FitchRatings

Banks
Universal Commercial Banks
Qatar

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

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 on the Qatari sovereign rating (AA/Stable).

QNB's Viability Ratings (VR) reflects its flagship status and dominant domestic franchise, underpinned by close links to the Qatari government. It also balances the bank's sound asset quality, solid profitability, adequate capitalisation against risks stemming from its international presence in challenging markets and high, albeit 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 the banks' 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.

Stable Domestic Operating Environment: High hydrocarbon prices continue to support Qatari banks' domestic operating environment. However, QNB's material non-domestic operations (end-2023: 30% of assets) in weaker markets weigh on Fitch's view of its operating environment. QNB's 'bbb-' operating environment score is a notch lower than the standard score for domestic Qatari banks due to these operations (notably in Turkiye and Egypt).

Flagship Bank: QNB is Qatar's flagship bank. Its dominant domestic franchise (end-1Q24: 50% market share of net loans) 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 (QIA). International operations (3M24: 25% 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 (end-1Q24: 80% of total loans) is low-risk, supported by lending to government-rated entities (GREs; 36.5%) and moderate exposure to the real estate and contracting sectors (a combined 9%, 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.

Sound Asset Quality: QNB's asset quality compares well with domestic peers', supported by fairly low-risk lending to Qatari GREs. QNB's loans loss allowances/gross loans ratio was a reasonable 3.5% at end-1Q24, and coverage of impaired loans is solid.

Solid Profitability: QNB consistently generates solid operating profits (1Q24: 3.7% of risk-weighted assets (RWAs; annualised) underpinned by its strong competitive advantages, including close ties to the Qatari government, and growing net interest margins. Fitch expects QNB's operating profit to remain strong at about 3.5% of RWAs in 2024.

Adequate Capitalisation: QNB's capitalisation is adequate (end-1Q24: common equity Tier 1 (CET1) ratio of 14.4%) and compares well with most peers'. We expect 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 56% of QNB's total domestic funding at end-2023, although this was reduced from 62% at end-2021. QNB's funding profile is supported by its leading regional franchise, large volumes of GRE deposits and strong access to market 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+
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

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

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

Risk Profile Has a Heightened VR Influence on Multiple GCC Banks (May 2024)

Qatari Banks – Peer Review 2024 (February 2024)

Middle East Banks Outlook 2024 (December 2023)

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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 undermine its risk profile and asset quality. A weakening in QNB's CET1 ratio to below 13% and tangible leverage ratio to below 6%, combined with a weaker ability to access capital from the market or the Qatar Investment Authority (QIA), 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.

Positive ratings changes for 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 two options mapping to an 'A+' Long-Term IDR because a significant 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 Fitch views the likelihood of default on any senior unsecured obligation issued by the SPV same as that of the bank.

Significant Changes from Last Review

Turkiye's Hyperinflation Negative for QNB's Profitability

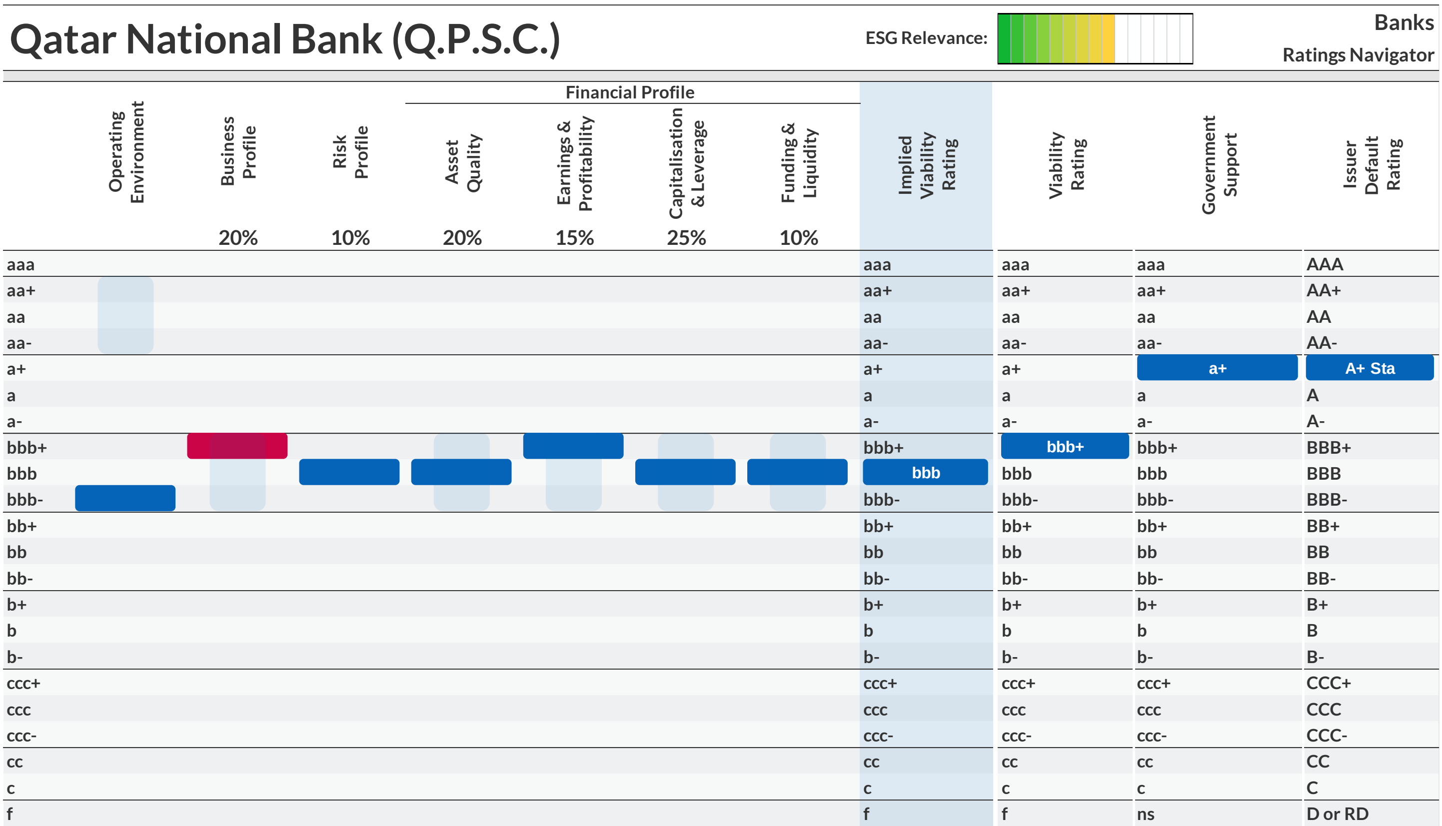
QNB, along with other GCC banks with Turkish subsidiaries, adopted hyperinflation reporting in 1H22 under the accounting standard IAS 29 because cumulative inflation in Turkiye has exceeded 100% over three years. IAS 29 requires the banks to restate non-monetary assets and liabilities to reflect the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

QNB recorded a QAR1,228 million net monetary loss in 3M24, equivalent to 25% of QNB's operating profit (2023: 20%; 3M23: 20%). The losses would have been even higher without gains on CPI-linked bonds. We expect net monetary losses to persist due to stubborn inflation in Turkiye. Fitch expects Turkish CPI to be 43% at end-2024 and 23% at end-2025 (end-2023: 64.8%).

Qatari Banks Upgraded on Sovereign Upgrade

Fitch has upgraded all Qatari banks' Long-Term IDRs to 'A' from 'A-', and Qatar National Bank (Q.P.S.C.)'s (QNB) to 'A+' from 'A' due to its flagship status in Qatar (see Fitch Upgrades 7 Qatari Banks on Qatar Sovereign Upgrade, published 28 March 2024). This followed the upgrade of Qatar's sovereign rating (see Fitch Upgrades Qatar to 'AA'; Outlook Stable, published 20 March 2024), and reflects the agency's view of the increased ability of the Qatari authorities to support the banks.

Ratings Navigator



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-’ is 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).

Company Summary and Key Qualitative Factors

Operating Environment

Neutral 2024 Sector Outlook; Still-Weak Sector Growth

Fitch expects the general business and operating environment for Qatari banks to remain broadly the same in 2024 as in 2023. Real GDP growth was 1.3% in 2023. Fitch expects it will be 1.1% in 2024, and forecasts a real non-oil GDP growth of 2% in 2024. Bank credit growth (3M24: 1.7%; 2023: 3%; 2022: 3.3%; 2021: 7.8%) has been slowing due to large government repayments and limited demand from the public sector, given higher hydrocarbon revenues. Higher rates also slightly constrain credit demand from the private sector. We expect loan growth of 3% in 2024, supported by spending related to the North Field expansion project, but that it will remain below that of most other GCC countries.

Fitch expects Qatari banks' profitability metrics to remain stable in 2024 as the benefit of higher interest rates is undermined by higher funding costs than in other GCC sectors, due to lower levels of current and savings accounts and higher reliance on external funding, and strong competition. We expect the sector-average operating profit/risk-weighted assets ratio to remain about 3% in 2024.

Asset-Quality Risks Contained, but Still-High Cost of Risk

Qatari banks still have a higher cost of risk than at other GCC banking sectors, despite the stable operating environment. This is exacerbated by a weak credit growth due to government repayments. This is also due to Qatari banks' more conservative approach to provisioning, in anticipation of asset quality pressures in a longer-lasting higher interest rate environment and persisting pressures in the real estate sector. Fitch expects any asset quality deterioration and increase in banks' cost of risk to remain contained in 2024. The sector remains supported by a high coverage of problem loans at most bank.

Reduced, but Still-High, Reliance on Foreign Funding

Of all banking sectors in the GCC, Qatar's is the most dependent on non-domestic funding. The latter comprised a high 42% of sector funding at end-1Q24, despite reducing from its end-2021 peak of 47% due to improved liquidity conditions, supported by high oil prices. As a result, the banking sector's net external debt has fallen, but is still high, at 50% of GDP at end-2023 (end-2021: 71%). This makes banks' funding vulnerable to external political and economic shocks.

Significant Portion of Assets in Foreign Markets

Given QNB's geographical diversification, with international operations representing 30% of its total assets at end-2023, Fitch applies a weighted average approach for the bank's operating environment score. Based on the bank's geographical distribution of assets at end-2023, the weighted average score is one notch below the operating environment score of domestically focused Qatari banks.

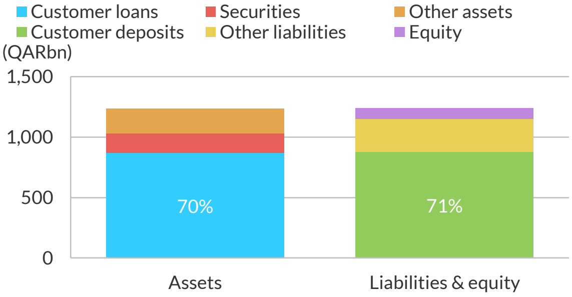
Business Profile

QNB was established in 1964 as the country's first Qatari-owned commercial bank. It has exceptionally high systemic importance in Qatar as the largest bank, with dominant market shares (end-1Q24: 50% of domestic sector net loans). QNB is also the largest bank in the Middle East and Africa, with total assets of about USD340 billion at end-1Q24.

QNB's shareholding structure has remained stable since its incorporation. The bank is 50% owned by the government through the QIA (the sovereign wealth fund), which participated in rights issues in 2008 and 2011. The bank's board of directors is typically equally split between the QIA and private-sector representatives. Five board members are independent.

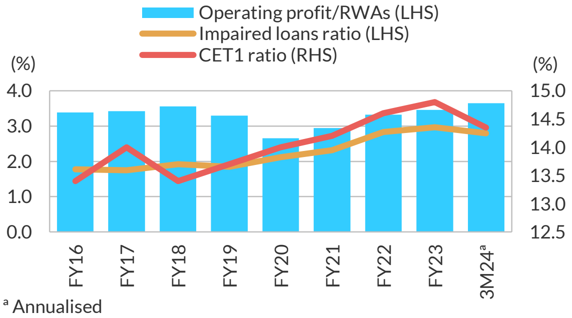
QNB is correlated with Qatar's 2030 National Vision plan and international strategy. The bank benefits from strong ties to the government and receives the largest share of government business and flow of funds among Qatari banks.

Balance Sheet
End-March 2024



Source: Fitch Ratings, QNB

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, QNB

Risk Profile

Focus on Low-Risk Qatari Underwriting

QNB's underwriting standards in Qatar (end-1Q24: 80% of total loans) are low risk and compare well with peers', supported by high GRE lending (36.5%) and moderate exposure to the real estate and contracting sectors (a combined 9%, in line with the bank's internal limit). The latter are mainly related to the domestic market, government-related projects and tier 1 contractors. In retail lending (end-2023: 9% of total loans), the bank is focused domestically on high-quality government employees against salary assignments.

QNB has high loan book concentration by single obligors, with the 20-largest loans (both funded and unfunded) representing 3.8x the bank's common equity Tier 1 (CET1) capital base at end-2023. However, the majority of these exposures are to GREs or guaranteed by the government, and covered by real estate or cash collateral, which mitigate the concentration risk.

International Network Raises Risk Profile

QNB is the most geographically diversified Qatari bank, with subsidiaries and associates more than 28 countries across three continents. This helps diversify the bank's business model, which is otherwise constrained by the fairly small and concentrated Qatari economy. However, it also adds exposure to riskier and more volatile jurisdictions.

The contribution from international operations is material (end-1Q24: 20% of loans, 42% of deposits and 25% of net profit) but concentration to higher-risk markets such as Turkiye (QNB Finansbank; end-1Q24: 10.9% of total assets) and Egypt (QNB Al Ahli; 4.6%) is falling due to the depreciation of the Turkish lira and the Egyptian pound. The bank's main other foreign operations are in Indonesia, Tunisia, Syria, Switzerland, Iraq, Jordan, Togo and the UAE.

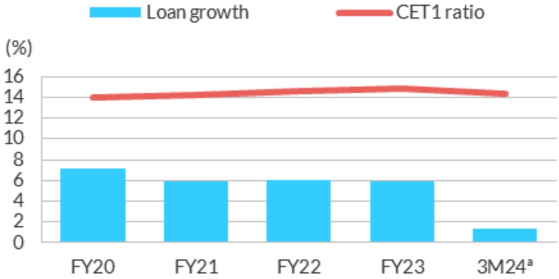
Risk limits and reporting tools are good and closely monitored. QNB has implemented an enhanced governance and oversight framework for subsidiaries and branches. However, we believe loan underwriting standards at some foreign operations cannot be of the same quality as in Qatar. In Egypt and in Turkiye, large exposures to the high-risk SME segment, along with high foreign-currency (FC) lending in Turkiye, amid volatile operating conditions, heighten credit risks. These risks have been largely mitigated by QNB's prudent provisioning, and lending is now almost entirely extended in local-currency (LC).

QNB is highly exposed to currency risks from its investments in Egypt and Turkiye. QNB reported FC translation losses of QAR3.9 billion in 1Q24 (5% of equity), increasing from 2% in 1Q23, and reflecting the devaluation of the Egyptian pound and, to a lesser extent, the Turkish lira. These losses were partly offset by the positive impact of hyperinflation (QAR1.1 billion) through other comprehensive income.

Revaluation on securities held at fair value through other comprehensive income are limited given the small size and good quality of the portfolio. Total securities (end-1Q24: 13% of assets) mainly comprised debt from sovereigns and Qatari investment-grade corporate and financial institutions.

The bank's FC assets and liabilities were well-matched at end-2023. The majority of FC assets are denominated in US dollars, and this is mitigated by the Qatari riyal's long-standing peg to the dollar. QNB ran positive interest rate gaps at end-2023, but this is mitigated by the large portion of non-interest-sensitive deposits.

Loan Growth



[a] Not annualised
Source: Fitch Ratings, QNB

Financial Profile

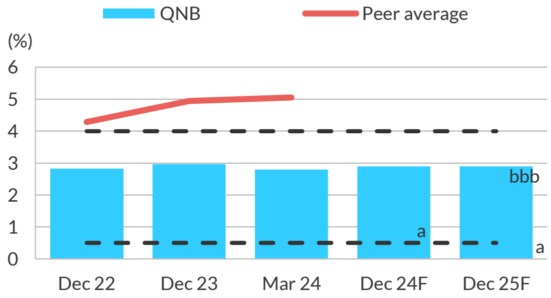
Asset Quality

QNB's asset quality compares well with peers' and is supported by its concentration in low-risk lending to Qatari GREs that forms most of its largest exposures. These entities are liquid with fairly strong credit quality and have a record of zero defaults.

The Stage 3 loans ratio was stable at 2.8% at end-1Q24 (1Q23: 2.8%; end-2021: 2.3%). Stage 2 loans accounted for a low 5.1% of gross loans at end-1Q24 (end-2023: 5.5%; end-2022: 5.9%), and were largely concentrated in real estate, services and trade. The bank's strategy to fully cover Stage 3 loans (specific coverage of 98% at end-1Q24) also underpins our asset quality assessment.

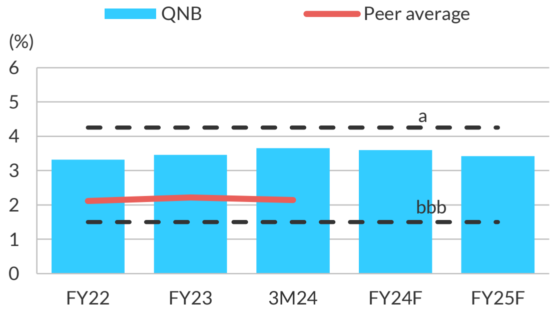
Residual pressures in the bank's real estate (including limited exposure to hospitality) and contracting lending portfolios, as well as rising risks from exposures in weaker operating environments, particularly Egypt and Turkiye, could continue to exert some pressure on the bank's asset-quality metrics.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

QNB ranks among the strongest and most consistent banks in Qatar across most profitability metrics, supported by its flagship status, long-term strategy and stable management. QNB's operating profit increased to 3.7% of RWAs in 1Q24 (annualised; end-2023: 3.5%), mainly driven by a higher net interest margin (NIM) as loans continued to reprice on higher rates, as well as by solid net fees and commission income. The ratio was the highest in the sector and benefits from QNB's fairly low RWA density (end-1Q24: 45%). The ratio was around 90bp higher, when excluding net monetary losses arising from hyperinflation in Turkiye.

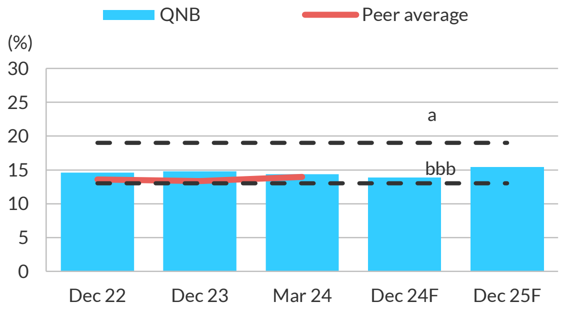
Strong revenue generation balanced the increase in operating expenses (+25% year-on-year in 3M24), mostly due to elevated net monetary losses from hyperinflation, pushing the Fitch calculated cost/income ratio up to 34% in 3M24, and without which the ratio would have been a lower 22%. The bank's cost of risk (3M24: 77bp; 2023: 102bp; 3M23: 121bp) will likely remain at 80bp–90bp through 2024.

Capitalisation and Leverage

QNB's CET1 ratio (end-1Q24: 14.4%; end-2023: 14.8%; end-1Q24: 14.3%) is adequate considering its 12% regulatory minimum, including a 3.5% D-SIB add-on. The total capital adequacy ratio was 19.1% at end-1Q24 (end-2023: 19.8%), comfortably over the 17% total regulatory requirement. The ratio is supported by additional Tier 1 notes (end-1Q24: 19% of total eligible capital).

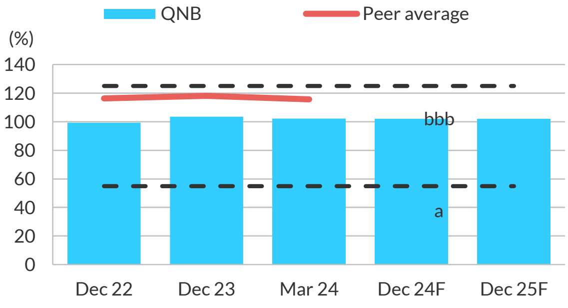
However, capitalisation remains sensitive to potential FC translation and fair-value losses, and should be viewed in light of high borrower concentration, although the latter is of strong credit quality given the high proportion of government lending and sovereign guarantees. QNB's tangible leverage ratio (6.8% at end-1Q24) is lower than at domestic and GCC peers; unlike regulatory capital ratios, it does not benefit from the 0% risk-weight on large government lending and sovereign securities.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

QNB is primarily funded by customer deposits (end-1Q24: 79% of total funding). The gross loans/deposits ratio is stable (end-1Q24: 102%) and below most domestic peers'. The bank has diversified its funding profile by tenor, geographies and sources in recent years. QNB's funding profile is supported by a strong domestic franchise, large volumes of government and GRE deposits (end-2023: 28% of total deposits), and good access to capital markets, including during challenging market conditions.

Non-resident funding comprised an above-average 56% of QNB's total unconsolidated funding at end-2023, although this has reduced from 62% at end-2021. Higher levels of liquidity in the local market due to higher hydrocarbon prices continue to support domestic deposit growth and, in turn, have lessened QNB's reliance on non-Qatari deposits. However, these deposits are much shorter-term, with 45% maturing within six months at end-2023 and a further 26% maturing within a year, although are stickier on a behavioural basis. Non-resident deposits are geographically diversified across Asia, Europe, the GCC, North America and North Africa.

Corporate deposits accounted for the majority (57%) of total deposits. Reliance on non-resident deposits and on wholesale funding increases the bank's exposure to investor sentiment. Market funding (end-1Q24: 5% of total funding) comprises various debt securities issued in international debt capital markets. Liquidity remains underpinned by ordinary support from the Qatari authorities, if required.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Qatar Islamic Bank (Q.P.S.C) (VR: bbb), The Commercial Bank (P.S.Q.C.) (bb+), Doha Bank Q.P.S.C. (bb).

Financials

Financial Statements

	31 Mar 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st quarter (USDm) Reviewed – unqualified	1st quarter (QARm) Reviewed – unqualified	12 months (QARm) Audited – unqualified	12 months (QARm) Audited – unqualified	12 months (QARm) Audited – unqualified
Summary income statement					
Net interest and dividend income	2,220	8,079	30,524	28,920	23,083
Net fees and commissions	306	1,113	3,781	3,374	3,213
Other operating income	322	1,174	4,818	2,810	2,017
Total operating income	2,848	10,366	39,124	35,105	28,314
Operating costs	971	3,536	11,509	8,792	6,423
Pre-impairment operating profit	1,876	6,829	27,615	26,312	21,891
Loan and other impairment charges	500	1,819	9,653	9,144	7,225
Operating profit	1,377	5,011	17,962	17,169	14,666
Other non-operating items (net)	—	—	—	—	—
Tax	221	803	2,297	2,719	1,390
Net income	1,156	4,207	15,665	14,449	13,276
Other comprehensive income	-760	-2,767	-4,281	-1,804	-4,498
Fitch comprehensive income	396	1,440	11,385	12,645	8,779
Summary balance sheet					
Assets					
Gross loans	246,943	898,874	887,208	837,471	789,883
– of which impaired	6,922	25,197	26,355	23,680	18,345
Loan loss allowances	8,654	31,502	34,221	29,869	26,231
Net loans	238,289	867,371	852,987	807,601	763,652
Interbank	23,904	87,011	86,477	96,260	69,055
Derivatives	2,233	8,127	7,128	10,595	7,309
Other securities and earning assets	47,029	171,184	181,056	167,815	150,288
Total earning assets	311,454	1,133,694	1,127,648	1,082,271	990,304
Cash and due from banks	24,366	88,691	87,820	91,564	88,551
Other assets	3,897	14,185	15,517	15,384	14,182
Total assets	339,717	1,236,570	1,230,985	1,189,219	1,093,038
Liabilities					
Customer deposits	241,653	879,619	857,106	842,279	785,512
Interbank and other short-term funding	39,315	143,106	156,991	142,815	111,442
Other long-term funding	18,396	66,960	65,689	60,746	66,227
Trading liabilities and derivatives	2,150	7,827	5,492	6,055	5,631
Total funding and derivatives	301,514	1,097,512	1,085,279	1,051,895	968,811
Other liabilities	9,222	33,568	35,499	31,268	24,170
Preference shares and hybrid capital	5,495	20,000	20,000	20,000	20,000
Total equity	23,486	85,490	90,207	86,057	80,057
Total liabilities and equity	339,717	1,236,570	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 Mar 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.7	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	34.3	29.9	25.4	23.0
Net income/average equity	19.3	18.2	17.5	17.0
Asset quality				
Impaired loans ratio	2.8	3.0	2.8	2.3
Growth in gross loans	1.3	5.9	6.0	6.0
Loan loss allowances/impaired loans	125.0	129.9	126.1	143.0
Loan impairment charges/average gross loans	0.8	1.0	1.1	0.9
Capitalisation				
Common equity Tier 1 ratio	14.4	14.8	14.6	14.2
Fully loaded common equity Tier 1 ratio	–	–	–	–
Fitch Core Capital ratio	–	–	–	–
Tangible common equity/tangible assets	6.8	7.1	7.0	7.0
Basel leverage ratio	–	–	–	–
Net impaired loans/common equity Tier 1	-8.0	-9.5	-7.6	-10.4
Net impaired loans/Fitch Core Capital	–	–	–	–
Funding and liquidity				
Gross loans/customer deposits	102.2	103.5	99.4	100.6
Gross loans/customer deposits + covered bonds	–	–	–	–
Liquidity coverage ratio	–	206.0	104.0	147.0
Customer deposits/total non-equity funding	79.3	77.9	79.0	79.9
Net stable funding ratio	–	105.0	103.8	104.0

Source: Fitch Ratings, Fitch Solutions, QNB

Support Assessment

Commercial Banks: Government Support	
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+
Government ability to support D-SIBs	
Sovereign Rating	AA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Positive
Government propensity to support bank	
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 significant 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, and the government purchased some problem assets from the banks. The government owns stakes in all Qatari banks.

Qatar has a strong ability to support domestic banks, as reflected in its 'AA'/Stable rating, and substantial net foreign assets (end-2023: equivalent to 176% of GDP) and revenue. The sector's non-resident funding accounted for a still-high 41% of the banking sector's funding at end-2023, and the sector's net external funding was a substantial 50% of GDP at end-2023. Total banking system assets accounted for a high 254% of GDP at end-2023.

The 'a' GSR for Qatari D-SIBs is three notches below the sovereign 'AA' Long-Term IDR. QNB's 'a+' GSR is one notch higher than all other Qatari banks' GSRs. This reflects its flagship status, role in the Qatari banking sector, and close 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.

			ESG Relevance to Credit Rating
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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	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

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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.	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

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
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

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

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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 www.fitchratings.com/esg.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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