

Key Highlights

- Total Assets reached EGP 259,737 million
- Customer Deposits reached EGP 210,072 million
- Gross Loans reached EGP 157,089 million
- Non-performing Loans ratio and Coverage ratio of 2.85% and 159% respectively
- Capital Adequacy ratio of 19.9% well above minimum required by CBE
- Net Profit recorded EGP 6,456 million, up +20% YoY, and +2% QoQ
- Cost-to-Income ratio of 23.9%
- ROAA and ROAE of 3.3% and 27.8% respectively

QNB ALAHLI continued its resilient performance for the third consecutive quarter in 2019 with solid profitability and healthy growth in loans and deposits whilst enjoying a robust efficiency ratio. QNBAA is the market share leader in loans amongst the Egyptian private banks with the highest utilization ratio within the overall market backed by its clear commercial strategy. The bank's deposits mix clearly portrays the high performance of its operations that have positively contributed to the targeted profitable growth while maintaining decent liquidity buffers well above the minimum required by the regulator. More than one million active customers currently enjoy the positive customer experience within the QNBAA network.

QNB ALAHLI successfully implemented IFRS9 in 2019. The impact of the first-time adoption was minimal and during the quarter there was a marginal increase in the NPL, while remaining significantly below the average of the market, demonstrating the high-quality 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 and strong capital generation capacity, which secures a decent capital buffer well above the minimum required by the CBE.

QNB ALAHLI have already exceeded the 2019-year end CBE SME portfolio target of 20%, as currently the SME portfolio represents 21% of total lending portfolio, confirming the quality of the business model and the ability to leverage on the long-standing market presence.

QNBAA enjoys a solid balance sheet structure, a strong liquidity position, with prudent liquidity risk management and with an adequate capital buffer. This allows QNB ALAHLI to pursue profitability based on the bank's clear strategy, solid core banking operations while continuing to support the development of the Egyptian economy.

Financial Results

1.1. Balance Sheet

- **Gross Loans** stood at EGP 157,089 million, with reasonable growth compared to Dec-18 +9% and +5% compared to 2Q19. Growth in loans was well diversified across the business lines as Corporate Loans grew +8% YTD to reach EGP 131,863 million. Retail Loans grew at a faster pace +16% YTD to reach EGP 25,226 million. The SME share represents 21% out of the total portfolio in Sep-19, as per the SME definition of CBE. Loans market share reached 8.23% as of Jul-19, up 29bps since Dec-18, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 210,072 million +2% compared to Dec-18. With increased focus on a favourable deposit mix, Retail Deposits grew by 10% YTD to reach EGP 103,929 million to represent almost 50% of the deposit stock. Corporate Deposits decreased by -4% YTD to reach EGP 106,143 million. Deposits market share reached 5.08% as of Jul-19, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 33,263 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio & Tier 1 ratios stood at 19.9% & 19.0% 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 41,138 million as at the end of Sep-19.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of 75% as at Sep-19. The CBE Liquidity ratio in local currency reached 40% 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 177% and 137% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 490% and 268% respectively.

1.2. Income Statement

- **Net Banking Income** for Sep-19 increased to EGP 11,743 million, +20% over Sep-18. Net interest income grew by +28% YoY, as NIM expanded to 5.72% up from 5.04% at the end of 2018. Net fees and commissions reached EGP 1,482 million in Sep-19, up +4% compared to Sep-18, and +9% QoQ. Other operating income reached EGP 92 million.
- **Operating expenses** reached EGP 2,802 million for Sep-19, an overall increase of +26% YoY as the cost base adjusts to the inflationary pressure backed by the organic growth and continued investments in infrastructure aiming to further enhance service delivery.
- **Credit provision expense**, the bank continues to beef up its provisions to mitigate potential risks arising from economic shocks. Charges for expected credit losses (ECL) reached a net allocation of EGP 479 million representing +36% YOY increase.
- **Net profit** reached EGP 6,456 million for Sep-19, +20% compared to Sep-18 and +2% QOQ.

Results Summary

1.3. Balance Sheet

in EGP million	Sep-19	Dec-18	YTD Growth
Cash & due from banks	25,329	23,274	9%
Loans (Net)	149,839	137,965	9%
Investments	75,147	89,304	-16%
Other assets	9,422	7,944	19%
Total Assets	259,737	258,487	0%
Customer Deposits	210,072	205,286	2%
Due to banks	3,953	12,708	-69%
Other liabilities	12,449	11,840	5%
Shareholders' equity	33,263	28,653	16%
Total Liabilities and Equity	259,737	258,487	0%

1.4. Income Statement

in EGP million	Sep-19	Sep-18	YoY Growth
Net interest income	10,169	7,928	28%
Fees and commissions	1,482	1,423	4%
Other operating income ①②	92	468	-80%
Net banking income	11,743	9,819	20%
Operating expenses ②	(2,802)	(2,231)	26%
Gross operating income	8,941	7,588	18%
Credit risk provision ①	(479)	(352)	36%
Other provision ①	109	41	169%
Net cost of risk	(370)	(311)	19%
Net income before tax	8,571	7,277	18%
Income tax	(2,115)	(1,893)	12%
Net Profit	6,456	5,384	20%

*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		Sep-19	Sep-18
Profitability	ROAA	3.3%	3.1%
	ROAE	27.8%	29.1%
Efficiency	Cost-to-Income ratio	23.9%	22.7%
Financial Indicators – Balance Sheet		Sep-19	Dec-18
Liquidity	Gross loans / deposits ratio	74.8%	70.1%
Asset Quality	Non-performing loans ratio	2.85%	2.42%
	Coverage ratio **	159%	166%
	Capital adequacy ratio	19.9%	17.8%*
	Leverage ratio	11.1%	9.6%*
Non-Financial Indicators		Sep-19	Dec-18
KBIs	Staff	6,766	6,541
	Active customers	1,157,997	1,083,528
	Branches	223	220
	ATMs	478	462
	Points of sales	23,094	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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