IR Call Transcript (Edited Version)
QNB Group Q1 2024 Results

CORPORATE PARTICIPANTS

Noor Mohammad Al-Naimi *Senior Executive Vice President, Group Treasury*

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

Durraiz Khan *Qatar National Bank (Q.P.S.C.) – Senior Vice President, Group Financial Consolidation (acting on behalf of* **Ramzi Talat A. Mari** *Qatar National Bank (Q.P.S.C.) - Group Chief Financial Officer)*

CONFERENCE CALL PARTICIPANTS

Andrew Brudenell *Ashmore Equities and Investment Management*

Aybek Islamov *HSBC*

Chiradeep Ghosh *Securities and Investment Company*

Elena Sanchez *EFG Hermes*

Fatema Alshakar *Securities and Investment Company*

Naresh Bilandani *JPMorgan Chase & Co*

Olga Veselova *Bank of America Merrill Lynch*

Yavuz Uzay *Millennium Capital Partners*

PRESENTATION

Elena Sanchez *EFG Hermes*

Good morning and good afternoon, everyone. This is Elena Sanchez. And on behalf of EFG Hermes, I would like to welcome you all to QNB Group's Q1 2024 Results Call. It's a pleasure to have with us the following speakers from QNB: Mr. Ramzi Mari, Group Chief Financial Officer; Ms. Noor Mohammad Al-Naimi, SEVP, Group Treasury and Financial Institutions; and Mr. Mark Abrahams, EVP, Group Treasury Trading. The call will begin with a brief presentation from QNB on the key highlights of the quarter, and then we will move on to the Q&A.

I would like to hand over the call now to Mr. Mark Abrahams. Please go ahead.

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

Thank you very much, Elena, and the EFG team for hosting the call today. Before we begin, we would like to remind everyone that this call is for analysts and investors only, and any media should please disconnect now.

The global economy is expected to decelerate in 2024 compared to a robust performance in prior years. The macroeconomic environment continues to be challenged by geopolitical tensions as well as the economic slowdown in advanced economies, including China. Given the progress in bringing inflation under control, central banks in advanced economies are expected to cut interest rates this year. However, the policy rates will continue to remain high over the coming months. Elevated oil and gas prices fueled robust fiscal and external revenues in the GCC resulting in either large services or the execution of large investment projects. This adds to the momentum created by structural reforms and the continued expansion of international tourism.

All in all, GDP growth in the GCC is expected to remain favorable, mainly based upon stronger hydrocarbon output. Also for Qatar, the macroeconomic environment remains positive. Qatar continues to lay the foundations for GDP growth over the medium and long term through investment, diversification and stronger private sector engagement. On the non-hydrocarbon front, following the successful preparation and organization of the 2022 FIFA World Cup Qatar, the country further consolidated its position as a regional and international hub for business investments, commerce, tourism and culture. This accelerated the execution of Qatar National Vision 2030 and assisted in the ongoing transition towards a knowledge-based economy.

On the hydrocarbon front, our winter investment and increasing gas production will drive economic growth. With 8 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 3 phases are expected to increase Qatar's LNG production by 85% to 142 million tonnes per annum by 2030. The project will 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. We expect domestic activity to remain strong with GDP growth of 2.4% in 2024, according to the median consensus estimates. 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 3 months ended 31st of March 2024. Key financial results were as follows. Net profit was QAR 4.1 billion or USD 1.14 billion, a robust growth of 7% compared to the same period last year. Healthy revenue growth resulted in an increase in operating income to QAR 10.4 billion or USD 2.8 billion, up 11%, demonstrating QNB Group's success maintaining growth across the full range of revenue sources.

QNB's cost-to-income ratio remained strong at 21.7%, which is considered to be one of the best ratios among large financial institutions in the EMEA region. Total assets are at QAR 1.237 trillion or USD 339.7 billion, up by 5% from the same period last year. Loans and advances reached QAR 867 million or USD 238 billion, up by 7%. QNB Group remained successful in attracting deposits, which resulted in an increase in customer funding by 6% from March 2023 to reach QAR 880 billion or USD 242 billion. The group's loan-to-deposit ratio remained stable at 98.6%. QNB Group's ratio of nonperforming loans to gross loans stood at 2.9%, 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 is at 98%.

Total equity increased to QAR 105 billion, up by 3% from March 2023. The bank's capital adequacy ratio at 19.1% is comfortably higher than both QCB and Basel III requirements.

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

QUESTIONS AND ANSWERS

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

(Operator Instructions) We have a question from Aybek Islamov. Aybek, your microphone is unmuted. You can go ahead, please. Okay. It seems we have an issue with his line.

Q - We will move to another question that we received in the chat from [Ehab]. The question is the impact of foreign currency risk becomes a significant line item in your P&L. What is your strategy to mitigate this risk?

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

Elena, this is Durraiz. Foreign currency risk is not a significant line item at P&L rather volatility in FX actually benefits us in terms of foreign exchange gains. Foreign currency risk actually is a line item in the statement of comprehensive income in the foreign currency translation losses. And that is - that does not impact profitability, that impacts overall capital basis. So if you see, we - our FX income was positively impacted because of volatility in Egyptian pound in the first quarter of 2024.

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

Thank you, Durraiz. We'll take a question now from Chiro Ghosh.

Q - Chiradeep Ghosh *Securities and Investment Company*

Two questions. The first one is, of course, related to Egypt. So after the devaluation, would you like to change your guidance about how do you see the subsidiaries contributing in 2024? Also, if you can give us some outlook on the asset quality? Do you see asset quality deteriorating with this development? That's my first question.

Second one is related to the operating expense. I know your cost-to-income ratio is still quite low, but the OpEx sharply rose in this quarter. So if you can give some color on why exactly it's happening.

And third question is also on related lines is on the hyperinflation side. So your hyperinflation also sharply rose in this quarter. So have you taken something from Egypt? Or are you being conservative with your hyperinflation? These are my 3 questions.

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

Yes, Chiro. In terms of the guidance, there is no change in our overall guidance because of Egypt devaluation at this time on an overall basis. What we are looking, we reiterate our guidance that we gave for the group, net asset growth of 4% to 6% and profitability of 7% to 9%. We've had better performance in Q1 from our Qatar Financial, part of it was offset because of devaluation in Egypt, but we stick to our guidance.

In terms of asset quality indicators, Egypt, the NPL ratio has gone down slightly compared to December, but we continue to be conservative in terms of cost of risk. And we have very adequate coverage at around 82%, which is stable compared to December in terms of Stage 3 loans. We continue to be conservative in terms of cost of risk for Egypt. But on an overall basis, our group guidance remains the same. In terms of OpEx, increase in OpEx, as you are aware, we are present in 2 large hyperinflation economies, one economy with hyperinflation and other economy with a very high inflation, so that is expected. But as we have always said that despite very, very strong price pressures coming in, our cost-to-income ratio remains industry-leading. And we - whenever we are taking higher costs, we always try to ensure that it is offset by higher revenues now or in the future.

In your terms of fourth question of hyperinflation, it is simply coming in from Turkey. Nothing has come in from Egypt because it's not yet declared, and hyperinflation economy, it's simply a formula. The inflation continues to be much higher in Turkey compared to standards. We expect - or the market expects the inflation numbers in Turkey will start coming down in Q3 and Q4. So for Q1, it was higher than expected, that's why we are seeing a higher hyperinflation number.

Q - Chiradeep Ghosh *Securities and Investment Company*

Just a follow-up on this part, the last point is, so it's purely formula-driven, right? So you don't conservatively take higher...

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

We disclose the inflation numbers. It's a function of monetary position and the change in CPI from the last reporting period. Very simple formula is applied to come to that.

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

We will take a question now from Naresh Bilandani.

Q – Naresh Bilandani *JPMorgan Chase & Co*

Just a few questions from my side, please. One is - the first one is on the RWA growth. We've seen a growth base of roughly about 6% over the quarter, which is much higher than the pace that we've seen in the 2% on loan growth and 0.5% assets. So any light you can throw there, that would be very helpful. That's the first question.

My second one is on - it would be very helpful if you could please throw some light on the reasons behind the 14% quarter-on-quarter decline that we saw in the NII of the Qatari segment. What would be the underlying drivers of the same? That would be very helpful to understand.

Third is we've seen - I think you partially mentioned on the FX income, but we've also seen fee income is quite strong. It would be very helpful to understand what really prevailed in the quarter. And when you say that you made a good FX income from volatility in the currencies, could you, in broad terms, explain just how this pans out, like what effectively drives this FX income? These would be the 3 questions, yes. If you can please throw some light there.

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

Yes, Naresh. In terms of RWA growth, principally, we have tried to put it in our presentation as well that for Qatar, the Basel III reforms or something call it, Basel IV rules are applicable, in which the measurement of certain off-balance sheet commitments and other impacts are basically different, which leads to slightly higher RWAs. That's what's principally driving the RWA growth because we are in a different calculation mechanism compared to what was in December. The Basel III reforms are almost fully phased in, except for the impact of FX, which, for us, there is no impact of RWA because of FX open position, because our open positions are relatively much smaller.

In terms of Qatar NII decline that you're looking at the segment, as we always explained, in Qatar, we - the NII that's reported is impacted by transfer pricing of interest expense coming in from our branches. And we always try to make sure that whatever funding that is coming in from London, Paris, Singapore, Hong Kong and other branches, which are liquidity centers, they are incentivized to give us better funding and better quality deposits to the growth. That's what's reflected in the Qatar segment. Offset of that is an international segment.

If you look at strictly - if you strip out these impacts between international branches and Qatar, the NII of Qatar was broadly stable with slight - very small increase.

In terms of fee income, fee income is - a lot of it is driven by activity, especially in the consumer banking, it's - a lot of it is seasonal. But it is broadly, shall I say, broad-based, and it is driven not by 1 or 2 factors, but the multiple businesses that we have in terms of trade activity, in terms of fee, carried fee because of FX activity and other factors.

The fourth question is on FX income, what drives FX income in volatility? It's simply the spreads widen significantly whenever there is FX volatility, especially because of imminent devaluations. We don't take open positions, this is very, very important to highlight it. We simply make more money whenever we are dealing with clients on both ends where they're buying and selling. And that spread -- increase in the spread is the one which drives higher FX income, but not because of any open position that we hold. I hope it addresses all your questions.

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

We will take a question now from Aybek Islamov.

Q - Aybek Islamov *HSBC*

Can you hear me now?

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

Yes, we can.

Q - Aybek Islamov *HSBC*

So yes, a couple of questions. One is inflationary impact on costs and fees. I've heard you earlier that there is some impact from inflation in Turkey, Egypt on these P&L lines. Can you elaborate a little bit on the trajectory of costs and fee income going forward? Is that a kind of sustainable level in costs? How strong we will correlate with the inflation in these 2 emerging markets? That's my first question.

Secondly, could you explain a bit on the write-offs in the first quarter? I mean, they're quite volatile, but in the first quarter they are again spiked, I think, about 2% of your loan book on an annualized basis. How do you see the write-offs going forward? Are they going to be quite volatile?

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

Aybek, these are the two questions. So let me first take the inflation impact on cost. Primarily on cost, it primarily impacts cost fees, not as such - as much, but on costs. Q1 numbers reflect any rate hikes or any cost hikes that we have built - or we have given for the first quarter unless inflation expectations change materially in both of these markets, and our view is that they are going to be stable or coming down. Our Q1 cost base is something that we would expect we could continue for the rest of the year.

In terms of fees, it primarily impacts QNB FB because we have to increase our gross - all P&L line items, not just fees, every P&L line item when we are reporting at the hyperinflation economy. As we go towards Q1 to Q2, Q3 and Q4, the impact of (inaudible) increases, but it impacts all lines. It's not to the fees line. So from a cost perspective, I think Q1 is something that we can take as stable. Going forward, the Q1 costs will remain stable in our too hard market.

In terms of write-offs, simply, it's a legal decision whenever there is - we have exhausted all resources. And we think that we do not have any further - or it would take a much longer time to actually get enforcement or resolution on these things, we write off. And whenever all factors are fully aligned, we get permissions if they are required from Central Bank to write it off. It's not a trend as such. Whenever all things align, the write-off will happen.

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

We'll move on to the next question from Fatema Alshakar.

Q - Fatema Alshakar *Securities and Investment Company*

This is Fatema Alshakar. I just have two questions. Regarding Qatari loan growth, would it be development from the North Field or other sectors will also contribute?

And my other question is regarding that quality concerns regarding Qatar and the weakness in real estate sector. If you can just shed the light on that.

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

Yes, Fatema. In terms of Qatari loan growth. Q1 growth is principally coming in from the public sector. At this time, we don't have that much visibility, whether it's coming in from North Field, but we - our view is more broad-based. In terms of asset quality indicators, we believe we can speak for our book. We believe our book is very, very well provisioned and our asset quality has remained quite robust for the year. And we have had at length discussion with almost all our analysts that sometimes we believe some of the asset quality indicators, ours are very different from the market, and even for the market, sometimes they are very much conservative. So we can probably get into a detailed discussion with you as to what are the sectors, which are impacted by asset quality and what are the ones, which are not. Principally in terms of hotels, in terms of shopping malls, in terms of office spaces, all of these things have been improving recently in Qatar.

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

We'll take the next question from Yavuz Uzay.

Q - Yavuz Uzay

I have a question about the potential changes to taxation rate for you in Qatar. So your effective tax rate for the group as a whole was close to 11% in '23, 13% in first quarter '24. I understand most of that is coming from Turkey and Egypt. So if you take - if you look at '24, '25 and '26 on a normalized basis, where should we expect your tax rate in Qatar to go to? And what do you think will be your group tax rate eventually when everything settles at the agreed levels?

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

Yes. You're right. We basically disclose how much in our annual financials in Note 32, which is for income taxes, we disclose what is the current Qatar income tax - Qatar income which is not subject to income tax. Our understanding is that we -- Qatar will actually be implementing the qualified minimum domestic type of taxes under the BEPS system effective from 2025, which basically asks minimum 15% tax to be applied in each and every jurisdiction in which we operate, including Qatar.

So from 2025 onwards, if you look at annual financials, you've disclosed, how much of Qatar income is not subject to tax, if you want to work out on a model, you should build that income subject to 15% income tax and so on and so forth. Our group tax rate, of course, will then go up from the current 11% to 12% that you're talking about. However, at this time, to ensure that our shareholders are not impacted because of imposition of taxation and with a view that their dividend yields remain the same, we are working towards a proposal that the payout ratio would increase slightly. Again, it's at initial stages. And ultimately, decision on any payout ratio changes will be to taken by the Board, not by the management. So this is something that we are taking a view towards, how to reduce the impact of any taxation coming in from 2025 on our shareholders by slightly tweaking our payout ratio.

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

We will take a question now from Olga Veselova.

Q - Olga Veselova *Bank of America Merrill Lynch*

Could you update us on your business activity in Saudi Arabia?

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

Saudi Arabia, our corporate banking activity is increasing at a very good pace and we opened our Jeddah branch last year. And we believe that we are working with - our plans that we have for the branch, they are working. And we actually expect loan growth to actually pick up in that particular branch as long as we can get good deposit growth. Because we want that branch to be self-funded, Saudi loans and Saudi deposits.

Q - Olga Veselova *Bank of America Merrill Lynch*

It's not self-funded now, right?

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

It is self-funded. In terms of making sure that we are -- we have more loan growth coming in, but we are being selective just to ensure that we match the loan growth for deposit growth.

Q - Olga Veselova *Bank of America Merrill Lynch*

Right. Can I ask, why don't you want to use advantage of having ample liquidity on the Doha balance sheet and channel this liquidity from Qatar to Saudi to expand lending more actively? Why this strategy doesn't work?

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

Usually, whenever we want to have a sustainable business in any geography, just as we have in Turkey and Egypt with a good lending business, we want to ensure it's self-funded. We don't want to avoid any cross-border risks, any other exchange risks, which come in. So that's why in order to have a more sustainable long-term business which can thrive in the long term, it's better to have local loans and local deposits.

Q - Olga Veselova *Bank of America Merrill Lynch*

Sorry, I keep asking you. But it's pretty different from Egypt and Turkey, given that the currency, one currency spot and other currency spot. So why not to apply different strategy to Saudi?

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

See, regardless, it's a different geography with different rules, different regulator. We have to operate as per the requirements in the local country. And as we keep going back, in order to build a sustainable business in that particular geography, it is - continues to - trying -principle continues to be that loan growth and deposit growth, both should be generated by in-country liquidity.

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

We'll take a question now from Salome. Salome, your line is on. Please go ahead. All right. We will move on to another question from Andrew Brudenell.

Q - Andrew Brudenell *Ashmore Equities and Investment Management*

Yes, I just wanted to go back to -- there was a question on hospitality exposure and what's going on in Qatar in that space. And you made a comment that you felt that hotels and hospitality businesses in general and maybe some of the real estate assets related to that were doing better. One, I wonder if you could give us a little bit more than that.

And then two, what is the percentage of the book that's actually exposed to that whole space? Because real estate is one part. But hospitality, I think, kind of sits within services. And so it's a little less clear in terms of exactly what the exposure the bank has to this entire sort of post World Cup hangover tourism issue. So could you spend a bit more - shed a bit more light on that as well, please?

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

So see, in terms of hospitality, I think there is there seems to be a market view that the hospitality assets are - because of the significant increase, which happened in line and run up to the World Cup, the market will struggle. But that has not happened. But PSA, which is the statistical agency issues monthly statistics on hotel occupancies, revenues, and if you look at the Q1 January, February numbers and last year's Q4 and Q3 numbers, most of the occupancy actually exceeded World Cup occupancy levels. Rather, January was the month in which more visitors came in than actually were recorded during December 2022 during the World Cup. So the tourism numbers in the country have continued to grow very, very strongly, which has impacted hospitality very positively.

Average, I don't have the numbers in front of me, but if I recall from the back, the average occupancy is close to 80% to 90%, principally visitors coming in from the GCC. Rather, if you look at Qatar Tourism website, they say, intra-GCC tourism, the biggest beneficiary of that is actually Qatar. In terms of our exposure to that particular sector, we don't have any significant exposure to that. It is part of the services. I would say it would be less than 0.5% or 0.4% of our total assets that we have. Our exposure, whatever that is, to government-backed hospitality companies. we have a hospitality owner, which is fully owned by the government, our principal exposure is to that.

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

I will read a few questions that were sent to the Q&A chat. One of them is around your M&A strategy.

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

No change in M&A strategy. We are not looking -- actively looking at anything right now.

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

And another question from the same attendee, Deepah Shah, is his name. Are you planning to issue debt in capital markets in 2024?

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

Mark will take it?

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

Yes. And depending on the market, we've already been active in the market in Q1, and we have no formal funding program, per se. But as and when the market dictates and where there is opportunistic windows for QNB, we will be dynamic and proactive in the market.

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

Right. Another question from [Maha Marhaba]. As loan growth during Q1 was strong in Qatar, is that growth sustainable? And shall we expect an upgrade to your loan growth guidance during 2024?

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

At this time, we stick to the same target that we have given, between 4% to 6% loan growth. Because the loan growth was coming from public sector, and usually we do see seasonality impacts Q1 and Q2. So we stick to the guidance.

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

And the last question, I can see. The FX translation loss amounted to QAR 3.9 billion. What is your strategy to stop such loss?

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

Principally, it comes from our original investments in Turkey and Egypt, and it is extremely almost impossible to get a perfect hedge against these losses. In the long run, the profitability from these franchises is what offsets these losses.

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

Right. A few more questions that are coming in. Can you comment on the NIM outlook in a scenario of the U.S. Fed keeping rates higher for longer?

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

So if you recall, we had given you the outlook that we're expecting, 2 rate cuts to happen in second quarter, which principally means that for us, the interest rates would remain largely the same throughout the year. Because if it happens in the second quarter, it would impact us in Q4 - sorry, second half of the year, it would impact us in Q4, principally. So for us, our NIM outlook remains the same. We expect 3 to 5 basis points decline in terms of rates, if there are more significant changes in interest rates or rate cuts happen towards the end of the year. Please keep in mind that there are uncertainty from Egypt and particularly Turkey in terms of NIM, may bring some volatility in it. Because Turkey had an unexpected rate hike, that impacted its NIM negatively. We expect the effect of it to go away actually in Q3 and Q4, assuming no further rate hikes in Turkey. it. Because Turkey had an unexpected rate hike, that impacted its NIM negatively. We expect the effect of it to go away actually in Q3 and Q4, assuming no further rate hikes in Turkey.

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

Another question is on whether you can give any specific guidance for Egypt.

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

In terms of Egypt, we have local currency profitability loan growth of 20% to 22%, deposit growth of 21% to 23% and local currency profitability of 20% to 22%, so close to 20% growth across all line items in local currency for Egypt.

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

Another question on cost of risk. Do you expect the cost of risk normalization to be higher this year? What is your target coverage ratio for Egypt and the group level for 2024?

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

Our cost of risk guidance as we started in Q1 continues to be around between 80 to 90 bps, and we came in slightly lower this quarter because there were a lot of one-offs in Q4. But our guidance remains the same that we would be between 80 to 90 bps for the full year as cost of risk. In terms of our coverage ratio target for the group, it would continue to be as close to 100% as possible.

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

And the last question is credit growth guidance specifically for Qatar for 2024 as well as sectors that will drive that growth.

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

4% to 6% when we talk about the group, which largely means Qatar, so that would be 4% to 6% for Qatar as well. Sectors, as Q1 was public sector-driven, we expect some repayments to come in, in Q2. So on -- for the full year, we expect it to be more broad-based from -- principally from what we call the trading and the services sector and public sector are actually also contributing on a full year basis. Q2, it may come down slightly.

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

Another question just came in. Do you expect to see a better alignment in the NAV growth? With the growth in the retained earnings, NAV growth has been quite weak in the last couple of years.

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

NAV growth has been weak principally because of the devaluation that is coming in for these translation losses significantly impact NAV. They are the primary change besides the retained earnings. So if devaluation - we - our view is that Turkey is - we have to watch Turkey for any further devaluation because this is something that we are very carefully looking at it. From Egypt perspective, they've had significant devaluation and at least the economy is now expected to run on market rates for some period. But this is something that we have to keep in mind between domestic and emerging markets. Devaluation impact - directly impacts capital and thus NAV.

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

Thank you, Durraiz. I cannot see any other questions in the chat, and therefore, we can conclude the call. I would like to thank the management team of QNB for their time today and all the attendees for joining the call, and I will hand over to you, Durraiz, for any closing remarks.

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

Thank you so much, Elena, for the call. And we've had a very, very good first quarter. We have very robust growth. Our operating income is also much higher. Our -we expect - we reiterate the guidance that we have given in for the full year. No changes in that particular guidance. And we'll see you in Q2.

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

Thank you.
