



IR Call Transcript (Edited Version) QNB Group Q3 2020 Results

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PRESENTATION

Operator

Welcome to QNB Group's Q3 2020 Financial Results Conference Call. Today's call is intended for analysts and investors only and is not intended for the media. As a reminder, today's call is being recorded. At this time, I will pass on the call to Waleed Mohsin from Goldman Sachs.

Waleed Malik Mohsin *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Thank you, Holly. Good day, everyone. Thank you for joining QNB Group's earnings conference call. On today's call, we are pleased to host QNB's senior management team, represented by Ramzi Mari, Group CFO; Noor Mohammad Al-Naimi, General Manager, Treasury; and Mark Abrahams, AGM, Trading and Treasury.

So without any further delay, I will pass on the call to QNB management.

Mark Abrahams *Qatar National Bank (Q.P.S.C.) – Assistant General Manager, Trading - Treasury*

Thank you very much, indeed, Waleed, and good day, everybody. I will begin by giving an update on the actions taken by Qatar in light of COVID-19, followed by a brief overview of the macroeconomic environment in Qatar. Then I will cover QNB's quarterly financial results for the 9-month period ended the 30th of September 2020. And finally, open the floor up to questions and answers.

Qatar has taken all necessary precautionary measures to protect the society, its population and economy from COVID-19. While the impact of the COVID-19 pandemic provides uncertainty, Qatar's economy has weathered the storm, and activity is rebounding as business resumes. We have progressed through a 4-phased plan for relaxing precautionary measures and are now seeing a decline in the number of new cases. Looking forward, the Ministry of Public Health has committed to provide a COVID-19 vaccine free of charge to all Qatar residents after signing an agreement with Pfizer.

The government's QAR 75 billion stimulus package includes targeted measures to defer taxes and fees, defer loan payments, boost concessional financing for small and medium sized enterprises, investments in the local equity market and provide additional liquidity to the banking system.

Qatar has also clearly demonstrated its ability to combine prudent fiscal policy with the effective delivery of the large public program of capital expenditure to execute upon the Qatar National Vision 2030 and the 2022 FIFA World Cup. This is laying the foundation for continued GDP growth over the medium and long term through both diversification and stronger private sector growth.

Doha's non-energy private sector economy continued to expand strongly throughout Q3 2020 as coronavirus-related restrictions were lifted, according to the Qatar Financial Centre's Purchasing Managers' Index compiled by IHS Markit. The top line PMI averaged 55.6 in Q3 2020, signaling sustained improvement in business conditions in the non-energy private sector segment of the economy and was the third highest figure in over 2 years.

Moving forward, private sector growth will be boosted by continued structural reforms, including ownership liberalization, the promotion of foreign direct investments, labor reforms, the permanent residency program and several initiatives to support SMEs as well as self-sufficiency in strategic sectors.

Moreover, several other facilities to improve business environment procedures were launched at the various legislative, organizational and administrative levels. The Investment Promotion Agency and a single window for establishing companies will facilitate faster registration and licensing of businesses in Qatar.

Tailwinds from investment in increasing hydrocarbon production will drive economic growth going forwards. Six new LNG liquefaction trains are planned to increase Qatar's LNG production by 64% to 126 million tonnes per annum. There were 2 phases in relation to the North Field expansion: the East and the South expansion. Qatar is going to go from 77 million tonnes per year to 110 million by 2025, and then up to 126 million by 2027.

Supporting the North Field expansion, Qatar has reserve capacity for over 100 new LNG carriers, worth over \$19 billion. Positive spillovers from increased hydrocarbon production will combine with diversification efforts and structural reforms to boost activity and spending in the manufacturing and services sector.

I will now move on to QNB's quarterly financial results for the 9-month period ended 30th of September 2020. Key financial results for this period are as follows: net profit was QAR 9.5 billion or USD 2.61 billion. Considering the global economic conditions, QNB Group, following its conservative approach towards building adequate reserves against potential loan losses, has opted to increase loan loss provisions by QAR 1.9 billion or USD 520 million for the period, which will assist in protecting the group from any adverse experiences in the portfolio. This has impacted the reported profitability.

In addition, QNB Group has continued on its operational rationalization exercise, which has resulted in cost savings, reducing the cost-to-income ratio from 25.7% last year to 24.2% now. Operating income increased to QAR 19.2 billion or USD 5.3 billion, up by 1% compared to the same period last year, demonstrating QNB Group's success in maintaining growth across the range of revenue sources.

Total assets reached QAR 986.3 billion or USD 270.9 billion, up by 8% from September 2019. This was driven by growth of 10% in loans and advances to reach QAR 716.6 billion or USD 196.8 billion. QNB Group remained successful in attracting funding, which resulted in increased customer funding by 8% from the same period last year to reach QAR 715.1 billion or USD 196.4 billion. This maintained the group's loan-to-deposit ratio at 100%.

The group was also able to attract high-quality wholesale funding, demonstrated via QNB's highly successful inaugural and the region's largest green bond by a financial services issuer. This reinforces global investors' confidence in QNB Group's solid financial fundamentals and strong financial performance. The issuance was part of QNB Group's ongoing strategy to ensure diversification of funding in terms of type, tenor and geography, and this is an example of our commitment to ESG principles.

Despite headwinds, QNB Group was able to maintain the ratio of nonperforming loans to gross loans at 2%, a level considered to be one of the lowest among financial institutions in the Middle East and Africa region, reflecting the high quality of the group's loan book and the effective management of credit risk in these conditions.

We will now turn to questions and answers. Please do note that we would like to emphasize that this call is only for financial analysts, and all media personnel should disconnect now. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will now take our first question from Aybek Islamov from HSBC.

Aybek Islamov *HSBC, Research Division – Analyst*

Yes. So I have one sort of central question about the asset quality. It looks like the impact of COVID appears to be not as bad as in other GCC economies, in my opinion. How do you think about the staging of loans in 2021 assuming that you can provide additional facilities, new lending facilities to your borrowers? And we know that your loan book is quite complicated. That provision of additional lending facilities, is this something which can prevent deterioration in the loan stages in your loan portfolio? So that will be my sort of central question at the core of it.

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

No. One issue that we need to highlight and I think I am going to note QNB numbers so we understand. So the structure of QNB book, especially when we talk about Qatar, is materially different from other banks in Qatar. Government and government agencies contribute plus/minus 50% of the book. The rest of the book is purely corporate and it's a selective corporate, and most of these corporate are the high-end corporate. And that's why NPL ratio, particularly for QNB, was extremely low.

QNB NPL ratio at group level is 2%. But if we take it at Qatar level, it's less than 1%, materially less than 1%. Do we expect major shifts in NPL in Qatar for QNB? No. Because we continue to be focusing on public sector business and on high-end corporates. At the same time, whenever we provide new facilities to new corporates, the overall cash flow of the corporate is considered, not only the specific cash flow that will come from the specific projects we are financing.

So for example, some of these corporate might have weakness, for example, in one of their factories. But when you look at their overall cash flow from other assets of their business, it will compensate. This is how we run our corporate business, and that's why we always have very low NPL ratio in Qatar.

Aybek Islamov HSBC, Research Division – Analyst

Okay. Yes. That's very clear. I think there will be follow-up questions on your international loan quality and your thoughts around there, but I'll leave it to others.

Operator

We will now move to our next question from Chiro Ghosh from SICO.

Chiradeep Ghosh Securities & Investment Company BSC, Research Division - VP of Research

My first question is related to your net interest margin. So according to my calculation, the NIM has slightly gone up over second quarter 2020. So I just want to get a sense that is this sustainable? Have you passed on the total rate cut to your clients?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

Okay.

Chiradeep Ghosh Securities & Investment Company BSC, Research Division - VP of Research

That's my first question.

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

Go ahead. What is the second question?

Chiradeep Ghosh Securities & Investment Company BSC, Research Division - VP of Research

The second question is more related to your operating expense. So we have seen a very favorable development in our operating expense, very good cost management. So if you can also throw some light on how sustainable it is. So those are my 2 questions.

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

Okay. Now in terms of net interest margins, I think one of the good stories that we have seen in the third quarter is the increase that we saw in net interest margin. And I think we need to give credit to treasury, who've done a lot of excellent work to manage our cost of funding in the third quarter.

If you recall the phone call that we had in June, I said that third quarter and fourth quarter in terms of net interest margins will be tough because many of our loans will be repriced on these 2 quarters, and the bulk will be on the third quarter. But with the hard work that treasury has done in terms of managing our cost of funds, the number that we ended up were materially better than what I anticipated.

Third quarter net interest income grew by around QAR 200 million from second quarter. I expect that this number to continue at that level in the fourth quarter. So all in all, my projection is that, by end of this year, net interest income will grow by around 4% on last year, which is extremely a good number considering the low Fed rate that we are seeing.

In terms of operating expenses, we have taken several initiatives that we have discussed in June in order to ensure we improve our efficiency ratio. Most of these initiatives are long term, for example, merging branches, shifting customer to digital platforms, reducing manpower, especially in several countries internationally. All these are sustainable, and we are going to see that, the impact, even next year. Because some of these initiatives, the impact on this year was only for 6 months; whereas next year, it will be 12 months.

Overall, impact on our cost-to-income ratio was a major improvement. For example, September number, efficiency ratio materially improved to 24.2% from 25.7%, as you know. Even in December, this is sustainable. I still see that we expect we are going to end up with very close to these numbers in December. Budget-wise, next year, we are only budgeting 3% increase in costs, which is materially lower than what we have seen in previous years. So definitely, the initiatives that we are taking is sustainable.

One point I need to highlight on cost that I would like all of you to fully understand. An increase in cost, on the bottom line is not bad at all time because we need to have a variable that we need to understand. In Egypt, by regulator, 10% of profitability is treated as bonus for staff. So the higher the profitability, the higher the bonus.

Now under Egyptian GAAP, that number is considered below line. Under IFRS, it is part of our expenses. So if Egypt is doing brilliantly, you'll

see a negative impact on cost, but that does not mean that we are paying more costs. In reality, it is nearly the 10% portion of the bonus for Egypt. So this is extremely important for all of us to understand.

Chiradeep Ghosh *Securities & Investment Company BSC, Research Division - VP of Research*

Hello?

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

Okay. Yes?

Chiradeep Ghosh *Securities & Investment Company BSC, Research Division - VP of Research*

It was very clear. Just one very quick one for all analysts is if you can share any of your budget numbers for next year. If you can share, that will be very helpful.

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

To be honest, we are at the final stages of finalizing the project. But as you know, considering what we are going through, I think these number will change a couple of times before it's been finalized and presented to the Board early December of this year. So I prefer that we discuss the budget in detail on year-end phone call.

Chiradeep Ghosh *Securities & Investment Company BSC, Research Division - VP of Research*

Sure.

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

But what I can tell you, in general, it will be a conservative budget. But it will be a variable budget. So we need to look at it in quarter-by-quarter. But to the Board, it will be a conservative budget. The details will be given in next quarter phone call.

Chiradeep Ghosh *Securities & Investment Company BSC, Research Division - VP of Research*

But in the previous calls, you have said that overall, on a longer term, you are expecting margins of QNB to go down. But it looks like you might be able to manage it considering you're saying the treasury department has done well, right? So is that a fair...

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

Yes, it's true. But at the end, considering the size, considering if we are going to continue to focus our increase in loans on large corporate, government agencies and more focus on corporate business and international business, gradually margin must drop. Now what we need to do is to manage that drop in order to keep it between the 4 to 6 basis points.

What is sustainable, as I mentioned before, is when we reach the 235 basis points or 240 basis points, this is where we need to try to keep it sustainable at that level.

Operator

We will now move to our next question from Rahul Bajaj from Citi.

Rahul Bajaj *Citigroup Inc., Research Division - VP*

This is Rahul from Citi. I have 2 quick questions. The first one, if you could please provide some color on your Turkey business. What are you seeing in terms of growth, cost of risk? That would be very helpful. And secondly, just a quick reminder for us on moratorium. So could you please remind us, was there a loan moratorium in Qatar? And has that ended? And what has been the customer behavior post the moratorium ended?

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

We are managing Turkey operation very conservatively in different elements. Number one, in terms of growth in the balance sheet, it is very strong. We continue to capture more business from Tier 1 corporates. At the same time, we continue to improve our loan-to-deposit ratio.

This year, balance-sheet-wise, there will be strong growth which we expect to be between the 24% to 26% with the growth in loans and deposits. Assets will grow by around 28% to 30%. So balance-sheet-wise, in Turkish lira, there will be very strong growth. Of course, in Qatari riyal, no, it will be negative.

Profit or loss, we expect it to be 6% to 8% lower than last year because we are materially improving the coverage ratio and taking more and more provision. In December '19, coverage ratio in Turkey was 90%. In third quarter of this year, now it is 96%, and we are pushing this to reach the 100% as soon as possible. So we are building more and more buffer.

If you analyze Turkish banks in terms of coverage ratio, definitely, Finansbank stand out within the peer group in terms of how low their NPL ratio is and how much high is their coverage ratio. So we'll continue to grow in Turkey. However, prudently, we will continue to be conservative in terms of profitability in Turkey. Margin will continue to be solid, around the 400 basis points.

At the same time, we will continue to materially reduce their cost-to-income ratio. Last year, their ratio was 42.3%. This year is 38.9%. It is the lowest in the Turkish market, and this ratio will continue to drop. We will continue to merge branches and give more focus to entire platform. If you know their entire platform, which is the digital banks they have, it is the largest in Turkey. It has more than a couple of million customers. We are going to have more focus on that platform.

And I think in Turkey, that was one of the main benefits of COVID, is that we have seen many of the customers in Turkey, especially the young ones, shifting from normal banking to digital banking. And considering that we own Enpara, which is the largest and the strongest platform, we were the main beneficiary from that shift from the customer side. So this is, all in all, looking at Turkey.

In terms of the second question, the Central Bank gave an extension until December. The total loans that was impacted by the regulator in QNB is only 2% of our overall book. So overall impact on QNB is not that big. However, as I mentioned, until December, this will continue.

Operator

We will now move to our next question from [Mustafa Amer] from [Commercial Bank].

Unidentified Analyst -

My question was to do with the non-interest income, particularly the fee and commission income. That has materially witnessed a drawdown from last year. Do you expect normalization to return going into Quarter 4 and then into Quarter 1 of next year?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

As I mentioned in June, we expect a drop on fees this year of about QAR 500 million. And the main reason for that is 3 aspects. The most important one is the concessions that were given in Egypt, especially on credit card, whereby banks stopped charging customers fees on different services they provide. This was given for 6 months, from March until September. Then the Central Bank decided that they will extend it until December. So the impact will continue. That's number one.

Number two, again, in Turkey, the same happened but in a broader level. And that's why this, again, materially impacted fees coming from Turkey. The third one is the impact on locally. We have seen around 50% drop on fees on credit cards. Fees on credit cards is the 3rd or 4th most important source of fees in QNB, considering that expenditure for people materially dropped and, of course, naturally, fees from credit cards will drop.

Business next year will be different. We hope that Central Bank and international operations will stop the concession. At the same time, locally, banks will go back to normal expenditure level, then definitely fees will go back to normal.

Operator

We will now move to our next question from Vikram Vis from NBK Capital.

Vikram Viswanathan Watani Investment Company K.S.C. c - Director

Ramzi, this is Vikram from NBK Capital. I had a follow-up question. You mentioned that you managed the funding cost quite well in Quarter 3 because of all the efforts put in by the treasury. Can you tell us perhaps what are the things that the treasury did differently this quarter? Was it the choice of instruments? Or how did they manage to keep this, just interested in the mechanism.

Mark Abrahams Qatar National Bank (Q.P.S.C.) - Assistant General Manager of Treasury

Okay. It's Mark here. I can give you a little bit of color on that. There's a couple of things really. I mean I wouldn't say we did things differently. I think we just did things in a more focused fashion. We've been working very hard indeed for a number of years, and the bank has grown so significantly. And diversification of the funding base, that's always been a very big driver for the bank over the last few years. And I think we've been a big beneficiary, in this very difficult time, of the work we put in over the last few years.

As you know, we have a very well-established EMTN program. It's been around since 2011. And I think we are the best known one, certainly from the region, in that regard. We've always had very strong engagement from Europe, from Asia, from offshore U.S. So I think that we were tasked with obviously reducing overall cost of funding. And at the same time, from a structural perspective, turning out the funding as well.

So as well as any rollovers on deposits, we were looking to extend tenor. We're obviously very well-represented in Europe through the U.K., Paris, Switzerland; major hub in Asia out of Singapore. We certainly was seen, I would say, very much as a safe haven for money. So I think we diversified our investor base on the deposit side. Under the EMTN program, we had a very, very busy time of [it, indeed]. As you know, earlier in the year, we were the ones who were the first, in fact, to reopen the bond market after the COVID hit in the end of Quarter 1.

Obviously, with regard to highlights in Quarter 3, let's give you some examples. We're talking about a couple of billion dollars of issuance with respect to public bonds and private placements. Highlights there are clearly the Formosa transaction that we've done, which are not far shy of \$1 billion. This is long-dated, very economic money. It's 40-year callable paper. We did 2 transactions over \$900 million. That's with primarily the Taiwanese and Far East, far Asian investor base. We have also seen a couple of very good private placements on the CNH side, so again, Chinese investors.

And I think probably the most high profile of all of our deals recently, we've been working for some time obviously on our ESG framework. And the culmination of that was clearly the green bond that we did just a couple of weeks ago in that space, our inaugural green bond for \$600 million in 5 years. That was a good deal for the investors. They were very happy indeed. It was heavily oversubscribed. The peak book was around about 3 times over. And we ended up with a historically low coupon on that trade and a very new investor base.

So it's a combination of things really. We worked very hard on the deposit side. We have clearly done more under the EMTN umbrella. We do look at more structured solutions as well, which I won't go into details now. But I think it's really a combination of a lot of hard work that has resulted in lower cost of funds and turning out the funding profile.

Vikram Viswanathan Watani Investment Company K.S.C. c - Director

All right. I just had one more question on Turkey. I think you mentioned that you will see growth in balance sheet of about 25% in Turkish lira terms. Are you expanding market share in Turkey? Or are you growing in line with the market?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

No, we are in line with market.

Operator

We will now move to our next question from Naresh Bilandani from JPMorgan.

Naresh N. Bilandani JPMorgan Chase & Co, Research Division - Research Analyst

It's Naresh from JPMorgan. Two very quick questions, please. Just wanted to, firstly, gauge your thoughts on, do you reckon we are at the peak of the cost of risk, in your view, for the year? Because I know you started the year, probably in Quarter 1 and Quarter 2, you were offering a conservative guidance for the overall cost of risk. So do you reckon Quarter 3 is the peak? Or do you believe that the conservatism at the franchise will see that the cost of risk stays somewhat elevated as we go into the fourth quarter also? That's the first question.

And second is perhaps maybe a tad bit too early to ask, but just wanted to hear your thoughts on what would be the executive management's recommendations to the Board on dividends for the year-end, given the fact that the visibility around payments of the dividends across the global banking space still remains extremely low. So I would be very interested to hear what do you think at this stage.

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

Cost of risk. I think by year-end, overall cost of risk for the whole year will be between 70 to 72 basis points. So if we take the average of the 4 quarters, naturally, the fourth quarter will be around 74 basis points. Because we started in March with 55. June, 70. In September, it became 71. I think in December, it would be around 71 again. So fourth quarter will continue to be conservative in terms of cost of risk.

Dividend, no one can expect what's going to happen. Now the first thing is that the regulator, until today, did not send any instructions in terms of any changes to the structure of dividend for banks in Qatar. My expectation is that the movement in profitability naturally will impact dividend. But at the end, we need to wait and see what the Board will decide on.

What is extremely important for me to highlight here is that whatever the Board will decide in December will definitely take into consideration our capital adequacy ratio. We always said that we want to maintain at least 200 basis points on our ratio, and this is where we are going to run the payout ratio based on that parameter. Today, we are 18.1%. Last year, December '19, we were 18.9%. My expectation is that we are going to end up this year with very close number to where we were in December '19, so at least a buffer of close to 300 basis points.

Operator

We will now move to our next question from [Mohammad Adel] from Al Faisal Investments.

Unidentified Analyst -

I have only one question about the government programs, the deferment, the loan deferment for the interest and installments in Qatar. Is there any updates on this? And if it's not extended, what is the client behavior? Did the client ask for the deferments? Can you give us some color about that?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

The plan was extended until December this year, so it was extended for another 3 months. Customers, as I mentioned at the beginning, considering the structure of QNB book, our share for the number of accounts that participated on plan was extremely low in QNB. So the overall impact was less than 2% of total loans for QNB. So number one, concession was extended until December. Overall impact on QNB is very, very small.

Operator

(Operator Instructions) We'll now move to our next question from Anastasios Dalgianakis from Al Faisal Investments.

Anastasios Dalgianakis -

If I may talk from a top-down point of view on your green policies, and congratulations on the green bond you issued. Did you disclose how much of the loan book is in line with your sustainability framework? And/or what is your objective in terms of calibrating the loan book in a sustainable way against the current mix of customers and especially government customers that clearly will be investing more into fossil fuels and outside the framework? How do you plan to make lending more sustainable going forward?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

We did disclose the total book, which is classified as green. For QNB, it's close to \$2 billion. As you know, this is a journey that we have started 2 years ago. Building the book is a continuous process. Today, we have a dedicated committee which have member from the business, the control and the sustainability team, number one, to educate the people on risk and more of the business on the requirement for us to continue to build momentum on that perspective.

We want to increase the book that can be considered green. But again, for the region, this will take time for us to educate the business community of the importance of structuring their business in a way that will be allowed to be considered part of the green book. It will take us time, but definitely, there's major interest from government in that perspective. But it will take us time to reflect that interest into the business community.

Operator

(Operator Instructions) We'll now take our next question from Janany Vamadeva from Arqaam.

Janany Vamadeva Arqaam Capital Research Offshore S.A.L. - Analyst

I just have a couple of questions. The first on payment deferrals outside Qatar, like 25% of your loan book is outside Qatar. If you could talk a bit about the payment deferral like in Turkey and Egypt, whether it has ended, what percentage was under the deferral program and how has the payment behavior been like since then, that would be helpful.

And the second question is about Stage 2 ratio loans. It has remained stable in Quarter 3 when we compare with Quarter 2, around 5.5%. But I remember you guided towards like a 7% for year-end. Just wondering whether you still hold, like, onto the year-end 7%. Or is there any change on that given that Quarter 3 has been like stable?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

Janany, on your first question, I don't have an answer. I will make sure that we'll come back to you with exactly the answer for that question. On the Stage 2, you are right. I said that by December, we are going to be 7%. And I think I still believe that this is where we are going to end up with. I doubt it will be 7%, but I will not be surprised if it's between 6% to 6.5%.

Janany Vamadeva Arqaam Capital Research Offshore S.A.L. - Analyst

Do you think it's driven more because most of the deferral program is going to sort of end like by December, so that's going to drive like the bulk of increase from 5.5% to like 6.5% or 7%?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

It will depend on the total number that we have, how much the customers will delay more their installments. But to give you an exact number for how much will be the impact in Stage 2 is too early for me, because it's a moving target, Janany.

When I gave the 7% in June, definitely I was conservative. And as you can see from September number, that number is better. I still prefer to be conservative and watch what is the progress on the ground in terms of Stage 2 loan. But if you estimate between 6% to 6.5% in your model, I think this will be a more appropriate percentage at this stage.

Janany Vamadeva Arqaam Capital Research Offshore S.A.L. - Analyst

Ramzi, if you don't mind, just one more quick question. Like you did give a guidance of profit decline of 12.5% to 17.5% after the Quarter 2 numbers. Do you still think that's sort of the number you're looking at? Because you mentioned that by September, you'll have a better idea

of how it's going to fare.

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

This guideline, it still stands. Profit loss, 12.5% to 17.5%. Loans and deposit, between 6% and 8%. And assets, between 5% to 6%.

Operator

(Operator Instructions) We'll now take our next question from Valentina Stoykova from Barclays.

Valentina Stoykova -

My question is on Turkey. Can you share with us some sensitivity you have run on your Turkish unit? And at what level of the Turkish lira

versus the dollar do you see Finansbank losing its primary subsidiary status?

Ramzi Talat A. Mari Qatar National Bank (Q.P.S.C.) - Group CFO

That's a very interesting question. Regardless of the rate, it will not lose the subsidiary status. The rate between Turkish lira and dollar does

not impact the subsidiary status for Turkey, if I understood your question.

Operator

(Operator Instructions) It appears there are currently no more questions. So I'd like to hand the call back to our speakers for any additional or

closing remarks.

Waleed Malik Mohsin Goldman Sachs Group, Inc., Research Division - Equity Analyst

Mark, any closing remarks from your side?

Mark Abrahams Qatar National Bank (Q.P.S.C.) - Assistant General Manager of Treasury

No, I think we're good. Thank you very much. We remain at your disposal. You have our contact details. But thank you, everybody, for calling

in today. We appreciate it.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for your participation, and you may now disconnect.