

# Qatar National Bank (Q.P.S.C.)

## Update

### Key Rating Drivers

Qatar National Bank (Q.P.S.C.)'s (QNB) Issuer Default Ratings (IDRs) reflect potential support from the Qatari authorities, as reflected in a Government Support Rating (GSR) of 'a+'. The Stable Outlook reflects that of the Qatari sovereign rating (AA/Stable).

QNB's Viability Rating (VR) reflects its flagship status and dominant domestic franchise, underpinned by close links to the government. It also balances sound asset quality, solid profitability, adequate capitalisation against risks stemming from its international presence in challenging markets, and a high – although reducing – reliance on external funding. The 'bbb+' VR is assigned above the 'bbb' implied VR due to our adjustment for its business profile.

**Government Support Rating of 'a+':** The Qatari authorities have a strong propensity to support domestic banks, irrespective of size or ownership. They also have a strong ability to do so, as indicated by the sovereign rating and substantial net foreign assets and revenue, although this is weakened by the Qatari banking sector's large size relative to the domestic economy and a high reliance on external funding. QNB's GSR is one notch above the 'a' GSR for Qatari domestic systemically important banks due to its flagship status.

**Operating Environment:** Still-high hydrocarbon prices continue to support Qatari banks' domestic operating environment, which is also underpinned by resuming growth. However, QNB's non-domestic operations (end-2024: 22% of total loans) in weaker markets (notably Turkiye and Egypt) weigh on our assessment of its operating environment, which is scored at 'bbb-', one notch lower than the standard score for domestic Qatari banks.

**Flagship Bank:** QNB is Qatar's flagship bank. Its dominant domestic franchise is underpinned by its strong links with the state, resulting in high volumes of lower-risk public-sector business. QNB is 50%-owned by the Qatar Investment Authority. International operations (2024: 29% of net profit) provide diversification benefits but expose the bank to higher-risk jurisdictions (mainly Turkiye and Egypt).

**Focus on GRE Lending:** QNB's underwriting standards compare well with peers'. Its lending in Qatar is low risk, supported by lending to government-related entities (GREs; 35.3%) and moderate exposure to the real estate and contracting sectors (a combined 8.8%, in line with the bank's internal limit). Contributions from international operations add diversification to QNB's business but also expose the bank to lower-rated markets, mainly in Egypt and Turkiye.

**Sound Asset Quality:** QNB's asset quality (end-2024: 2.8% impaired loans ratio) compares well with peers', supported by fairly low-risk lending to Qatari GREs. QNB's loan loss allowances/gross loans ratio was a reasonable 3.6%, and coverage of impaired loans was solid.

**Solid Profitability:** The bank consistently generates solid operating profits (2024: 3.4% of risk-weighted assets), underpinned by its strong competitive advantages, including close ties to the Qatari government, and robust net interest margins.

**Adequate Capitalisation:** QNB's capitalisation is adequate (end-2024: 14.6% common equity Tier 1 ratio) and compares well with most peers'. Fitch Ratings expects QNB's capital and leverage to remain stable due to its strong ability to generate capital internally, moderate growth targets and strong ability to access capital from shareholders and the market.

**Reducing but High External Funding:** Non-resident funding comprised an above-average 59% of QNB's total domestic funding at end-2024, although this was reduced from end-2021 (62%). QNB's funding profile is supported by its leading regional franchise, large volumes of GRE deposits and strong access to liquidity and ordinary support.

### Ratings

#### Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1

Long-Term IDR (xgs)	BBB+(xgs)
Short-Term IDR (xgs)	F2(xgs)

Viability Rating	bbb+
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Government Support Rating	a+
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#### Sovereign Risk (Qatar)

Long-Term Foreign-Currency IDR	AA
Long-Term Local-Currency IDR	AA
Country Ceiling	AA+

#### Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

### Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)

### Related Research

[Fitch Affirms Qatar National Bank at 'A+'; Stable Outlook \(July 2024\)](#)

[Qatari Banks – Peer Review 2025 \(December 2024\)](#)

[Middle East Banks Outlook 2025 \(December 2024\)](#)

[Resuming Credit Growth Supports Qatari Banks in 9M24 \(December 2024\)](#)

[Fitch Upgrades 7 Qatari Banks on Qatar Sovereign Upgrade \(March 2024\)](#)

[Qatari Banks Continue to Face Asset Quality Pressures \(October 2024\)](#)

[Qatari Banks – Peer Review 2025 \(December 2024\)](#)

[Qatar \(April 2024\)](#)

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## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of the sovereign rating or a negative change in Fitch’s assessment of the government’s propensity to provide support would likely result in a downgrade of QNB’s GSR and Long-Term IDR. This is unlikely given the Stable Outlook on the sovereign.

QNB’s VR is sensitive to further material expansion into weaker operating environments that would undermine its risk profile and asset quality. A weakening in QNB’s common equity Tier 1 ratio to below 13% and of the tangible leverage ratio to below 6%, combined with a weaker ability to access capital from the market or the Qatar Investment Authority, its majority shareholder, could put downward pressure on the VR. A significant increase in non-domestic funding or a material decline in liquidity buffers could lead to a VR downgrade.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

QNB’s GSR and Long-Term IDR could be upgraded if Fitch views that the sovereign’s ability to support the sector has strengthened, as reflected by a sovereign upgrade, although this is unlikely given the Stable Outlook on the sovereign.

Upside to the VR is unlikely unless QNB significantly reduces its exposure to more vulnerable markets, which would likely be accompanied by an improvement in the bank’s operating environment score.

## Other Debt and Issuer Ratings

### QNB Finance Ltd

Rating Level	Rating
Senior unsecured: long term	A+
Senior unsecured: short term	F1
Senior unsecured: long term(xgs)	BBB+(xgs)
Senior unsecured: short term(xgs)	F2(xgs)

Source: Fitch Ratings

QNB’s Short-Term IDR of ‘F1’ is the lower of the two options mapping to an ‘A+’ Long-Term IDR. This is because a large proportion of the banking sector’s funding is government-related, and financial stress at QNB is likely to come at a time when the sovereign itself is experiencing some form of stress.

QNB’s Long-Term IDR (xgs) is at the level of the VR. The Short-Term IDR (xgs) is in accordance with the Long-Term IDR (xgs) and Fitch’s short-term rating mapping.

The ratings of senior debt issued by QNB’s special-purpose vehicle (SPV), QNB Finance Ltd, are in line with the bank’s IDRs and IDRs (xgs), because the likelihood of default on any senior unsecured obligation issued by the SPV is the same as that of the bank.

## Significant Changes from Last Review

### Turkiye’s Hyperinflation Negative for QNB’s Profitability

QNB, along with other Gulf Cooperation Council (GCC) banks with Turkish subsidiaries, adopted hyperinflation reporting in 1H22 under the accounting standard IAS 29 because cumulative inflation in Turkiye exceeded 100% over the previous three years. IAS 29 requires banks to restate non-monetary assets and liabilities to reflect the impact of hyperinflation, leading to net monetary losses in their income statements.

QNB recorded a QAR3,539 million net monetary loss in 2024, equivalent to 18% of its 2024 operating profit (2023: 20%). The loss would have been larger without gains on CPI-linked bonds. Fitch expects Turkish CPI to average 60% in 2024 and 31% in 2025 (2023: 53%).

### Neutral Sector Outlook

We expect the general business and operating environment for Qatari banks to improve slightly in 2025, with. We expect real GDP growth of 1.3% in 2024 and 2% in 2025, and real non-oil GDP growth of 2% in 2024 and 3% in 2025. The sector’s credit growth will pick up to 5.5% in 2025, but will be below that in Saudi Arabia and UAE due to their particularly strong operating conditions.

Fitch expects Qatari banks' profitability metrics to remain stable in 2025. Lower interest rates will benefit the sector's funding costs overall due its higher reliance on term deposits, and their impact on the banks' net interest margins will be minimal. We expect the sector-average operating profit/risk-weighted assets ratio to be about 3% in 2025.

**Cost of Risk Stubbornly High; Asset-Quality Risks Contained, but Pressures Persist**

Qatari banks' cost of risk remains higher than for other GCC banking sectors, despite the stable operating environment, as they continue to face asset-quality pressures. This is primarily a result of persisting difficulties in the real estate and construction sectors due to continued oversupply, which results in still-high shares of Stage 2 and 3 loans for the sector. Increasing growth and resilient economic activity should provide some relief, while lower rates will soften pressure on troubled sectors. The sector's high provision coverage will also provide support.

**Foreign Funding Still Significant**

Qatar's banking sector is the most dependent on non-domestic funding in the GCC, resulting in a fairly high loans/deposits ratio (end-3Q24: 107%). Foreign funding at Qatari banks was a still-high 42% of the sector's funding at end-10M24, despite falling from its end-2021 peak of 47% due to improved liquidity conditions supported by high oil prices. The banking sector's net external debt has fallen, but is still high at 51% of GDP at end-3Q24 (end-2021: 71%). This should continue to improve, but remains vulnerable to external political and economic shocks.

**Ratings Navigator**

Qatar National Bank (Q.P.S.C.)							ESG Relevance:	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+ Sta
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

**VR - Adjustments to Key Rating Drivers**

The operating environment score of 'bbb-' has been assigned below the 'aa' category implied score due to the following adjustment reasons: size and structure of the economy (negative), financial market development (negative), regulatory and legal framework (negative) and international operations (negative).

## Financials

### Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	12 months	12 months	12 months	12 months	12 months
	(USDm)	(QARm)	(QARm)	(QARm)	(QARm)
	Not disclosed	Not disclosed	Audited – unqualified	Audited – unqualified	Audited – unqualified
<b>Summary income statement</b>					
Net interest and dividend income	9,044	32,919	30,524	28,920	23,083
Net fees and commissions	1,254	4,565	3,781	3,374	3,213
Other operating income	1,062	3,866	4,818	2,810	2,017
Total operating income	11,360	41,349	39,124	35,105	28,314
Operating costs	3,612	13,147	11,509	8,792	6,423
Pre-impairment operating profit	7,748	28,203	27,615	26,312	21,891
Loan and other impairment charges	2,318	8,436	9,653	9,144	7,225
Operating profit	5,430	19,767	17,962	17,169	14,666
Other non-operating items (net)	-	-	-	-	-
Tax	776	2,824	2,297	2,719	1,390
Net income	4,655	16,942	15,665	14,449	13,276
Other comprehensive income	-583	-2,121	-4,281	-1,804	-4,498
Fitch comprehensive income	4,072	14,822	11,385	12,645	8,779
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	259,457	944,422	887,208	837,471	789,883
- Of which impaired	7,192	26,178	26,355	23,680	18,345
Loan loss allowances	9,248	33,664	34,221	29,869	26,231
Net loans	250,208	910,758	852,987	807,601	763,652
Interbank	21,741	79,138	86,477	96,260	69,055
Derivatives	2,065	7,518	7,128	10,595	7,309
Other securities and earning assets	50,325	183,184	181,056	167,815	150,288
Total earning assets	324,340	1,180,598	1,127,648	1,082,271	990,304
Cash and due from banks	27,849	101,371	87,820	91,564	88,551
Other assets	4,381	15,948	15,517	15,384	14,182
Total assets	356,570	1,297,917	1,230,985	1,189,219	1,093,038
<b>Liabilities</b>					
Customer deposits	243,684	887,010	857,106	842,279	785,512
Interbank and other short-term funding	47,034	171,203	156,991	142,815	111,442
Other long-term funding	20,197	73,516	65,689	60,746	66,227
Trading liabilities and derivatives	2,724	9,915	5,492	6,055	5,631
Total funding and derivatives	313,638	1,141,643	1,085,279	1,051,895	968,811
Other liabilities	11,673	42,489	35,499	31,268	24,170
Preference shares and hybrid capital	5,495	20,000	20,000	20,000	20,000
Total equity	25,765	93,785	90,207	86,057	80,057
Total liabilities and equity	356,570	1,297,917	1,230,985	1,189,219	1,093,038
Exchange rate		USD1 = QAR3.64	USD1 = QAR3.64	USD1 = QAR3.64	USD1 = QAR3.64

Source: Fitch Ratings, Fitch Solutions, QNB

## Key Ratios

	31 December 2024	31 December 2023	31 December 2022	31 December 2021
<b>Ratios (%; annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	3.4	3.5	3.3	2.9
Net interest income/average earning assets	2.9	2.8	2.8	2.4
Non-interest expense/gross revenue	32.3	29.9	25.4	23.0
Net income/average equity	18.7	18.2	17.5	17.0
<b>Asset quality</b>				
Impaired loans ratio	2.8	3.0	2.8	2.3
Growth in gross loans	6.5	5.9	6.0	6.0
Loan loss allowances/impaired loans	128.6	129.9	126.1	143.0
Loan impairment charges/average gross loans	0.9	1.0	1.1	0.9
<b>Capitalisation</b>				
Common equity Tier 1 ratio	14.6	14.8	14.6	14.2
Total capital ratio	18.1	18.7	18.5	18.2
Tangible common equity/tangible assets	7.1	7.1	7.0	7.0
Net impaired loans/common equity Tier 1	-8.5	-9.5	-7.6	-10.4
<b>Funding and liquidity</b>				
Gross loans/customer deposits	106.5	103.5	99.4	100.6
Liquidity coverage ratio	179.0	206.0	104.0	147.0
Customer deposits/total non-equity funding	77.0	77.9	79.0	79.9
Net stable funding ratio	101.0	105.0	103.8	104.0

Source: Fitch Ratings, Fitch Solutions, QNB

**Support Assessment**

<b>Commercial Banks: Government Support</b>	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	a+
<b>Government ability to support D-SIBs</b>	
Sovereign Rating	AA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
<b>Government propensity to support D-SIBs</b>	
Resolution legislation	Neutral
Support stance	Positive
<b>Government propensity to support bank</b>	
Systemic importance	Positive
Liability structure	Neutral
Ownership	Positive

The colours indicate the weighting of each KRD in the assessment.  
■ Higher influence ■ Moderate influence ■ Lower influence

Fitch considers the Qatari authorities as having a strong propensity to support all domestic banks, regardless of their size or ownership, based on past support. For example, the authorities placed big deposits with the banks to support sector liquidity in 2H17, following the start of the blockade between Qatar and some of its neighbours, and between 2009 and 2011 some banks received capital injections to enhance their capital buffers, while the government also purchased some problem assets from the banks. The government owns stakes in all Qatari banks.

Qatar has a strong ability to support its domestic banks, as reflected in its 'AA'/Stable rating and substantial net foreign assets (end-2023: equivalent to 176% of GDP) and revenue. Non-resident funding accounted for a still-high 42% of the banking sector's funding at end-10M24, and the sector's net external funding was a substantial 51% of GDP at end-3Q24. Banking system assets accounted for a high 254% of GDP at end-2023.

QNB's 'a+' GSR is one notch higher than all other Qatari banks' GSRs. This reflects the bank's flagship status, leading role in the Qatari banking sector and close business links with the state.

## Environmental, Social and Governance Considerations

### FitchRatings Qatar National Bank (Q.P.S.C.)

Banks  
Ratings Navigator

#### Credit-Relevant ESG Derivation

Qatar National Bank (Q.P.S.C.) has 5 ESG potential rating drivers

- ➔ Qatar National Bank (Q.P.S.C.) has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	5	issues	3		
not a rating driver	4	issues	2		
	5	issues	1		

#### Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1 n.a.	n.a.	n.a.	5
Energy Management	1 n.a.	n.a.	n.a.	4
Water & Wastewater Management	1 n.a.	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1 n.a.	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

**How to Read This Page**  
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

**The Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

#### Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1 n.a.	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

**Classification of ESG issues** has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations' Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

**Sector references** in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

#### Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3' unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.



## SOLICITATION & PARTICIPATION STATUS

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