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Special Report

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ABDULLA MUBARAK AL-KHALIFA

CHIEF EXECUTIVE OFFICER, QNB GROUP

In an increasingly competitive Middle Eastern banking market, what makes QNB stand out from its peers?

To compete successfully, we rely on our winning strategy and value proposition. Our strong ratings, brand value, relationships and our international network are also key factors in our success.

Standard & Poor's rates the bank A+, Moody's Aa3 and Fitch A+, making us one of the highest-rated banks in the Middle East and Africa (MEA) region.

We continue to grow our brand value that currently stands at \$8.4bn and have maintained our status as MEA's most valuable banking brand. Finally, with a network that spans 28 countries in Asia, Africa and Europe, we are able to leverage our relationships as a full-service financial institution across a range of hard-to-access frontier and emerging markets.

What are some of the highlights from the bank's most recent set of financial results?

In 2023, QNB Group delivered robust net profit of \$4.3bn, an increase of 8% over the previous year. Operating income was \$10.7bn, an 11% increase. As a result, QNB remains the largest bank in the MEA region, and one of the world's top 50 banks in terms of market capitalisation, which reached \$42bn. One of QNB's strategic focuses is cost efficiency, where QNB Group has been able to maintain a market-leading cost-to-income ratio of 20%. In addition, our capital adequacy ratio remains comfortably high at 19.8%, well above both the Qatar Central Bank and Basel III requirements.

Across its corporate lending business, where is QNB seeing the most activity?

In the domestic corporate banking sphere, the multi-billion dollar North Field Expansion project is a major opportunity for us to continue to support Qatar's development in the coming years.

We are actively supporting initiatives across the value chain, ranging from wells, pipelines, LNG storage tanks,

new LNG tankers, all the way through to the expansion of Qatar's refining and downstream capacity.

Internationally, one of the key markets that presents a big growth potential for us is the Kingdom of Saudi Arabia. Furthermore, we see significant growth potential in our international branches in London, Paris, Singapore and Hong Kong. These financial centres allow us to capture market share for trade and investment flows with global and multinational corporate customers to fuel our growth.

How is the bank approaching the growth of FinTech and digitalisation?

Changes in the regulatory landscape, customer behaviours and the entry of new FinTech competitors are increasingly challenging the ways of operating in the banking sector.

This is leading to technological disruption and more financial disintermediation. Areas where QNB is exploring FinTech opportunities range from payments and digital wallets to solutions that provide further automation, integrate artificial intelligence and leverage machine learning.

Our QNB digital 3.0 programme focuses on investing in our IT capabilities to enable digitisation through the adoption of new technologies, and uplifting of our IT architecture and infrastructure. This improves efficiency and accelerates decision-making in a more customer-centric manner across our processes end-to-end.

To what extent do sustainability and environmental, social and governance issues feature in the bank's approach to lending and its own internal operations?

Banks play an important role in contributing to financial stability and economic growth. As the largest financial institution in MEA, we recognise the importance of ESG and have consequently embedded the topic of sustainability in our strategy, business and operating model. As a bank, the most impactful way to address the topic of sustainability is through our financing



activities, which are supported by our Sustainable Finance and Product Framework which offers over 30 sustainable products across all our businesses. Ensuring ESG is prioritised across our operations strengthens our governance while reducing environmental and social risks, all with the intent to make a positive contribution to our society and the environment.

What are the bank's strategic priorities over the next three to five years?

QNB's vision is to be one of the leading banks in MEA. Our strategy consists of three elements: focus on our core of being an international wholesale bank; leverage innovation as a strategic enabler; and embed sustainability into our business and operating model.

Focusing on our core means further uplifting our wholesale banking capabilities by enhancing our value propositions as a solution-led wholesale bank. The second element is to leverage innovation as a strategic enabler, capitalising on developments such as open banking, platforms, data and analytics, AI, digitisation and automation. At the same time, our strategy embeds sustainable practices across our business and operating model to deliver positive impact along ESG-related topics. ●

“ We continue to grow our brand value that currently stands at \$8.4bn and have maintained our status as MEA's most valuable banking brand ”



QATAR'S ECONOMY GOES FROM STRENGTH TO STRENGTH

Already in command of one of the world's largest sovereign wealth funds, Qatar's economic foundations are becoming ever stronger. Strategic expansion of its unrivalled natural gas deposits, fiscal restraint and a thriving non-oil sector combine to create a platform for transformative growth

Already this year, Qatar has celebrated not one but two credit rating upgrades. Both Moody's and Fitch raised the sovereign's credit rating one notch, to Aa2 and AA. Standard & Poor's already rated the country AA, giving Qatar the full complement of double-A ratings. The underlying drivers of the latest upgrades are a combination of Qatar's phenomenal gas deposits, combined with a savvy fiscal prudence.

Between 2026 and 2028, Qatar is expected to increase liquefied natural gas production from its North Field deposit — the largest gas deposit in the world — by a staggering 60%. There will be a further increase — smaller but still significant — of 18% between 2028 and 2030.

The oil and gas sector provides a huge chunk of government revenue, and LNG comprises the great majority of hydrocarbon exports. The sheer scale of the planned LNG increase is remarkable, and will give Qatar room to maintain the same level of revenue even if prices decline.

At the same time, the government is steadily unwinding the massive infrastructure capital expenditure programme it enacted to prepare for hosting the FIFA World Cup in 2022.

During 12 years of preparation, the country built hundreds of hotels and thousands of new homes, as well as a series of massive stadiums and conference centres. Reports have estimated Qatar's investment to prepare for the competition at over £200bn. Having created world class telecoms, transport and hospitality infrastructure, the authorities are returning to a more circumspect approach to spending.

"Our upgrade was based on high confidence that the North Field expansion will bring a large amount of new budget revenues, and similar confidence that spending will not rise at the same pace," says Cedric Berry, director of EMEA sovereign ratings at Fitch Ratings in Hong Kong.

DRIVING DIVERSIFICATION

There is no doubt hydrocarbons will remain the most important sector in Qatar's economy and a bellwether for the health of government revenue.

But their contribution to GDP fluctuates with oil and gas prices. Even though LNG exports are far more valuable to Qatar than crude oil, the price of oil still matters. Alexander Perjéssy, senior

sovereign credit officer at Moody's Ratings in Dubai, notes that in 2023 when oil prices averaged \$83 a barrel, hydrocarbons provided 39% of Qatar's GDP. Between 2011 and 2014, when they averaged around \$110, hydrocarbons contributed 55%.

Ultimately, the ramp-up of LNG production means that even if oil and LNG prices fall, the contribution of hydrocarbons as a percentage of GDP is not going to decline significantly over the next few years.

A single sector providing close to half of GDP could appear problematic from a diversification perspective. But there has been real growth in the non-oil sector in recent years. "Since 2013, the non-oil sector has grown by roughly 40%, whereas the hydrocarbon sector actually contracted by nearly 6%," says Perjéssy.

Construction sector growth has been huge. The rush to build hotels, offices, stadiums, conference centres and other infrastructure almost doubled the construction sector in the 10 years to the World Cup. There is now an oversupply of some kinds of real estate — notably hotels — suggesting construction growth will moderate. But the size of some of the infrastructure projects in Qatar's

Desert Rose
National Museum of
Qatar

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"The progress made has been exciting ... and continuing the same trajectory will help us transition to becoming a truly knowledge-based society"

—Sheikh Abdulrahman bin Fahad bin Faisal Al Thani, CEO, Doha Bank

pipeline means construction and infrastructure will remain a major driver of the non-oil economy.

"Qatar has continued its rapid infrastructure development," says Sheikh Abdulrahman bin Fahad bin Faisal Al Thani, chief executive officer of Doha Bank. He points to the recently announced QAR20bn (\$5.4bn) Simaisma project. The 8m square metre development will create a new tourism hub with a golf course, theme park and 7km of waterfront.

"In addition to this mega-project, many other infrastructure development projects will continue to support economic diversification and growth," says Al Thani.

Bassel Gamal, group CEO of QIB, is expecting robust investment in infrastructure projects to enhance connectivity and support economic diversification. "QIB is committed to financing key infrastructure developments, helping to facilitate the construction of roads, bridges and public facilities that contribute to the nation's long term vision," he says.

The creation of free trade zones and industrial development is also driving construction sector growth.

"Qatar is strategically enhancing its industrial development by establishing various free zones to attract foreign direct investment and foster a diverse economic landscape," says Al Thani. "These zones focus on emerging technologies, logistics, industries and maritime. Investment-friendly policies such as 100% foreign ownership, zero income tax and corporate tax exemptions make Qatar a destination of choice and will support economic diversification."

KNOWLEDGE ECONOMY

But strong underlying growth in the non-oil sector is not confined to construction. Information and communications technology (ICT), transport, real estate and

finance have all grown significantly. "In terms of comparison with the rest of the region, there's been broad-based growth across different sectors," says Perjéssy.

ICT will continue to evolve, as powerful artificial intelligence and cloud computing tools are incorporated across the economy. Qatar — with its access to cheap power — is perfectly placed to act as a hub for the growth of energy-hungry computing power.

A spate of ICT projects have been announced over the last year or so, and many more are expected in the coming years.

Al Thani notes that Qatar National Vision 2030 is the cornerstone for developing the knowledge economy and innovative society. QNV 2030 has four pillars: human development, social development, economic development and environmental development. "The progress made has been exciting," Al Thani says, "and continuing the same trajectory will help us transition to becoming a truly knowledge-based society."

Gamal at QIB agrees: "We see great potential in the knowledge economy as Qatar continues to diversify its economic base," he says. "The emphasis on innovation and technology will drive growth in sectors such as education, research and digital services."

In trying to grow non-oil sectors like tourism, ICT and conferences, Qatar is in competition with its neighbours — most of which are pursuing growth in the same industries.

But Qatar faces less pressure to diversify as quickly as possible. This is where its relatively small size and population — under 3 million — act in its favour. Saudi Arabia's population is over 35 million and even Oman and Kuwait have roughly twice as many people as Qatar.

More significantly, Qatar's neighbours have a far larger share of citizens in the total population — the volume of new jobs that needs to be created to ensure political stability is proportionally higher.

"In Qatar, the estimates are that the local population constitutes anywhere from 10% to 15% of the population and only around 6% of the labour force," says Perjéssy. "That compares with north of 60% in Saudi Arabia, over 55% in Oman and more than 30% in Kuwait."

Qatar's public and private sectors are in a much better place to absorb the new cohorts of citizen graduates entering the labour force.

LOAN GROWTH MODERATES

A growing private sector needs a strong banking sector. Qatar's lenders — with their large balance sheets, impressive profitability and solid capital ratios — are well placed to support firms, from small and medium-sized enterprises to major corporations.

Loan growth, however, has been lacklustre recently. At the end of 2023, aggregate loan growth across the banking sector fell to a historic low of 2.8%, according to Fitch.

This is partly to do with the unique make-up of Qatar's economy. When LNG prices rise — as they did sharply after Russia's invasion of Ukraine — so do government revenues. The government has used some of this increase in revenue to pay back bank loans. At the same time, the frenetic economic activity that heralded the World Cup has tailed off.

But analysts are expecting loan growth to rise. Francesca Paolino, lead analyst for banks at Moody's Ratings in Dubai, says Moody's forecasts loan growth of 3% to 4% in 2024 and 2025. Fitch expects 4% credit growth in 2024 and 5% in 2025.

Paolino says loan expansion will come mainly from projects associated with the increase in LNG production capacity, but also from sporting events, business exhibitions and other related economic activities.

The Formula 1 Qatar Airways Qatar Grand Prix, Artistic Gymnastics World Cup and the final of the Beach Volleyball



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World Pro Tour are just a few of the events taking place this year.

Nor is slower loan growth necessarily a problem. A more modest increase in credit to a broader range of economic sectors is far more welcome than a more rapid expansion of lending concentrated in a single, high risk sector.

MANAGING BANKING RISKS

Unsurprisingly, in a country as small as Qatar there is large concentrated exposure to certain sectors and individual borrowers. This in turn exposes banks to unexpected shocks, particularly if these sectors are relatively illiquid. One in particular keeps analysts awake at night — real estate. They foresee slight — but not serious — weakening in loan performance due to overcapacity. The main culprits are shopping malls and office buildings.

“In Qatar, the recent weakening in loan performance is mainly attributed to overcapacity in the real estate sector — shopping malls and office buildings — and in the service sector, mainly hotels. A more severe weakness in the real estate market will have a significant impact on the banking sector because of the concentration — real estate and contractors represent one-fifth of the Qatari banking system’s aggregate loan portfolio,” Paolino says. “At the same time, we do see the regulator very actively moving to address that issue. They have issued new

policy measures that should help monitor and mitigate the high risks in this sector.”

Another perennial issue for Qatar’s banking sector is reliance on external funding. Net foreign liabilities increased very substantially between the end of 2017 and mid-2021, when the central bank tightened regulation. These liabilities have declined, but are still sizable.

“Qatar banks’ overreliance on confidence-sensitive foreign funding has been declining following implementation of prudential regulations, but the level still remains high — 33% of total liabilities as of June 2024,” Paolino says.

Analysts, however, take comfort from the fact that the government has access to large foreign currency reserves and liquid assets, held at the sovereign wealth fund, the Qatar Investment Authority.

As the government demonstrated during its blockade by other Arab states in 2017, these sources can be called upon to close both a gap in the banking sector’s balance sheet and any balance of payments shortfall that might put pressure on the currency.

The central bank has also taken steps to force banks to lengthen the maturities of their external liabilities. That at once reduces the risk of capital flight and makes its possible impact on the financial sector less severe. Ultimately, the regulator will make sure banks’ external liabilities decline and lengthen.

RISKS RECEDE

This is salient because the main risk to Qatar’s macro-economic stability is geopolitical. There is a possibility — however slight — that events might make it difficult or impossible for Qatar to transport its LNG to its customers in Asia and increasingly in western Europe.

Qatar shares this risk with many of its neighbours in the Gulf Cooperation Council, which export oil and gas through a single choke point — the Strait of Hormuz. Nor does Qatar have — as Saudi Arabia and the United Arab Emirates do — any pipelines that bypass the strait, which Iran has threatened to close many times in the past.

The four year blockade that began in 2017 when several of Qatar’s neighbours tried to pressure it into a series of political concessions also looms large in the memory.

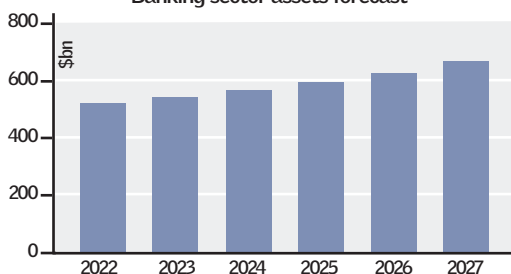
But analysts say the GCC and its rulers have gained a great deal of experience since the blockade — which failed to prompt any policy change in Qatar.

Gulf leaders have to chose carefully between their long term economic goals and short term geopolitical priorities. There is a sense that the heads of the various countries believe regional confrontation will not generate results. “The risk of a blockade as in 2017 is very low,” says Berry at Fitch. “It seems that everyone is much more focused on business than brinkmanship.” ●

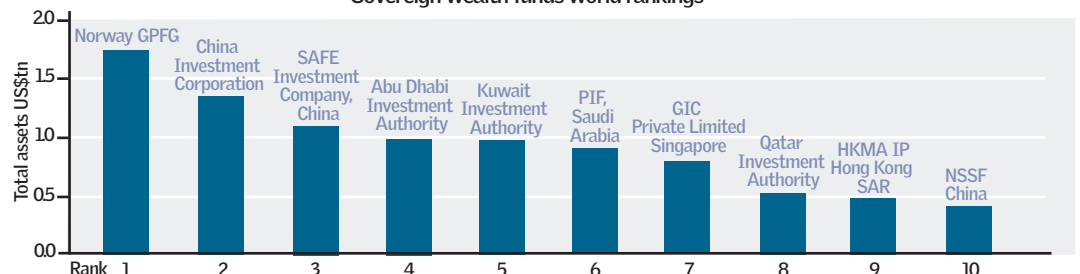
“Our [ratings] upgrade was based on high confidence that the North Field expansion will bring a large amount of new budget revenues, and similar confidence that spending will not rise at the same pace”

—Cedric Berry, director of EMEA sovereign ratings at Fitch Ratings

Banking sector assets forecast



Sovereign wealth funds world rankings



Sources: BMI, Sovereign Wealth Fund Institute

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AHMED I. HASHEM, ACTING GROUP CHIEF EXECUTIVE OFFICER, DUKHAN BANK

How do you see the Qatari economy evolving in the next few years, and what factors do you believe will drive growth?

As Qatar progresses toward Qatar National Vision 2030, the economy is set for substantial growth — primarily

driven by the increase in liquefied natural gas production from the North Field expansion.

This positions Qatar as a key player in the global energy landscape, and enhances its economic strength and resilience. Qatar's commitment to diversifying its economy through tourism, advanced infrastructure and full digital transformation initiatives will be crucial in driving growth even further.

Qatar's financial and capital markets are set to lead the region in innovation, sustainability, efficiency and investor protection. These strategies exemplify Qatar's unwavering dedication to fostering sustainable prosperity and being a global economic powerhouse.

How well prepared is the banking sector for potential challenges like swings in energy prices or geopolitical instability?

The evolving economic landscape presents both challenges and opportunities for Qatar's banking sector. Well regulated by the Qatar Central Bank, the financial sector has taken a proactive approach to strengthening risk management — through adopting Basel III standards and embracing FinTech innovations.

The country's strategy places strong emphasis on financial services as a critical component of its broader economic diversification goals, with a focus on digitalisation and technological innovation. Qatar's banking sector is therefore well equipped to navigate the complex challenges posed by global instability.

At Dukhan Bank, our customer-first strategy and an emphasis on digital transformation have underpinned our strong financial performance amid fluctuating global conditions.

Our commitment to continuous product innovation, designed to enhance the

customer experience, ensures resilience and growth. The use of state-of-the-art technology and other initiatives, such as fostering a highly tech-savvy talent pool, have proved successful in maintaining stability and achieving targets.

What are some of the highlights from the bank's financial performance over the last year?

Dukhan Bank has achieved several exceptional milestones over the last year, exemplified by a historic net profit of QAR1.3bn (\$348m) for the year ended December 31, 2023.

This financial strength was further demonstrated by the bank's successful direct listing on the Qatar Stock Exchange. During the first half of 2024, the bank continued to build on this success, with a net profit of QAR784m.

We continue to push our drive for digital banking innovation, while consistently launching new services that cater to the dynamic needs of customers. This includes the 'Fawran' for instant money transfers; the Smart Kiosk for secure card printing; the first national prepaid 'Himyan' card; and the integration of seamless digital payment platforms.

These innovations were complemented by the declaration of Dukhan Bank's first interim dividend of 8% — equivalent to QR0.08 per share.

How is the bank addressing sustainability and ESG, and what role do these play in your strategy?

Dukhan Bank's ESG strategy is closely aligned with Qatar's National Vision 2030 and promotes the integration of sustainable practices across every facet of our operations.

We have established a dedicated ESG Committee to oversee the implementation of our sustainability efforts, focusing on three core pillars: sustainable finance, sustainable operations and community. Our strong governance practices ensure transparency and accountability, reinforced by regular ESG reporting.

Notably, we have launched several 'green' products, such as electric car financing, which underscore the bank's commitment to driving sustainable financial solutions.

Our digital transformation strategy also plays a pivotal role in reducing our carbon footprint through increased digitalisation, minimised waste and environmental exclusion screening.

How is digital transformation shaping the evolution of banking in Qatar, and what technological innovations is the bank prioritising?

Digital transformation is reshaping Qatar's banking landscape, enabling institutions to remain competitive in a rapidly changing global environment. Dukhan Bank is at the forefront of this evolution, leveraging cutting edge technology to deliver innovative and Shariah-compliant solutions.

Our artificial intelligence-powered virtual assistant 'Rashid', alongside advanced services such as 'Fawran', the Smart Kiosk and contactless payment, highlight our commitment to leading the sector by integrating seamless, secure and innovative banking solutions that enhance the customer experience.

By focusing on FinTech and our award-winning mobile banking app, as well as our best-in-class financial services, Dukhan Bank is ensuring it remains agile and well positioned to continue pioneering the increasingly competitive banking sector, particularly in the digital realm.

What are the bank's strategic priorities over the next three to five years, and how do you plan to achieve them?

Dukhan Bank's priorities revolve around our commitments to digital transformation and sustainability, both of which align with Qatar's National Vision 2030 and aim to enhance the bank's market position.

We plan to invest heavily in advanced technologies — including AI, digital payment platforms and advanced mobile banking services — to offer seamless, innovative and secure financial solutions to our customers.

Through robust ESG reporting and adherence to the UN Sustainable Development Goals, Dukhan Bank is dedicated to responsible business practices that contribute to long term value creation, contribute to Qatar's wider economic objectives, and ensure that the bank remains a key player in the development of the region's financial sector. ●

“Dukhan Bank's ESG strategy is closely aligned with Qatar's National Vision 2030 and promotes the integration of sustainable practices across every facet of our operations”

BASSEL GAMAL, GROUP CEO, QIB

How do you see the Qatari economy evolving in the next few years, and what factors do you believe will drive growth?

Qatar's economy is on a solid trajectory for sustained growth, driven by strategic initiatives aligned with Qatar National Vision 2030. Over the next few years, we expect to see continued efforts to diversify the economy, with a clear shift toward a knowledge-based framework that emphasises innovation and sustainability. Sectors such as technology, healthcare and education will play pivotal roles in shaping this future.

Energy will remain a cornerstone, particularly with the North Field Expansion Project, which will boost liquefied natural gas production significantly.

We are also witnessing rapid advancements in infrastructure and smart city development, which will contribute to Qatar's overall competitiveness and quality of life. Digital transformation is another major driver of growth, particularly in sectors like banking, where we at QIB are committed to leading the way.

How well prepared is the banking sector for potential challenges like swings in energy prices or geopolitical instability?

The banking sector in Qatar is well equipped to manage potential challenges such as fluctuations in energy prices or geopolitical uncertainties.

Qatar's economy has taken significant steps towards diversification, which reduces the direct impact of energy price swings on the broader economy. From a financial standpoint, the banking sector remains robust, with high levels of capitalisation, strong liquidity buffers and prudent regulatory oversight.

These factors ensure that we can withstand external shocks and continue to provide seamless financial services to our clients. At QIB, we have a proactive risk management framework that allows us to respond swiftly to market changes, safeguarding both our customers and our business.

What are some of the highlights from QIB's financial performance over the first half of this year?

QIB's financial performance over the past year reflects our continued success and leadership in Qatar's banking sector. We have achieved several important

milestones, demonstrating our strength and resilience in an evolving market.

In the first half of 2024, QIB reported a 5.6% year-on-year increase in net profit to QAR2bn (\$567m). This is a testament to our strategic focus on sustainable growth and operational efficiency.

Our total income for the period grew 12.4% to QAR5.6bn, reflecting the robustness of our diverse revenue streams. QIB's total assets stood at QAR192.3bn, marking a 4.9% year-on-year increase, while customer deposits grew 5% to hit QAR122.7bn.

These strong financial results, and the fact that the bank's cost-to-income ratio is the best in Qatar, reflect our ability to innovate and grow, despite global and local challenges, positioning us to support Qatar's economic development in the years to come.

What are the bank's strategic priorities over the next three to five years, and how do you plan to achieve them?

Our long term strategy centres around further developing our digital banking infrastructure and transforming QIB into a fully data-driven organisation. This includes a strong focus on customer personalisation and data-centric decision making.

QIB's new strategy also prioritises ESG integration. We are committed to driving financial inclusion and promoting sustainable practices across all operations. By embedding ESG principles into our business model, we are not only meeting our customers' evolving expectations but also aligning with Qatar's national sustainability goals.

Collaboration with FinTech companies and other partners will be another pillar of our strategy. We will continue to integrate cutting-edge financial solutions into our offerings, ensuring that our customers have access to innovative, user-friendly services that meet their financial needs and contribute to their overall experience.

Can you expand on how the bank is addressing sustainability and environmental, social and governance issues?

At QIB, sustainability and ESG are not just add-ons to our business but core components of our overall strategy. We are committed to integrating environmental, social and governance principles into

every aspect of our operations, aligning with both global trends and Qatar's national sustainability objectives.

One of our key initiatives is the launch of our Carbon Emission Tracker, developed in collaboration with Visa and a German FinTech.

This innovative tool empowers our customers to track their carbon footprints, based on their spending habits. As awareness around sustainable practices grows in the region, the Carbon Emission Tracker aligns perfectly with our mission to lead in responsible banking. It also reinforces our commitment to Qatar's national sustainability goals, demonstrating how the banking sector can actively contribute to environmental stewardship.

How is digital transformation shaping the evolution of banking in Qatar, and what technological innovations is the bank prioritising?

Digital transformation is fundamentally reshaping the banking landscape in Qatar, and QIB is at the forefront of this evolution. We have developed a suite of digital solutions tailored to the diverse needs of our clients.

One of our standout innovations is the launch of a dedicated app for low income earners, a segment that has historically faced challenges in accessing traditional banking services. This app enables users to perform essential banking activities such as international transfers and payments, directly addressing the needs of migrant workers. We've seen a remarkable increase in international transfers and an astounding 493% growth in direct corridors supporting transactions with key countries.

Our digital-first approach is aligned with Qatar's broader financial inclusion goals, ensuring that underserved communities can access secure and efficient financial services.

Our focus on technology-driven innovation extends to the entire banking ecosystem, with personalised digital platforms for various customer segments. By leveraging data, FinTech collaborations and cutting-edge technology, QIB is transforming how banking is experienced in Qatar. ●



“We are committed to driving financial inclusion and promoting sustainable practices across all operations”

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SHEIKH ABDULRAHMAN BIN FAHAD BIN FAISAL AL THANI GROUP CHIEF EXECUTIVE OFFICER, DOHA BANK

How do you see the Qatari economy evolving in the next few years, and what factors do you believe will drive growth?

In the next few years, the Qatari economy is expected to undergo significant transformation and growth, driven by a strategic shift towards diversification and sustainability. While the country's vast natural gas reserves will continue to play a crucial role, the focus is increasingly on developing sectors such as clean energy, tourism, sports, and technology.

The implementation of Qatar National Vision 2030, the Third National Development Strategy, Digital Agenda 2030, and the Third Financial Sector Strategy will be pivotal in steering the country's transformation. Implementing these national programmes will also help build economic resilience, talent development and digital innovation.

What impact do you expect global economic trends to have on Qatar's banking sector?

The rapidly changing economic landscape significantly impacts various industries, including banking. After a brief period of high interest rates, we now expect interest rates to reduce slightly. This rate revision directly impacts Qatar's banking sector, as lower interest rates will reduce borrowing costs and potentially increase credit growth.

The global demand for clean energy also supports Qatar, as the country is

the third largest exporter of liquefied natural gas. Strong LNG exports and fiscal stability help maintain liquidity and financial strength.

Additionally, the banking sector's ongoing digital transformation and alignment with global regulatory standards will allow it to remain competitive and resilient. Qatar's strategic investments in FinTech and sustainable finance could also open up new growth opportunities, even amid global economic uncertainties.

What are some of the highlights from the bank's financial performance over the last year?

In the last quarter of 2023, Doha Bank embarked on a large-scale transformation programme. Though we are still in its early phase, the dedication and commitment of our workforce are reflected in our first half 2024 results.

Our net profit has increased by 10.3% to QAR432m (\$118m), the second highest increase in the Qatar banking industry. Our asset growth so far this year is 4.6%, the highest amongst our peers. Our capital adequacy stands at 19.7%, well above the regulatory threshold.

In March 2024, Doha Bank issued a four times oversubscribed \$500m international bond, which reflected investors' confidence in the bank's financial health and future direction.

What are the bank's strategic priorities over the next three to five years, and how does it plan to achieve them?

With the new leadership team, Doha Bank has articulated a new strategy for 2024-28. To execute this strategy, we have set up a transformation office managed by one of the world's top consulting firms.

We have also adopted a highly rigorous approach to executing our strategic transformation programme, which includes over 80 high-impact initiatives across 10 dimensions.

Our transformation programme is focused on our core business; stability and sustainability; and digital and IT. Focusing on stability will help us build resilience. Strengthening the core business is vital to ensuring the bank's finan-

cial health. Accelerating digital innovation will help us stay relevant in the future. These transformation principles will help us become a progressive bank that keeps innovation and customer experience at the heart of its culture.

How is the bank addressing sustainability and ESG, and what role do these play in its strategy?

ESG is a critical theme in our strategy. Though we have been practising ESG for over a decade, last year, we accelerated our efforts and added ESG as one of the core strategic guiding principles.

Doha Bank sets itself apart by creating a comprehensive ESG framework that spans all business units and takes into account all stakeholders in the ecosystem.

In the initial phase, we aim to assess environmental and social risks across our portfolio by embedding environmental and social criteria into our credit process. Subsequently, we plan to establish a robust ESG and climate risk management framework to help us identify, evaluate and mitigate climate-related risks and opportunities.

How is digital transformation shaping the evolution of banking in Qatar, and what technological innovations is the bank prioritising?

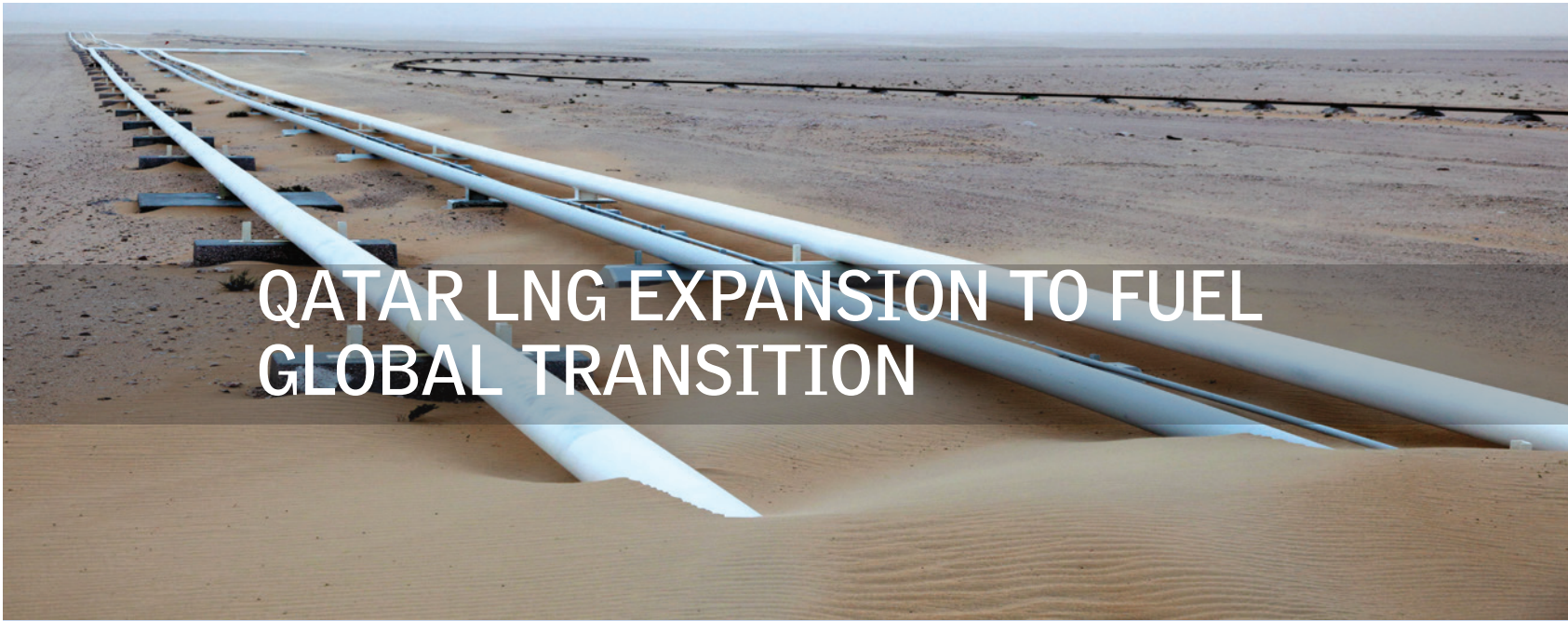
Digitalisation has been one of the top priorities for banks across the globe. The banks in Qatar are also keeping their focus on digital transformation. Over the last few years, we have witnessed financial inclusion and rapid growth in digital payments, enabled by emerging technologies, the FinTech sector and robust regulations.

Doha Bank has also been one of the agile players that proactively developed digital solutions for its customers. We will continue to embrace digital innovation by adopting emerging trends and technologies like artificial intelligence, with the aim of providing customer-centric solutions. ●



“The banking sector's digital transformation and alignment with global regulatory standards will allow it to remain competitive and resilient”





QATAR LNG EXPANSION TO FUEL GLOBAL TRANSITION

Photo courtesy of Alamy

Energy is integral to Qatar. Oil was its past and LNG is its future. The country's lower carbon natural gas will be a crucial transition fuel for the world's efforts to abandon coal and oil. But Qatar is also set to become a solar powerhouse, as it brings its considerable financial firepower to roll out new renewables

Qatar famously shares the world's largest natural gas deposit — North Field — with Iran. That endowment helped make Qatar — at one stage — the world's largest natural gas exporter. As the US and Australia have ramped up capacity over the last decade, Qatar has fallen to third. But it is unlikely to stay there. The country has begun a colossal phased increase of its production capacity. ING analysts say the phased increase will take Qatar's export capacity from 105 billion cubic metres to 193bcm by 2030 — an increase of more than 80%.

If this goes as planned, Qatar could be the second largest supplier of liquefied natural gas by 2030 — accounting for close to 25% of global supply. "The oil and gas sector is poised for transformational growth," says Abdulrahman bin Fahad bin Faisal Al Thani, chief executive officer of Doha Bank.

Over the very long term, Qatar faces carbon transition risk. The country is heavily reliant on polluting fossil fuels in a world that is increasingly filled with carbon taxes and other efforts designed to cut emissions. But in this new world LNG becomes more important — not less.

When Qatar first discovered its natu-

ral gas fields in the early 1970s, there was disappointment that the deposits were not crude oil. The authorities dragged their heels on developing the gas field, feeling that it was unlikely to be worthwhile. Fast forward 50 years and LNG is uniquely placed to act as a transition fuel for the world.

Estimates are that electricity produced from LNG has 30% lower emissions than that produced from crude oil and 45% lower than electricity produced in coal-fired plants.

Most of western Europe is well advanced in its efforts to phase out coal. But the twin giants of China and India are not. Over 50% of India's installed electricity generation capacity is coal-based. In 2023, almost 60% of China's electricity supply came from coal.

Europe, meanwhile, needs a replacement for the Russian natural gas it no longer wants to rely on. In late 2023, Qatar signed 27 year agreements to supply gas to Shell in the Netherlands and TotalEnergies in France — the largest and longest deals Qatar has signed with Europe.

Qatar may not be the world's largest supplier of LNG, but it is the lowest cost producer.

It is also making major efforts to

make its LNG production as low emission as possible. It has exported cargoes of certified net zero or carbon-neutral LNG, and buyers have been prepared to pay a premium.

There are different definitions and auditing processes for low carbon LNG — and there are critics of the very idea of calling LNG low-carbon. But in a world where lowering emissions wherever possible is a priority, Qatar's ability to compete on price and emissions is an asset.

PETROCHEMICALS POWER

The growth of Qatar's oil and gas production has given birth to a thriving petrochemicals sector. BMI analysts point to the significant competitive advantage it enjoys because of Qatar's low production costs for oil and gas.

The main constraint on how successful Qatar can be at growing its petrochemicals sector, they say, is the lack of diversity in its product range. It is heavily oriented towards high volume, low value ethylene-based products and fertiliser.

BMI analysts say the country has significant potential for new cracker facilities and opportunities to develop exports across the full value chain.

Qatar is well aware of its potential and

"The oil and gas sector is poised for transformational growth"

—Abdulrahman bin Fahad bin Faisal Al Thani, CEO, Doha Bank

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“As the world shifts toward sustainable energy solutions, we expect significant advancements in this sector in Qatar”

—Bassel Gamal, chief executive of QIB

is expanding its capacity rapidly. It is a major producer of naphtha, having signed major supply agreements with Japanese, South Korean and Indian firms.

QatarEnergy and Chevron Phillips Chemical are building a new \$6bn production complex — the Ras Laffan Petrochemical Project. This will house the largest ethane cracker in the Middle East and one of the largest in the world. Ethane by-products are used in a wide range of products from plastics to pharmaceuticals. High density polyethylene derivative units will produce polyethylene for export and use in producing hard plastics.

Qatar’s cutting edge science institutes are using the country’s natural resources to develop new solutions for sectors with hard-to-abate emissions, like aviation. Qatar Airways is sponsoring research into sustainable aviation fuel. It aims to use SAF for 10% of its combined fuel volume by 2030, and recently signed a deal with Shell to source 3,000 metric tonnes of neat SAF for its flights at Amsterdam.

BLUE OR GREEN?

Major projects have broken ground in other areas. QatarEnergy Renewable Solutions and Qatar Fertiliser Co (QAFCO), both affiliates of QatarEnergy, are building the world’s largest blue ammonia facility — the Ammonia-7 project.

Almost 190m tonnes of fossil fuel-based ammonia are used each year — the great majority of it to produce fertiliser. Estimates are that this ‘grey’ ammonia accounts for around 2% of the world’s CO2 emissions.

To remedy this, all the world’s ammonia production needs to become clean. Blue ammonia — produced from fossil sources with almost complete carbon capture and permanent storage (CCS) — is one solution.

Green ammonia — produced by electrolysis powered entirely by renewables — would be even cleaner. But the problem is price — blue ammonia is going to be far cheaper than green.

Its cost makes demand far stronger for blue ammonia than green, across a range of use cases.

One of them is as a shipping fuel. A recent EU-funded study by consultancy DNV estimates that the shipping industry’s demand for clean ammonia will soar from 2.3m tonnes a year in 2030 to 62m in 2040 and 245m in 2050. Of that, DNV thinks over 75% will be blue ammonia. If it is right, Qatar is positioning itself to become a leading producer of the global maritime fuel of choice.

CCS is not a straightforward endeavour, but Qatar is one of the few countries with the finances, incentives and state-directed coordination to make it work.

The country has a carbon capture roadmap, and wants to store over 11m tonnes of CO2 a year by 2035. New CCS plants under construction will capture emissions from Qatar’s LNG trains and compress it for injection into already available wells.

RENEWABLES RAMP UP

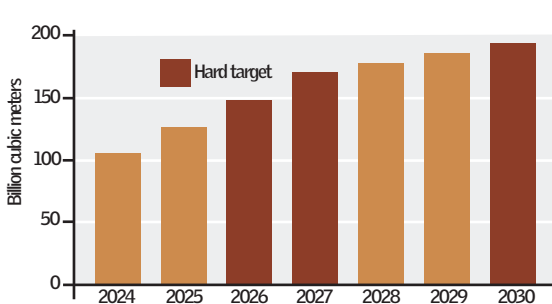
Qatar’s oil and gas deposits can help it provide the world with a valuable transition fuel — LNG — and potentially cutting edge fuels of the future like blue ammonia.

But gas, although a cleaner fossil fuel than coal and oil, will not help the country achieve its carbon emissions reduction targets, says Carole Nakhle, founder and CEO of advisory firm Crystal Energy. “It is difficult for a country which sits on massive and cheap natural gas resources to look for alternatives,” she says. “That said, given the wealth that Qatar has accumulated as a result of its gas trade, that small but very rich country can easily afford to invest in green energy to achieve its climate ambitions — a privilege that not many countries have.”

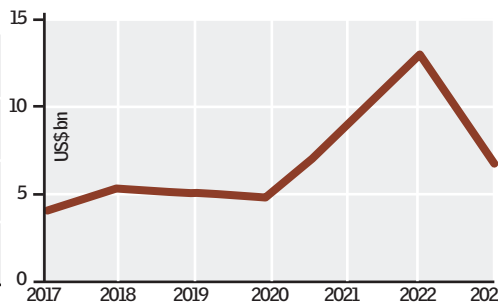
Recognising the need to pursue non-fossil fuel-based energy, Qatar has developed a National Renewable Energy Strategy.

Al Thani at Doha Bank frames the

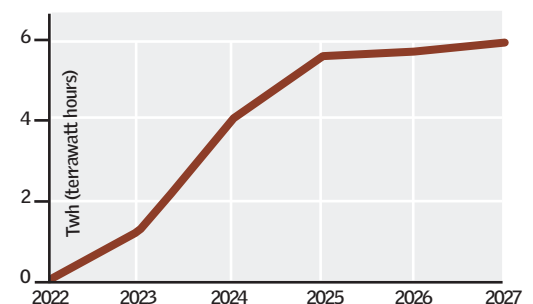
Qatar’s planned phased increase in LNG export capacity



Fertilizer exports



Solar generation



Sources: ING, Qatar State Planning Council, BMI

strategy as aiming to increase the use of renewable electricity, alongside low cost natural gas-fired electricity generation, to improve the quality of life for present and future generations. There is an explicit target to increase utility-scale integrated renewable power generation to 4GW by 2030.

“As the world shifts toward sustainable energy solutions, we expect significant advancements in this sector in Qatar,” says Bassel Gamal, chief executive of QIB. “The focus on renewable energy sources is becoming increasingly critical, driven by both global trends and national objectives. QIB is committed to investing in sustainable energy projects, providing financial support for initiatives that align with our environmental goals and contribute to a greener future for the region.”

SOLAR DAWN

When it comes to actually rolling out renewable power, Qatar has perhaps been slower than some of its neighbours like the United Arab Emirates and Saudi Arabia. But the pace at which Qatar adds green energy to the grid is accelerating. BMI analysts expect solar to account for 60% of the total net growth in Qatar’s electricity generating capacity between 2023 and 2033.

Competitive tenders for large projects with defined land area and a reliable grid connection make projects straightforward for developers. Qatar has succeeded in attracting extremely competitive bids and strong interest from a wide range of developers — local and international — that further drives down costs.

Besides grid-scale generation, the country has kicked off multiple solar power projects including solar-powered desalination and manufacturing facilities. “Qatar has really speeded up,” says Robin Mills, CEO at advisory firm Qamar Energy. “There’s been significant acceleration on the solar power side.”

Qatar has also shown savvy restraint when it comes to some of the newer and less proven technologies. Saudi Arabia, the UAE and Oman are all vigorously pursuing green hydrogen.

But there are serious questions over to what extent green hydrogen can be produced at prices low enough to justify the various use cases — from an alternative fuel in power plants to a home heating solution. Various European countries have been scaling back their green hydrogen plans, as the true complexity and cost become clear.

“[Qatar] has been a lot more limited in its ambi-



© Alamy (AP Photo/Richard Drew)

Sheikh Mohammed bin Abdulrahman bin Jassim Al-Thani, Prime Minister and Minister of Foreign Affairs of Qatar, addresses the United Nations Sustainable Development Forum in September 2023

tions, but you could also say more focussed,” says Mills. This includes making its LNG as low carbon as possible, using it to create blue hydrogen and blue ammonia through carbon capture and tapping its enormous solar potential.

“Qatar has a few clear areas where they are quite decisive about where they think they have an advantage,” he says. “That’s the advantage of being a smaller country, they don’t have to do everything.” ●

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