QNB's 1H25 Profit Increases Despite New Corporate Tax

Credit Comment

Qatar National Bank (Q.P.S.C.)'s (QNB) operating profit increased by 12% year-on-year to QAR10.8 billion in 1H25 (annualised operating profit reached 3.6% of risk-weighted assets; 2024: 3.4%). Net income also rose, albeit by a lower 3% year-on-year due to the introduction of a 15% minimum top-up tax which came into effect in January 2025.

Potential support from the Qatari authorities drives QNB's Long-Term Issuer Default Rating (IDR) of 'A+', as reflected in the bank's Government Support Rating of 'a+'.

The Viability Rating of 'bbb+' reflects the bank's dominant franchise, flagship status in Qatar, and close links to the Qatari government. It also balances sound asset quality, solid profitability and adequate capitalisation against risks stemming from QNB's international presence in challenging markets and high reliance on external funding.

Improved Profitability; Adequate Capitalisation

The higher operating profit in 1H25 was supported by strong lending growth (5.8% YTD) and net interest margins, which are still high (1H25: 2.9%, unchanged from 2024). Profitability was also supported by a stable cost of risk (1H25: 91bp) and strong cost controls.

As a result of higher profitability, QNB has proposed and approved an interim dividend at QAR0.35 per share, amounting to QAR3.2 billion (37% of 1H25 net income), which has been paid.

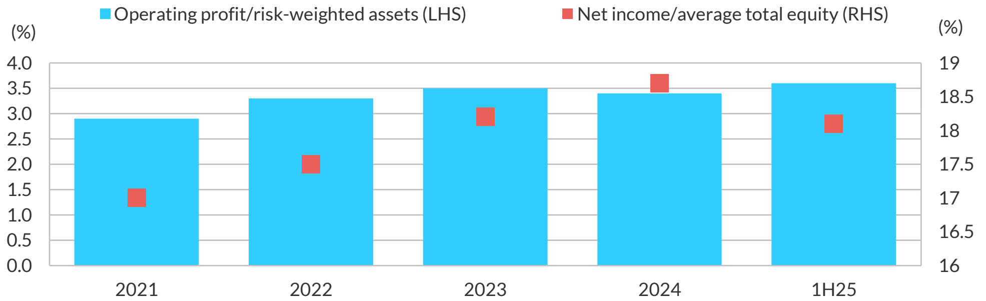
QNB's adequate capital (end-1H25: 14.8% CET1 ratio), net of interim dividend, is above its 12% regulatory minimum, including a 3.5% D-SIB add-on. The tangible leverage ratio (end-1H25: 7%) is lower than that of domestic and GCC peers; unlike regulatory capital ratios, it does not benefit from the 0% risk-weight on government lending and sovereign securities.

Stable Asset Quality; External Funding Still High

The bank's Stage 3 ratio was stable (end-1H25: 2.8%) and compares favourably with its peers. QNB's asset quality is supported by its exposures to low-risk Qatari government-related entities (GREs), which form most of its largest exposures. However, exposures in weaker operating environments, particularly Egypt and Turkiye (end-1H25: a combined 13.9% of gross loans), could continue to exert some pressure on the bank's asset-quality metrics.

QNB's strong domestic franchise, large government and GRE deposits (end-1H25: 26.2% of total deposits), and diverse funding base support its funding profile. Non-resident funding remains high (around 60% of QNB's total funding at the domestic Qatar level), but is geographically diverse. Liquidity is underpinned by ordinary support from the authorities, if required.

QNB Profitability



Source: Fitch Ratings, Fitch Solutions, QNB

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+
Government Support Rating	a+
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

Related Research

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