vendor management.

Operational risk: DIS60 (continued)

Operational Risk Governance Structure

QNB Group's ORM governance structure is based on the Three lines of defence model, which has been designed to effectively manage operational risk. In particular;

> The first line of defence includes all the Bank's Business / Functions and staff, each one directly responsible for controlling and minimizing the operational risk within their business activities in compliance with the Bank's policies and procedures. The effective management of operational risk by the first line of defence should include existing products, business processes, activities, and those risks presented by new business and change activity.
> The second line of defence is defined by the roles and responsibilities of the Group Operational Risk Department (GORD). GORD is primarily responsible for the development of Operational Risk Management methodologies, tools and guidance to be used at the business and functional unit level for the management of operational risk.
> The third line of defence is the Group Internal Audit Division (GIAD).

The key Governance Committees of Operational Risk Management at QNB are as follows:

> Group Board Risk Committee (GBRC) - Sets and approves Group wide Risk Policies including the QNB Group Operational Risk Policy.
> Group Management Risk Committee (GMRC) - Responsible for oversight and review of all risk functions including the Operational Risk Framework.
> Group Operational Risk Management Committee (GORMC) - Mandated by GMRC, this is a dedicated committee to provide operational risk oversight and review at a Group Level, domestically and internationally chaired by the Group Chief Risk Officer (GCRO).
> Group Operational Risk Department (GORD) - GORD is situated at Group level and reports to GCRO.

Operational Risk Management Framework

QNB Group has implemented an operational risk framework to identify, assess, control, manage, and report Operational risk across the Group. The framework includes a tool for escalation of material risks and events to the Group Management Risk Committee and appropriate senior management staff. Effective operational risk management is essential to reducing the impact of operational risk events. The framework is continually evolving to reflect changes in the Group and to respond to the changing regulatory and business environment.

The primary responsibility for the management of operational risk is with the Group's Business and Functions; they are directly responsible for controlling and minimizing the operational risk within their business activities in compliance with the Bank's policies and procedures. The effective management of operational risk by the Business and Functions includes existing products, business processes and activities, and those risks presented by new business and change activity.

The QNB Group Operational Risk Framework is comprised of eight interconnected elements; (i) Policy & Governance, (ii) Risk Appetite & KRI's, (iii) Risk and Control Self-Assessment (RCSA), (iv) Operational Risk Response, (v) Control Assurance Framework (Non-ICOFR), (vi) Event Loss Data Management (ELDM), (vii) Operational Resiliency (with dedicated sub-elements on Business Continuity Management, Third Party Risk Management and Technology Risk Management), and (viii) Risk Reporting and Analysis.

Risk Identification and Assessment Strategies

The Material Operational Risk Assessment (MORA) serves as an annual internal evaluation conducted by the bank to appraise the ten most significant operational risks, as acknowledged by senior industry experts. Positioned at a high level, the MORA functions as an assessment tool to gauge the bank's stance on the industry-identified top ten operational risks. Complementing the MORA is the bank's Risk and Control Self-assessment (RCSA) process, formulated by the Group Operational Risk Department (Second line of defence). This process empowers the bank's business units and functions (First line of defence) to pinpoint and evaluate operational risks inherent in specific business segments, including products, processes, and activities. Operational risks identified and assessed through the RCSA are inherently more detailed and granular compared to those incorporated in the MORA.

Operational Risk Response Strategies

QNB proactively manages the operational risks faced by the bank and aim to ensure that an appropriate control environment is maintained. This means the Bank must understand and report on residual risk exposures and ensure appropriate operational risk responses are in place to mitigate or transfer any risks, which are not accepted.

> Risk Mitigating Actions (RMA) aims to resolve control gaps or weaknesses and reduce risk exposures that have not been accepted. This process includes the identification, capture, ownership, closure and reporting of RMAs. RMAs are part of the interconnected operational risk framework and anything that results in the reassessment of a risk could lead to a requirement to create an RMA. In addition to RMA's resulting directly from the RCSA process, it is also possible they will result from reassessment of risk because of triggers such as Operational Risk events. RMA's are recorded in the Operational Risk Management System.
> Exceptions to Policy (ETP) aims to record a decision that is made not to implement or fully implement a mandatory control as defined within a QNB Policy, Procedure, and Framework or against industry best practice. Such ETPs represent accepted risks and are recorded for all the Business / Functions in the Operational Risk Management System.

Operational risk: DIS60 (continued)

> As a means to supplement risk mitigation and acceptance decisions, QNB utilises Operational Risk related Insurance Policies to transfer operational risk losses in part or in full. QNB currently has the following insurance policies in place: (i) Bankers Blanket Bond (BBB) Policy, (ii) Property All Risk (PAR) Policy, (iii) Electronic Equipment (EE) Policy, (iv) Third Party Liability (TPL) Policy, (v) Cyber Liability (CL) Policy.

Event Loss Data Management

The Bank requires accurate knowledge of operational risk related losses and has therefore established an appropriate event escalation process, known as the QNB Notifiable Event Process (QNEP), which forms part of the ELDM element of the Operational Risk Framework. Loss events are identified, recorded and classified according to the Bank's Impact Classification Matrix, causal categories and Risk Taxonomy. QNB has invested in risk management software to support its operational risk management policy and framework by keeping track of operational risk event information and loss data.

Dedicated operational risk reports are developed for review and oversight within the GORMC, GMRC and GBRC. Among other content, these reports include the bank's operational risk profile including individual and aggregated risks, events, losses and the status of risk mitigating actions. In addition to reports that are presented to Governance Committees, GORD compiles and distributes various Management Reports to a broad audience across the bank at various frequencies.

Interest rate risk in the banking book: DIS70

IRRBB risk management objectives and policies: IRRBBA

IRRBBA - Interest rate risk in the banking book (IRRBB) risk management objective and policies

a) A description of how the bank defines IRRBB/PRRBB for purposes of risk control and measurement.

   Interest Rate Risk in the Banking Book (IRRBB) refers to the risk to QNB Group's capital and earnings arising from the adverse movements in interest rates on its banking book. When interest rates change, the present value and timing of future cash flows change, impacting upon the economic value of QNB's balance sheet. Changes in interest rates affect QNB Group's earnings by altering interest rate-sensitive income and costs, impacting its Net Interest Income (NII). In general, the sources of Interest Rate Risk can include gap risk, yield curve risk, basis risk and option risk.

b) A description of the bank's overall IRRBB/PRRBB management and mitigation strategies. Monitoring of EVE and NII in relation to established limits, hedging practices, conduct of stress testing, outcomes analysis, the role of independent audit, the role and practices of the Group ALCO, the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions.

   The Board believes that effective IRRBB management is an essential component of safe and sound banking practices and has a direct impact on the QNB Group's earnings and equity. The QNB Board is ultimately responsible for the Risk management of the Group through provision of overall strategy and oversight. Specifically, the Group operates under its Board approved Non-Traded Market Risk Policy, which covers the management of IRRBB. It also sets the overall Risk Appetite for QNB. QNB Board policy is executed via delegated authority to the Group Management Committees, which includes the GALCO and GMRC. These Committees are responsible for the setting, approval and implementation of limits that are within their Board-approved authority. They are also responsible for ensuring that appropriate processes and controls are in place so that all risks are identified, measured and reported against approved risk limits as well as to authorize appropriate action (as required) if there is a limit breach. These Committees also delegate operational mandates and authorities to individual business and functional unit managers.

   IRRBB Limit Framework

   The Group Risk Division is responsible for the oversight of the risk process. This includes ensuring that appropriate risk limits are set (consistent with Risk Appetite), managing a robust risk control and reporting process, and the escalation of risk limit breaches. The aggregated risk limits across the QNB Group are aligned and consistent with the overall Group Risk IRRBB limit framework. Board approved limits are cascaded to GALCO and then throughout the organization via the various ALCOs and management committees across the Group. Both economic value and earnings based measurements are used to measure IRRBB and monitor this risk against limits. This includes Board limits for sensitivity to earnings (EaR - Earnings at Risk) and economic value impacts upon the balance sheet (EVE - Economic Value of Equity). To provide a consistent Group wide measurement basis, these limits are defined based upon the standardized stress scenarios consistent with the guidelines set by the QCB. These measurements and limits are further supported with additional GALCO level operational limits, such as PV01 ladder limits, with standard measurements regularly monitored and reported to GALCO on a monthly basis. These Group wide standard metrics are complemented with entity and location specific stress testing and other measurements (as appropriate) at intermediate or sub-consolidation and branch levels.

Interest rate risk in the banking book: DIS70 (continued)

Governance, Oversight and Controls
QNB Group operates a "Three lines of defence" model with respect to the management and governance of risk and the segregation of duties with respect to responsibilities, governance and controls. This includes management and controls around IRRBB. The GALCO oversees the management of IRRBB at a QNB Group level, with international ALCOs and management committees overseeing the management at each location. The Business units and Treasury are the first line functions responsible for the management of the risk, whilst the Risk and Financial control units are the second line. The independent Internal Audit function, as the third line function, undertakes regular audits and reviews of the management and controls processes. The Non Traded Market Risk Policy sets out the guidelines for the governance and management of interest rate risk in the Banking Book.

Risk mitigation and hedging practices
The objective of managing IRRBB is to manage the exposure to interest rate risk in the Banking Book within acceptable limits using approved products within the mandates available to the first line functions. Where possible, risks are managed via the on balance sheet matching of assets and liabilities and the central aggregation of risk. However, Treasury can also hedge specific transactions and residual exposures through the use of derivatives. Significant hedging or risk management initiatives are approved by GALCO.

c) The periodicity of the calculation of the bank's IRRBB/PRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB/PRRBB.

QNB regularly monitors the evolution of IRRBB at an operational level. The key standard measurements used across the Group are:

> EVE based on predefined standardized shocks.
> Sensitivity to Net Interest Income (NII) over a 12-month horizon and based on predefined shocks calibrated for significant currencies.
> Re-pricing GAP reports (measured against PV01 ladder limits).
> Credit Spread Risk in Banking Books (CSRBB) sensitivities.

Daily controls are operated to monitor daily movements in the IRRBB profile. Additional metrics, such as hedging ratio, effective duration of equity or local regulatory measurements are also used at an entity level to supplement the common Group wide measurements.

The calculation of the Group's IRRBB measurements are reported on a monthly basis to the GALCO. The impact of interest rates shocks is also factored as part of the Bank's formal Stress Tests and within ICAAP and the results are presented to senior management.

d) A description of the interest/profit rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.

The prescribed QCB standardized interest rate shock scenarios are used in line with the QCB guidelines. As part of a broader stress-testing framework, additional stress scenarios based upon historical market events and severe but plausible hypothetical scenarios are also undertaken. As required, scenarios are also developed to assess potential impacts of emerging risks.

e) Where significant modelling assumptions used in the bank's internal system (i.e. the EVE metric generated by the bank for purposes other than disclosure, e.g. for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in the table below, the bank should provide a description of those assumptions and of their directional implications and explain its rationale for making those assumptions (e.g. historical data, published research, management judgment and analysis).

QNB applies the QCB standardized scenarios in a manner consistent with the requirements defined in the QCB guidelines. These scenarios are viewed by QNB as consisting of very extreme shocks and used as the basis of assessing Pillar 2 capital requirements as directed under the QCB guidelines. Additional stress testing undertaken by QNB consists of less extreme, severe but plausible scenarios.

f) A high-level description of how the bank hedges its IRRBB/PRRBB, as well as the associated accounting treatment.

QNB IRRBB exposures are managed by the Treasury function. Where appropriate, exposures are centralized for management by Group Treasury. Where possible, risks are managed via the on balance sheet matching of assets and liabilities and the central aggregation of risk. However, Treasury will also hedge specific transactions through the use of derivatives.

Most derivatives residing in the banking book are in the form of Interest Rate or Cross Currency Swaps which qualify for Cash Flow Hedge accounting treatment.

(All amounts are shown in thousands of Qatari Riyals)

Interest rate risk in the banking book: DIS70 (continued)

g) A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in the table below, which includes:

> For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used.
> How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behavior).
> The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.

Any other assumptions (including for instruments with behavioral optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in the table below, including an explanation of why these are material.

The approach to modelling assumptions for the purposes of evaluating ΔEVE and ΔNII is consistent with the guidelines set out by the QCB. These relate mainly to the treatment of non-maturing deposits and assets where the use of historical data is used to model key homogenous cohorts to arrive at a sensitivity to key macro factors, stable/non-stable segments and effective duration. With respect to early redemptions of deposits and prepayment of loans, when applicable, the speed is determined based on historical behaviors and sensitivities to key macro factors. Other assumptions based on specific product characteristics, such as optionality are taken into consideration as part of the evaluation process.

Commercial margins and other spread components have been excluded in the cash flows used in the computation. The discount rates used are from observed market Cash and Interest Rate Swap rates for each material currency.

Quantitative disclosures

1. Average repricing maturity assigned to NMDs - 1.3 Years
2. Longest repricing maturity assigned to NMDs - 10.0 Years

Quantitative information on IRRBB: IRRBB1

QAR Millions

In reporting currency	ΔEVE		ΔNII	
Period	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Parallel up	(1,349)	(1,853)	(600)	(895)
Parallel down	(2,398)	(2,941)	(3,546)	(2,955)
Steepener	(1,324)	(216)	–	–
Flattener	(324)	(422)	–	–
Short rate up	(749)	(796)	–	–
Short rate down	(2,663)	(486)	–	–
Maximum	(2,663)	(2,941)	(3,546)	(2,955)
Tier 1 capital*	96,907	95,569	96,907	95,569
% of capital	-2.7%	-2.4%	-3.7%	-3.6%
RWA	519,038	517,113	519,038	517,113
% of RWA	-0.5%	-0.4%	-0.7%	-0.6%

*Figures are net of dividend. CET1 in the published financials are reported gross of dividend.

(All amounts are shown in thousands of Qatari Riyals)

Leverage ratio: DIS80

Summary comparison of accounting assets vs leverage ratio exposure measure: LR1

		31 December 2023	30 June 2023
1	Total consolidated assets as per published financial statements	1,230,985,013	1,202,056,172
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–	–
4	Adjustments for temporary exemption of central bank reserves (if applicable)	–	–
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	–	–
7	Adjustments for eligible cash pooling transactions	–	–
8	Adjustments for derivative financial instruments	8,142,209	8,309,700
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	–	–
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	86,548,873	82,450,304
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(34,426,069)	(31,575,403)
12	Other adjustments	(6,730,842)	(5,578,298)
13	**Leverage ratio exposure measure**	**1,284,519,184**	**1,255,662,475**

(All amounts are shown in thousands of Qatari Riyals)

Leverage ratio: DIS80 (continued)

Leverage ratio common disclosure: LR2

		31 December 2023	30 June 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,169,263,806	1,144,574,576
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(6,730,842)	(5,578,298)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**1,162,532,964**	**1,138,996,278**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,897,554	6,337,315
5	Add-on amounts for potential future exposure (PFE) associated with all derivatives transactions	3,244,655	1,972,385
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
8	(Exempted central counterparty, or CCP, leg of client-cleared trade exposures)	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11	**Total derivative exposures (sum of rows 4 to 10)**	**8,142,209**	**8,309,700**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	27,295,138	25,906,193
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
14	Counterparty credit risk exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**27,295,138**	**25,906,193**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	160,307,598	169,001,455
18	(Adjustments for conversion to credit equivalent amounts)	(73,758,725)	(86,551,151)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**86,548,873**	**82,450,304**
Capital and total exposures			
20	**Tier 1 capital**	**96,906,632**	**90,273,668**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**1,284,519,184**	**1,255,662,475**
Leverage ratio			
22	**Basel III leverage ratio (%)**	**7.5%**	**7.2%**

Liquidity: DIS85

Liquidity risk management: LIQA

a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.

Liquidity risk is the risk that an institution is unable to meet its funding obligations as they fall due, leading to an inability to support normal business activity or to incur unacceptable costs. QNB considers the prudent management of liquidity essential to ensuring a sustainable and profitable business and retaining the confidence of the financial markets. The Group Board has overall responsibility for ensuring that liquidity risk is appropriately managed. These expectations, including the delegation of roles and responsibilities is covered in the Group Liquidity Risk Management Policy. Board liquidity tolerance is defined within the Group Statement of Risk Appetite. The GALCO has delegated responsibility for overseeing Group Treasury practices to ensure that liquidity risk is prudently managed globally across the Business.

b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.

QNB operates a funding strategy to meet the objectives of the Group Liquidity Risk Policy and Statement of Risk Appetite whilst meeting the requirements for current and projected budget and regulatory requirements. Treasury actively manages a diversified funding structure by sourcing funding across a range of tenors, product types, geographies, currencies, counterparty and customer types. This approach enables the Bank to maintain overall funding levels through a range of operating conditions. International entities are expected to operate on a basis of being self-sufficient on meeting their funding needs, although these operations are closely coordinated under Group Treasury to ensure alignment with the wider Group funding strategy.

c) Liquidity risk mitigation techniques.

Liquidity risk is actively managed to forecast requirements to meet its obligations under normal and stressed conditions. Risks are mitigated via its diversified funding strategy to meet obligations under most expected scenarios, along with the maintenance of a buffer of High Quality Liquid Assets (HQLA) and other readily marketable securities that can be drawn upon to manage requirements during stress conditions.

d) An explanation of how stress testing is used.

Liquidity risk can materialise as a result of firm-specific, industry-wide and market-wide liquidity events which may lead to cash outflows and may disrupt the availability of existing sources of funding. Stress testing of the potential events enables QNB to identify key risk drivers, as well as provide an indication of the performance of liquid asset buffers held to help mitigate risks. To supplement stress testing analysis, QNB also monitors a series of Early Warning Indicators (EWIs), to assist with the timely identification of potential emerging conditions of funding stress.

e) An outline of the bank's contingency funding plans.

QNB Group also maintains a Contingency Funding Plan that details its plan of action in emergency and stress situations. The plan defines the roles and responsibilities, procedures and immediate actions that would be taken in response to a stress event, to ensure that QNB continues to meet its obligations. Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank. In addition to regulatory liquidity metrics, QNB monitors a number of internal metrics as part of a broader liquidity Key Risk Indicator (KRI) framework. These metrics include maturity mismatch projections, measurements of areas of key concentrations by counterparty type, geography, product type, etc.

f) Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.

Liquidity assumptions are reviewed effectively & efficiently and approved by ALCO for the aim of effective monitoring of liquidity issues.

g) Concentration limits on collateral pools and sources of funding (both products and counterparties).

QNB monitors and complies with all regulatory requirements and a part of its broader Key Risk Indicator (KRI) framework monitors concentration levels of different funding sources, such as counterparty, geography, product type, tenor, etc.

h) Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.

International entities are expected to operate on a self-sufficient basis to meet their own funding needs. This also includes managing compliance with any local regulatory liquidity requirements and limits. Each entity is responsible for monitoring its own risks and reporting its position to local senior management and Group Management via its local ALCO, which also provides a mechanism for escalating liquidity and funding risks to Head Office functions, including Group Treasury and GALCO.

i) Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

Please refer to published consolidated financial statements.

(All amounts are shown in thousands of Qatari Riyals)

Liquidity: DIS85 (continued)

Liquidity Coverage Ratio (LCR): LIQ1

		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
		31 December 2023		30 Jun 2023	
High-quality liquid assets					
1	**Total HQLA**	**184,667,785**	**180,297,026**	**170,421,908**	**166,673,442**
Cash outflows					
2	**Retail deposits and deposits from small business customers, of which:**	**137,169,081**	**10,011,422**	**143,273,809**	**10,649,279**
3	Stable deposits	–	–	–	–
4	Less stable deposits	137,169,081	10,011,422	143,273,809	10,649,279
5	**Unsecured wholesale funding, of which:**	**284,642,366**	**155,552,607**	**324,367,469**	**198,045,790**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	63,455,311	63,455,311	103,092,516	103,092,516
7	Non-operational deposits (all counterparties)	9,551,986	949,693	17,844,104	1,698,172
8	Unsecured debt	211,635,069	91,147,603	203,430,849	93,255,102
9	**Secured wholesale funding**	**–**	**–**	**–**	**–**
10	**Additional requirements, of which:**	**19,047,109**	**19,047,109**	**13,231,603**	**13,231,603**
11	Outflows related to derivative exposures and other collateral requirements	72,074.30	72,074.30	–	–
12	Outflows related to loss of funding of debt products	18,975,034	18,975,034	13,231,603	13,231,603
13	Credit and liquidity facilities	–	–	–	–
14	**Other contractual funding obligations**	**–**	**–**	**–**	**–**
15	**Other contingent funding obligations**	**74,341,827**	**15,206,399**	**72,818,807**	**16,454,407**
16	**TOTAL CASH OUTFLOWS**	**515,200,382**	**199,817,537**	**553,691,688**	**238,381,079**
Cash inflows					
17	**Secured lending**	**–**	**–**	**–**	**–**
18	Inflows from fully performing exposures	137,921,697	107,211,539	145,602,600	119,836,515
19	Other cash inflows	5,134,797	5,134,797	4,373,685	4,373,685
20	**TOTAL CASH INFLOWS**	**143,056,494**	**112,346,336**	**149,976,285**	**124,210,200**
Total adjusted value					
21	**Total HQLA**	**–**	**180,297,026**	**–**	**166,673,442**
22	**Total net cash outflows**	**–**	**87,471,202**	**–**	**114,170,879**
23	**Liquidity coverage ratio (%)**	**–**	**206.1%**	**–**	**146.0%**

(All amounts are shown in thousands of Qatari Riyals)

Liquidity: DIS85 (continued)

Net Stable Funding Ratio (NSFR): LIQ2

		Unweighted value by residual maturity				Weighted value 31 December 2023	Weighted value 30 June 2023
		No maturity	<6 months	6 months to <1 year	≥1 year	T	T-1
Available stable funding (ASF) item							
1	**Capital: 2+3**	**109,393,912**	**–**	**–**	**–**	**109,393,912**	**101,302,575**
2	Regulatory capital	83,556,632	–	–	–	83,556,632	75,782,651
3	Other capital instruments	25,837,280	–	–	–	25,837,280	25,519,924
4	**Retail deposits and deposits from small business customers:**	**70,500,828**	**42,840,200**	**13,865,771**	**9,962,282**	**114,402,839**	**118,800,832**
5	Stable deposits	–	–	–	–	–	–
6	Less stable deposits	70,500,828	42,840,200	13,865,771	9,962,282	114,402,839	118,800,832
7	**Wholesale funding:**	**98,043,483**	**283,136,392**	**152,791,248**	**257,352,337**	**498,973,646**	**485,468,719**
8	Operational deposits	–	–	–	–	–	–
9	Other wholesale funding	98,043,483	283,136,392	152,791,248	257,352,337	498,973,646	485,468,719
10	Liabilities with matching interdependent assets	–	–	–	–	–	–
11	**Other liabilities:**	**193,274,292**	**–**	**–**	**–**	**–**	**–**
12	NSFR derivative liabilities	–	–	–	–	–	–
13	All other liabilities and equity not included in the above categories	193,274,292	–	–	–	–	–
14	**Total ASF 1+4+7+11**	**471,212,515**	**325,976,592**	**166,657,019**	**267,314,619**	**722,770,397**	**705,572,126**
Required stable funding (RSF) item							
15	**Total NSFR high-quality liquid assets (HQLA)**	**81,455,851**	**33,289,132**	**12,659,239**	**57,097,460**	**–**	**–**
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–	–
17	**Performing loans and securities:**	**111,672,590**	**151,200**	**254,987,657**	**625,519,008**	**591,167,838**	**582,138,930**
18	Performing loans to financial institutions secured by Level 1 HQLA	109,246,899	–	–	–	5,462,345	4,203,294
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	2,425,691	151,200	–	–	1,235,525	446,304
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	–	254,987,657	174,686,149	575,195,643	566,081,854
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	–	–	441,558,534	287,013,047	304,864,084
22	Performing residential mortgages, of which:	–	–	–	–	–	–
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	–	–	–	–	–

(All amounts are shown in thousands of Qatari Riyals)

Liquidity: DIS85 (continued)

		Unweighted value by residual maturity				Weighted value 31 December 2023	Weighted value 30 June 2023
		No maturity	<6 months	6 months to <1 year	≥1 year	T	T-1
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	9,274,325	9,274,325	11,407,478
25	Assets with matching interdependent liabilities	–	–	–	–	–	–
26	**Other assets:**	**–**	**–**	**–**	**–**	**78,594,858**	**68,611,727**
27	Physical traded commodities, including gold	–	–	–	–	–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	–	–	–	–	–
29	NSFR derivative assets	–	–	–	–	–	–
30	NSFR derivative liabilities before deduction of variation margin posted	–	–	–	–	–	1,357,160
31	All other assets not included in the above categories	–	–	–	–	78,594,858	67,254,567
32	**Off-balance sheet items**	**–**	**–**	**–**	**–**	**16,143,651**	**16,472,783**
33	**Total RSF 15+17+26**	**193,128,441**	**33,440,332**	**267,646,896**	**682,616,468**	**685,906,347**	**667,223,440**
34	**Net Stable Funding Ratio (%)**	**–**	**–**	**–**	**–**	**105.4%**	**105.7%**

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