The Commercial Bank (P.S.Q.C.)
PILLAR III Disclosure
31 December 2023
For
QCB Circular 6/2022

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1- Introduction and basis of preparation

The Basel Committee on Banking Supervision (BCBS) Basel 3 capital adequacy framework consists of three pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types and/or to cover other risks. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.

This report provides Pillar 3 disclosures for The Commercial Bank (P.S.Q.C.) and its subsidiaries together referred to as "CBQ" or the "Bank" or the "Group").

CBQ is considered a Domestic Systemically Important Bank (D-SIB) under Central Bank laws/regulations and is required to comply with the Standards and Guidance re Capital Adequacy in the Qatar. Capital and other regulatory information of the Bank as at December 2021 are provided in the annual financial statements.

Pillar 3 disclosure report has been prepared in accordance with Qatar Central Bank Pillar 3 disclosure requirements as stipulated in Standards and Guidance re Capital Adequacy in Qatar.

The Pillar 3 disclosures are to be read in conjunction with the Financial Statements for the period ended 31 December 2023.

2- Overview of Basel 3 requirements

Basel requirements are structured around three 'pillars' which are outlined below:

Pillar 1 - deals with maintenance of minimum regulatory capital calculated for three major components of risk that a bank faces: credit risk, market risk and operational risk. Other risks are not considered fully quantifiable at this stage;

Pillar 2 - allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types or to cover other risks. A bank's own internal models and assessments support this process. The second pillar deals with the regulatory response to the first pillar giving regulators much-improved tools over those available to them under Pillar1. It also provides a framework for dealing with all the other risks a bank may face such as systemic risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk which the accord combines under the title of residual risk. This risk and capital assessment is commonly referred to as the Internal Capital Adequacy Assessment Process (ICAAP);

Pillar 3 - covers external communication of risk and capital information by banks as specified in the Basel rules. The aim of Pillar 3 is to provide a consistent and comprehensive disclosure framework by requiring institutions to disclose details on the scope of application, capital, risk exposures, risk assessment processes, capital adequacy, liquidity and funding position and leverage of the institution. It must be consistent with how the senior management including the board assess and manage the risks of the institution.

This report should be read in conjunction with the risk disclosures in audited consolidated financial statements.
Basel 3 also provides for different approaches to calculating capital requirements.

Standardised approach — under this approach, the assets (including off-balance-sheet post-CCF) are classified into asset types to enable better risk sensitivity. The risk weights used to assess capital requirements against credit exposures are consistent across the industry.

Internal-ratings-based approach (IRB) — under this approach, the risk weights are derived from the Bank's internal models.

2.1- CBQ's approach to Pillar 1

Credit risk: the Bank uses the standardised approach for calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty. The net exposure incorporates off-balance-sheet exposures after applying the credit conversion (CCF) and credit risk mitigation (CRM) factors.

Market risk: the Bank uses the standardised approach for calculating regulatory market risk capital requirements.
Operational risk: the Bank uses the standardised approach for computing capital requirements for operational risk.

2.2- Minimum capital requirement

To achieve broader macro –prudential goal of protecting the banking sector from the periods of excess aggregate credit growth and in addition to the capital conservation buffer (CCB) requirement, banks are required to maintain the countercyclical buffer (CCyB). Banks must meet CCB and CCyB requirement by using CET1 capital. The level of CCB requirement is set to 2.5% of risk weighted assets. Banks will also be subject to a countercyclical buffer, this is currently set at 0% by the Qatar Central Bank (QCB).
Further, to reduce risks related to the failure of domestic systemically relevant institutions, Qatar Central Bank has introduced domestic systematically important banks (D-SIB) buffer. CBQ has been listed as a D-SIB and is required to maintain a D-SIB buffer of 0.5%.

2.3- Basis of consolidation

The Bank's Pillar 3 disclosures are presented on a consolidated basis incorporating all its subsidiaries and excluding commercial entities for the year ended 31 December 2023.

2.4- Internal controls and verification

The key features of internal controls around Pillar 3 reporting are as follows:

- Segregation of duties – maker-checker process is strictly followed in compiling Pillar 3 report;
- Data-sourcing and reconciliation – data is sourced from multiple systems which are reconciled with the general ledger, sub- ledgers and audited financial statements;
- Reviews – Pillar 3 report undergoes several rounds of reviews by Finance and Risk functions;
- Attestation – Attestation is obtained from a Board member that Pillar 3 report has been prepared in accordance with the board-agreed internal control processes.

3- Summary of differences between Pillar 3 disclosures and risk review in the audited consolidated financial statements

The details included in this report on certain aspects of credit, market and operational risk are from a regulatory perspective. The quantitative disclosures will not be directly comparable with the audited consolidated financial statements, as the former are largely based on the Basel 3 approach rules whereas quantitative risk disclosures in the audited consolidated financial statements are based on International Financial Reporting Standards (IFRS). This is most pronounced for the credit risk disclosures, where credit exposure is defined as the maximum exposure at default the Bank has estimated under specified Basel 3 rules. This differs from similar information in the audited consolidated financial statements such as the off-balance-sheet exposures which are disclosed pre–credit conversion factors (CCFs).

KM1: Key Capital and Leverage metrics (at consolidated group level)

	(Thousands of Qatari Riyals)	a December 31 2023	b June 30 2023	c December 31 2022
	Available capital (amounts)			
1	Common Equity Tier 1 (CET1)	12,922,360	14,397,817	14,534,849
1a	Fully loaded ECL accounting model	-	-	-
2	Tier 1	17,064,023	18,347,922	19,518,377
2a	Fully loaded ECL accounting model Tier 1	-	-	-
3	Total capital	18,100,039	19,516,224	21,689,628
3a	Fully loaded ECL accounting model total capital	-	-	-
	Risk-weighted assets			
4	Total risk-weighted assets (RWA)	121,274,479	121,192,585	125,475,365
	Risk-based capital ratios as a percentage of RWA			
For	Common Equity Tier 1 ratio (%)	10.7%	11.9%	11.6%
5a	Fully loaded ECL accounting model CET1 (%)	10.7%	11.9%	11.6%
6	Tier 1 ratio (%)	14.1%	15.1%	15.6%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.1%	15.1%	15.6%
7	Total capital ratio (%)	14.9%	16.1%	17.3%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.9%	16.1%	17.3%
	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	0.5%	0.5%	0.5%
11	Total of bank CET1 specific buffer requirements	3.0%	3.0%	3.0%
12	CET1 available after meeting the bank's minimum capital requirements	4.7%	5.9%	5.6%
	Basel III leverage ratio			
13	Total leverage ratio measure	180,711,426	189,670,306	186,153,594
14	Leverage ratio (%) (row 2/row 13)	9.4%	9.7%	10.5%
14a	Fully loaded ECL accounting model leverage ratio (%)(row 2a/row 13)	9.4%	9.7%	10.5%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank (reserves)	9.4%	9.7%	10.5%
	Liquidity Coverage Ratio			
15	Total HQLA	25,561,020	21,758,427	22,351,294
16	Total net cash outflow	9,667,251	11,002,398	12,936,537
17	LCR (%)	264.4%	197.8%	172.8%
	Net Stable Funding Ratio			
18	Total available stable funding	102,433,249	103,729,629	100,904,488
19	Total required stable funding	104,863,363	108,369,081	107,401,768
20	NSFR (%)	97.7%	95.7%	94.0%

OVA: Bank Risk Management Approach

Introduction and overview

The Group's business involves taking risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

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

Risk management

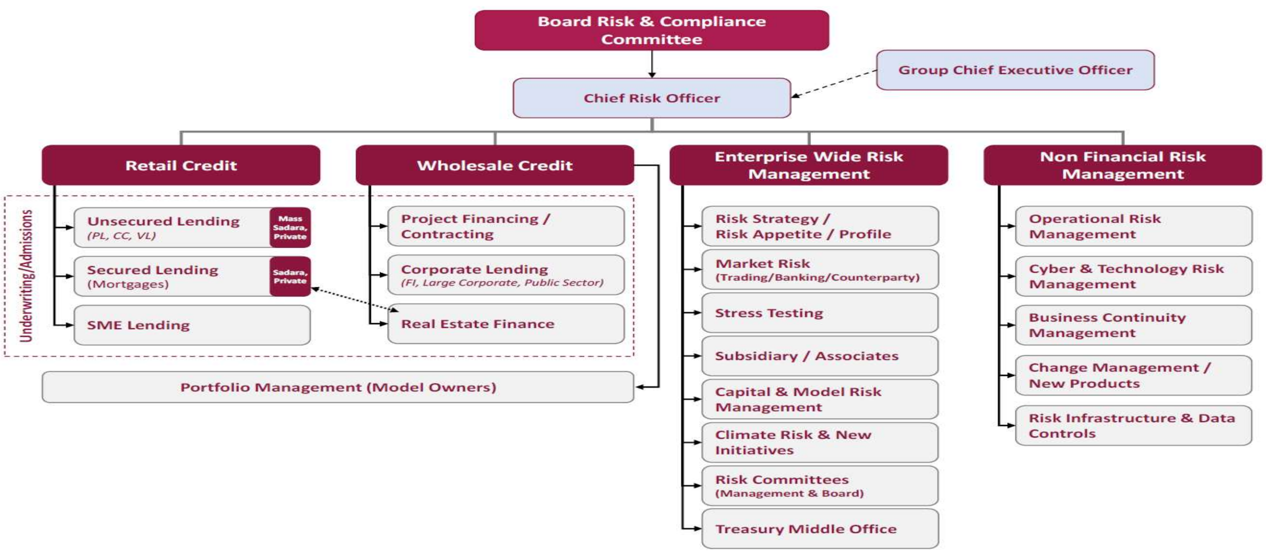
The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity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

Responsibility

The risk mangement framework is under the direct responsibility and authority of the CRO.

Risk Organization

CBQ is exposed to credit risk, market risk, liquidity risk, macroeconomic risk and interest rate risk in banking book as primary risks. In addition, the Bank is potentially exposed to legal, operational, strategic, reputational, and information security risks. The overall CBQ risk organizational structure is as follows:



The Risk organization is an independent group that works closely with the business units to support their activities, while

- Ensure adherence/compliance of individual and portfolio performance to agreed terms and policy.
- Institute prudent risk control mechanisms across the Bank.
- Review all credit transactions and highlights the associated risks
- Ensure compliance with local legal and regulatory guidelines.
- Daily management of all risk functions for the Bank.

Type of Risk

The scope of the Risk Management extends to all major risk types faced by the bank. The principal risk categories applicable are

Credit Risk: The current or prospective risk to earnings and capital (expected and unexpected loss) arising from lending, as a result of debtors defaulting on their obligations due to the bank.
Operational Risk: The risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

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Liquidity Risk: The failure to ensure that the bank has access to sufficient funds to honor its cash outflow obligations. Sources of cash inflows (loan payments, marketable securities and bank's ability to borrow) are not managed and may not be adequate to cover cash outflows. The risk an asset cannot be sold due to lack of liquidity in the market, market disruptions or credit downgrades, because of widening bid/ offer spread.

Reputational Risk: Failure by senior management to establish an environment that encourages integrity, ethical values, and competence of the bank's people through management's philosophy and operating style, assignment of authority and responsibility, and the organization and development of its people.

Strategic Risk: Failure to gather and act on competitive intelligence of the business environment to gain competitive advantage or enter new market segments ahead of competitors. It also encompasses the lack of reliable information to optimize overall performance. (e.g.: changes in trends related to lifestyle demands of the customer, demographic changes).

Market risk: The risk that changes in the level of interest rates, the rate of exchange between currencies, or the price of securities or other financial contracts, including derivatives, will have an adverse impact on the results of operations or financial condition of the bank.

Board of Directos and Risk Governance Structure

The Risk Strategy and its governance are set by the Board of Directors (the Board). The Board has the ultimate responsibility for the

Risk and other committees

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

1). Board Risk and compliance Committee (BRCC), is responsible for all aspects of Risk Management across the Group including but not restricted to credit risk, market risk, operational risk and cyber security risk. The BRCC reviews policies on all risk matters, maintain oversight of all Bank risks through the Management Risk Committee (MRC), the GCEO, and the CRO and provides risk management directives through the GCEO and the CRO. Further, the BRCC is responsible for setting forth compliance and Financial Crimes Control including Anti-Money Laundering, Combating Financing of Terrorism, Anti-Fraud, Anti Bribery and Corruption requirements, criteria and control mechanisms for all activities involving Bank-wide related risk.

2). The Board Audit Committee is responsible for assisting the Board in fulfilling its responsibilities relating to oversee the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Bank.

3).The Board Executive Committee (BEC) acts as a consultative body to the Board, which handles matters that require the Board's review, but may arise between Board meetings. The BEC is responsible for reviewing credit facilities and major investments (within authorized limits as per QCB and Board guidelines) which are not discussed at length in Board meetings. The BEC is also mandated with attending to issues relating treasury.

4) Board Remuneration, Nomination & Governance Committee The Board Remuneration, Nomination & Governance Committee (BRNGC) is responsible for setting the Bank's remuneration framework for the Board members, management and staff. The BRNGC is responsible for recommending Board members' appointments and re-nomination for election by the General Assembly as well as conducting the annual self-assessment of the Board's performance.

5). Management Credit Committee (MCC) is the third highest-level authority on all Counterparty Credit Risk Exposures, after the Board of Directors and Board Executive Committee. The MCC also is responsible for watch list and non-performing assets to minimize risks, prevent losses, maximize recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions. MCC exercises its credit authority as conferred upon them by the Delegation of Authority ("DoA") as approved by the Board.

6). Management Risk Committee is the highest management authority on all risk related issues in the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.

7). Asset and Liability Committee (ALCO) is a management committee which is a decision making body relating to Asset and Liability management. (i.e. balance sheet structure, funding, pricing, hedging, setting limits etc.) Under the overall risk management framework, ALCO is a key component of risk management within the Bank.

OVA: Bank Risk Management Approach

8). Investment Committee (ICO) is the decision making committee for Bank's proprietary investment activities, with a view to optimize returns, ensuring that the investment book provides a liquidity buffer for the bank and mitigate market risk attached to the nature of targeted investment.
9). Crisis Management Committee (CMC) is the authority for management of a crisis, entailing business continuity, prevention, planning, testing, and evaluation. The CMC's objective is to mitigate and minimize the consequences of crisis events.
10). Information Security Committee (ISC) oversees the management of cyber risks in alignment with risk appetite, regulatory and governmental mandates.
11). Digital Innovation &Technology Committee (DTC) will oversee and facilitate the implementation of a Technology Risk Management Framework in Commercial Bank. The impact of technology risk issues generally are felt across more than one unit in the Bank and hence a cross functional team is required to address these issues effectively.
12). Sustainability Committee responsible for the Bank's Environment, Social and Governance (ESG) strategy, performance and reporting. This committee will oversee the Bank's initiatives for implementation and evaluate the related risk and opportunities.
13). Operational Risk Committee (ORC) would oversee and facilitate implementation of Operational Risk Management Framework in the Bank. The resolution of operational risk issues generally involves more than one unit in the Bank and hence a cross functional team is required to address these issues effectively.
14). Product and Change Risk Committee (PCRC) will validate new products, service major changes before go live. Analysing potential risk and mitigation plans that can affect the bank and its customers.
15). Compliance Risk Committee (CRC) would facilitate / oversight the implementation of the Compliance and Financial Crimes Risk Management Framework in the Bank including the AML/CTF, Sanctions and Fraud controls. The resolution of compliance and Financial Crimes Control (FCC) issues generally involve more than one unit in the Bank and hence a cross functional team is required to address these issues effectively.

Channels to communicate, Asses and enforce the risk culture within the Bank

As per Basel guidance, effective risk management involves the strategic implementation of three lines of defense as the first principle of the risk management framework. In this regard, Bank has increasingly adopted the practice, which promotes risk culture and facilitates risk communication channels between business groups and control functions. At each line of defense, there is adequate risk governance principles guidance to support the embedded risk management practice.

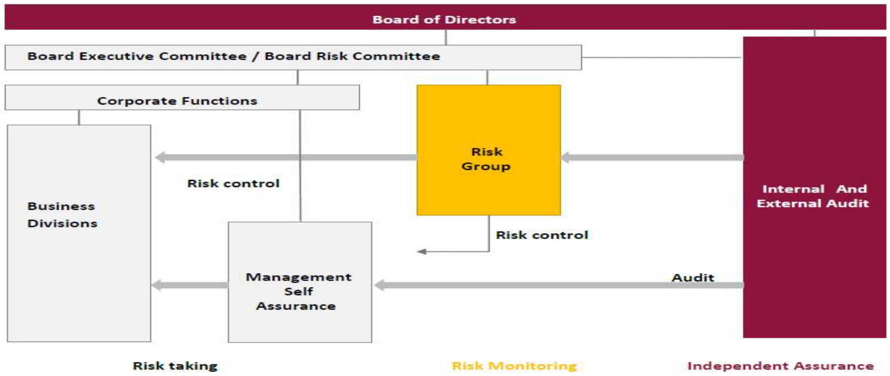
The first line of defense refers to the front-line business functions who must understand their roles and responsibilities with regard to processing transactions, must follow a systematic risk process, and apply internal controls and other risk responses to deal with the risks associated with those transactions.

The second line of defense is the Bank's risk functions that provide independent oversight of the risk management activities of the first line of defense. The Second Line of Defence helps in designing risk appetite, frameworks, policy, limits and guidelines for managing risks and provides advice to support these policies for proactive risk management.

The third line of defense consists of internal audit division reporting independently to the Audit Committee. As a result of this mandate Internal Audit independently assures that the Group is managing risks effectively and the adequacy & effectiveness of the Internal Control, Risk Management, Governance, Systems & Processes.

Internal Control Framework

CB has established a robust internal control framework involving business functions and support functions. The risk owners including the senior management provides self-assurance of the risks owned and managed on a day-to-day basis. Further, the risk control and assessment is independently validated and challenged by internal auditors. The risk management department develops the risk management framework and assesses risks on a continuous basis. The framework is monitored and challenged by the board executive risk committee. The BRC reports the material risks and assessment results to the Board for the required action and further guidance to mitigate and manage them.



OVA: Bank Risk Management Approach

Overall Governance and Risk Culture

Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Corporate governance determines the allocation of authority and responsibilities by which the business and affairs of a bank are carried out by its board and senior management, including how they:

- set the bank's strategy and objectives;
- select and oversee personnel;
- operate the bank's business on a day-to-day basis;
- protect the interests of depositors, meet shareholder obligations, and consider the interests of other recognized stakeholders, interests of other recognized stakeholders;
- align corporate culture, corporate activities and behavior with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations; and
- Establish control functions.

Risk management and measurement

The Bank's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the Bank, guide the day to day management of credit exposure and are an integral part of the business. In relation to wholesale, Ultra High Net worth and SME credit risk, the Bank has implemented Moody's Credit Lens (CL) system, which is an internal rating platform whereby all corporate customers to whom credit facilities have been extended are assigned a performing customer risk rating ranging from 1 to 7 (plus modifiers) for performing obligors.

The Credit Risk Department ("CRD") is responsible for the approval of individual credits within its delegated authority, the development of industry and product credit policies, and monitoring, controlling and diversifying credit risk. CRD provides the foundation for sound credit underwriting that conforms to the Bank's activities, strategic objectives and its economic and competitive environment.

Wherever appropriate, the Bank seeks to obtain collateral or other forms of security to mitigate credit risk. The principal collateral types for loans and advances include mortgages over residential and commercial properties and charges over financial instruments such as debt securities and equities. Longer term finance and lending to corporate entities tend to be secured, while revolving individual credit facilities are often unsecured. In addition, the Bank will seek to obtain additional collateral in the event that loans or advances become impaired. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Bank places a high degree of importance on clearly written, well distributed and readily accessible policies, procedures and communication of risk issues across the Bank.

The Bank's risk rating framework consists of the establishment of the credit risk rating of the obligor as well as a recovery rating to reflect the degree of collateralization.

The Bank has complied with the Basel III Pillar I requirements of QCB and has used the standardized approach for its credit risk assessment to arrive at the capital for its credit risk. The Bank takes various financial collaterals to mitigate the credit risk in its lending activities. The amount of eligible credit risk mitigants used for capital estimation is after applying the QCB prescribed haircuts for each type of mitigant.

Market risk is the risk of potential loss in value or earnings arising from changes in market factors such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Overall authority for market risk is vested in the Management Risk Committee. Market risk department is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

The Bank's proprietary investments are managed according to the Bank's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the QCB guidelines. The Bank's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Bank employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits. Investment policy is reviewed by the Board of Directors annually and day to day limits are independently monitored by the Market Risk Management department. Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under MRC oversight and approved by the Board.

The Bank's exposure to foreign currency risk is limited due to the pegging of the Qatari riyal to the U.S. dollar and is strictly controlled by market risk and structural risk management policies which govern the maximum trading and exposure limits that are permitted.

CBQ manages its market risk exposures in accordance with its market risk policies and limits.Bank has used the standardized approach for its market risk assessment to arrive at the capital for its market risk. The Bank uses limits for controlling the overall investment risk, including foreign exchange, interest rate and equity prices.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

For effective management of Operational Risk, the Bank has adopted the three lines of defense approach. i) Business line management; ii) Independent Operational Risk Management Function and iii) An independent review function. The Business line management (1LOD) is responsible for managing the operational risks inherent in the products, processes, services and activities undertaken by them. The Operational Risk Management Function facilitates the Business lines in the management of operational Risk and also provides framework and tools for management of Operational Risk while the Audit unit acts as an independent reviewer to ensure that Operational Risk Policy and framework is being implemented as per the internal policies, framework and industry best practices. The Operational Risk Committee oversees management of Operational Risk in the Bank with the objective to provide to senior management an integrated view over the related risk across the organization within the approved risk appetite.

The Bank has implemented a set of tools to identify, manage and report operational risk on a regular basis and the status of the implementation is reported to senior management.

The Bank has adopted the Basic Indicator Approach (BIA) for Operational Risk capital computation.

Liquidity Risk is generally not capitalized, but is rather managed and monitored through appropriate processes and committees such as the ALCO. The bank follows the QCB's approach to measuring the Basel III Liquidity Coverage Ratio (LCR). This approach offers the benefits of capturing both funding liquidity risk and market liquidity risk and measures the Bank's liquidity under a stress scenario. QCB has mandated Banks in Qatar to calculate and report LCR and maintain a minimum 100%.

OVA: Bank Risk Management Approach

The Bank has adopted the Risk Appetite Policy to communicate its risk culture, control the amount of risk taken on certain key items and ensure the consistency of risk decisions throughout the bank. The Policy is forward looking and business planning and strategy formulation is guided by this policy. The Risk Appetite Policy serves as a critical link between corporate strategy and day-to-day risk assumption of risks. The Risk appetite statement is reviewed time to time to assign the thresholds and limits based on the recent trends and macro-economic risks. The risk of the bank is monitored through key risk indicators, which are tracked through the Risk Appetite Framework of the Bank.

Risk appetite monitoring of the Bank is an integral part of the periodical reporting to the Board and senior management. It sets the overall risk tolerance boundaries. Additionally, it facilitates the management decisions with various risk targets in order to ensure compliance with regulatory constraints and changing economic conditions.

Stress testing

The Bank has a Stress Testing Policy that is duly approved by BRCC. The Policy prescribes a stress testing framework for administering stress tests on the Bank's portfolio from the perspective of credit, market, liquidity, concentration, and operational risks. This is to enable the Bank to evaluate its financial resilience under simulated but plausible stress scenarios and adopt counter-steps that mitigate either the probability or the impact of these plausible events to preserve the Bank's capital, solvency and liquidity.

Stress testing has a critical role in helping CB to identify and measure material risks and concentrations, as well as supporting management's strategic decisions. The basic purpose of stress testing at CB is to:

> Assess the risks of the current and potential exposures under stress conditions;
> Assure the Bank's Board and senior management that the risks and exposures are in line with acceptable levels;
> Evaluate the Bank's ability to sustain unfavorable situations, measured in terms of effect on the profitability and capital adequacy of the Bank.

CBQ carries out stress testing exercise on regular bais and the scenarios are applied over a five-year time horizon in line with leading practice as well as aligning to the QCB guidance around sound capital planning.

The scenarios have been designed based on a variety of macro-economic scenarios:

a. Market-wide (systemic) and firm-specific (idiosyncratic);
b. Loss-based (impacting capital), and liquidity stress (impacting funding);
c. Fast-acting (less than 3 months) and slow (more than 12 months).

The stress scenarios cover a range of severities: Mild, Moderate and Severe. Additionally, a reverse stress scenario is also considered as a part of the stress testing framework.

The impact of the stress sensitivities and scenarios are modelled relative to CB's base case forecasts.

CB calculates a capital buffer implied by the stress testing results, considering this buffer as part of its capital target setting and holding this buffer as part of its capital base to ensure that capital remains above the minimum regulatory ratio.

The stress testing results are analyzed to ensure that appropriate management actions can be taken in advance, should adverse capital impacts breach the internal capital targets or minimum regulatory requirements.

The stress results including the application of management actions indicate that CB is able to withstand severe yet plausible scenarios. In the case of a realization of a severe stress scenario, management is able to apply the abovementioned actions, as well as considering further reducing expenses and project expansions.

Risk mitigation

The Group utilizes a range of strategies to manage, hedge and mitigate risk in its normal course of business. This includes, but not limited to:

> Due diligence and risk assessment of borrowers based on internal and external information
> Entering into arrangements to obtain recourse to collateral or other form of tangible or intangible securities
> Obtaining guarantees
> Risk transfer in form of risk participations or sell down of exposure; and
> Buying protection
> Reduction in operating cost
> Increase Equity Capital
> Liquidity raising plans

Credit Risk Mitigation: The Bank uses a wide variety of techniques to optimize the credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with the appropriate coverage. The Bank ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The Bank takes only listed equity shares, cash deposits, Cash collateral and eligible Bank guarantees as credit risk mitigation for calculating Pillar 1 credit risk capital.

Liquidity Risk Mitigation: In order to mitigate the risk of a funding crisis and to effectively prepare for the same, Bank has established contingency plan which is the compilation of policies, procedures and action plans to assess and address some or all of its activities in a timely manner and at a reasonable cost. The ALCO sets the broad framework for the Group Treasury in seeking to ensure that CBQ is constantly able to meet its financial commitments. An ALCO meeting is held every month to handle, consider and address any issues relating to maturity mismatches, risk/sensitivity and yield/cost analysis.

OV1: Overview of risk weighted assets (RWA)

The following table presents an overview of our RWA and the related minimum capital requirements by risk type.

		a	b	c	d
		RWA	**Minimum capital requirement**	RWA	Minimum capital requirement
	(Thousands of Qatari Riyals)	**December 31 2023**	**December 31 2023**	December 31 2022	**December 31 2023**
1	**Credit risk (excluding counterparty credit risk)**	**108,336,923**	**15,297,174**	**114,258,275**	**16,133,268**
2	Of which: standardised approach (SA)	108,336,923	15,297,174	114,258,275	16,133,268
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)**	**894,465**	**126,298**	**744,850**	**105,173**
7	Of which: Standardised approach for counterparty credit risk (Current exposure method - CEM)				
8	Of which: Internal Model Method (IMM)	-		-	
9	Of which other CCR	894,465	126,298	**744,850**	105,173
For	**Credit valuation adjustment (CVA)**	**873,763**	**123,375**	**456,918**	**64,517**
11	Equity positions in banking book under market-based approach	-	-	-	-
12	Equity investments in funds – look-through approach	-	-	-	-
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 internal ratings-based approach (SEC-IRBA)	-		-	
18	Of w hich: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	-		-	
19	Of which Standardized approach (SEC-SA)	-		-	
20	**Market risk**	**2,274,999**	**321,230**	**2,997,121**	**423,193**
21	Of which: Standardized approach (SA)	2,274,999	321,230	2,997,121	423,193
22	Of which: Internal model approaches (IMA)	-		-	
23	Capital charge for sw itch betw een trading book and banking book	-		-	
24	**Operational risk**	**8,894,329**	**1,255,879**	**8,894,329**	**1,255,879**
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-		-	
26	Floor adjustment	-		-	
27	Floor adjustment (before application of transitional cap)				
28	Floor adjustment (after application of transitional cap)				
29	**Total**	**120,400,716**	**17,000,581**	**126,894,575**	**17,917,514**

CDC: Capital distribution constraints

		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%	10.7%
2	CET1 capital plus capital buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	9.0%	

		Minimum Leverage ratio requirement (%)	**Current Leverage Ratio (%)**
2	CET1 capital plus capital buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	3.0%	9.4%

CCA: Main features of regulatory capital instruments

		Equity Shares	QAR 2 Bn Additional Tier 1	QAR 2 Bn Additional Tier 1	USD 500 Mn Additional Tier 1
1	Issuer	The Commercial Bank (P.S.Q.C.)			
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	CBQK / QA0007227752	Private Placement	Private Placement	XS2293694662
3	Governing law(s) of the instrument	Qatar Laws	Qatar Law	Qatar Law	English Law
	Regulatory treatment				
4	Transitional arrangement rules (i.e. grandfathering)	CET1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional arrangement rules (i.e. grandfathering)	CET1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/group/group and solo	Group and Solo	Group and Solo	Group and Solo	Group and Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Perpetual Additional Tier 1 Capital Notes	Perpetual Additional Tier 1 Capital Notes	Perpetual Additional Tier 1 Capital Notes
8	Amount recognised in regulatory capital	4,047,254	2,000,000	2,000,000	1,820,000
9	Nominal amount of instrument	4,047,254	2,000,000	2,000,000	1,820,000
9a	Issue price	4,047,254	2,000,000	2,000,000	1,820,000
10	Accounting classification	Equity	Instruments eligible for additional capital		
11	Original date of issuance	NA	30-Dec-13	1-Feb-16	3-Mar-21
12	For	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	NA	30-Dec-19	31-Dec-21	3-Mar-26
14	Issuer call subject to prior supervisory approval	NA	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	30 Dec 2025 Redemption amount: Prevailing Principal Amount	31 Dec 2027 Redemption amount: Prevailing Principal Amount	3 Mar 2026 Redemption amount: Prevailing Principal Amount
16	Subsequent call dates, if applicable	NA	NA	NA	NA
	Coupons / dividends				
17	Fixed or floating dividend/coupon	NA	Fixed	Fixed	Fixed
19	Coupon rate and any related index	Vaiable	5.15%	4.94%	4.50%
19	Existence of a dividend stopper	NA	Yes	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full Discrectionary	NA	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full Discrectionary	Full Discrectionary	Full Discrectionary	Full Discrectionary
21	Existence of step-up or other incentive to redeem	NA	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Convertible	Convertible	Convertible
24	Writedown feature	NA	Yes	Yes	Yes
25	If writedown, writedown trigger(s)	NA	NA	NA	NA
26	If writedown, full or partial	NA	Depends on Regulator's decision	Depends on Regulator's decision	Depends on Regulator's decision
27	If writedown, permanent or temporary	NA	Permanent	Permanent	Permanent
28	If temporary write-own, description of writeup mechanism	NA	NA	NA	NA
28a	Type of subordination	NA	Subordinated (Additional Tier 1 Capital)		
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA	Ranks junior to all Senior Obligations; Ranks in priority only to all Junior Obligations, Ranks senior to equity shares		
30	Non-compliant transitioned features	NA	NA	NA	NA
31	If yes, specify non-compliant features	NA	NA	NA	NA

CC1: Composition of Capital

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

		a	b	c	d
		31 December 2023	30 June 2023	31 December 2022	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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	4,047,254	4,047,254	4,047,254	(a)
2	Retained earnings	1,716,706	2,190,898	1,991,438	
3	Accumulated other comprehensive income (and other reserves)	10,190,589	9,770,088	10,005,976	(b)
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)	-	-	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**15,954,549**	**16,008,240**	**16,044,668**	
	Common Equity Tier 1 capital regulatory adjustments				
7	For	-	-	-	
8	Goodwill (net of related tax liability)	(740,287)	(716,848)	(743,917)	
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)	(34,524)	-	-	
11	Cash flow hedge reserve	157,777	87,199	116,273	
12	Shortfall of provisions to expected losses	-	-	-	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	-	-	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	
15	Defined benefit pension fund net assets	-	-	-	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	(1,139,524)	-	-	
17	Reciprocal cross-holdings in common equity	-	-	-	
18	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)	(1,275,631)	(980,774)	(882,175)	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	
22	Amount exceeding 15% threshold	-	-	-	
23	Of which: significant investments in the common stock of financials	-	-	-	
24	Of which: mortgage servicing rights	-	-	-	
25	Of which: deferred tax assets arising from temporary differences	-	-	-	
26	National specific regulatory adjustments	-	-	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	-	
28	**Total regulatory adjustments to Common Equity Tier 1**	**(3,032,189)**	**(1,610,423)**	**(1,509,819)**	
29	**Common Equity Tier 1 capital (CET1)**	**12,922,360**	**14,397,817**	**14,534,849**	
	Additional Tier 1 capital: instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	5,820,000	5,820,000	5,820,000	(c)
31	OF which: classified as equity under applicable accounting standards	5,820,000	5,820,000	5,820,000	(c)
32	Of which: classified as liabilities under applicable accounting standards	-	-	-	
33	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	-	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	-	-	
35	*Of which: instruments issued by subsidiaries subject to phase-out*	-	-	-	
36	Additional Tier 1 capital before regulatory adjustments	**5,820,000**	**5,820,000**	**5,820,000**	

	Additional Tier 1 capital: regulatory adjustments				
37	Investments in own additional Tier 1 instruments	-	-	-	
38	Reciprocal cross-holdings in additional Tier 1 instruments	-	-	-	
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	(295,865)	(487,423)	-	
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	(1,382,472)	(1,382,472)	(836,472)	
41	National specific regulatory adjustments	-	-	-	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	
43	Total regulatory adjustments to additional Tier 1 capital	**(1,678,337)**	**(1,869,895)**	**(836,472)**	
44	**Additional Tier 1 capital (AT1)**	**4,141,663**	**3,950,105**	**4,983,528**	
45	**Tier 1 capital (T1= CET1 + AT1)**	**17,064,023**	**18,347,922**	**19,518,377**	
	Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	
47	*Directly issued capital instruments subject to phase-out from Tier 2*	-	-	-	
48	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)	148,629	-	728,000	
49	*Of which: instruments issued by subsidiaries subject to phase-out*	148,629	-	728,000	
50	Provisions	1,376,314	1,366,264	1,443,251	
51	**Tier 2 capital before regulatory adjustments**	**1,524,944**	**1,366,264**	**2,171,251**	
	Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	-	-	-	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	(488,928)	-	-	
54	Investments in capital and other TLAC liabilities 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 common share capital of the entity (amount above 10% threshold)	-	(197,962)	-	
55	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)	-	-	-	
56	National specific regulatory adjustments	-	-	-	
57	**Total regulatory adjustments to Tier 2 capital**	**(488,928)**	**(197,962)**	**-**	
58	**Tier 2 capital (T2)**	**1,036,015**	**1,168,302**	**2,171,251**	
59	**Total regulatory capital (TC = T1 + T2)**	**18,100,039**	**19,516,224**	**21,689,628**	
60	**Total risk-weighted assets**	**121,274,479**	**121,192,585**	**125,475,365**	
	Capital ratios and buffers				
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**10.7%**	**11.9%**	**12.0%**	
62	**Tier 1 (as a percentage of risk-weighted assets)**	**14.1%**	**15.1%**	**16.1%**	
63	**Total capital (as a percentage of risk-weighted assets)**	**14.9%**	**16.1%**	**17.9%**	
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**3.0%**	**3.0%**	**3.0%**	
65	**Of which: capital conservation buffer requirement**	**2.5%**	**2.5%**	**2.5%**	
66	**Of which: bank-specific countercyclical buffer requirement**	**0.0%**	**0.0%**	**0.0%**	
67	**Of which: higher loss absorbency requirement (DSIB)**	**0.5%**	**0.5%**	**0.5%**	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	**4.7%**	**5.9%**	**5.6%**	
	National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	-	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	-	-	
71	National total capital minimum (if different from Basel III minimum)	-	-	-	
	Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	-	-	
73	Significant investments in common stock of financial entities	-	-	-	
74	Mortgage servicing rights (net of related tax liability)	-	-	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-	
	Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	6,093,467	5,935,557	5,561,589	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,376,314	1,376,314	1,443,251	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)				
80	*Current cap on CET1 instruments subject to phase-out arrangements*	-	-	-	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	-	-	
82	*Current cap on AT1 instruments subject to phase-out arrangements*	-	-	-	
83	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	-	-	
84	*Current cap on T2 instruments subject to phase-out arrangements*	-	-	-	
85	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	-	-	

CC2: Regulatory capital balance sheet

The following table shows the reconciliation between balance sheet prepared for published financial statements with that prepared for regulatory reporting. The amount shown under the regulatory scope of consolidation is not a RWA measure; it is based on an accounting measure and cannot be directly reconciled to other disclosures in this report which are prepared applying Basel 3 rules.

Regulatory capital balance sheet	31-Dec-23		
	Balance sheet as in Report to Shareholders	Under regulatory scope of consolidation	Reference to Financial Statements
Assets			
Cash and balances with central banks	8,631,193	8,631,193	8
Due from banks	20,525,334	20,525,334	9
Loans and advances to customers	86,390,621	86,390,621	10
Of which: acceptances treated as off-balance sheet exposure	5,099,789	-	10
Investment securities	30,762,358	30,762,358	11
Investment in associates and a joint arrangement	3,373,307	3,373,307	12
Property and equipment	3,062,799	3,062,799	13
Intangible assets	62,410	62,410	14
Other assets	6,468,460	6,468,460	15
For	**164,376,271**	**159,276,482**	
Liabilities			
Due to banks	18,805,257	18,805,257	16
Customer deposits	76,541,228	76,541,228	17
Debt securities	7,899,400	7,899,400	18
Other borrowings	26,266,888	26,266,888	19
Other liabilities	10,457,673	5,357,884	20
Total Liabilities	**139,970,446**	**134,870,657**	
Equity			
Share capital	4,047,254	4,047,254	21
Legal reserve	10,024,432	10,024,432	21
General reserve	26,500	26,500	21
Risk reserve	2,274,574	2,274,574	21
Fair value reserve	(399,282)	(399,282)	21
Cash flow hedge reserve	(155,061)	(155,061)	21
Foreign currency translation reserve	(2,718,529)	(2,718,529)	21
Other reserves	1,137,954	1,137,954	21
Revaluation reserve	1,140,161	1,140,161	21
Employee incentive phantom scheme shares	(1,139,524)	(1,139,524)	21
Retained earnings	4,347,343	4,347,343	
Instruments eligible for additional capital (Included in AT1)	5,820,000	5,820,000	21
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**24,405,822**	**24,405,822**	
Non-controlling interests	3	3	
TOTAL EQUITY	**24,405,825**	**24,405,825**	
TOTAL LIABILITIES AND EQUITY	**164,376,271**	**159,276,482**	

CRA: General qualitative information about credit risk

Credit Risk

Credit risk is the risk that counterparty will fail to discharge its financial obligations to the Bank and will cause the Bank to incur a financial loss. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit risk is attributed to both on balance sheet financial instruments such as loans, overdrafts, debt securities and other bills, investments and acceptances and credit equivalent amounts related to off-balance sheet financial instruments.

Credit Risk Management

The Bank's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the Bank, guide the day to day management of credit exposure and are an integral part of the business. In relation to wholesale, Ultra High Net worth and SME credit risk, the Bank has implemented Moody's Credit Lens (CL) system, which is an internal rating platform whereby all corporate customers to whom credit facilities have been extended are assigned a performing customer risk rating ranging from 1 to 7 (plus modifiers) for performing obligors. The CL system assigns a customer risk rating to a customer based on a number of quantitative and qualitative factors relating to that customer, such as its historical spreads, financial projections, management quality, the industry in which it operates and its standing within that industry. The rating scale also helps determine loan loss provisions, credit pricing decisions and decisions on the composition of the portfolio. The Bank uses consumer application score card for retail products to assess the risk levels of the retail customers at entry level.

The Credit Risk Department ("CRD") is responsible for the approval of individual credits within its delegated authority, the development of industry and product credit policies, and monitoring, controlling and diversifying credit risk. CRD provides the foundation for sound credit underwriting that conforms to the Bank's activities, strategic objectives and its economic and competitive environment.

The Bank places a high degree of importance on clearly written, well distributed and readily accessible policies, procedures and communication of risk issues across the Bank.

The Bank's risk rating framework consists of the establishment of the credit risk rating of the obligor as well as a recovery rating to reflect the degree of collateralization.

Wherever appropriate, the Bank seeks to obtain collateral or other forms of security to mitigate credit risk. The principal collateral types for loans and advances include mortgages over residential and commercial properties and charges over financial instruments such as debt securities and equities. Longer term finance and lending to corporate entities tend to be secured, while revolving individual credit facilities are often unsecured. In addition, the Bank will seek to obtain additional collateral in the event that loans or advances become impaired. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Bank's credit policies are also structured to ensure that the Bank is not over exposed to a given client, industry sector or geographic area.

As a part of credit risk monitoring and control framework, regular risk monitoring at both individual and portfolio levels is carried out along several parameters which include credit quality, provisioning levels, exposure limits across several dimensions, financial and operating performance, account conduct, end use of funds, adequacy of credit risk mitigants, adherence to financial and non-financial covenants, recovery performance, rating system performance among others.

Restructuring policy is discussed under CRB section of this document.

Structure and organization of the credit risk management and control function

Credit risk is managed through a Board approved framework of policies and procedures covering the approval, the measurement and the management of credit risk. All credit exposure limits are approved within a defined credit approval authority framework. The Bank manages its credit exposures following the principle of diversification across products, country limits, industries, client and customer segments, and through continuous assessment of the counterparties' creditworthiness.

BRCC is responsible for all aspects of Risk Management including, but not limited to credit risk, market risk, liquidity risk, operational risk and compliance matters. The BRCC reviews the policy on all risk and compliance issues and maintains oversight over these matters.

Structure of wholesale credit and retail credit is disclosed under OVA.

Relationships between the credit risk management, risk control, compliance and internal audit functions

The relationship is based on clear separation between the credit risk management, risk controls, compliance and internal audit. Each of the aforementioned functions has a well-defined mandate. This is to ensure full independence of each of these functions organizationally and functionally. However, all these functions operate in a coordinated manner to ensure that the Bank maintains the desired risk quality of the various credit portfolios.

CRA: General qualitative information about credit risk

Credit Risk Management, is responsible for conducting credit assessments, and credit approval within the Bank's tolerance level, risk appetite and policy standard. Credit Monitoring and Control Unit is responsible for ensuring appropriate documentation for all facilities throughout the credit life cycle. Limits and collaterals are maintained and monitored by credit control to ensure no breaches of limits and adequate coverage of collaterals.

Compliance is responsible for implementing local regulatory and statutory requirements including credit risk and assisting the Board, the Audit Committee, Risk Committee and Senior Management in managing and controlling Bank's compliance risk.

Internal Audit, which reports directly to the Audit Committee is responsible for providing an independent, objective assurance and consulting service to the Audit Committee designed to improve Bank's credit practices and operations. Internal Audit conducts a comprehensive and independent review of credit process at least on annual basis.

Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

Credit risk is managed through a set of policies and procedures covering the approval, the measurement and the management of credit risk. The Bank manages its credit exposures following the principles of diversification across products, country limits, industries, client and customer segments, and through continuous assessment of the counterparties' creditworthiness. Various reports intended to provide a comprehensive assessment of credit risk to the Board and senior management include the following:

> Complete overview of bank's risk exposures presented to BRCC on periodic Basis.
> MCC/MRC - detailed credit portfolio performance presented to senior management on monthly basis.
> Risk Appetite – monitoring key credit risk indicators, limits, and threshold on periodic basis.

CR1: Credit quality of assets

The following table presents a comprehensive view of the credit quality of our on- and off-balance sheet assets.

As at June 30, 2023

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
	QAR'000	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of General	Allocated in regulatory category of Specific		
1	Loans	5,652,358	91,778,810	5,940,758	1,963,164	3,977,594	-	91,490,410
2	Debt Securities	-	29,711,263	57,160	57,160	-	-	29,654,103
3	Off-Balance Sheet exposures	201,592	23,841,546	204,839	33,070	171,769	-	23,838,299
4	**Total**	**5,853,950**	**145,331,619**	**6,202,757**	**2,053,394**	**4,149,363**	**-**	**144,982,812**

As at December 31, 2022

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
	QAR'000	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of General	Allocated in regulatory category of Specific		
For	Loans	5,045,602	98,291,140	5,320,560	1,742,190	3,578,370	-	98,016,182
2	Debt Securities	-	28,225,156	62,990	62,990	-	-	28,162,166
3	Off-Balance Sheet exposures	254,137	24,267,224	318,353	97,520	220,833	-	24,203,008
4	**Total**	**5,299,739**	**150,783,520**	**5,701,903**	**1,902,700**	**3,799,203**	**-**	**150,381,356**

CR2: Changes in stock of defaulted loans and debt securities

		31 December 2023	31 December 2022
1	**Defaulted loans and debt securities at end of the previous reporting period**	**5,045,602**	**4,785,526**
2	Loans and debt securities that have defaulted since the last reporting period	1,540,222	802,092
3	Returned to non-defaulted status	-	-
4	Amounts written off	(875,604)	(458,600)
5	Other changes	(57,862)	(83,416)
6	**Total**	**5,652,358**	**5,045,602**

CRB: Additional disclosure related to the credit quality of assets

Definition of default

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

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

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

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

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

Measurement of ECL

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

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

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

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

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

Restructured financial assets

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

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

- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

Credit-impaired financial assets

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

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

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

Financial guarantee contracts held

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

CRB: Additional disclosure related to the credit quality of assets

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

The 90 days past due rule will generally apply unless the Bank has strong documentary evidence to support a different classification. Substantial scrutiny is required to ensure that such evidence is in place and fully documented.

Significant increase in credit risk

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

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

i) Two 'absolute' notches downgrade for ratings better than Rating Grade 5 at the time of origination and one 'absolute' notch rating downgrade for other rated

ii) Facilities restructured during previous twelve months.

iii) Facilities overdue by 30 days as at the reporting date in case of Retail Products and overdue by 60 days for corporate customers.

CRB: Additional disclosure related to the credit quality of assets

Credit Exposure by Geographical Distribution

	Qatar	Other GCC	Other Middle East	Rest of the World	Total
Balances with central banks	6,121,185	-	1,173,947	-	7,295,132
Due from banks	6,899,750	2,284,837	3,993,713	7,347,034	20,525,334
Loans and advances to customers	81,878,112	833,025	7,452,489	1,326,784	91,490,410
Investment securities - debt	24,411,290	1,932,244	2,524,846	785,723	29,654,103
Other assets	1,929,739	-	209,333	-	2,139,072
	121,240,076	**5,050,106**	**15,354,328**	**9,459,541**	**151,104,051**
Guarantees	9,753,446	550,471	776,747	4,347,275	15,427,939
Letters of credit	2,721,877	109,200	224,119	439,878	3,495,074
Unutilized credit facilities	4,848,128	100,114	137,466	34,417	5,120,125
	17,323,451	759,785	1,138,332	4,821,570	24,043,138

Industry sectors

	2023
Funded	
Government	33,692,949
Government agencies	14,314,437
Industry	7,375,009
Commercial	16,422,431
Services	47,846,075
Contracting	2,569,326
Real estate	17,562,657
Consumers	8,466,853
Other sectors	2,854,314
Total funded	**151,104,051**
Un-funded	
Government institutions & semi government agencies	3,992,161
Services	8,974,327
Commercial and others	11,076,650
Total un-funded	**24,043,138**
Total	**175,147,189**

Residual Maturity analysis of credit risk exposure

	Within 1 year	1-5 years	More than 5 years	No Maturity	Total
2023					
Cash and balances with central banks	3,122,328	-	-	4,172,804	**7,295,132**
Due from banks	20,362,025	163,309	-	-	**20,525,334**
Loans and advances to customers	25,412,889	14,255,423	51,822,098	-	**91,490,410**
Investment securities - debt	8,142,643	13,652,715	7,858,745	-	**29,654,103**
Other assets	2,139,072	-	-	-	**2,139,072**
Total	**59,178,957**	**28,071,447**	**59,680,843**	**4,172,804**	**151,104,051**

	Below 1 Year	Above 1 Year	Total
Loan commitments	4,022,986	1,097,139	5,120,125
Guarantees and other financial facilities	10,930,278	7,992,735	18,923,013
Capital commitments	330,212	-	330,212
Total liabilities	**15,283,476**	**9,089,874**	**24,373,350**

CRB - A: Additional disclosure related to prudential treatment of problem assets

Impaired Loans by Industry Segment

2023	Exposure			Provision		
	Satge 1 and satge 2	Stage 3	Total	Satge 1 and satge 2	Stage 3	Total
Government	317,670	67,303	**384,973**	205	67,303	**67,508**
Semi Government	14,214,508	-	**14,214,508**	5,276	-	**5,276**
Industry	6,940,874	78,863	**7,019,737**	19,091	48,876	**67,967**
Trading	15,949,450	145,632	**16,095,082**	289,200	122,969	**412,169**
Services	24,098,218	1,448,133	**25,546,351**	669,208	616,726	**1,285,934**
Contractors	2,986,644	368,071	**3,354,715**	64,260	312,851	**377,111**
Real Estate	16,795,641	3,276,965	**20,072,606**	454,916	2,259,568	**2,714,484**
Consumption Loans	8,752,148	263,545	**9,015,693**	421,395	539,108	**960,503**
Non- Bank Finance	160,063	-	**160,063**	18,881	-	**18,881**
Other Sectors & Activities	For	3,846	**3,846**	20,730	10,195	**30,925**
	90,215,216	**5,652,358**	**95,867,574**	**1,963,162**	**3,977,596**	**5,940,758**

Impaired Loans by countries

2023	Exposure			Provision		
	Satge 1 and satge 2	Stage 3	Total	Satge 1 and satge 2	Stage 3	Total
Qatar	81,512,090	5,545,624	**87,057,714**	1,868,927	3,882,944	**5,751,871**
Turkey	7,179,232	73,935	**7,253,167**	93,125	62,153	**155,278**
Others	2,263,353	32,799	**2,296,152**	1,110	32,499	**33,609**
Total	**90,954,675**	**5,652,358**	**96,607,033**	**1,963,162**	**3,977,596**	**5,940,758**

Past due not impaired

By Age	2023
Past due up to 30 days	2,271,451
Past due 30 - 60 days	2,930,768
Past due 60 - 90 days	64,682
Past due more than 90 days	5,428,269
Total	**10,695,169**

CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations.

Loans and advances and commitments to customers, investment in bonds and derivatives are the main sources of credit risk for the Bank. The Bank's risk management policies and processes are designed to identify, analyse and measure risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data review. The Bank assesses the probability of default of each counterparty for various categories of counterparties.

Risk limit control and mitigation policies:

Portfolio diversification

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

Collateral

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

The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against loans and advances to customers.

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

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

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

Credit-related commitments

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

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

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

CR3: Credit risk mitigation techniques - overview

As at December 31, 2023

	QAR'000	a	b	c	d	e	f	g
	Asset Classes	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
1	Loans	25,805,249	65,685,161	17,925,572	9,022,274	5,950,397	-	-
2	Debt securities	29,654,103	-	-	-	-	-	-
3	**Total**	**55,459,352**	**65,685,161**	**17,925,572**	**9,022,274**	**5,950,397**	**-**	**-**

As at December 31, 2022

	QAR'000	a	b	c	d	e	f	g
	Asset Classes	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
1	Loans	38,884,168	69,068,366	17,675,017	10,395,679	6,473,763	-	-
2	Debt securities	27,755,805	-	-	-	-	-	-
3	**Total**	**66,639,973**	**69,068,366**	**17,675,017**	**10,395,679**	**6,473,763**	**-**	**-**

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

The standardised approach allows banks to use risk assessments prepared by external credit assessment institutions (ECAI) to determine the risk weightings applied to rated counterparties. The Bank uses QCB recognised ECAI risk assessments to determine the risk weight for certain counterparties according to the BIS defined exposure segments.

The following ECAIs are considered to be recognised by the QCB:

S&P
Moody's
Fitch
Capital intelligence

In accordance with QCB, If there is only one assessment by an ECAI chosen by a bank for a particular claim, that assessment should be used to determine the risk weight of the claim. If there are two assessments by ECAIs chosen by a bank which map into different risk weights, the higher risk weight will be applied. If there are three or more assessments with different risk weights, the assessments corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights will be applied.

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).

The alignment of the alphanumerical scale of major agencies used with risk buckets is based on the guidance issued by QCB. Risk weights are determined by relevant tables in Basel framework. These tables use Standards and Poor's as a standard benchmark. The following table provides the alignment CBQ uses for the remaining used ECAIs ratings to the Standards and Poor's alphanumerical scale.

Fitch	Standards and Poor's	Moody's
AAA	AAA	Aaa
AA+	AA+	Aa1
AA	AA	Aa2
For	AA-	Aa3
A+	A+	A1
A	A	A2
A-	A-	A3
BBB+	BBB+	Baa1
BBB	BBB	Baa2
BBB-	BBB-	Baa3
BB+	BB+	Ba1
BB	BB	Ba2
BB-	BB-	Ba3
B+	B+	B1
B	B	B2
B-	B-	B3
CCC+	CCC+	Caa1
CCC	CCC	Caa2
CCC-	CCC-	Caa3
CC	CC	Ca
C	C	C
D	D	WR
NR	NR	NR

CR4: Standardized approach – credit risk exposure and credit risk mitigation (CRM) effects

The following table provides the effect of CRM on the calculation of capital requirements under the standardized approach. It presents on-balance sheet and off-balance sheet exposures before and after credit conversion factors (CCF) and CRM as well as associated RWA and RWA density by asset classes. As noted in CRD, the external ratings of the counterparty is relied on to determine the prescribed regulatory risk weight to be assigned.

As at December 31, 2023

		a	b	c	d	e	f
	QAR'000	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset Classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Claims on Sovereigns	32,241,379	-	32,241,379	-	3,583,954	11.1%
2	Claims on Qatar Government Entities and Domestic Public Sector Entities (PSEs)	14,624,253	3,840,160	14,624,253	983,006	2,109,420	13.5%
3	Claims on Multilateral Development Banks (MDBs)	-	-	-	-	-	-
4	Claims on Banks	22,195,286	3,826,054	22,195,286	2,784,116	13,701,701	54.9%
5	Claims on Corporates	38,963,448	20,246,066	22,551,637	13,063,500	37,209,441	104.5%
6	Claims included in the regulatory retail portfolio	5,239,480	1,676,514	5,193,372	340,001	4,150,030	75.0%
7	Claims secured by residential property	505,349	27,824	502,319	10,924	384,932	75.0%
8	Claims secured by commercial real estate	18,007,173	204,855	17,807,421	42,709	17,850,130	100.0%
9	Claims on other retail loans	3,778,863	928,604	2,513,993	395,820	2,909,812	100.0%
For	Past-due loans	7,405,211	20,310	7,405,211	14,689	9,714,063	130.9%
11	Equity Investments	3,021,626	-	3,021,626	-	5,215,325	172.6%
12	Real Estate Exposures	3,797,607	-	3,797,607	-	5,874,759	154.7%
13	Unrated Sukuk	-	-	-	-	-	-
14	Other assets	6,969,445	-	6,969,445	-	5,633,355	80.8%
15	**Total**	**156,749,120**	**30,770,388**	**138,823,548**	**17,634,765**	**108,336,923**	**69.2%**

CR5: Standardized approach – exposures by asset classes and risk weights

The following table presents the breakdown of credit risk exposures under the standardized approach by asset classes and risk weight.

As at December 31, 2023

		a	b	c	d	e	f	g	h	i	j
	Risk weight / Asset Classes (Millions of Canadian dollars)	0%	20%	50%	75%	100%	150%	188%	250%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Claims on Sovereigns	28,568,903	-	177,044	-	3,495,432	-	-	-	-	32,241,379
2	Claims on Qatar Government Entities and Domestic Public Sector Entities (PSEs)	5,060,159	10,547,100	-	-	-	-	-	-	-	15,607,259
3	Claims on Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Claims on Banks	-	9,004,163	8,283,373	-	7,557,234	134,632	-	-	-	24,979,402
5	Claims on Corporates	-	-	173,386	-	32,079,756	3,361,995	-	-	-	35,615,137
6	Claims included in the regulatory retail portfolio	-	-	-	5,533,374	-	-	-	-	-	5,533,374
7	Claims secured by residential property	-	-	-	513,243	-	-	-	-	-	513,243
8	Claims secured by commercial real estate	-	-	-	-	17,850,130	-	-	-	-	17,850,130
9	Claims on other retail loans	-	-	-	-	2,909,812	-	-	-	-	2,909,812
10	Past-due loans	-	-	826,601	-	1,178,370	5,414,928	-	-	-	7,419,900
For	Equity Investments	-	-	-	-	1,473,827	128,000	-	1,419,799	-	3,021,626
12	Real Estate Exposures	-	-	-	-	1,423,719	-	2,373,888	-	-	3,797,607
13	Unrated Sukuk	-	-	-	-	-	-	-	-	-	-
14	Other assets	1,336,061	36	-	-	5,633,348	-	-	-	-	6,969,445
15	**Total**	**34,965,123**	**19,551,299**	**9,460,404**	**6,046,616**	**73,601,628**	**9,039,555**	**2,373,888**	**1,419,799**	**-**	**156,458,313**

CCRA: Qualitative disclosure related to counterparty credit risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement. The value of derivative transactions will change with fluctuations in factors such as interest rates, foreign exchange rates, equities or commodities. The Group is exposed to CCR from its sales, trading and balance sheet management activities. CCR is managed through the Counterparty Credit Risk Policy and methodology framework.

The Bank primarily engages in derivative transaction for hedging of risks. The limits on CCR and related transaction is closely associated with the hedging requirements of the Bank in space of Profit rate and foreign exchange transactions.

Bank policies are in place to reduce CCR risk by having International Swaps and Derivatives Association (ISDA) Master Agreement or equivalent agreements in place with as many counterparties as possible; the Bank prefers to deal with counterparties through a clearing house to minimize CCR. Counterparty limits are in place for all derivatives counterparties and limits are set considering counterparty risk profile. In line with the International Accounting Standard (IAS) 32 principles, the Group's balance sheet will present assets and liabilities on a net basis provided there is a legally enforceable right to set off assets and liabilities, and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

The Bank has adapted Current exposure methodology (CEM) according to QCB circular 3/2014 for calculating capital charge to cover CCR. The CEM approach considers positive marked-to-market value as replacement cost (RC). The RC along with add-on factor applied on notional (i.e., potential future exposure) gives the exposure at default. The risk weight is applied on the exposure in accordance with QCB guidelines for RWA calculation. As of December-2023 the CCR RWA is QAR 894 Mn.

CCR3: Standardized approach – CCR exposures by regulatory portfolio and risk weights

The following table presents a breakdown of counterparty credit risk exposures calculated according to the standardized approach by portfolio and risk weight.

As at December 31, 2023

	a	b	c	d	e	f	g	h
Risk weight Regulatory portfolio QAR'000	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Qatar Government Entities and Domestic Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	1,746,819	14,711,954	-	1,114,872	-	-	17,573,645
Corporates	-	-	267,889	-	829,345	-	-	1,097,234
Regulatory retail portfolio	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Other retail loans	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
For	-	-	-	-	-	-	-	-
Real Estate Exposures	-	-	-	-	-	-	-	-
Unrated Sukuk	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**-**	**1,746,819**	**14,979,843**	**-**	**1,944,218**	**-**	**-**	**18,670,879**

CCR6: Credit derivative exposures

As at December 31, 2023

Notionals (QAR'000)	Protection bought	Protection sold
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	1,336,092
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**-**	**1,336,092**
Fair values		
Positive fair value	-	-
Negative fair value	-	**(114,498)**

CVAA – General qualitative disclosure requirements related to CVA

Credit valuation adjustment is a change to the market value of derivative instruments to account for counterparty credit risk. It represents the discount to the standard derivative value that a buyer would offer after considering the possibility of a counterparty's default.
The Bank calculates CVA on the derivative transactions in accordance with the QCB circular 3/2014.

As of December-2023, the total RWA for CVA is QAR 874Mn.
CVA is the fair value of any expected loss arising from counterparty exposure based on the potential positive value of the portfolio, the counterparty default probability and the estimated recovery rate at default.

MRA: General qualitative disclosure requirements related to market risk

Market risk

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

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and sovereign bond investments.

Management of market risks

Overall authority for market risk is vested in the Management Risk Committee. Market risk department is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

The Bank's proprietary investments are managed according to the Bank's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the QCB guidelines. The Bank's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Bank employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits. Investment policy is reviewed by the Board of Directors annually and day to day limits are independently monitored by the Market Risk Management department. Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under MRC oversight and approved by the Board.

The Bank's exposure to foreign currency risk is limited due to the pegging of the Qatari riyal to the U.S. dollar and is strictly controlled by market risk and structural risk management policies which govern the maximum trading and exposure limits.
that are permitted.

Mrket risk is monitored and controlled to ensure that the risk taking activity is within the desired bank's risk appetite/limits and risk-return targets as defined by the Board of Directors. The bank has in place a comprehensive process for setting the risk appetite:

> Limits are set through a rigorous process in line with the QCB framework whereby the limits proposal is discussed between the Treasury and the Risk taking into consideration factors such as risk level of individual investments, risk appetite of the Bank, market conditions, potential impact of correlation and stress scenarios etc. Limits are circulated to the relevant stakeholders.

> Market Risk independently checks and monitors adherence to the set limits. This ensures controls are in place and breaches are escalated as applicable.

> Investments are only permissible in approved asset classes as agreed by the Board in the annual limits package.
> Treasury is allowed deal only in approved products. Products approvals are obtained through a mangement committee.
> Reporting to stakeholders and Risk Committees ensures Senior Management oversight.

Structure and organization of the market risk management function

Risk is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation. CRO has senior responsibility for the oversight of the Trading and Investment portfolios of the Bank and their activities.

Risk independently monitors market risks in line with market risk management policy, which defines the market risk management framework that includes various limits which Bank should maintain for its investment and trading portfolios. The policy outlines the governance of risk methodologies, measurement techniques and controls for market risk.

Moreover, the treasury & investment limits outline the guidelines for managing the Bank's trading and banking book investments. The main objective is to ensure that there are adequate controls and that procedures are followed with regards to all products that the Treasury is or may be engaging in.

Market Risk Control and reporting

- Manage market risk report production processes
- Daily Risk reporting, limit monitoring and breach escalation if any.
- Report on a periodical basis to management level committees
- Validation of margin calls / seeking margins based on MTM price movements
- Investment dashboards and limit utilization report / dashboard
- Exception reports on limit breaches
- Stress testing assumptions and results.

The market risk policy targets managing the composition and magnitude of existing and potential market risk exposures. The Bank separates its exposure to market risk between trading and banking books. Trading book is mainly held by the Treasury and includes positions arising from market making and proprietary positions. The primary categories of market risk managed by the Bank are as below:

Interest rate risk - Changes in yield curves and implied volatilities on interest rate options
Foreign exchange risk - Exchange rate movements and implied volatilities on foreign exchange options
Equity exposure risk - Equity price volatility, equity indices, equity baskets and implied volatilities on related options

The Bank has complied with the Basel III Pillar I requirements of QCB and has used the standardized approach for its market risk assessment to arrive Market Risk aims to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements.

MR1: Market risk under standardized approach

The following table presents the components of the capital requirement under the standardized approach for market risk.

	QAR'000	Capital requirement in standardised approach As at December 31, 2023	Capital requirement in standardised approach As at December 31, 2022
	Outright products		
1	Interest rate risk (general and specific)	97,258	105,193
2	Equity risk (general and specific)	66,765	18,920
3	Foreign exchange risk	17,524	27,595
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	453	3,195
7	Scenario approach	-	-
8	**Securitization**	-	-
9	**Total**	**182,000**	**154,903**

IRRBBA: IRRBB risk management objectives and policies

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates. Interest rate risk arises from holding assets / liabilities and Off-Balance Sheet items with different principal amount, maturity dates or repricing dates resulting in repricing mismatches impacting Net Interest Income (NII) and the Market Value of Equity (MVE). In general, interest rate risk in banking book arises from:
- **Repricing risk** refers to the risk of loss in the earnings or economic value due to the changes in the overall level of interest rates. This risk arises due to mismatches in the Repricing dates of the banking book items.
- **Yield curve risk** is the risk of loss in earnings and economic value of the book caused by the change in the relative levels of interest rates for different tenors. Similar to the Repricing risk, this also arises from Repricing mismatches between assets and liabilities.
- **Basis risk** implying the loss due to differences between actual and expected interest margins.
- **Optionality risk** due to embedded options attached to the banking book products, if any.

The Board of Directors support that IRRBB management is an essential part of the overall Risk Management Framework at CB. Maintaining strong oversight has a direct impact of the profitability and equity of the Bank. The Bank's Board of Directors is ultimately responsible for the risk management of the group and provide key direction through the business plan and associate Risk Appetite Statement. Interest Rate Risk is an important measure in the Earnings Risk Section of the Risk Appetite Statement is a reviewed at every Board Risk and Compliance Committee (BRCC meeting). At the Management Level, the Management Risk Committee is responsible for setting and approving the limits and the Asset and Liability Committee (ALCO) is responsible for the implementation and compliance of these limits.

The Risk Strategic Business Unit (SBU) is responsible for the oversight of these limits as a second line of defense. This ensures that there is adequate control and reporting process along with relevant escalation processes in case of breaches.

IRRBB Framework of the Bank addresses both sensitivity to earnings through Earnings at Risk (EaR) measure and the impact to the Economic Value of Equity (EVE) and has limits for each of these indicators. These are consistently measured based on the standardized stress events set out by QCB. EaR is estimated over a 2-year horizon whilst EVE includes all the six scenarios prescribed by QCB and the Basel Accord. This analysis is done separately for both Qatar and Alternatifbank and the sum of both the changes in MVE is taken assuming no diversification benefit. These measures are calculated and reported monthly to ALCO and at every meeting where the Risk Appetite Statement is reviewed.

IRRBB is also an integral part of the Bank's Pillar 2 framework and capital for this has been allocated accordingly. In addition, IRRBB is also part of the Stress Testing Framework and included in the Severe and Reverse Stress Testing Scenarios.

The manage IRRBB within the Board approved Risk Appetite Limits, the Balance Sheet consists of both natural hedges through matches between assets and liabilities and synthetic hedges using derivatives. Most of the derivatives in the Banking book are in the form of Interest Rate Swaps which qualify for cash flow hedge accounting.

A high-level description of the EVE and EAR models have been highlighted below:
a. The re-pricing gap statement has been prepared in accordance with the contractual repricing for assets and labilities.
b. For those components that follow variable pricing, the portfolio has been bucketed based on maximum time lag to execute the repricing.
c. Non-Maturing Deposits have been bucketed based on the historical behavior of the deposits using a through the cycle modeling approach
The approach followed by the Bank is consistent with the guidelines set out by QCB

Segment	**Average Maturity**
Retail NMDs	3.21
Corporate NMDs	1.96
Average	2.47

IRRBB1: Quantitative information on IRRBB

In reporting currency	**ΔEVE**	**ΔNII**
Period	**Dec-23**	
Parallel up	(194,965)	(287,251)
Parallel down	-576,493	(785,980)
Steepener	(121,258)	
Flattener	-	
Short rate up	-	
Short rate down	(616,714)	
Maximum	(616,714)	(785,980)
Period	**Dec-23**	
Tier 1 capital	**17,064,023**	

LIQA: Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives etc. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Liquidity Risk Management

The primary objective of CB's liquidity management policy is to match the cash inflows and outflows within the Bank's natural market for loans and deposits, recognizing that the Bank's natural markets also include certain international markets The Bank maintains sufficient (time/ cost effective) liquidity to meet the expected and potential unexpected funding needs of its depositors and borrowers, as well as to meet liquidity requirements promulgated by QCB and any other relevant regulatory authorities Specific liquidity objectives include managing the following risks:

Mismatch Risk : The risk that the Bank does not have sufficient cash to meet obligations in the normal course of business as a result of ineffective matches between cash inflows and outflows. Mismatch risk monitoring is performed by liquidity gap report of different time buckets. Any major cash flows affecting the gaps would then be analyzed and highlighted in the gap analysis report, to be produced every month. The main purpose of this exercise is to monitor the Bank's cash flows, their trend, and the inherent risks involved for liquidity.

Market Liquidity Risk : The risk that the Bank encounters market constraints in converting assets into cash or in accessing financial market sources of funds. Risk Monitoring is performed to keep abreast of overall market volatility and to the extent possible, to keep track of the market transacted deals (volume and bid-offer spreads) of same or like assets that are being contemplated for sale.

Contingent Liquidity Risk : The risk that unexpected events cause the Bank to meet some obligations due to Bankspecific factors (e.g., ratings downgrades, large operational losses, etc.), external factors (e.g., severe economic slowdown, general market dislocation, etc.) or due to its derivatives exposure. Any unexpected cash outflow can be a drag on the Bank's liquidity. Monitoring contingent liquidity risk is done through assessing the maximum contingent exposure the Bank is exposed to and then using hypothetical stress tests and scenario analysis.

CB's strategy towards liquidity risk management includes the following guiding principles:

Cash Management - Short–term projected cash flows for major and material currencies should be measured and monitored in order to anticipate future funding requirements.

Diversification of assets and liabilities - Concentration in funding and lending sources increases liquidity risk. Management should be aware of the composition, characteristics and diversity of these sources.

Setting limits - To minimize the concentration of sources of funding, investments, currency and/ or geographical portfolio, limits need to be set in each of the above that are required to be constantly monitored.

Maintaining the capacity to liquidate assets - For the purpose of liquidity projections, asset liquidity in the market must be assessed in terms of CB's ability to dispose of particular assets which may diminish under abnormal market circumstances. For example, the ability to sell listed shares will depend on market conditions affecting the stock

Holding liquid assets - CB must hold liquid assets in the form of cash and marketable securities to cover for potential crises. Whilst the Bank can reduce liquidity risk by holding a high level of liquid assets, these assets typically yield lower income for the Bank than other potentially less-liquid forms of assets. Management balances returns against liquidity

Maintaining liquidity in different currencies - Recognition of the foreign currencies in which the Bank is active and the need to monitor and manage liquidity separately for each currency.

The ALCO through MRMD, Treasury, ALM and Finance are responsible for the identification of liquidity risks within the Bank. Treasury feedback on the identification of liquidity risks will also be incorporated. While determining the adequacy of CB's liquidity position, it is crucial for the Treasury/ALM, Finance & MRMD to analyze the following parameters:

▪ Current liquidity position;
▪ Anticipated future funding needs;
▪ Sources of funds and contractual and behavioral maturity of funds;
▪ Present and anticipated asset quality and liquidity;
▪ Present and future cost of funds;
▪ Present and planned capital position; and
▪ Off Balance Sheet items (e.g. LCs, LGs, Acceptances, unutilized credit facilities etc.)

MRMD takes notice of the following liquidity risk indicators, and any material change of the same shall be reported promptly to ALCO which shall raise the issues at their meetings:

▪ A change in expected interest rates has occurred which could have a significant impact on the Bank's operating results or its ability to maintain ongoing compliance with its funding covenants;

▪ The Bank has made significant modifications, to its existing financing arrangements. Examples of significant modifications to financing arrangements include:

- Amendments to financing arrangements or funding compliance covenants;
- Refinances;
- Restructurings; and
- Conversions.

LIQA: Liquidity risk management

Liquidity Contingency Plan

CB has a Liquidity Funding Contingency Plan (LFCP), which acts as the operating plan document in the event of a crisis situation. The LFCP covers emergency contingency issues of a general nature (e.g., roles and responsibilities, crisis management procedures, emergency contact lists).

▪ The LFCP document is reviewed and updated at least annually by ALCO. The CRO and the treasurer will be the focal point for manual revisions to reflect new (or updates in) laws and regulations (if any).
▪ The plan enables the Bank to respond to a liquidity crisis for a short period of time without the need to call on QCB for assistance. The plan encompasses:

- Identifying the trigger events that could cause a liquidity crisis, and describe the actions to be taken to manage the crisis.
- Identifying a clear division of responsibility of personnel when facing a liquidity crisis.

Stress Testing

The Bank runs different types of scenario tests to forecast different situations from a liquidity standpoint; these scenarios include LCR and NSFR stress scenarios among others. The results help in recognizing the potential liquidity sources and strains and are used to adjust the liquidity management strategies, policies appropriately, and positions to ensure the current exposures remain within the Bank's established liquidity risk tolerance.

Liquidity Cushion

In addition to diversifying the Bank's asset book, the investment portfolio provides an avenue to allocate the Bank's liquidity towards a high proportion of readily marketable securities including Soverign bonds and other Investment Grade Securities or otherwise liquid non-investment grade securities. This approach is commensurate with High Quality Liquid Assets calculations for LCR.

Balance Sheet Analysis by Currency

A comprehensive analysis is conducted on all major currencies in which the Bank is active to ensure adequate coverage.

Funding Concentration

The ALCO monitors, as appropriate, funding concentrations to ensure there is no excessive reliance on a particular product or a few customers without proper safeguards. Along these lines, current, call and time deposits funding concentrations are monitored through the ALCO process. Liability diversification is also examined through the following aspects:

> Nature of fund provider: individuals, corporations, and financial institutions;
> Funding Instruments: secured and unsecured, FX swaps, FX Spot and Issuances;
> Maturity; and
> Currency

Liquidity Risk Measurement

Liquidity Risk is generally not capitalized, but is rather managed and monitored through appropriate processes and committees such as the ALCO. The bank follows the QCB's approach to measuring the Basel III Liquidity Coverage Ratio (LCR). This approach offers the benefits of capturing both funding liquidity risk and market liquidity risk and measures the Bank's liquidity under a stress scenario. QCB has mandated Banks in Qatar to calculate and report LCR and maintain a minimum 100%.

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
Total Assets	**164,376,271**	19,633,822	9,991,102	29,583,234	59,208,158	28,153,923	59,669,774	17,344,416
Total Liabilities	**139,970,446**	47,837,428	18,932,300	42,901,907	109,671,635	29,125,295	1,145,974	27,542
Liquidity Gap	**24,405,825**	**(28,203,606)**	**(8,941,198)**	**(13,318,673)**	**(50,463,477)**	**(971,372)**	**58,523,800**	**17,316,874**

LIQ1: Liquidity Coverage Ratio (LCR)

The LCR is designed to promote short-term resilience of the 30 calendar day liquidity profile, by ensuring that banks have sufficient HQLA to meet potential outflows in a stressed environment.

	As at December 31, 2023	a Total unweighted value (average)	b Total weighted value (average)
High-quality liquid assets			
1	Total HQLA	26,231,676	25,561,020
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	21,479,087	1,618,183
4	Less stable deposits	926,755	278,027
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	25,051,688	14,686,016
8	Unsecured debt		
For	**Secured wholesale funding**	0	0
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements	64,261	64,261
12	Outflows related to loss of funding of debt products		
13	Credit and liquidity facilities		
14	**Other contractual funding obligations**		
15	**Other contingent funding obligations**	15,979,925	2,710,456
16	**TOTAL CASH OUTFLOWS**		19,356,943
Cash inflows			
17	**Secured lending (eg reverse repo)**		
18	**Inflows from fully performing exposures**	9,844,256	9,689,692
19	**Other cash inflows**		
20	**TOTAL CASH INFLOWS**	9,844,256	9,689,692
		Total adjusted value	
		30 June 2023	**31 December 2022**
21	**Total HQLA**	25,561,020	22,351,294
22	**Total net cash outflows**	9,667,251	12,936,537
23	**Liquidity coverage ratio (%)**	264.4%	172.8%

LIQ2: Net Stable Funding Ratio (NSFR)

	As at December 31, 2023	a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity*	<6 months	6 months to <1 year	≥1 year	Weighted value
	Available stable funding (ASF) item					
1	Capital:					21,923,178
2	*Regulatory capital*	21,774,549	-	-	-	21,774,549
3	*Other capital instruments*	148,629	-	-	-	148,629
4	Retail deposits and deposits from small business customers:					9,335,792
5	*Stable deposits*	13,463,097	2,560,752	2,607,459	1,666,273	8,323,881
6	*Less stable deposits*	268,853	1,844,553	21,889	-	1,011,911
7	Wholesale funding:					65,874,783
8	*For*	-	-	-	-	-
9	*Other wholesale funding*	16,731,155	26,117,085	2,434,768	49,543,016	65,874,783
10	Liabilities with matching interdependent assets					
11	Other liabilities:					5,299,494
12	*NSFR derivative liabilities*			699,226		
13	*All other liabilities and equity not included in the above categories*	-	-	37,519,313	-	5,299,494
14	**Total ASF**					**102,433,247**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)		13,739,172	471,528	16,777,184	3,633,217
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:					79,844,418
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	-	5,277,606	4,231,148	6,869,951
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:*	-	-	28,187,403	65,789,460	70,569,753
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
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*	-	-	-	-	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	2,829,075	2,404,714
25	Assets with matching interdependent liabilities					
26	Other assets:					17,773,066
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*			0		-
30	*NSFR derivative liabilities before deduction of variation margin posted*			139,845		139,845
31	*All other assets not included in the above categories*	-	-	17,633,221	-	17,633,221
32	Off-balance sheet items		-	11,719,221	-	3,612,662
33	***Total RSF***					**104,863,363**
34	***Net Stable Funding Ratio (%)***					**97.68%**

As at December 31, 2022

Total ASF	**100,904,488**
Total RSF	**107,401,768**
Net Stable Funding Ratio (%)	**93.95%**

LR1: Summary comparison of accounting assets vs leverage ratio exposure

		31-Dec-23
1	Total consolidated assets as per published financial statements	163,493,638
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(4,868,303)
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	4,451,324
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	17,634,765
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	-
13	**For**	**180,711,425**

LR2: Leverage ratio common disclosure template

		31-Dec-23	31-Dec-22
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	154,262,881	158,311,716
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,868,303)	(1,626,092)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**149,394,578**	**156,685,624**
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	882,633	936,074
5	Add-on amounts for PFE associated with *all* derivatives transactions	1,768,228	1,201,768
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted 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	**For**	**2,650,861**	**2,137,842**
Securities financing transactions			
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	9,230,758	9,872,793
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**9,230,758**	**9,872,793**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	30,770,388	27,269,077
18	(Adjustments for conversion to credit equivalent amounts)	(13,135,623)	(9,811,742)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**17,634,765**	**17,457,335**
Capital and total exposures			
20	**Tier 1 capital**	**17,064,023**	**19,518,377**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**180,711,426**	**186,153,594**
Leverage ratio			
22	**Basel III leverage ratio**	**9.44%**	**10.49%**

ENC – Asset Encumbrance

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. The encumbered assets represent balances held as liquidity and cash reserve requirements with the Central Bank and funds placed with other entities that were pledged for credit support.

ASSETS	Encumbered	Unencumbered	Total
Cash and balances with central banks	4,630,159	4,001,034	8,631,193
Due from banks	355,423	20,169,911	20,525,334
Loans and advances to customers	-	91,490,410	91,490,410
Investment securities	9,765,000	20,997,358	30,762,358
Investment in associates and a joint arrangement	-	3,373,307	3,373,307
Property and equipment	-	3,062,799	3,062,799
Intangible assets	-	62,410	62,410
Other assets	-	6,468,460	6,468,460
TOTAL ASSETS	**14,750,582**	**149,625,689**	**164,376,271**

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

Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risk. This report articulates CBQ's principles and focus in the area of operational risk management and control bank wide.

Overview and Objectives

CBQ is committed to operating within a strong system of internal controls that enables business to be performed and risks are carefully weighted without exposing the Bank to unacceptable potential losses or reputational damages. The management of operational risk has the following objectives:

• Setup an operational risk infrastructure that suits CBQ's size, nature and complexity;

• Provide frameworks and policies that enable the Bank's senior management to have an effective oversight while the second line of defense delivers robust challenges and independent views;

• Deliver a consistent and aggregated measurement of operational risk that provides clear and relevant insights to facilitate the right management actions to keep the operational risk profile consistent with CBQ's strategy, risk appetite and stakeholder needs.

Operational Risk Management Framework

The Operational Risk Management Framework ("ORMF") defines the required environment and organisational components for an effective operational risk management which allow CBQ to manage and measure its operational risk profile. This framework is implemented across all levels of the Bank as well as new business initiatives, products, activities, processes and systems.
The operational risk framework includes the following elements:

• **Common taxonomy and risk matrix**: CBQ have defined a risk taxonomy to establish a "common language" for understanding risks across the Bank as well as Risk Matrix that provides an early warning information to monitor ongoing performance of the business' control environment, and to report the operational risk profile;

• **Risk assessment**: Risk assessments describe how CBQ identifies and assess the risks which are inherent in the material processes operated by CBQ. Such assessments reflect a point-in-time view of the inherent and residual risks, and the mitigating actions to reduce risks to acceptable levels;

• **Operational risk event**: History of CBQ's incidents that originated from operational risk causes. Collecting these data will form a basis for analysis, quantification of CBQ's loss exposure for capital models and value proposition for improvement, at the same time formalizes ownership of significant risk events and related action across the Bank;

• **Risk indicators**: Provide early warning information to monitor ongoing performance of the business and the control environment. The indicators are reported regularly to CBQ's Senior Management to drive action when risk exceeds acceptable limits.

Roles and Responsibilities

Ultimate responsibility for operational risk governance lies with the Board of Directors, who ensures that there is an effective operational risk management framework that is conducive for an effective risk management. Senior management is overseeing the Bank's operational risk exposures, ensure the robust implementation of the framework and effective deliberation of operational risk issues at the enterprise-wide level. The operational risk profile and control environment is reviewed by the management through Operational Risk Committee to strengthen governance and oversight of operational risk.

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

Three Lines of Defence

The Bank has defined the operational risk operating model with three lines of defence in order to meet regulatory requirements and in line with best practices in the banking sector:

• **The first line of defence ("1LOD")** is business unit. They are responsible to identify, assess, monitor, mitigate and communicate the risks inherent in the products, activities, processes and systems for which it is accountable;

• **The second line of defence ("2LOD")** comprises the operational risk control function within the Risk division. Its main responsibilities include designing, maintaining and evolving the operational risk management and providing an independent view and challenge on business units' risks and controls;

• **The third line of defence ("3LOD")** generally are the bank's internal and/or external audit, but may also involve other suitably qualified independent third parties. The third line of defence provides independent assurance to the Board of the appropriateness of the bank's ORMF.

Operational Risk Appetite

CBQ Board approves the Operational Risk Appetite Statement on an annual basis, establishing the level of operational risk that is acceptable in pursuit of the Bank's strategic objectives. Operational risks are assessed and monitored against the approved appetite, with mitigation plans established for any risks that exceeds the acceptable level. The appetite statements are monitored, reported and escalated to risk related committees as well as cascaded down to the first line of defence.

Operational Risk Management Process

The following are the Bank's key operational risk management and control processes:

• **Risk Identification**: The first step in the risk management process is the identification of risks so that they can be effectively managed and mitigated. Once an operational risk has been identified, it must be correctly classified in accordance with the risk categories established in the Bank's corporate taxonomies;

• **Risk Assessment**: Assessments typically evaluate inherent risk, the effectiveness of the control environment, and residual risk and contain both quantitative and qualitative elements. Risk assessment may be applied generally to the whole bank, or scaled to fit specific business strategy, processes, departments or individual business units and with objectives agreed with the senior management;

• **Prioritize and Mitigate**: Prioritize and decide on the various options to manage and mitigate the risks. This step is essential to identify risk mitigation measures to prevent risks from materializing and, where appropriate, to implement corrective actions to minimize the economic impact of materialized risks;

• **Monitor and Report**: The final step is to monitor and report the risks to ensure that risk remains within the Bank's appetite and tolerance level. Appropriate reporting mechanisms is in place to so support proactive management of operational risk.

Operational Risk Control and Mitigation Strategies

Mitigating measures are intended to reduce or eliminate exposure to a risk which already affects the organization or to an emerging or potential risk that has been identified and assessed. The key control and mitigation tools deployed in CBQ are as follows:

• **Product and Change Risk Management**: This control strategy is executed in line with the three-lines of defence model where the 1LOD will perform operational risk and control assessments of new products, activities, processes and systems, including the identification and evaluation of the change throughout the project/product lifecycle. The 2LOD will challenge the assessments as well as monitor the implementation of controls or remediation actions. In addition, all relevant control functions (e.g. finance, compliance, legal, business, IT, risk management) are involved as appropriate;

• **Crisis Management and Business Continuity Planning**: The Bank's business continuity plans ensure the Bank's ability to operate on an ongoing basis and limit losses in the event of a severe business disruption. The business continuity plan is linked to the Bank's operational risk management framework and policy;

• **Information Technology and Cyber Security Control**: The Bank's technology and cyber security framework currently fits the current and long-term business requirements and assessed periodically before material changes to the business strategy are pursued. All of the elements in operational risk are applied in the IT and cyber risk framework;

• **Third Party Suppliers and Outsourcing**: Outsourcing minimizes non-financial risk exposure by enabling the Bank to focus on its core business with a view to enhance operational efficiency. An external party is engaged to perform activities on behalf whilst the Bank still maintains ownership and ultimate responsibility of the activity outsourced including meeting technology risk standards;

• **Risk transfer and Insurance**: Insurance arrangements is applied to complement the management of operational risks, but not as a substitute for a sound internal control environment. The aim of this is to maximize the coverage of the transferred risks, minimizing the total cost of the risk and ensuring that the insurance portfolio is aligned with the Bank's risk profile.

Approach to Operational Risk Capital Adequacy

CBQ adopts the Basic Indicator Approach ("BIA") to compute the minimum capital requirement for operational risk as per QCB Implementation Instructions Basel II Framework.

REMA: Remuneration policy

Board Supervision and Governance

The Board Remuneration, Nomination & Governance Committee (BRNGC) is responsible for setting the Bank's remuneration framework for the Board members, management and staff. The BRNGC is responsible for recommending Board members' appointments and re-nomination for election by the General Assembly as well as conducting the annual self-assessment of the Board's performance.

The Committee is responsible for reviewing and making recommendations on the Remuneration Policy at least every three years to ensure it remains appropriate for the intended purpose. Regular health checks of the Policy will be conducted on an annual basis.

Objective

The Remuneration Policy Framework summarizes the key features of the CBQ Group's remuneration approach, and sets forth some fundamental Reward Principles to guide the management of the CBQ Group's policies, practices, and plans.

Our Vision: Maintain a responsible, performance-based Remuneration Policy that is aligned with the short, medium and long-term interests of our employees and shareholders.

Our Goal: Strike the right balance between meeting shareholders' expectations, paying our employees competitively, and responding appropriately to the legal and regulatory requirements and guidelines.

CBQ Reward Principles aim to:

• Attract and motivate great people without regard to race, gender or religion
• Reward our people for acting responsibly and professionally having regard to customers, shareholders and the communities in which we operate
• Align the interest of management and shareholders by ensuring that management makes decisions for the long-term good of CBQ as a whole
• Link total remuneration with performance and risk over the short, medium and long term
• Represent global, regional and regulatory best practice in regard to the design and governance of variable pay and incentives

Remuneration Design & Structure

Individual remuneration is comprised of one of more of the following components:

Fixed remuneration: designed to reward employees for their skills and experience and the accountability of their role. Fixed pay does not vary with performance
Benefits: provided in accordance with legal requirements and market practice to ensure market competitiveness
Variable remuneration: designed to align remuneration with performance and risk to the Bank. Variable pay is linked to an objective performance evaluation system for all staff including regular performance review and transparent feedback.

CBQ Incentive Plan (CBIP) is the main incentive plan for all staff at CBQ. The bonus program is governed by the BRNGC on behalf of the Board.

Under CBIP, the Board through the Board Executive Committee and the BRNGC, agree CBQ Group's Performance measures in the process of determining the Group budget at the start of each plan year. At the end of each plan year, the Board reviews actual CBQ Group Performance against the performance score card metrics. The Board will set a minimum level of target realisation for the formation of a bonus pool. Where actual performance is below the minimum level of target realisation (floor), bonus pool will not be paid except as determined by special discretion of the Board on the recommendation of BRNGC.

Business Unit Incentive Plans (BUIP) replaces the discretionary annual performance bonus in designated roles (based on the nature of the job – mostly in retail banking and collections). Business Unit Incentive Plans are owned and managed by the respective Businesses and governed jointly by the Business and Human Resources.

Determining Individual Variable Remuneration

Individual variable remuneration payments vary each year based on Group and Business Unit financial performance, demonstration of CBQ ethics, compliance and adherence to risk and compliance standards.

The Performance Review process is undertaken twice annually for all staff during which staff are assessed on their Key Performance Indicators and evaluated against their peers and rated on a 5-point scale. All staff have balanced performance scorecard including Risk and Compliance goals and indicators.

Aggregate performance ratings are reviewed across divisions and functions and audited by Human Capital, the GCEO and BRNGC for fairness and objectivity.

Delivery of Variable Remuneration

For Executive Management and Key Risk Takers, variable payments are delivered as a combination of cash and 50% of the annual bonus deferred in cash and participation in CBQ Long Term Incentive Scheme (Equity-linked), as approved by the Board.

Risk Management, Bonus deferral & Identification of Key Risk Takers

Where appropriate, adjustments are made to an individual's overall performance rating and variable remuneration outcome to reflect conduct which does not meet acceptable standards. In addition, individual compliance flags will be issued for conduct that does not meet Group standards. Compliance flags reduce calculated performance bonus up to zero. Compliance flags are issued for unacceptable workplace behaviour including failing to complete mandatory compliance training on time, failing to achieve satisfactory audit outcomes or failing to complete audit points on time (and other unacceptably risky or reckless conduct).

Mandatory bonus deferral of variable remuneration is one of a number of elements implemented to ensure prudent risk management. Mandatory deferral places an increased emphasis on having a variable remuneration structure that is:

• flexible,
• continues to be performance-linked,
• has significant retention elements and
• motivates employees to drive continued performance over the longer term by aligning a significant portion of variable remuneration to sustained growth in shareholder value over the longer term

From time to time, the BRNGC will review and determine the categories of employees to whom mandatory bonus deferral will apply. The BRNGC will determine the category of senior managers and 'Key Risk Takers' subject to mandatory bonus deferral to include:

• all staff with the capacity in their roles to affect the overall financial soundness of the bank and
• all staff whose decisions on behalf of CBQ have either market, reputational or operational risks that extend beyond one year's performance cycle or
• all staff who make decisions on behalf of CBQ where the risks associated with the decisions are difficult to ascertain

The class of employees to which mandatory deferral applies, the quantum of variable remuneration which is subject to deferral and the time period over which deferral occurs are regularly reviewed and determined by the BRNGC and is set to meet regulatory and best practice governance standards.

Independent review of Control Functions

Respective Board committees review base pay and determines variable remuneration for all staff in Audit, Risk and Compliance functions.

Downward Adjustment of Variable Pay awards

The Bank's Malus and Claw-back provisions allows the BRNGC to determine that, if appropriate, vested elements under the Scheme can be adjusted/ cancelled in certain situations. These events include, but are not limited to following:

• Reasonable evidence of misbehaviour or material error by the employee causing harm to the Bank's reputation or where his/her actions have amounted to misconduct, incompetence or negligence;
• The employee's business unit suffers a material downturn in its financial performance or a material restatement of the financial statements of the Bank;
• The employee's business unit suffers a material risk management failure;
• An employee deliberately misleading the market and/or shareholders in relation to the financial performance of the Bank;
• A significant deterioration in the financial health of the Bank; and
• If the Bank and/ or relevant line of business is incurring losses in any year during the vesting period,

Long Term Incentive Scheme

To ensure the interests of the GCEO, Executive Management and Key Risk Takers continue to be aligned with those of shareholders, employees subject to mandatory bonus deferral will be required to participate in the CBQ Long Term Incentive Scheme (LTIS).

LTIS is a program to convert deferred bonus amounts to equity-linked Performance Rights in order to align key staff to the overall value of CBQ Group and retain and motivate key decision makers. The LTIS exposes staff to the upside and downside risk of the CBQ share price over a minimum of 3-year term. The first measurement date for LTIS Performance Rights is on 3-year anniversary of the grant.

LTIS is designed as a risk alignment strategy in total reward and has significant retention element because participants must be in active employment at the measurement date to benefit from any value of the Performance Rights under the LTIS.

BRNGC reviews and adjust terms and features of the LTIS from time to time to ensure alignment of the scheme with market conditions and regulatory requirements.

External consultants' advice

The bank engages with specialized HR consulting organizations regularly to source market data, to ensure that the remuneration policy and practices are in line with market.

In addition, the Board of Directors, through BRNGC, annually reviews the compensation policy internally by the Internal Audit or externally by approved consultants, to ensure the accuracy of Bank's compliance with regulatory requirements.

REM1: Remuneration awarded during the financial year

Remuneration Amount in QAR'000			Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	14	32
2		Total fixed remuneration (3 + 5 + 7)	25,652	27,421
3		Of which: cash-based	25,652	27,421
4		Of which: deferred	0	0
5		Of which: shares or other share-linked instruments	0	0
6		Of which: deferred	0	0
7		Of which: other forms	0	0
8		Of which: deferred	0	0
9	Variable Remuneration	Number of employees	13	26
10		Total variable remuneration (11 + 13 + 15)	25,547	10,306
11		Of which: cash-based	22,472	9,136
12		Of which: deferred	9,224	3,512
13		Of which: shares or other share-linked instruments	3,075	1,171
14		Of which: deferred	3,075	1,171
15		Of which: other forms	0	0
16		Of which: deferred	0	0
17	Total Remuneration (2+10)		**51,199**	**37,728**

REM2: Special payments

QAR'000

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	0	-	1	100	0	-
Other material risk-takers	0	-	0	-	0	-

REM3: Deferred remuneration

Deferred and retained remuneration in QAR'000	**Total amount of outstanding deferred remuneration**	**Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment**	**Total amount of amendment during the year due to ex post explicit adjustments**	**Total amount of amendment during the year due to ex post implicit adjustments**	**Total amount of deferred remuneration paid out in the financial year**
Senior management	**9,227**	**9,227**	**15,903**	**-**	**12,709**
Cash	2,925	2,925	-	-	8,394
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	6,301	6,301	-	-	4,314
Other material risk-takers	**5,865**	**5,865**	**614**	**-**	**2,727**
Cash	3,805	3,805	-	-	2,602
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	2,061	2,061	-	-	125
Total	**15,092**	**15,092**	**16,517**	**-**	**15,436**