IR Call Transcript (Edited Version)
QNB Group Q3 2024 Results

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PRESENTATION

Aybek Islamov *HSBC*

Good afternoon, good morning everyone. My name is Aybek Islamov. I'm a MENA financial equity research analyst at HSBC. I'm very glad to welcome everyone to Qatar National Bank's third quarter 2024 earnings results call.

With us today, we have Mr. Ramzi Mari, the CFO; Ms. Noor Al-Naimi, Head of Treasury; Mr. Durraiz Khan, Senior Vice President, Financial Consolidation; and Mr. Aves Akram, AVP in Financial Consolidation.

With no further ado, I'd like to hand over the call to Mr. Aves. Please go ahead.

Aves Akram *Qatar National Bank (Q.P.S.C.) – Assistant Vice President, Group Financial Consolidation*

Thank you very much Aybek and HSBC for hosting our call today. This is Aves Akram speaking from Financial Control. I will be filling in for Mark Abrahams today who is away on business travel.

Before we begin, it is customary to remind that this earnings call is for investors and analysts only, and any media personnel should disconnect now. I will begin by giving an overview on the macroeconomic environment, then I will cover QNB's financial results for the period ended September 30, 2024, and finally open the floor to questions and answers.

The global economy is set to expand moderately in 2024, growing at a similar pace as last year and within its long term trend of around 3.1%. The macroeconomic environment is benign despite electoral political uncertainty in the US and existing geopolitical challenges.

Given the progress in bringing inflation under control, central banks in advanced economies are frontloading a significant process of monetary easing, taking policy rates from restrictive territory towards neutral and accommodative levels by mid-2025.

This should support stable global growth and the reduction of financial vulnerabilities, particularly in emerging and frontier markets. Still, elevated oil and gas prices fuel robust fiscal and external revenues in the GCC, resulting in either large 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. 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 USD96 billion and central government revenues of USD63 billion over the last four quarters, Qatar benefits from large fiscal and current account surpluses of over 5% and 15% of GDP respectively.

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 tons per annum 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 the Qatar National Vision 2030, 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 spillovers from these projects will combine with diversification efforts and structural reforms to boost economic activity and spending in the broader manufacturing and services sectors.

According to the median consensus estimates, GDP growth of 2.1% and 2.6% should be expected for 2024 and 2025 respectively. 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 nine months ended September 30, 2024. Key financial results are as follows. Net profit was QAR 12.7 billion or USD 3.5 billion, as a robust growth of 7% compared to last year.

Robust revenue growth resulted in an increase in operating income to QAR 30.5 billion or USD 8.4 billion, up 5%, demonstrating QNB Group's success in maintaining growth across the range of revenue sources. QNB's cost to income ratio remains strong at 22.4% which is one of the best ratios among large financial institutions in the EMEA region.

Total assets are at QAR1.279 trillion or USD351 billion, up by 8% from the same period last year. Loans and advances reached QAR 905 billion or USD 248.6 billion, up 11%.

QNB Group remained successful in attracting deposits which resulted in an increase in customer funding by 11% from September 2023 to reach QAR 909 billion or USD 249.8 billion. The Group's loan to deposit ratio remains stable at 99.5%.

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

Total equity increased to QAR 113 billion, up by 4% from September 2023. The bank's capital adequacy ratio at 19.5% is comfortably higher than both QCB and the latest Basel III reform requirements.

Earlier this quarter, QNB announced a buyback of its shares for up to QAR2.9 billion. All regulatory approvals are in place and the buyback execution is in progress.

We will now turn to questions and answers.

QUESTIONS AND ANSWERS

Host - **Aybek Islamov** *HSBC*

Thank you for the introduction. Very helpful. We'll now start our Q&A session.

So we have our first question from the line of Rahul Bajaj. Rahul, please go ahead.

Q - Rahul Bajaj *Citigroup*

Hi, this is Rahul from Citi. Thanks for taking my questions. I have three questions actually, if I may please. The first one is on cost growth, and I see that cost growth has been quite heavy in 2023 and also in 2024.

Part of it I understand is because Turkish leader has kind of stabilized and you're seeing much kind of flow through from Turkey happening in terms of cost growth in your numbers at the Group level.

Now, assuming Turkish leader remains at a stable sort of relatively stable rate going forward, should we expect cost growth to continue to be in the double digit, mid to high teen range going forward on a Y-on-Y basis?

Or you expect it to come down in the single digits kind of growth rate. So that's kind of my first question on cost growth trends.

The second question is on margins and I mean, highly anticipated rate cut in Turkey in November or maybe early next year, which could possibly put some upside kind of tailwinds for your margins at the Group level as cost of funding goes down.

And at the same time, you would probably see downward pressure coming at the Group level -- at the domestic business with rates coming down. So how should we think about margins with these two opposing factors, your Turkish rates coming (technical difficulty) will both of these kind of largely offset each other?

And you should expect margins to remain pretty much where they are or we should expect net decline going forward or gradual decline going forward in terms of names. So that's my second question.

And third short one, just some guidance, if you could update us on any update in terms of guidance, that will be useful. Thank you.

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

Thank you so much, Rahul. So in terms of cost growth, you're right that the cost growth has been at a very elevated level in both 2023 and 2024. And if you basically break down the growth coming in the cost lines, in the nine months 2024, compared to nine months 2023, almost 80% of it is coming in from Turkey.

The rest 20% is Qatar and international branches and Egypt. So Turkey is the driver for cost growth. And everyone knows the reason is it's an hyperinflationary economy, continues to be in hyperinflationary economy.

And till the time it remains, the inflation is slowing down, but till the time it remains hyperinflationary, the cost pressures are going to be there. The good thing is that in Q1 and Q2, the - because of earlier rate hikes, the net interest income was under a lot of pressure in Turkey, which was also impacting the Group's cost to income ratio.

That has improved a lot in Q3 and will continue to improve in Q4. So from a Group perspective, we would expect from an overall cost to income ratio, the cost growth will be there, but it will not impact the Group's cost to income ratio significantly going forward, as long as margins improve, which leads us to your second question as to how margins will perform in Q4 and going forward.

Even if the rate hike does not happen as a base case, we expect -- sorry rate cut does not happen in Turkey, as a base case we are expecting the margin improvement that has happened in Q3 to continue to have momentum in Q4 and benefit us in Q4 as well.

And obviously, we have given you guidance as to how -- what is the interest rate sensitivity of the Group for rate cuts in future for the US Federal Reserve. It is relatively lower. And we should also keep in mind the contribution of the Turkish business versus the contribution of other Qatar and other related businesses.

So the impact for Turkish business will be positive, the impact of rate hikes on an overall basis is marginally lower on the other businesses, primarily the Qatar business. And that's how we expect the margin to slightly go down once the rate cuts come in and we'll try to manage it very aggressively by focusing on the cost of funds.

Your third question is on the guidance. On the guidance, we have an update on the guidance and this will be our second update or upgrade of the guidance from the -- for this year. So we are now upgrading our loan growth guidance from 5% to 7% to now 5.5% to 7.5% for the full year.

Other guidance, asset growth guidance remains 4% to 6%, deposit remains 5% to 7%, profitability guidance remains 7% to 9%.

Host - **Aybek Islamov** *HSBC*

Thank you Durraiz. We'll move to the next question from Olga Veselova. Please announce your company name and your question.

Q - Olga Veselova *Bank of America*

Hi, good day. This is Olga Veselova from Bank of America. Can you hear me?

Host - **Aybek Islamov** *HSBC*

Yes.

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

Yes.

Q - Olga Veselova *Bank of America*

Perfect. Thank you and thank you for taking my questions. One question is the use of capital. Do you see potential for further buybacks or additional dividends? And generally, how do you think about excessive capital estimates, given that your minimum requirement is not very low and then usually you would be using 1.5, 2 percentage point management buffer on top of minimum.

So give us some feel, how do you think about the use of capital in the future? This is my first question.

My second question is about fee income. A significant portion of your fee income is coming from international operations. And I assume most of this is coming from Turkey. So the question is how much of your fee income in Turkey is driven by CPI, and given that inflation is going down next year, which trend in fee income you would expect in Turkey next year.

And second -- and third question is domestic cost of risk, if you can separate for cost of risk domestically in the third quarter versus second quarter. And do you see potential for much better cost of risk in the next couple of years, given macro - strong macro setup. Thank you.

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

Thank you Olga. In terms of use of capital, we don't have anything further to announce than what we have already announced an interim dividend. We don't have any changes to announce on the dividend policy.

We already have announced our buyback and we are more or less similar to the buffers that we've already announced on our total capital level, which is now minimum 17%. So there's nothing additional to announce on that side.

In terms of fee income coming in from international businesses particularly Turkey, it is not just a factor of - of course, inflation has helped in nominally raising the fees, but even if you go back to pre-inflationary days, that business - Turkish business knows exceptionally well, are much better than us in trying to get a higher portion of their total revenue from non-interest income. And that trend barring any changes in regulations, we would expect it to continue.

In terms of the cost of risk guidance, in terms of what we announced for the Group and for our subsidiaries, we already give numbers. Expected amount - your question is, is there any expected material improvement in next year?

Our view is that our current guidance for cost of risk is between 80 to 90 basis points. And for next year, we expect it to be marginally lower, 75 to 85 basis points. So nothing major, not a step up improvement, but slight marginal improvement, we expect it to happen.

Q - Olga Veselova *Bank of America*

Perfect. Thank you Durraiz. Thank you Aybek.

Host - **Aybek Islamov** *HSBC*

Yeah, thank you. Moving on to the next question from Chiro Ghosh. Chiro, please announce your company name and your question.

Q - Chiradeep Ghosh *Securities and Investment Company*

Hi. This is Chiro Ghosh from SICO, Bahrain. I have again three questions to add to that. So I had - I saw that the asset quality in Turkey has deteriorated. In hyperinflationary environment, you expect that the real estate prices to actually go up and support the collateral value. So if you can throw some light wise, that's called it deteriorating in Turkey.

Second thing I observed that the Zakat number has - if you can throw some clarification on the Zakat number wise, there is so much variation on that one.

And third is I want to get a better sense of the loan growth within Qatar. So the loan growth appears to be quite strong domestically. If you can give us some kind of outlook for next year, specifically the domestic market. Yeah, these are my three questions.

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

In terms of asset quality deterioration in Turkey, this was expected particularly when the interest rate, benchmark rates are at 50% level. And this is something that we had known that the Turkey as an emerging market is not a less than 2% NPL market. And we had been preparing buffers for it in our P&L for the last two years.

It's primarily coming in from the consumer segment, the asset quality deterioration, not from the corporate segment, but it is something that is a function of very, very high nominal interest rates in that particular market.

The second question in terms of taxes are volatile. Principally it comes in from our Turkish market because there have been certain changes in tax regulations at the start of the year. And one thing that we should keep that in mind is that the hyperinflation loss that we report in our Group financials is not reported by Turkey in their standalone financials and it is not deducted for tax purposes.

So this is something that you should also keep in mind that effectively increases the effective tax rate that we pay for in Turkey because of non-admissibility of hyperinflation losses.

In terms of your third question on loan growth in Qatar, it is broad based. It is not one particular sector or particular segment, coming in from multiple sectors, a range of our clients. So there's not one thing or two things that we can point out at what's causing this growth.

Q - Chiradeep Ghosh *Securities and Investment Company*

Just one thing on the Zakat part. What is the sustainable Zakat or what do you think -- what would you recommend?

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

We are at a historically effective tax rate has been between 13% to 15% range for the Group on the effective tax rate basis. And maybe there is some volatile -- if Turkey increases the tax rates or the hyperinflation loss is higher, then effective tax rate, of course will be factored because of that.

Q - Chiradeep Ghosh *Securities and Investment Company*

And do you have come out any guidance for the loan growth for 2025 or it's too early?

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

No, 2025, we don't have any guidance now, we will provide guidance as part of our Q1 call.

Q - Chiradeep Ghosh *Securities and Investment Company*

Okay. That's all from my side. Thank you very much.

Host - **Aybek Islamov** *HSBC*

Our next question is from Vikram, please announce your company name and your question

Q – Vikram Viswanathan *NBK Wealth*

Hi. This is [Vikram] from NBK Wealth. So I think the names got interchanged. Anyway, on the buyback program, is this program unique to QNB or should we expect other companies to follow? I mean, is this a nationwide or exchange wide initiative? That's the first question.

The second question is on the corporate tax. So in 2025, the 15% corporate tax, is this applicable to all the Qatari companies or only applicable to multinational companies?

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

Thank you, Vikram. The buyback program is based under QFMA regulations and this is something that is particularly not unique for QNB, any company which wants meets those regulations and we can't speak for other companies, can use the buyback program as long as it's allowed under their statute.

In terms of corporate taxes, what we know is that the commitment is to follow the Pillar Two taxes which are applicable only on multinational companies which meet a minimum revenue threshold on those companies, the Pillar Two taxes will apply.

Q – Vikram Viswanathan *NBK Wealth*

Okay. So the only the companies meeting a certain revenue threshold will pay those taxes. Other companies are exempt.

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

And having multinational operations.

Q – Vikram Viswanathan *NBK Wealth*

Okay. And for a bank, how do you arrive at the revenue threshold? Is it net interest income or only the interest income?

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

It is gross income, only interest income.

Q – Vikram Viswanathan *NBK Wealth*

Is the interest income plus fees and other non-interest income. So you're not allowed to deduct the interest expenses to arrive at the revenue threshold.

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

My understanding is no. It's only gross income, gross fees.

Q – Vikram Viswanathan *NBK Wealth*

Thank you.

Host - **Aybek Islamov** *HSBC*

Thank you. Our next question is from the line of Naresh Bilandani. Naresh, please go ahead.

Q – Naresh Bilandani *JP Morgan*

Yeah, thanks Aybek. Thanks Durraiz. Hi, it's Naresh Bilandani from JP Morgan. First, just following up on Vikram's previous question, just keen to get some update on the tax rate implementation in in Qatar.

And, just Durraiz I want to understand what measures do you have in place to be able to mitigate this pressure that could come from taxes? I think there's an expectation of building up within the investor base that QNB has traditionally been very steady in the bottom line growth that it delivers to shareholders.

And that into the next year, the Group has enough levers to be able to mitigate the EPS pressure that could come from tax. So would you be able to throw some color on that? That would be super helpful. That's one.

Second is the understanding is that next year the regulator in Turkey will allow local accounts to be shifted to a hyperinflation accounting base. Since you merged the accounts at the Group level on IFRS, will this affect your accounts in any manner into the next year or is that not going to be the case? Thanks.

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

I'll take the second question first. Hyperinflation we have been doing it since it's - when the threshold for hyperinflation was crossed. If it happen in Turkey, nothing's happening for the Group level, it's just their own local reporting will change, and you'll see hyperinflation numbers reported in their own financials.

It still remains to be seen whether it will actually happen and whether it will have tax implications for them. In terms of the (technical difficulty) rate that is - that you've mentioned, which are expected to come to apply next year.

15% of taxes on our Qatar based income is quite a significant amount, and expecting us to actually offset it largely is not a fair expectation. We will be provided -- whether we will be able to absorb 100% of the 15% or we will have other levers at play, we will update you on a next year on a quarter by quarter basis. But the expectation that we will be fully able to absorb the impact on day one is not fair.

Q – Naresh Bilandani *JP Morgan*

Understood Durraiz. And pardon me, if I understood you right, next year's cost of risk is expected to be only slightly more benign as compared to the current year. And pardon me, if I heard that right.

So that typically is an area where you carry excess provision. So that could be one area which could help mitigate this pressure. But it seems from a preliminary comments that trend is not going to change materially into the next year. Is that a fair assessment?

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

Yes.

Q – Naresh Bilandani *JP Morgan*

Understood. Okay, thank you so much Durraiz. Appreciate it.

Host - **Aybek Islamov** *HSBC*

Thank you. Next question is coming from Andrew Brudenell. Andrew, please announce your company name and your question.

Q – Andrew Brudenell *Goldman Sachs*

Yeah, hi there. Thanks Aybek. Yeah, so it's Andy Brudenell from Ashmore. Yes, so I just had a couple just on the buyback. My understanding of the regulations as they stand is that the shares are not cancelable like at the treasury level. Is that correct?

My understanding is you have two years to put them back into the market? Is that correct or are you -- I'm wondering if the fact that you've now finally done this, is that an indication that this regulation has changed or is going to change. Thanks.

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

In terms of the buyback, at this time, we are focused on executing the buyback. It is where the first company to do. It is a learning lesson for us in Qatar as well as everyone else as well. We have had discussions with the regulators on how this can be evolved to meet requirements to keep potentially keep the shares for a longer term at the treasury level.

But still, what we are right now focused on is executing the buyback as we have announced. And that our expectation is that the regulations are evolving at this point in time.

Q – Andrew Brudenell *Goldman Sachs*

Yeah. Okay. But what I've said is actually the current rules, right?

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

Yes.

Q – Andrew Brudenell *Goldman Sachs*

Okay. All right. Understood. Thank you. And then just one, maybe it's a bit pedantic but so you've upped the guidance on the loan growth, but not on the income growth. Is that Turkey sort of cost of risk, or Turkey general uncertainty related? Or am I just getting greedy?

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

No, it's simply coming in at the very tail end of the year. So there's not a lot you can push up if you improve your loans, Q3 and Q4.

Q – Andrew Brudenell *Goldman Sachs*

Okay. Yeah. Yeah. All right. Yeah, that makes sense. Okay. Thank you very much. I'll let someone else have a go. Thanks.

Host - **Aybek Islamov** *HSBC*

Thank you. We have our next question from a guest. Well, I cannot pronounce the name but let us unmute the line. Would you please announce your name and your company name and ask your question.

Q – Salome Skhirtladze *Bloomberg Intelligence*

Hello. It's Salome Skhirtladze from Bloomberg Intelligence. So my question is around the customer deposits. June, July was quite weak for the private deposits. And do you think any pressure from this?

And also to what extent going forward could all prices offset liquidity if there are some geopolitical risk pressure, and whether you see any signs of outflows from the non-resident deposit accounts? Thank you.

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

I'll take the second question first. The non-resident deposits have been quite stable, quite sticky, despite a lot of political pressure which has been ongoing for almost more than 12 months now. And we don't expect any significant change in that regard.

In terms of how the liquidity is going to perform, depending on how the oil and gas prices are, it does play a role but not a very large role. Our deposits have been increasing at a Group level. We are up 7%, 8% in Qatar and also up international operations. So from a deposit or from a funding perspective, we are -- we do not have any areas of concern

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Q – Salome Skhirtladze *Bloomberg Intelligence*

Thank you.

Host - **Aybek Islamov** *HSBC*

Thank you. Our next question is coming from Bijoy Joy. Bijoy, please announce your company name and your question.

Q – Bijoy Joy *QIC*

Hi, this is Bijoy here from QIC. My question is on the buyback. So is there a price GAAP on the buyback or is it more of you will continue to participate over a period of six months regardless of the price.

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

We have internal limits in place, but I would rather not specifically answer to your specific question. What we will do is what we understand is the market will be public, we will be disclosing all the transactions that we are conducting shortly on a regular basis, and you can basically go through that data to access whatever that you're looking for.

Q – Bijoy Joy *QIC*

Understood. Also on the retail NPLs, so we've seen the retail NPLs are trending up. So can you just throw some light exactly where these is coming from?

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

Retail NPLs that we disclosed in our investor presentation slide, the bulk of -- vast majority of it actually is coming from Turkey. And we have touched upon earlier -- in an earlier question that in Turkey, the benchmark rates are above 50% and this is putting some pressure on the retail loans which are coming in in form of retail NPLs.

Q – Bijoy Joy *QIC*

Understood. And if you can also throw some light on the loan -- expected loan growth, which sectors would contribute in the domestic market.

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

For this year and for the next year as well, our expectation it's going to be broad based, and supported by the North Field expansion, particularly the ancillary projects and services around those expansion.

Q – Bijoy Joy *QIC*

Understood. And just to get some understanding on the pricing trends in the market. So is it very competitive or do you -- given the loan trends in the market has been quite muted for the last couple of years, so is it very competitive or the -

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

Yes, QNB has a very dominant franchise in the local market. So what you particularly see for other banks, usually does not have as much as an impact in QNB compared to others. For any large transactions, we are one of the prime banks to execute. So we don't see those pressures impacting us that significantly compared to they would be impacting a smaller bank.

Q – Bijoy Joy *QIC*

Understood. And do you also see that deposit trends will be positive for the next year as well? Do you expect -- to support the loan growth, the money supply is expected to go up?

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

Both works in a similar manner, right? So we would expect both loans and deposits to continue to grow. At what percentage we will be able to tell you in our next quarterly call.

Q – Bijoy Joy *QIC*

Perfect. Thank you. Thank you Durraiz.

Host - **Aybek Islamov** *HSBC*

Thank you. We don't appear to have any further questions on the live session. We have a follow up from Olga Veselova. Olga, please go ahead.

Q - Olga Veselova *Bank of America*

Thank you. It's a small question Durraiz. In the summer, there were major articles about potential state support to Qatar real estate sector. Do you hear anything about this?

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

No.

Q - Olga Veselova *Bank of America*

Okay. Thank you.

Host - **Aybek Islamov** *HSBC*

Thank you. So while we don't have any further questions, I think Durraiz, I will address one of mine.

We'll be curious to know how you see the market environment currently given the oil prices been weak lately. I recall that during the previous conference calls, QNB always referred to low oil prices being more positive for the year. Growth outlook for the asset growth outlook, is it the case at the moment or is it too early to make that comment?

And secondly, with regards to the real estate market situation, how is it affecting the competitive landscape? Is it more in favor of Qatar National Bank? Are you seeing QNB gaining market share, given that other banks are possibly more risk averse given their high exposure to commercial real estate? What are your thoughts? Thank you.

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

The moment in the oil and gas prices is quite recent and for it to -- as we always explained for it to reflect in government's budget, there's always a time lag between 4 to 6 months because of the way contracts are -- the gas contracts are structured.

So at this, it's too early to say as to what impact is going to have on the wider loan book. In terms of market share of our bank compared to how others are doing, we do not see -- we have not seen any major changes in this regard. Our market share has been fairly stable in the last few quarters.

Host - **Aybek Islamov** *HSBC*

Understood, yeah. We have one follow up question from Chiro Ghosh. Chiro, please go ahead.

Q - Chiradeep Ghosh *Securities and Investment Company*

Sorry Durraiz, just one quick question on the FX income side. So we have seen a lot of volatility. What would you believe - which are the driver and how sustainable are these?

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

If there is volatility in Turkish lira and the Egyptian pound, the FX income grows a lot in the periods where there is low volatility. For example, particularly this quarter was -- Q3 was one of the lowest volatility that we have recently seen. So FX income is suppressed primarily because it relies only on client flows.

Q - Chiradeep Ghosh *Securities and Investment Company*

So this is kind of the lowest level. I mean, most likely to be equal to or greater than this, most likely.

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

Because they were very low volatility in both exchange rates.

Q - Chiradeep Ghosh *Securities and Investment Company*

Okay. Fair enough. That's it for my side. Thanks.

Host - **Aybek Islamov** *HSBC*

All right. Well, no further questions from the audience. I think on this note, I would like to close today's conference call. I would like to thank the management of Qatar National Bank for their participation and their insights as well as the entire audience for participating in the call.

Durraiz, any final remarks. Over to you.

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

Okay. Thank you so much for the call and we'll hopefully see you in our Q4 call. Thank you.

Host - **Aybek Islamov** *HSBC*

Thank you.
