IR Call Transcript (Edited Version)
QNB Group Q4 2024 Results

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PRESENTATION

Elena Sanchez *EFG Hermes*

Good afternoon, and good morning, everyone. This is Elena Sanchez from EFG Hermes, and I would like to welcome you all to QNB Group's Q4 2024 Results Call.

We have today in the call as speakers from QNB Group, Ramzi Mari, Group Chief Financial Officer; Noor Al-Naimi, Senior Executive Vice President, Group Treasury; and Mark Abrahams, Executive Vice President, Group Treasury Trading.

I would like to hand over the call now to Mark Abrahams to begin with the presentation. Thank you.

Mark Abrahams *Qatar National Bank (Q.P.S.C.) – Executive Vice President – Group Treasury)*

Thank you very much, Elena, and EFG for hosting our call today. Before we begin, it is customary to remind everybody on the call that this is for investors and analysts only, and any media personnel should please disconnect now.

The global economy is set to expand moderately in 2025, growing at a similar pace as last year and within its long-term trend of around about 3.1%. The macroeconomic environment is benign.

Despite uncertainty about US policies under the incoming administration and existing geopolitical challenges, central banks and advanced economies have front- loaded a significant amount of monetary easing and more is expected as policy rates are taken from restrictive territory towards neutral levels by mid-2025.

Elevated oil and gas prices fuel robust fiscal and external revenues in the GCC, resulting in either twin surpluses or the execution of large investment projects. This adds to the momentum created by structural reforms and the continued expansion of international tourism. Non-oil GDP growth in the GCC remains favorable, mainly based on population growth, a large pipeline of CAPEX projects and robust FDI inflows. Also for Qatar, the macroeconomic environment remains positive.

With total exports of USD 94 Bn and central government revenues of USD 61 Bn over the last four quarters, Qatar benefits from a robust fiscal and current account position. Importantly, Qatar continues to lay the foundations for GDP growth over the medium- and long-term through new projects. On the hydrocarbon front, tailwinds from investments in increasing gas production will drive economic growth, with eight new LNG trains planned under the flagship North Field Expansion project, one of the largest capital expenditure projects in the region and industrial engineering projects in the world. These investments, to be executed in three phases, are expected to increase Qatar's LNG production by 85% to 142 million tonnes per annum (MTPA) by 2030.

Qatar is also ramping up efforts to diversify its economy and increase private sector engagement.

On the non-hydrocarbon front, the country further consolidated its position as a regional and international hub for business, investments, commerce, tourism and culture. This accelerated the execution of Qatar National Vision 2030 and assisted in the ongoing transition towards a knowledge-based economy. The North Field Expansion project will also include an equivalent expansion of Qatar's refining, downstream and petrochemical capacity. Positive spill-overs from these projects will combine with diversification efforts and structural reforms to boost economic activity and spending in the broader manufacturing and services sectors.

GDP growth is expected to accelerate to 2.4% in 2025, 5.2% in 2026 and 7.9% in 2027.
As a result, the economic expansion continues in Qatar while the banking sector is resilient and healthy, presenting significant growth, ample liquidity, adequate levels of capitalization, high asset quality, and robust profitability.

I will now move on to QNB's financial results for the twelve months ended 31st December 2024.

Key financial results are as follows, net profit was 16.7 billion Qatari riyals or 4.6 billion US dollars, a robust growth of 8% compared to last year. Robust revenue growth resulted in an increase in operating income to 41.3 billion Qatari riyals or 11.4 billion US dollars, up 6%, demonstrating QNB Group's success in maintaining growth across the range of revenue sources.

QNB's cost to income ratio remained strong at 22.3%, which is one of the best ratios among large financial institutions in the MEA region.
Total assets are at 1.298 trillion Qatari riyals or 357 billion US dollars, up by 5 percent from same period last year. Loans and advances reached 911 billion Qatari riyals or 250 billion US dollars, up 7%.

QNB Group remained successful in attracting deposits, which resulted in an increase in customer funding by 3 percent from December 2023, to reach 887 billion Qatari riyals or 243.7 billion US dollars. The Group's loan to deposit ratio remained stable at 96.8 percent.

QNB Group's ratio of non-performing loans to gross loans reduced to 2.8 percent reflecting the high quality of the Group's loan book and the effective management of credit risk. In addition, the coverage ratio on stage 3 loans remains at 100%.

Total equity increased to QR114 billion, up by 3% from December 2023. The bank's Capital Adequacy Ratio (CAR), at 19.2%, is comfortably higher than both QCB and the latest Basel III Reform requirements.

Earlier in the year, QNB had announced a buyback of its shares. The buyback execution is in progress. Till 31 December 2024, QNB has bought back approximately 38 million shares amounting to Qatari riyals 661 million.

The Board of Directors of QNB Group have recommended to the General Assembly the distribution of a cash dividend of 37% of the nominal share value (QAR0.37 per share) for the second half of the year ended 31 December 2024.

The total dividend distribution for the year ended 31 December 2024 amounts to 70% of the nominal share value (QAR0.70 per share).
The annual financial results for 2024 along with the proposed profit distribution are subject to Qatar Central Bank (QCB) and the General Assembly approval.

We will now turn to questions and answers. Thank you.

QUESTIONS AND ANSWERS

Host - **Elena Sanchez** *EFG Hermes*

Thank you very much, Mark, for the presentation.

We will move now to the Q&A.

We have just received a question now from Nikhil. I will read it as I have received it. There was a huge write-off which took place during Q4 2024 of Stage 3 loans. This is larger in the -- this is larger than Q4 2023 write-offs. Any reason behind taking these write-offs and provisions and are there any country-specific risks from Qatar or Turkiye?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

First of all, I want to say hi to everyone on the phone. This is Ramzi.

It's spread out among the Group. As you know that we do a comprehensive exercise on the write- offs during the year and that's why this time the bulk of the write-offs took place in the fourth quarter. No specific concentration whether it was in country or customer.
QNB continues to be one of the lowest institutions in the region in terms of the amount of write-offs that's been done. We always said that the Central Bank usually is very, very hesitant and there is very strict guidelines when we can do any write-offs. We are in constant discussions with Central Bank to ensure that we are allowed to do some write-offs for loans which has 100% provision. Of course, write-off does not stop QNB's procedure to follow up on these accounts and to recover the loans. Thank you.

Host - Elena Sanchez *EFG Hermes*

Thank you. We'll move to the next one. Olga Veselova, if you can please unmute your microphone and ask your question.

Q - Olga Veselova *Bank of America*

I have three questions. One question is on asset yield or other asset spread versus the benchmark. What was helping this yield in the fourth quarter? And what would be your outlook for 2025? And if we can separate possibly this discussion for the Group and for Qatar operations only, maybe you can remind us what's the share of fixed- rate assets and total assets to have a better understanding.

My second question is on Turkiye. In Turkiye, profitability ROE came at 3% for 2024. When I look at other Turkish banks, usually profitability last year was 30% plus. I understand that the difference can be IFRS versus BRSA accounting, but were there any other differences? What QNB Turkiye did differently versus local Turkish banks?

And my third question is spin-off of Enpara or potential spin-off of Enpara. Do you consider retaining control after the spin-off? Do you think about IPO or private sale?

And what's the rationale to spin it off from Turkish operations and from the Group? Thank you.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Let's start with the third question, the spin-off. The target of the spin-off to give more capacity for the entity to grow. Having Enpara part of QNB Turkiye put limits in its capacity to grow. And that's why with additional capital and more support in terms of expertise and focus from the head office, the capacity for the entity to grow is much higher. QNB at this stage aim to maintain the ownership of the entity. But definitely any plan to sell part of the entity is on the longer strategy for the Group.

Yield -- let's - and let's talk about margin. Margin grew in the fourth quarter. And the main reason for this is that number one, Turkish interest income materially improved in the fourth quarter. And we said that in the phone call in the second quarter and third quarters. We said that the first quarter and second quarter net interest income for Turkiye was materially weaker. Third quarter and fourth quarter was nearly close to double what we have seen in the first half of the year. This is the first reason.

Second reason, the team in Treasury in the fourth quarter was very disciplined in how they managed their cost of funding. We always said that when interest rate comes down, QNB's net interest income is negatively impacted. However, this can be managed through a disciplined approach from the ALCO and from Treasury team and how we price and how fast we are able to price some of the deposits. In the fourth quarter, we prioritized profitability over liquidity for that period since we were extremely disciplined in how we priced some of the corporate deposits that we have. This is the main reason why we see good momentum in terms of net interest income on -- in the fourth quarter.

Now thirdly, in terms of how we -- is there anything else different that we do different from the peer group? No. Definitely, the margin for QNB is better. Our cost of risk is lower than the peer group, cost-to-income ratio is lower than the peer group in Turkiye and this is helping us maintain a good margin.

Now, in terms of in the fourth quarter, one thing that we need to consider that hyperinflation impact on some banks in Turkiye is materially higher than the rest of banks in Turkiye. And that's why you need to exclude hyperinflation when you compare banks in Turkiye. And it's better to use BRSA numbers to do the comparison. Once you do that, you will realize that QNB numbers in Turkiye is much better than the peer group.

Q - Olga Veselova *Bank of America*

Yeah, makes sense. Thank you for this. And if I can squeeze in, if I can ask you outlook for 2025 for margin, cost of risk for loan growth, whatever you're comfortable to provide.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Cost of risk last year dropped from 102 to 93. Our expectation for this year to be between 80 to 85 basis points. In terms of guidelines for the balance sheet and profitability, loans and deposit for the Group, we estimated to be 5% to 7% growth and profit and loss 7% to 9% growth. Margin, we expect it to be between 260 to 265.

So much stronger than what we anticipated last year. The main reason for this and the main variable for this, number one, is that we plan to continue the disciplined approach in terms of managing our cost of funding. And number two, all expectations for net interest income for Turkiye that will be much higher than last year.

Q - Olga Veselova *Bank of America*

Perfect. Thank you very much.

Host - Elena Sanchez *EFG Hermes*

Thank you, Ramzi. We'll move to the next question from Aybek Islamov. Please go ahead. Aybek, please go ahead.

Q - Aybek Islamov *HSBC*

Well, thank you for the conference call and the Q&A so far. Well, I guess, I wanted to ask you three things.

One is, you mentioned that you expect economic activity in refining downstream to improve on back of this LNG expansion, which makes perfect sense. Can you please give some color whether the CapEx in these segments has already started or is it more CapEx will start after LNG expansion - after new LNG production capacity is up and running? That's my first question.

Secondly, could you give some color around your deposit growth in the fourth quarter? They declined sequentially so will be quite useful to understand what's driving that. Thirdly, one accounting question regarding Egypt. Will you be applying hyperinflation accounting in Egypt 2025? That's my third question. I think lastly you already gave guidance on the Group level, could you elaborate on your expectations in Turkiye and Egypt in 2025?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Okay. I was applying hyperinflation in Egypt depends on their inflation numbers. It's something that we are monitoring very closely. If they hit the percentage required by the standard, of course, we are going to apply. What happened to deposit in the fourth quarter? Two things. Number one, that State Ministry of Finance utilized a big chunk of the surplus they had to repay much of their loans in QNB which is something that we expect. We always said that when oil prices is high, the state utilizes some of that cash to reduce their loans and of course, QNB has the biggest share in that - in these loans and that's why it's impacted.

The second part is that as I mentioned before, we were very disciplined in the fourth quarter in how we priced our loans - our depository -- our deposits and how we manage our cost of funding. And of course, some of the customers felt that QNB is too disciplined and they opted to move to other financial institutions. To us, we know that we have a 52% market share in the market. We aim to maintain that market share but at the same time, it's very, very important for us to manage our cost of funding in a way that maintain the best trade-off between profitability and liquidity for the Group.

Now in terms of North Field expansion, the CapEx started and started since last year and there are projects coming every once in a while and this will continue towards '25 and '26. Now the guidelines for Turkiye and Egypt, for Egypt, this year loans growth of 11% to 13%, deposits 15% to 17%, profit and loss 12% to 16%. Turkiye loans 30% to 35%, deposits 35% to 40%, profit and loss 200% to 220%. We will see material growth in the profitability in Turkiye. We said last year that Turkiye profitability was materially lower because of the first half of the year was extremely weak, in terms -- mainly in terms of net interest income. But we are very optimistic that '25 will be materially better than the year before. Thank you.

Q - Aybek Islamov *HSBC*

Thank you very much

Host - Elena Sanchez *EFG Hermes*

We will take our next question from Murad Ansari. Please go ahead. Murad, go ahead.

Q - Murad Ansari *EFG Hermes*

Thank you very much. Thanks for the presentation. Few questions around the fourth quarter numbers on margins and loan growth. So on margins, we've seen, as you mentioned, deposit, you've been very disciplined on funding and managing deposit costs and that should likely continue. Is that the key driver for your margin outlook going into next year? And this is really, we're talking mainly about Qatar or how much contribution do you expect coming from Turkiye, which has seen steady improvement in margins over 2024? How do you see that evolving into 2025? And also on funding costs domestically, is the interest rate cuts that we've seen so far are one of the reasons why we've seen margins improved in the fourth quarter?

Then if -- my second question is around provisions. In the fourth quarter, there was a big -- as you mentioned, there was a longer, a stronger review in fourth quarter on the asset quality, and overall your cost of risk for the year is within the guidance range that you had provided. But in the third quarter we were -- I think there was some indication that cost of risk might fall closer to the lower end of the range of the guidance range. It's ended up slightly towards the higher end of the range. So just wanted to get your thoughts on fourth quarter provisioning and how much of that provisioning is really comprising of direct write-offs, if any.

And last question on loan growth, your guidance on loan growth, again, largely driven by Qatar, you had mentioned in the third quarter also that you're seeing pickup in domestic activity and we've seen personal lending and services lending improve. Are those going to be the key driver going into 2025 on loan growth as well? Thank you.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Margins improved in the fourth quarter. As I mentioned, one of the main reason is Turkiye and the second one is how we managed our cost of funding. This will continue in the fourth quarter. If we are going to compare net interest income for Turkiye that we expect in first quarter of '25 versus first quarter of '24, I think will be more than double the interest income.

In terms of Doha operation, definitely we will continue the approach that we adopted in the fourth quarter. But at the same time, we need to consider liquidity at that time. Fourth quarter with many customers was a little bit difficult because many of the customers did not recognize the fact that interest on deposit need to start coming down. At the same time, some of the customers wanted to take advantage of year- end accounts whereby they wanted to push rates to continue as they are. And that's why we had to take a stand that to get the message very clear to all of our customers that interest is coming down, it has to come down. And that's why we believe that many of the customers that withdraw their money because we have very long relationship with some of these customers that withdraw some of their cash in the fourth quarter that they will bring back their money. And you will see that on the - in the first quarter of this year. So that's why we expect margin to continue to be solid during 2025, and it will continue to be very close to what we ended the year in '24.

Provision, fourth quarter in terms of profitability was extremely strong. Was extremely strong. And we always said that QNB wants to maintain the guidelines of profitability that we give. And sometimes when operating income is very strong that impacts cost of risk and cost of risk pickup to ensure that we are able to manage the growth that we have in profitability. I agree with you that cost of risk on the fourth quarter was higher than the guideline that we gave. But at the same time, we ended up with very close to the guideline that we gave on profitability. In 2025, today, now we believe that cost of risk will be lower and we will -- we should be between 80 basis points and 85 basis points.

Loan growth, I think what we have seen in '24 will continue in '25. Services will continue to be a major contributor. All projects surrounding the North Field expansion, again, will be extremely important. Public sector will contribute between 40% to 50% of the growth in loans in the market. So we are optimistic that '25 will be another good year in terms of growth in loans. Thank you.

Q - Murad Ansari *EFG Hermes*

Just a follow-up on funding. So on deposits, your demand deposit has sequentially lower versus third quarter. Is this a reflection of the government repayments coming through? Because I see on your annual disclosure, the government deposits are also lower.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

The answer is yes.

Host - Elena Sanchez *EFG Hermes*

Thank you, Ramzi. We'll take the next question from Waruna Kumarage. Please go ahead. Waruna, please go ahead.

Q - Waruna Kumarage *Securities and Investment Company*

Thank you very much for the call. I have just one follow-up question on the deposit growth. So as you mentioned that you expect the deposits group -- at the Group level to grow in line with the loans, 5% to 7%. With your -- I mean, while you're trying to maintain a disciplined approach in managing the cost of funding, I was wondering how -- which -- how are you going to manage this deposit growth? Are you expecting some of the withdrawals which was -- which -- I mean some of the money which went out from the government side to come back so the mostly government to contribute to this deposit growth in 2025?

A - Mark Abrahams *Qatar National Bank (Q.P.S.C.) – Executive Vice President – Group Treasury)*

Hi, Mark here on the Treasury side. No, it'll be a combination of public and private sector growth. It'll be across all sectors, I think, to be fair. And again, we're very, very disciplined indeed. So whilst you'll see the selected growth on the deposit side, one thing that we were focusing on again last year, that will continue to be the case.

And one of the reasons that we did see money leave at the end of last year is that we are turning out the deposits as well. As we see rates become more favorable as we have a more diverse funding program overall, we work very hard also as well as to increase the number of clients that we have, the number of smaller investors that we have. We're also very keen to term out the deposit book as well. So it's a combination of all three really that's going to focus on the deposit profile going forward.

Q - Waruna Kumarage *Securities and Investment Company*

All right. Thank you. If I may ask, I mean, one more question related to Turkiye now that they have started the rate cutting cycle, although at a very slow - I mean, kind of at a slower pace. I mean, going into next year, is that kind of factored into your expectation? Because I think in a downward cycle, the banks tend to benefit from deposit repricing.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

This is the expectation and that's why we expect net interest income to be much better in '25 than '24.

Q - Waruna Kumarage *Securities and Investment Company*

All right. Okay. Thank you very much. Thank you.

Host - Elena Sanchez *EFG Hermes*

Okay. We'll take next question from Andrew Brudenell from Ashmore. Please go ahead.

Q - Andrew Brudenell *Ashmore*

Yeah, I just wanted to come back to the Central Bank's approach to asset quality. I mean, this is a big issue in Qatar, arguably less so for QNB. I acknowledge that. But obviously there's still some changes going on as you cited. So this large - the larger Stage 3 write-off that you're sort of allowed to do and put through in the fourth quarter, is this an indication that the Central Bank and the regulator are just a little bit more engaged on sorting out asset quality in the system now because there was a period earlier in the year when many of the banks were saying that they really couldn't get anything done because the regulator wasn't really prepared to start changing or sort of improving things from Stage 3 to Stage 2 or allowing things to be written off or moving things from Stage 2 to Stage 1.

Do you have a sense that there's progress being made there, generally speaking, and this is part of why you've been able to do what you've done? And then have you -- I guess, related to that or maybe it answers this question, have you actually been allowed to move some Stage 2 loans to Stage 1 that have been performing for 12 months?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

I have a completely different view of how the Central Bank is engaged in terms of the quality of assets. The Central Bank is always engaged with banks in terms of how we manage our provisions, manage our write-offs. And QNB keeps very close relationships with the Central Bank and we are always engaged with them in terms of what to be done. As I mentioned, they have an extremely disciplined approach in how they manage this process, especially the write-offs. There is very specific requirement that you need to meet to be able to write off a loan and with that keeping close engagement and by following the guideline that they put, you are allowed to do write-offs. And that's what we have done in the fourth quarter. But the whole year, we are very close with them in the discussion in terms of the requirement, if there's anything missing, how to satisfy. Once you satisfy all the requirements, they are proactive in supporting us in terms of the write-offs or in time in terms of how we manage some of the provision.

Now moving provision from Stage 2 to Stage 1 or Stage 3 to Stage 2, the standard is - even the standard from an IFRS point view is very awkward in how they manage that process from a requirement point of view. The Central Bank always takes a lot of time for them to study each case by itself to allow the bank to move between Stage 3 and Stage 2 and Stage 2 and Stage 1. So I can say that there isn't much happening in this regard. And QNB doesn't push, to be honest, I will tell you. We want to maintain a very conservative approach on how we manage our book. We are not in a hurry to move some provisions from Stage 2 to Stage 1 or from Stage 3 to Stage 2 until we are 100% relaxed that any past dues or any delays in repayment is being - going back to normal. Thank you.

Host - Elena Sanchez *EFG Hermes*

Okay. We'll take next question from Andrew Brudenell from Ashmore. Please go ahead.

Q - Chiradeep Ghosh *Securities and Investment Company*

So, three quick questions. The first one is related to the FX income. So FX income seems to have steadied quite a bit. Is it related to the Turkiye's currency volatility and if it stabilizes will you see it's normalizing down? That's my first question.

Second one is still a very big chunk of your assets are in US dollar. That's shown in the presentation, roughly 46%. We cannot see the liability side. So want to get a sense with if there is volatility in the US dollar, so would it have any impact on your profitability? Two.

And third one very quickly on the Egyptian operation, it seems to have been quite, quite, quite steady and quite robust, although the economy might be having some kind of issues. So can you give some idea or some color on how do you see the Egyptian economy going forward?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

FX income this year was lower than last year, mainly because of the devaluation that we had last year. We have long position in Turkiye and Egypt and whenever there is any devaluation, we materially benefit from a P&L point of view. This year, we hadn't -- we didn't have that much impact on this and that's why this year is lower than last year.

Now in Egypt, economical point of view, definitely Egypt done very well this year and we are very optimistic that things will going to be much better in '25 than '24. And the guideline that we gave for Egypt clearly show that we are very optimistic that '25 will be a good year whether it was in terms of balance sheet or profitability. We are seeing corporate going back to investing in their CapEx. There's good demand on loans. Still the potential for Egypt is huge and it's shown by the loan-to-deposit ratio which stands at 51%. So there is a lot of potential to grow in terms of loans in Egypt and to maintain a very healthy margin of more than 600 basis points.

Now the third question, I will leave it to Durraiz to handle it.

A - Durraiz Khan *Qatar National Bank (Q.P.S.C.) – Senior Vice President, Group Financial Consolidation*

Yes. Hi, Chiro. If you look at our note in foreign exchange risk in the Market Risk section, we give you full details of the total assets and liabilities exposure in all currencies. And over there, you can see it's roughly -- assets and liabilities are roughly matched for each currency pair. So irrespective of the volatility, there is very minimal impact of that on the P&L because we try to make sure that our open positions are as close to zero as a bank can potentially have.

Q - Chiradeep Ghosh *Securities and Investment Company*

Very clear. Yeah. That's all from my side. Thank you very much.

Host - Elena Sanchez *EFG Hermes*

We will take the next question from Bijoy. Please unmute your microphone and go ahead with your question.

Q - Bijoy Joy *QIC*

Regarding the pillar two implementation, will it start in 2025? And if yes, what will be the impact on earnings?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

It will start in '25. The impact will be 15%.

Q - Bijoy Joy *QIC*

And this 15% would be on the entire profit?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Each jurisdiction where we operate must have a minimum tax of 15%.

Q - Bijoy Joy *QIC*

Understood. And my second question is on the write-off. If you can help me understand from where it is - where is it coming from? Which sector and which country?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

There is no concentration by country, customer or industry.

Q - Bijoy Joy *QIC*

Okay. Thank you.

Host - Elena Sanchez *EFG Hermes*

Thank you, Ramzi. We'll take the next question from Salome. Please unmute your microphone. Salome, please go ahead.

Q - Salome Skhirtladze *Bloomberg Intelligence*

So I have a small follow-up question on the net interest margin to have an idea, how sensitive would be your growth -- loan growth target given still tight monetary condition? For example, assuming no rate cuts this year, would it imply in the same loan growth this year in Qatar and across the region as well? Thanks. And please could you also specify the amount of sensitivity per 25 basis point or 50 basis point rate cut?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

We always said that as per current balance sheet structure, 100 basis points causes around QAR500 million roughly. But looking at what we have done on the fourth quarter, even though interest dropped, but we were able to improve our margin. So when you build a model and you use what you have in terms of interest gap between your asset and liability, definitely QNB, now the model shows that net interest income for QNB drops.

However, with a very active approach by the ALCO Committee and by Treasury, a big chunk of that negative impact can be managed. So again, model-wise, there is a negative impact. However, what we have seen in the fourth quarter that we were able to absorb that impact and get a positive result from the drop in interest rate.

Now, will the growth in loans be sensitive to what will happen in interest rates in the fourth quarter -- sorry, in 2025? No. The range that we are given, which is 5% to 7%, I think this is achievable whether interest rate come down by 50 basis point or 100 basis point or not.

Q - Elena Sanchez *EFG Hermes*

Thank you, Ramzi. I will read out a few questions that were sent to the chat. In Q3, we heard from banks about a support package from the real estate - for the real estate sector. Can you elaborate on the form and what is the progress on the same?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

We are not seeing any progress in this regard.

Q - Elena Sanchez *EFG Hermes*

Okay. Thank you. Another question on share buyback. Can you please remind us when does the approved buyback period come to an end?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

We have it until April this year, but we can always, as per the regulation, ask for an extension.

Q - Elena Sanchez *EFG Hermes*

All right. Thanks. Another question on the tax rate. QNB financials suggest that the tax rate in the International segment increased to 49% in 2024 from 44% in 2023. What drove the increase?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

The main reason that Turkiye tax authority does not recognize hyperinflation as deductible. Tax deductible.

Q - Elena Sanchez *EFG Hermes*

Yes. Okay. And also, what is the effective tax rate that we should project for 2025 at the Group level?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Let's assume between 20% and 25%.

Host - Elena Sanchez *EFG Hermes*

All right. Thanks. If you still have time, there are a few follow-up questions here. One from Murad Ansari.

Q - Murad Ansari *EFG Hermes*

Thank you so much. Just a couple of questions and quick ones.

One, on NIMs, you highlighted guidance for about 260 to 260 basis -- 265 basis points. So that's broadly flat versus 2024, which in 2024 was about 265 basis points on Group level. Question one.

And second question on the hyperinflation charge.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Sorry, I missed the first question. What exactly is the question?

Q - Murad Ansari *EFG Hermes*

I'm sorry. So I just wanted to confirm that your guidance for NIMs is 260 basis points to 265 basis points for 2025 and that would be basically mean margins would be flat relative to 2024. So flat margins versus 2024, right?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Agree. But the growth in net interest income will become -- will come from higher volumes.

Q - Murad Ansari *EFG Hermes*

Balance sheet growth. Of course. Got it. Thank you. I just wanted to confirm that.

And second one, hyperinflation charge. So inflation levels are coming off, your hyperinflation charge is also coming off. At -- when you're looking at hyperinflation under the standards, is that the average for the last 36 months? Is this reviewed at the end of the year? If you could just -- I know it's still some time to go before we get to that sub-100%. But at what point does and does the hyperinflation charge go away?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

It is 36 months. You need to wait. But to be honest, don't forget that this is even when discussion with the Group with the big four, to be honest, many implication of hyperinflation is not very clear. This standard hasn't been used by many countries and it's been used a lot around the world. So definitely you need to wait and you need to discuss with auditors. But Durraiz can give you more highlight on the detail.

A - Durraiz Khan *Qatar National Bank (Q.P.S.C.) – Senior Vice President, Group Financial Consolidation*

There's a professional body called International Practices Task Force Center for Audit Quality which is based in the US which basically decides which countries go in hyperinflation, which countries go out of hyperinflation. So we need to - we actually read minutes of that professional body to understand and at this point in time, Turkiye remains hyperinflationary at least for the next year.

Q - Murad Ansari *EFG Hermes*

For you to reduce the charge. But going forward, I guess, should we assume this fourth quarter as a run rate or even lower maybe for next year?

A - Durraiz Khan *Qatar National Bank (Q.P.S.C.) – Senior Vice President, Group Financial Consolidation*

No, no. It depends on two factors. What is the inflation rate in the economy and what is the net monetary position? Profitability in the enterprise increases the monetary position. So even if the inflation rate marginally declines, with Q1 we had not expected a lot of decline because they have a lot of repricing coming up because of wage hikes. But it's expected to decline later. But you would have two variables, one increasing and one decreasing simultaneously. So it's not a straightforward decline. You'll - both have to decline materially.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

I will tell you what, the minute three-year inflation is lower than 100%, I will be strongly engaged with external auditor on a very strong discussions to stop hyperinflation. At the end, we applied it when we got to 100%. Once we come down below 100%, definitely, I'm not going to wait to anyone to come and say that we need to stop hyperinflation. Immediately, I will stop - I will start discussion with auditors to halt that implementation.

Q - Murad Ansari *EFG Hermes*

All right. Thank you. And that could happen in the middle of the year.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

No, not really because you need to wait for a full year to below. So, no. Let's forget 2025, and let's be hopeful for '26.

Q - Murad Ansari *EFG Hermes*

All right. Thank you so much. All the best.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Thank you. Thank you.

Host - Elena Sanchez *EFG Hermes*

Thank you very much. We'll take a question now from Jon Peace. Please unmute your microphone and ask your question.

Q - Jon Pearce *UBS*

Hi. Most of my questions were answered, but could I just ask two more, please?

Firstly, the share repurchase, do you intend to cancel those shares eventually? And secondly, I appreciate that we'll get the full financials for Finance bank at the end of the month, but would you be able to give us the Q4 cost of risk and how the revenue splits out between NII fees and trading income? Thanks very much.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Cost of risk for Turkiye, I don't have it in front of me. So, sorry, I will not be able to answer this question. But definitely, if you drop us an email, I will immediately send you the number.

Will we settle the shares? It's something that we need to look at at later stage. Number one, now let us achieve the target of buyback up to QAR2.9 billion. After that, we will start thinking about whether number one, there will be a second program or number two, whether we are going to retire the first phase. The standard today is open. You can maintain the shares, you can retire the shares, you can have a second program. That flexibility is very good. It allows us to study what is the best option for QNB and implement it.

Q - Jon Pearce *UBS*

Thank you.

Host - Elena Sanchez *EFG Hermes*

We will take a question from Vinod Surendran. Please go ahead.

Q - Vinod Surendran *AllianceBernstein*

Hi. Most of my questions were answered, but could I just ask two more, please?

Quick question from my end. It's regarding your euro debt issuance plans. We're seeing some GCC plans coming to the market. You have any plans to come to the market to issue the senior bonds? And we also -- and second question is, we don't see any capital instruments in your capital structure, specifically subordinate and junior subordinated debt. Any plans to issue those kind of capital in the near term? Thank you.

A - Mark Abrahams *Qatar National Bank (Q.P.S.C.) – Executive Vice President – Group Treasury)*

On the senior bonds, as we always have been, we remain opportunistic. We do have maturities coming up over the course of this year and in all likelihood, we'll probably be looking to come to market again at some point. But we never had a formal issuance plan. So we don't have predefined amounts we need to do in certain quarters or certain periods for that matter.

We look in all different markets, obviously, extensively we're mainly US dollar-based, but we have other markets we look at too. We're monitoring Sterling and Euro and Aussie and other markets for that matter as well. So I think it's very likely you'll see QNB in the public issuance space during 2025. But in terms of when and where that will be, that depends on the market.

With regard to the subordinate and other instruments, I'll let Durraiz answer that part.

A - Durraiz Khan *Qatar National Bank (Q.P.S.C.) – Senior Vice President, Group Financial Consolidation*

Yes. At this time, we have more than enough buffers in our capital adequacy, and we don't have any plans for issuance of capital instruments at this point in time.

Q - Vinod Surendran *AllianceBernstein*

Quickly, one follow-up question I had, if I may. Any plans to issue euro debt in the Turkish market for your subsidiary QNB FB?

A - Mark Abrahams *Qatar National Bank (Q.P.S.C.) – Executive Vice President – Group Treasury)*

Potentially, yes.

Q - Vinod Surendran *AllianceBernstein*

Okay, perfect. Thank you very much.

Host - Elena Sanchez *EFG Hermes*

We have a follow-up question from Olga. Please unmute your microphone and go ahead with your question.

Q - Olga Veselova *Bank of America*

Thank you for taking my follow-up question. A very quick one just to clarify on margin guidance for 2025, you guide flat to slightly down margin for the Group for the full year.

And this is despite the fact that for Turkiye you expect a material improvement in NII and margin in 2025 versus 2024. Can we just connect the dots here? Are you being conservative for the Group margin outlook or do you expect that Turkish margin or Turkish NII improvement will be offset by lira devaluation? Thank you.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

For now, let us be conservative and let us say that net interest income will continue to be around 265 basis points. I prefer that we end up with a higher number than to give you a number and then we end up at a lower than that number. So for now, let's be conservative and say that we expect it -- net margin to be flat next year.

Q - Olga Veselova *Bank of America*

Well noted. Thank you.

Host - Elena Sanchez *EFG Hermes*

We will take a question now from Fatima Shakar. Please unmute your microphone and go ahead with your question.

Q – Fatema Alshakar *Securities and Investment Company*

This is Faitma Shakar [ph] from SICO Bank [ph]. I just have one question. Can you shed a light on what sectors or countries contributed to the new default in quarter four before the write-off?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Not - again, it's across the Group. I cannot highlight one country or one sector.

Q – Fatema Alshakar *Securities and Investment Company*

But do you see the hospitality sector struggling after the war stopped?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Not really at all. 2024 was materially better than 2023 in terms of hospitality. The occupancy rates in most hotels is very healthy and it's improving. Third quarter and fourth quarter, we are seeing even much higher momentum. Number of tourists we were - we're supposed to reach 5 million and it's increasing. So definitely, it is not an area of concern.

Q – Fatema Alshakar *Securities and Investment Company*

And what about the real estate?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Real estate, it's beyond us now. Any bank that had any issues, it would be historical. Today, real estate financing is very, very low. Banks already have provided for any troublesome real estate loans. So I don't see that an issue at this stage also.

Q – Fatema Alshakar *Securities and Investment Company*

Okay. Thank you so much.

Host - Elena Sanchez *EFG Hermes*

Thank you, Ramzi. One last question I can see here on the Q&A chat. Just to reconfirm net income growth guidance of 7% to 9% despite the higher tax rate, is it because of volume-led net interest income growth and lower cost of risk or are there any other levers to offset the tax impact?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

No, good question. Very good question. I missed to highlight this. When I said P&L growth 7% to 9%, ignoring the 15% tax. So I am applying apple to apple comparison in terms of profitability. So we need to exclude the tax implication. So, sorry, and thank you for whoever raised this question to make this clearer.

Now on this subject, definitely there will be tax of 15% next year. QNB will take all necessary actions to minimize the impact of the 15% and to be able to absorb that implication. And we have seen this before in many occasions when the market was very difficult, when there was huge geopolitical risk, when there were major devaluation in the group, QNB were able to absorb the implication and continue to grow.

Now we are optimistic that we will be able to absorb the bulk of the impact of the tax. However, at this stage, let's talk about we expect profitability to be to grow between 7% to 9%. Of course, excluding the tax. We consider the tax, then there will be a drop of, let's say, between 7 - 6% to 8% versus this year.

Now, saying this, there's something that I want also to highlight to our investors and we said this before. In terms of payout ratio and in terms of distribution to our shareholders, even if profitability drops because of taxes, as we mentioned 6% to 8%, the impact of this will be absorbed by the Group and the payout ratio will go up in order to ensure that the tax will not impact our shareholders negatively.

Host - Elena Sanchez *EFG Hermes*

Thank you, Ramzi. And one final question that hasn't been covered yet and has been there for a while. Can you provide more clarity on the loan portfolio, fixed rates versus variable rate loans?

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

The bulk of the funding and the bulk of our assets is floating.

Host - Elena Sanchez *EFG Hermes*

All right. Thank you. I don't see any -

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

And there is a note in the financial accounts, Elena, that show you clearly how much is fixed and how much is floating. It's the Note 4C.

Host - Elena Sanchez *EFG Hermes*

All right. Thank you very much. I don't see any additional questions at this point and therefore we can conclude the call.

I would like to thank Ramzi, Mark and Durraiz for all the answers that they have provided today. Thank you for all the to all the participants for joining, thank you very much, everyone.

A - Ramzi Talat A. Mari *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer*

Thank you, and enjoy the rest of the day.
