IR Call Transcript (Edited Version)

QNB Group Q3 2025 Results

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PRESENTATION

Aybek Islamov *HSBC*

Good afternoon, and good morning, everyone. This is Aybek Islamov, MENA Financials Equity Research Analyst HSBC. On behalf of HSBC, I'm pleased to welcome you to Qatar National Bank's third quarter conference call presented by Mr. Ramzi Mari, Chief Financial Officer. Ms. Noor Al-Naimi from Group Treasury and Financial Institutions; Mr. Mark Abrahams from Group Treasury and trading. We will start with a brief management presentation followed by a Q&A session.

I would like to hand over the call to Mark Abrahams now. Mark, please go ahead.

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

Thank you very much, Aybek and HSBC, for hosting our call today.

Before we begin our call, it is customary to remind that this call is for investors and analysts only and media should disconnect. We will begin by giving a brief overview of the global and regional macro-economic backdrop. We will then present briefly the quarterly financial results. And finally, we will open the floor to Questions and Answers.

The global economy is set to remain resilient in 2025, slowing down a touch to grow by 3% in 2025, despite significant volatility on the back of policy uncertainties. Central banks in advanced economies have frontloaded a significant process of monetary easing, and more is expected as policy rates are taken from restrictive territory towards neutral or accommodative levels over H2 2025 and throughout 2026.

Moderate oil and gas prices continue to support significant fiscal and external revenues in the GCC. This further underscores 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, energy infrastructure expansion, and robust FDI inflows. Also for Qatar, the macroeconomic environment remains upbeat.

With total exports of USD 123.2 Bn and central government revenues of USD 57.5 Bn over the last four quarters, Qatar benefits from a robust fiscal and current account position. Domestic activity has also been strong and gained further momentum, with an expansion of 2.4% in GDP and 3.4% of non-hydrocarbon GDP in 2024. This was driven by dynamic sectors such as wholesale and retail trade, accommodation and food services, and financial services. Preliminary data on Qatar GDP figures for H1 2025 and composite Purchasing Managers (PMI) survey data suggest continued strength this year, with non-hydrocarbon GDP expanding by 5.3% year-on-year and PMIs comfortably at expansion territory for almost two years sequentially.

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 tons per annum (MTPA) by 2030. The first production boost will come from the North Field East project by mid-2026, followed by the North Field South phase of the expansion. The North Field West phase is in its early stages, with construction likely to begin in 2027.

Qatar is also ramping up efforts to diversify its non-hydrocarbon economy and increase private sector engagement. The country aims to further consolidate 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.

Key highlights include a range of midstream projects including pipelines, LNG storage tanks, new LNG tankers and new berths. Downstream projects include new plants for LPG, helium, ethane cracker, the largest blue ammonia facility globally, new urea production and other petrochemical projects.

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.
Other large non-hydrocarbon projects in the pipeline include Simaisma, a USD 5.5 Bn ambitious mixed-use development for tourism and leisure, and a USD 22 Bn new five-year pipeline of local infrastructure projects in various sectors.
GDP growth is expected to remain strong and then accelerate in the coming years, projected at 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. According to the latest available data from Qatar Central Bank, total assets of the local banking sector are up 5.5% year-on-year so far in 2025. Banks remained well capitalised with a capital adequacy ratio of 19.2%, well above Basel III guidelines. Asset quality also remained strong, with NPLs at 3.9%. Overall sector profitability was solid, with ROE at 14.9%.

We will now move on to QNB's financial results for the nine months ended 30th of September 2025.

Key financial results are as follows, net profit was 12.8 billion Qatari riyals or 3.5 billion US dollars, growth of 1% compared to last year. The growth in net profit was partially impacted due to global minimum taxes effective in 2025. Excluding the impact of these taxes, on a like for like basis, net profit is up 9%.

Robust revenue growth resulted in an increase in operating income to 33.3 billion Qatari riyals or 9.1 billion US dollars, up 9%, demonstrating QNB Group's success in maintaining growth across the range of revenue sources.

QNB's cost to income ratio remained strong at 23.3%, which is one of the best ratios among large financial institutions in the Middle East and Africa region.

Total assets are at 1.389 trillion Qatari riyals or 382 billion US dollars, up by 9 percent from same period last year. Loans and advances reached 1 trillion Qatari riyals or 275 billion US dollars, up 11%.

QNB Group remained successful in attracting deposits, which resulted in an increase in customer funding by 6 percent from September 2024, to reach 963 billion Qatari riyals or 264 billion US dollars. The Group's regulatory loan to deposit ratio remained stable at 97.0 percent.

QNB Group's ratio of non-performing loans to gross loans remained stable at 2.9 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 100.2%.

Total equity increased to QR121 billion, up by 7% from September 2024. The bank's Capital Adequacy Ratio (CAR), at 19.5%, is comfortably higher than both QCB and the latest Basel III Reform requirements.

In relation to QNB buyback program, QNB has completed buy back of approximately 119.1 million shares at a cost of QR 2.01 billion till September 30, 2025. The buyback execution in is progress.

We would like to bring your attention, announcements that QNB has done in recent past, in relation to its digital banking operations in various countries.

In August 2025, QNB Bank Turkiye's digital banking operations were spun off in a separate legal entity, Enpara Bank AS.
On 1st September 2025, QNB Group has received the preliminary approval from the Central Bank of Egypt for a separate digital banking license to establish ezbank in Egypt.

On 30 September 2025, QNB Group has received the license from the Saudi Central Bank to establish ezbank - a new digital-first bank in partnership with Ajlan & Bros. Holding in the Kingdom of Saudi Arabia.

These are important milestones in advancing QNB's vision for digital transformation and innovation driven banking, while leveraging its extensive experience to support digital economies in these key markets.

We will now turn to questions and answers.

QUESTIONS AND ANSWERS

Q - Aybek Islamov *HSBC*

Thank you for the introduction, Mark. Very helpful.

So we'll start the Q&A session now.

I think I'll start off with my question first. And I think there are two things I'd like to address. First of all, looking at your financial results, you clearly mentioned that the higher tax rate is impacting growth this year. That's very clear. But it looks like as you absorb the higher tax rate and you go into 2026, as well as your net monthly losses you're booking from our Turkish subsidiary continues to decline.

There's a good chance that your earnings may grow in mid-teens, right? So I wonder if you have any thoughts about how you plan to whether you would be comfortable showing the mid-teens earnings growth into next year? Or you would be paying attention to your loan loss allowances, coverage ratios and so on and so forth. I think that color will be extremely useful.

And the second part of the question is, what do you think is the area that markets kind of misunderstand the most about Qatar National Bank at this point? I appreciate your intro about the projects which were happening at home investments into midstream, downstream, so on and so forth. So these are two opening questions, I'll move on to the Q&A after this.

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

This is Durraiz. So in relation to your first question on next year profitability growth. At this time, the budget preparation is in progress but as we always start of the year that our base case scenarios for profitability growth are assuming no major changes in economic environment and no major changes of cost and taxation, we would expect profitability growth to be in mid-single digits in normal years, higher single digits in good years and low single digits in not so good years. So at this time, the preliminary analysis is we stick to the what we have given you previously. Of course, in next call in Q4, we will give you the guidance for next year.

In terms of what markets generally misunderstand or what things that we sometimes we have to explain a lot is not for QNB, but for the Qatar banking sector, in general, there is this perception that the loan growth is not strong. And this is something we explain all the time. Yes, maybe it's not that strong compared to some of the neighboring countries in the GCC. It's not as high as them. But nonetheless, banking overall loan growth in the sector post 2022 has remained decent.
At least mid-single digits and has continued this year as well. So these are the things that generally people think that the loan growth is not very strong, and we highlight at this point that that's not the case.

Host - Aybek Islamov *HSBC*

Yes. Thank you, Durraiz. Very helpful. We'll move on to the next questions from the audience. The first question goes to Rahul Bajaj.

Q - Rahul Bajaj *Citibank*

Rahul Bajaj from Citi. I have two quick questions. The first one is on margins. And we are seeing a sort of differentiated trend here. Turkish margins should improve as the rate cutting cycle in Turkey accelerates over the next 6, 12 months, wherever in the local economy in Qatar, we're probably at the start of this kind of rate cutting cycle we've seen first cuts in September and then that might progress as well over the next few quarters. So my question is how should I think about the group level margins in this scenario where you have two opposing forces sort of playing out from a margin perspective? So that's my first question.

My second question is on loan growth. And Durraiz, you mentioned about strong loan growth and I see third quarter has been particularly strong. Can you help us understand what are the drivers for this loan growth especially in the domestic business. And I was looking at the mix of the loan growth and it looks like very strong consumer loan growth actually in the last few quarters, including third quarter, so what consumer products are really driving loans in Qatar, if I kind of think about it from a loan growth perspective.

And my third and final question, if I may, please. On the NPL balance - so I see a sizable almost like 7% Q on Q change in the NPL balance during 3Q, what is driving that? And is this just usual sort of QNB sort of procedure to downgrade certain accounts so that you can take more provisions against them? Or is there anything else going on there?

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

Thank you, Rahul. So let me take step by step in terms of margins. Yes, you're right that in Turkey, we are start of a rate-cutting cycle, which will help us in margins, it's just that we with the latest CPI print coming in from Turkey, our view as to whether it would be accelerated or not is kind of not very certain at this point in time. Yes, rate cutting cycle will be happen, but our view is it's going to be it's going to take a longer time for that to materialize. And having said that, the US. Fed rate cutting cycle as long as what markets are expecting about two further meetings now in this year and then two meetings in the first quarter of the year, they expect 20 basis points. So both of these things, the way excluding Turkey, it would work is we would have immediate benefit when the rate cut happens in the immediate quarter because we are able to re-price our liabilities and slowly and gradually, then within nine months time, assets also re-price, so after everything is said and done, we eventually settle back to very close to the number that we started the cycle with.

In turn there might be quarter on quarter volatility, but that's how it would work. In terms of Turkey, depending on how accelerated or slow the rate cutting cycle is, it's going to benefit the margin marginally. But also keep in mind, the contribution of Turkey in the wider group. Yes, it impacts at the margins, but it is not the core driver for any major name expansion.

In terms of second question in terms of loan growth, what are the sectors that are driving again, it's quite broad-based. And what is the underlying driver is the spillover impact of the LNG expansion, not the core projects itself, but everything that and we have listed some downstream activities, we have listed some midstream activities and any construction activities pertaining to those things is something which is driving the energy the overall loan growth in the domestic economy.

In terms of personnel, just if you are referring to the central bank data, there's a difference between personal and consumer, what we internally do. Personnel includes loans to high net worth individuals in their own name as consumers are only loans given to which are repaid by the salary. So there are different segments - personnel goes up and down depending on how they're going to be performed and how people are borrowing. Consumer - the growth is more regulatory driven by the population increase, results increase in consumer loans.

In terms of NPLs, one thing particularly this year, the drivers for the NPLs are coming in from Turkey because of extremely high interest rates in that economy for a sustained amount of time. So that is something that we have to keep in mind. It is driving the NPL higher in terms of overall stock, and we are trying to be extremely prudent in both provisioning and recognition to ensure that we are ahead of this problem.

Q - Rahul Bajaj *Citibank*

Clear. Just one final question before I go. Any change in the guidance for 2025 that I should note?

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

In terms of 2025 guidance, we are slightly upgrading the loan guidance from 7% to 9% to 8% to 10%. Other guidance remains the same. Deposit growth is 5% to 7%. Our profitability growth is before the impact of Pillar Two taxes, 10% to 12% and after impact of Pillar Two taxes the cost of risk would be between 85 to 90 basis points and the margin is going to be similar between 260 to 265 basis points for QNB Group as a whole. So the only thing that we have changed is the slightly up the loan growth guidance.

Host - Aybek Islamov *HSBC*

Excellent. Thank you, Rahul. We'll move on to our next question from the line of Chira Ghosh.

Q - Chiro Ghosh *SICO*

This is Chira Ghosh from SICO. I have a couple of questions, too. So the first one is I still want to get a little more clarity on the margin side of it. So if you can just tell us that or, say, 25 basis points rate cut, what will the NIM impact in Qatar versus, say, I don't know, even a 100 basis points rate cut in Turkey, what will be the NIM impact. If you can give us some guidance on that side, then would help us better understand the impact from both the countries.

That's one. Second is the provisions is still much higher than your normalized level of, say, 60 to 80 basis points. Where do you see - at what stage do you expect it to normalize? Or will Turkey would continue to, at least in the foreseeable future, Turkey would continue to be a drag on your provisioning.

The third one is you gave a very strong GDP growth guidance for, say, next year and year after that, what kind of share do you believe strategically at least what kind of share QNB would be able to benefit out of strong loan growth in bank. These are my three questions.

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

Chiro, in terms of the guidance on margin, we provide in our annual report, the guidance for the group by basis as to the result of the model. If interest rates declined by about 1% on a full annualized basis we expect that our net interest income would decline between QAR600 million to QAR800 million, assuming we don't take any actions. So if you think of the model related guidance, that is the number that is already disclosed in our financial statements and the financial risk management section.

Q - Chiro Ghosh *SICO*

This is for the Fed rate?

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

This is for the Fed rate, dollar and real rates, which are the primary drivers of the net interest income. Of course, when interest rates changes happen, we can be much more aggressive in cutting on the deposit side, and that is what we always have tried to do. This is not the first time the interest rising or cutting cycles. We have had many of these cycles in the recent past and we try to minimize the impact of interest rate cuts on our overall net interest income by growing more on the volume side on the loan side.

In terms of the provisions, yes, it's slightly elevated, but keep in mind, Turkey is experiencing extremely high rates in the economy, and that is having the desired impact on the economy, which is slowing down. Till the time the rate cut cycle is complete, and as we have explained earlier before that we expect that to be slower because the CPI rates are not coming as fast as they were expected.

We should continue to expect elevated level of cost of risk, and that is something that we cannot ignore. In terms of GDP growth, yes, these are the numbers, and these are simply a function of LNG trains coming online in the respective periods. Your question as to how much are we going to get out of our share I would rather say that we are actually growing at a much faster rate during the implementation phase - the GDP growth rate in the recent past has been between 2% to 3%.

Our lending growth is 3 times to 4 times that amount in the domestic economy. We actually benefit during the implementation phase of the projects, of course, when they come online, it's the simple output of the GDP. At that time, no, should we expect even further GDP growth? It remains to be seen. But actually, you benefit before when the money has been spent on the projects.

Q - Chiro Ghosh *SICO*

This QAR600 million to QAR800 million which you said in the first question, you don't have a more updated one, right? Because over the last nine months, I'm sure the bank must have done multiple measures, must have taken multiple measures.

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

We don't expect it to be materially different from what has happened. And as I said, even if we run it again, it would become maybe QAR700 million to QAR900 million, but it's not going to be materially different. We have not changed the structure of the balance sheet. The actions that we are talking about is being more aggressive on the cost of deposits, and our treasury does extremely good job on pushing the clients and pushing the entire business to reduce the cost of the deposits.

Host - Aybek Islamov *HSBC*

We'll move on to our next question from the line of Olga Veselova.

Q - Olga Veselova *Bank of America*

I have several questions. One is on your digital initiatives. Can you please quantify your ambitions in digital in Saudi and in Egypt, maybe if possible as a percentage of P&L in the next several years? And what should be your differentiating angle in Saudi? You're not the only digital bank there.

And could you please confirm if you will work in retail segment through digital platform in Saudi Arabia? So that's number one.

Number two is on domestic construction real estate. Do you hear any news on state support or still nothing in Qatar? And finally, when we think about this material acceleration of domestic GDP growth in the next couple of years, which you guide - outside of lending, what benefits could you see through P&L or balance sheet? Is it better fees, lower provisioning due to transactional activities? So what comes to your mind, how else to benefit outside of the lending expansion?

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

In terms of the digital initiatives that we have, the vision is to have profitable digital banks on a stand-alone basis in these geographies in due course. And we should keep in mind that Enpara, whatever that we have today in our Turkish operations was after years of investments in those entities. At this time, we don't have profitability numbers because they do not impact either 2025 or 2026 for that matter. But as and when we come closer to launch of these digital banks, we will be sharing more details as to how they would work and what are the impact on profitability of those banks on the bottom line.

In terms of differentiating factor, again we come with the experience of having a successfully run digital bank in an emerging market, and this is something we would like to replicate. Are we going to offer to retail? Of course, the focus will be on the retail clients.

Moving to your second question of any state support. We are not aware of any such state support package. What we do understand is that on a contractor-by-contractor basis, these things are being resolved on a step-by-step level, on a contractor-by-contractor level.

In terms of what is the differentiating factors for higher GDP growth besides the lending, as we've explained earlier, higher GDP will be the culmination of years of investment. So whatever that you see eventually is the output, all of that is helping us now in the trade income line, in the deposits line, in the off-balance sheet lines, in the FX line and other lines. That's what's already helping us currently. That's what's driving the growth in certain periods. Once the LNG expansion comes in, it's going to be a different dynamic.

It's going to be higher revenues for the state and then different dynamics will be at play. But at this point in time, we are already benefiting from the expansion.

Q - Olga Veselova *Bank of America*

On Enpara and digital expansion, do you basically take your experience in Turkey and know-how in Turkey and replicate or copy it in Saudi and Egypt. Is that how you do it?

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

That is the taking the technical know-how and then building it up with the local knowledge of the local markets that are there - there aren't plug-and-play things. We need to understand the market, what are the different dynamics in those markets. In some of those markets as you have rightly pointed out, there are competition, which is offering a good quality product. So each market will have its own playbook as to how we're going to work on that market.

Each market will have different dynamics, both Egypt and Turkey are extremely different in how we will look into it and how will we operate. But the core technical know-how will come from the Enpara banking.

Q - Olga Veselova *Bank of America*

Clear. And the end game is to monetize it, say IPO or sell to a strategic partner or it's not necessarily the case?

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

At this point, we would rather focus on building good banks and making sure that we are able to demonstrate that we can build good digital profitable banks.

Host - Aybek Islamov *HSBC*

Our next question comes from the line of Vinod Surendran.

Q- Vinod Surendran *AllianceBernstein*

This is Vinod from Alliance Bernstein. I had a couple of questions, primarily on the funding side of it. Could you please let us know your funding plans on the euro-dollar market, eurobonds market? And any information on the near-term debt maturities or bonds callable in the next six months to one year? And any plans to refinance them or come to the market with new money for senior bonds or any capital instruments, whether it be Tier two instruments or AT1 - and similar question for your Turkish subsidiary as well, your funding plans and any plans to issue notes in that market as well?

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

So as you've seen, QNB has been fairly busy in the market over the last few months. Now one thing I've said in the past on these calls and remains the case for QNB is that we do not have a fixed funding program for the bank. We've always run very, very significant ample liquidity buffers. So with regard to Eurobond issuance, we are opportunistic in nature.

You saw the dollar transaction we did earlier in the summer. You saw a very, very successful inaugural euro green bond that was just done fairly recently as well.

So we don't have a fixed pipeline of bond issuance coming up. We have a very, very healthy liquidity position overall. the core position of QNB remains that we are opportunistic. So as and when the market is conducive, whether it's in US dollars, other currencies, some of the niche markets as well, we remain open-minded to what may make sense.

That's very much in the senior unsecured market. There are no intentions at this stage to issue other capital instruments. So when it comes to Tier 2, et cetera, we are not looking to do anything in that space in the foreseeable future.

We look at Turkey and other parts of the group as well at very much at a centralized level. There's strong oversight and alignment with them as well. We work very closely with the treasury team there. So again, very much like the group, they don't have a specific requirement per se. We know the funding maturities they have coming up, same for us at the group level.

And obviously, as and when we see market opportunities, whether it's in Turkey or for us at the group level, we then bring in our peers and then we look to see whether we can leverage off that and do something in the market. But nothing specific at this stage. But obviously, as the bank is growing, as our footprint is growing, you would expect to see continued issuance. It's very important from our point of view that we continue to build and maintain a very strong credit curve for the group as a reference point going forward.

Q- Vinod Surendran *AllianceBernstein*

Sorry, quickly, a clarification. Did you just mention that no Tier 2s and AT1s in the foreseeable future?

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

Correct.

Host - Aybek Islamov *HSBC*

Moving to the next question from the line of Rahul Bajaj.

Q- Rahul Bajaj *Citibank*

This is Rahul. Rahul from Citi. I have a couple of quick follow-up questions actually. So if I may. First one is on the digital bank in Egypt and Saudi Arabia.

Just wanted to understand why did you choose to start the digital bank in those markets and not in Turkey, which is your home market? What is the digital banking sort of proposition in Qatar that you have? So that's my first question.

The second one is on the buyback, which is probably ending by the end of the year, which probably would end by the end of the year. How do you assess the of success of this buyback program? And what are your plans going forward? Are you planning to extend the buyback in any ways?

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

Yes, Rahul. In terms of a digital bank, in terms of our home market, we already have the best-in-class app. However, building a stand-alone digital bank with the size of the population that we have in our home market, Qatar, is not justified because the scaling that we will get and the costs that are required to invest does not justify the returns.

In Turkey, we already have Enpara. In Egypt, our offering was not up to the mark. So that's why we went we planned on this particular market, both Saudi Arabia and Egypt because these are adjacent markets with a significant population where investment, if done right, and scaling up that investment will give you the adequate number of customers for you to make the return. So that is why we have come over here in both Egypt and Saudi Arabia. In Turkey, we already have a functioning digital bank, which is now a stand-alone subsidiary in Turkey.

In terms of the buyback program, as the buyback program is ongoing, we are almost 2/3 through our way. As we approach the end of the program, we will go back to the Board giving our feedback as to how this has been received by the market. And we will then go to the Board seeking their guidance on having another program in place for it to happen. But most likely, the speed at which it is going, it might finish in Q1 of next year or towards late Q4 of this year. It depends on the volumes in the market, but we will basically go back to the Board on the decisions of how do we proceed.

Host - Aybek Islamov *HSBC*

The next question is from the line of Dan Mikhaylov.

Q- Dan Mikhaylov *Vergent Asset Management*

It's Dan. Just one quick question to the management team. Congratulations on the results. I'm not sure what the echo, apologies. In the first quarter '25, you upgraded the profit before tax growth to 10% to 12%.

And if we look at nine-month numbers versus six month numbers, there appears to be a slight year on year deceleration. We're still good on 11%. So we're on track with guidance. But now that loan growth guidance has been upgraded as well, is how much upside is there to your profit before tax guidance or to profit before tax for the year?

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

At this time, we would not be changing that guidance because, as you've said, the loan growth is coming towards the end of the year. It is not going to have a meaningful impact in this year's profitability. Of course, next year is a separate discussion.

Host - Aybek Islamov *HSBC*

Next question comes from the line of Salome Skhirtladze.

Q- Salome Skhirtladze *Bloomberg Intelligence*

So I just have two relatively technical questions to specify the growth and liquidity. On the growth side, if you could give us some idea on the drivers from the non-Qatari sources and in the exchange rate adjusted terms. And on the liquidity side, do you have any internal limit for, let's say, domestic loan-to-deposit ratio where the funding - what is the maximum level of the funding should come from the deposits? And do you have any limit for the borrowings that could be counted as a liquid source?

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

Yes. In terms of the loan growth, September versus September last year, we are approximately up close to QAR95 billion, of which almost 1/3 is coming from our Turkish and Egyptian operations, and the rest is coming from Qatar and what we call all other international operations. The drivers in both Egypt and Turkey are respective - in Egypt, it is primarily public sector. In Turkey, it is wider loan growth in the Turkish banking market. We are performing slightly better than the market.

So that's the growth driver in these markets.

In terms of any loan-to-deposit ratio restrictions, there is advances to credit ratio, which is followed by the Central Bank for the maximum cap on that advances to credit ratio is 100%. The numerator is fairly straightforward. It is the loans number as per

Central Bank calculations. The denominator includes deposits as well as debt securities and other borrowings, which have remaining maturity of above two years fully. If the remaining maturities are less than two years, they are haircut supplied, 25% and 50% for one and two years, respectively.

And of course, we have in the limits of making sure that we are well below 100% ratio. And if we approach that number, we try to look for primarily deposit growth.

Host - Aybek Islamov *HSBC*

We'll move on to our next question from the line of Murad Ansari.

Q - Murad Ansari *GTN Middle East*

I just had a couple of quick questions. Just on an earlier question by Dan. I mean, we look at, I think, nine months delivery, loan growth, margins, provision, I think all of these are more or less around the lower end of the range as far as your full year guidance is concerned. I mean just looking at loan growth, I mean, you've raised the guidance to about 10%, but even at 10% essentially means maybe QAR1 billion kind of growth from nine month base. So just wanted to get a sense that are you expecting fourth quarter to be slightly softer versus the first nine months to or just relatively conservatism at this point on 2025 guidance?

And also same on NIM as well, you're at the higher end of the range on a nine-month basis. You've mentioned that immediate impact of a rate cut tends to be positive. So there is it seems like there is quite a bit of room on the upside in terms of what the guidance numbers are. So just wanted to get your thought on that. And secondly, just the investment income, it's been a strong year, strong three quarters. Third quarter has been particularly higher relative to the first 2. So just wanted to get an idea of what the drivers are here in this quarter.

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

Can you just repeat which line of P&L are you talking about in the second question?

Q - Murad Ansari *GTN Middle East*

The investment income. So the QAR247 million - QAR246.5 million income from investment securities for the third quarter?

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

Okay. So let's take it step by step as in terms of loan growth. Yes, we already are at very close to the guidance that we are talking about. It is just that fourth quarter tends to have certain repayments, generally speaking. And this is something that we are keeping in mind. There are things in the pipeline that are expected to be repaid.

So that's why we are not upping the guidance at this point in time. In terms of NIM, as we've explained at length, we are close to the guidance where we said we were. But the factor which has changed recently is the higher CPI coming in for Turkey. And that is slightly modifying the rate cut - the aspects of the rate cut cycle, which Turkey will take place, particularly in the fourth quarter.

So these are the factors we are trying to keep in mind while we are continuing to maintain our guidance. In terms of investment income, primarily, if you look at Qatar operations, these are dividends coming in from our small equity portfolio that we hold. And again, very small portfolios are held in Egypt and Turkey as well. So it is principally dividend income on those operations on those investments, which are relatively smaller. So it's most likely, there is slightly higher dividends coming in from certain investments. That's what's driving this higher investment income.

Q - Murad Ansari *GTN Middle East*

So just confirm that these are not some benefits coming out from market volatility around rates or something. These are largely equity-driven investment income that you report in this slide.

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

There is - I would say the market volatility would be less than 1% of what is the reported number.

Host - Aybek Islamov *HSBC*

Yes. Thank you, Murad. Our next question comes from the Q&A box. I'll read it out for you.

So that's about Egypt. So regarding Qatar National Bank Egypt, the bank has reported in the third quarter, a cumulative GBP813 million loss from FX trading and GBP120 million loss on swap contracts. Could you please provide more context on what drove these losses? Were they tied to specific market movements, hedging strategies or one-off events? And the movement on the swap contracts was quite large in the third quarter alone. Can you please expand on that?

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

The numbers that we have from Egypt in terms of quarterly performance, we do not have any loss as such as it's a QNB Group call, I don't have the numbers exactly that you're talking about for what's reported by Egypt. I can take a follow-up and we can get back to you on this.

Host - Aybek Islamov *HSBC*

Yes. Okay. Thank you. Next question is a bit repetitive. Again, it's about Egypt loan growth outlook or loan growth this year.

Could you please clarify whether this growth so far has been primarily driven by increased demand from high-quality borrowers? Or has there been any strategic adjustment to your lending criteria? Could you also provide some context to Egypt's current loan approval rate relative to historical levels? And specifically, how much of the total loan demand or applications have been accepted this year compared to previous years?

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

I don't have the second part of the question on hand with us. The only thing that has slightly changed is that we were previously, not focusing on public sector a lot. And this year, we have started to focus on the public sector for loan growth. Again, it's a very specific Egypt question in terms of approval rate for loan growth, and I can get the data and get back to you.

Host - Aybek Islamov *HSBC*

Sounds good. Thank you. And I think another question which relates to the previous one. Strong growth in overdrafts in Egypt, in particular in Q3. In case you have any color, do you expect overdrafts to grow further in the next few quarters, right? Again, very Egypt-specific question.

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

We can basically reiterate the Egypt guidance in terms of their loan growth, which they have upped in local currency cut downs. In June, they were talking about mid-teen loan growth, whereas now for the full year, they expect about 20% to 25% loan growth for the full year. So they expect the loan growth or whatever loan numbers that are coming in to be higher compared to what they were talking about in June.

Host - Aybek Islamov *HSBC*

Yes. Sounds good. Thank you, Durraiz. I think that completes our Q&A session. And I think on last point, I'd like to address one question to you a very high level.

We talked a lot at the beginning of the call about the LNG projects and how the LNG production will expand over the coming years, right, quite a big boost. Now in that context and keeping in mind the credit leverage in the Qatari economy, what do you think could be the repayments coming from the public sector, right? So because there is always a behavioral pattern when public sector repays loans, when liquidity improves versus demand, right? So what are the chances that we may see better than trend line growth for Qatar over the next five to seven years, very kind of big picture view, right? If you can share your thought process on this would be great, if you can.

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

It's just that we need to keep in mind as to how the expansion is happening. So it's happening in phases, which means that when the first phase is online, the second and third phase, the construction will still be going on. So the CapEx demand for those things will continue to happen. And then again, third phase will come online towards 2030. And generally, when you have all of these phases have both DCM components, there will be loan components in it.

And of course, there are international investors who want sometimes dividends quicker as a return.

We have all the trans oil companies who are in these projects. So the question of whether the country is going to benefit immediately from these projects coming in, this is more of a late 2020s or early '30s question compared to 2026 or 2027 or 2028. So this is simply our thought process. Yes, country is going to benefit immediately. At some point in time, the leverage in the system would reduce, but this is more probably in early 2030s.

Host - Aybek Islamov *HSBC*

Understood. Clear. And one last closing question, if I may. Given that you're active in the Saudi market as one of the key GCC banks in the region, how is your appetite for the Saudi risk right now, same, unchanged or higher risk appetite compared to, let's say, beginning of the year, if you can comment on this.

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

Our risk appetite in Saudi Arabia has not changed. We are looking at it into two aspects. One is growing our Saudi branch and basically trying to increase the deposits over there to make sure the branch is self-funded. The other aspect, as we have talked about is we have announced that we have received a license that would require investment in Saudi market, and that is our position on the risk appetite in the market that, yes, we are ready to invest.

Host - Aybek Islamov *HSBC*

Great. Thank you very much, Durraiz. I think that concludes our conference call today. Thank you, everyone, for your very insightful questions, and thank you, the management team of Qatar National Bank for your answers and for your insights. Thank you, everyone.
