



Press Release

Financial Results for 4Q19

Key Highlights

- Total Assets reached EGP 273,014 million, up +6% YTD.
- Gross Loans reached EGP 160,984 million, up +12% YTD.
- Customer Deposits reached EGP 208,127 million, up +1% YTD.
- Non-performing Loans ratio and Coverage ratio of 2.79% and 163% respectively.
- Capital Adequacy ratio of 20.7% well above minimum required by CBE.
- Net Profit recorded EGP 8,522 million, up +18% YoY.
- Cost-to-Income ratio of 23.9%
- ROAA and ROAE of 3.2% and 26.6% respectively

QNB ALAHLI concluded another successful year in 2019 maintaining its trajectory of delivering resilient growth in its bottom-line backed by decent expansion of its commercial activities while maintaining a solid efficiency ratio. QNB ALAHLI is the loans' market share leader, 8.61% as per Oct-19 CBE data, amongst its rivals of the Egyptian private banks. The robustness of its commercial strategy is proven with the highest loans to deposits ratio, 77% as of Dec-19, within the overall Egyptian banking system, which paves the way to continue supporting and leveraging upon the accelerating growth of the Egyptian economy whilst ensuring its profitable growth is kept intact.

QNBAA's NPL ratio remains notably one of the lowest NPL ratio within the sector even after the impact of implementing IFRS9. Coupled with the high coverage, it depicts the top-notch credit positioning of the bank to pursue healthy growth, as a market leader, with effective risk management practices in place. The strength of its capital base, mostly Tier I with a decent capital buffer well above regulatory requirements, and the resilient capital generation ability furnish a cushion that enable the bank to absorb shocks if any.

In Dec-18, QNB was the first bank to hit the 20% SMEs target designated by CBE, one year ahead of the plan receiving CBE recognition for its achievement, recording 23% back then. As of Dec-19, SMEs portfolio share represents 21.4%, still ahead of the target, on the back of growth across all other segments that was boosted by liable upgrades of sizeable part to the SMEs portfolio. Normalizing such upgrade effect, the ratio would have been estimated at c. 25%.

QNB ALAHLI balance sheet structure, its decent liquidity position, the effective risk management and a decent capital buffer allows QNB ALAHLI to pursue its growth as a market leader in Egypt. The completeness of its products and services offering, whether directly or through its subsidiaries, ensure the delivery of a complete customer centric solution. With the bank shoring its digital strategy, increased convenience and satisfaction is set to be on the rise.

Financial Results

1.1. Balance Sheet

- **Gross Loans** stood at EGP 160,984 million, a decent growth compared to Dec-18 +12% and +2% QTD. Growth in loans was significant across the business lines as Corporate Loans grew +10% YTD to reach EGP 134,420 million. Retail Loans witnessed a robust growth +22% YTD to reach EGP 26,564 million. The SME share represents 21.4% out of the total portfolio in Dec-19, as per the SME definition of CBE. Loans market share reached 8.61% as of Oct-19, represent the highest record in the bank history, up 67 bps since Dec-18, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 208,127 million +1% compared to Dec-18. With increased focus on diversifying the deposit mix and seeking cheaper funds, Retail Deposits grew by 10% YTD to reach EGP 103,868 million to represent 50% of the deposit stock. Corporate Deposits decreased by -6% YTD to reach EGP 104,259 million. Deposits market share reached 5.00% as of Oct-19, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 35,303 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio & Tier 1 ratios stood at 20.7% & 19.7% respectively, well above the minimum required by CBE of 12.75% & 8.75% respectively which depicts the prudent capital management that helped comfortably accommodate the one-off impact of IFRS9 implementation beginning of 2019. QNB ALAHLI is the 2nd largest Egyptian private bank in terms of market capitalisation of EGP 46,378 million as at the end of 2019.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of 77% as at Dec-19. The CBE Liquidity ratio in local currency reached 45% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 32% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 173% and 130% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 393% and 179% respectively.

1.2. Income Statement

- **Net Banking Income** for FY 2019 increased to EGP 15,879 million, +17% over 2018. Net interest income grew by +24% YoY, with expanded NIM evolution to reach 5.84% up from 5.04% at the end of 2018. Net fees and commissions reached EGP 1,972 million in 2019, up +1% compared to 2018 partially impacted by the decent EGP appreciation against FCY that impacted FCY commission translation. Other operating income reached EGP 154 million.
- **Operating expenses** reached EGP 3,790 million for 2019, an overall increase of +18% YoY as the cost base adjusts to the inflationary pressure, along with the organic growth and continued investments in infrastructure to enhance service delivery, while maintain a high level of efficiency reflected in C/I ratio that reach 23.9% in 2019.
- **Provision expense**, the bank continues to apply a conservative approach in terms of its provisioning to lessen potential risks from sudden economic changes. Charges for expected credit losses (ECL) reached a net allocation of EGP 646 million.
- **Net profit** reached EGP 8,522 million for 2019, +18% compared to 2018.

Results Summary

1.3. Balance Sheet

in EGP million	Dec-19	Dec-18	YTD Growth
Cash & due from banks	20,477	23,274	-12%
Loans (Net)	153,527	137,965	11%
Investments	89,745	89,304	0%
Other assets	9,265	7,944	17%
Total Assets	273,014	258,487	6%
Customer Deposits	208,127	205,286	1%
Due to banks	16,031	12,708	26%
Other liabilities	13,553	11,840	14%
Shareholders' equity	35,303	28,653	23%
Total Liabilities and Equity	273,014	258,487	6%

1.4. Income Statement

in EGP million	Dec-19	Dec-18	YoY Growth
Net interest income	13,753	11,090	24%
Fees and commissions	1,972	1,956	1%
Other operating income ①②	154	577	-73%
Net banking income	15,879	13,623	17%
Operating expenses ②	(3,790)	(3,214)	18%
Gross operating income	12,089	10,409	16%
Credit risk provision ①	(754)	(632)	19%
Other provision ①	109	39	180%
Net cost of risk	(646)	(593)	9%
Net income before tax	11,444	9,816	17%
Income tax	(2,922)	(2,615)	12%
Net Profit	8,522	7,201	18%

*After the following adjustments from financial information published under Egyptian Accounting Standards ("EAS"):

- ① The net impact of the contingent liabilities provision and the other provisions – which is a part of the "Other operating income" according to the EAS, was transferred into "Credit Risk Provisions and other provisions", as it fits better with the economic nature of these items.
- ② Intangible software expenses and building rental expenses have been restated from "Other operating income" to "Operating expenses" as they fit better with the economic nature of these items.

1.5. Key Indicators

Financial Indicators – Income Statement		Dec-19	Dec-18
Profitability	ROAA	3.2%	3.0%
	ROAE	26.6%	28.1%
Efficiency	Cost-to-Income ratio	23.9%	23.6%
Financial Indicators – Balance Sheet		Dec-19	Dec-18
Liquidity	Gross loans / deposits ratio	77.3%	70.1%
Asset Quality	Non-performing loans ratio	2.79%	2.42%
	Coverage ratio **	163%	166%
	Capital adequacy ratio	20.7%	17.8%*
	Leverage ratio	11.3%	9.6%*
Non-Financial Indicators		Dec-19	Dec-18
KBIs	Staff	6,791	6,541
	Active customers	1,193,058	1,083,528
	Branches	227	220
	ATMs	487	462
	Points of sales	23,942	20,265

About QNB ALAHLI

QNB ALAHLI was established in April 1978, with a majority stake of 94.97% owned by QNB Group, after the Group reduced their stake down from 97.12% during 1H18, bringing the free float to the required minimum of 5% to comply with EGX listing requirements.

QNB ALAHLI is managing three successful funds: money market “Themar Fund”, equity “Tadawol Fund” and balanced “Tawazon Fund”.

Over the years, QNB ALAHLI established several subsidiaries in Egypt:

- QNBAA Leasing Company established in 1997. On June 26th, 2013, QNB ALAHLI raised its stake in QNBAA Leasing Co. from 60% to 99.9%.
- QNBAA Factoring Company set up in 2012, with QNB ALAHLI stake representing 99.9%.
- QNBAA Life Insurance Company set up in 2003. In January 2014, QNB ALAHLI increased its stake in QNBAA Life Insurance from 25% to 99.9%.
- QNBAA Asset Management Company, in June 2014 QNB ALAHLI increased its stake from 4.9% to 97.4%.

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