

### Key Highlights

- Total Assets reached EGP 249,716 million
- Customer Deposits reached EGP 201,253 million
- Gross Loans reached EGP 144,533 million
- Non-performing Loans ratio and Coverage ratio of 2.73% and 175% respectively
- Capital Adequacy ratio of 17.7% well above minimum required by CBE
- Net Profit recorded EGP 2,023 million, up +26% YoY, and +11% QoQ
- Cost-to-Income ratio of 25.6%
- ROAA and ROAE of 3.2% and 28.2% respectively

QNB ALAHLI's resilient core earnings growth in 1Q19 illustrates the success of its commercially orientated focus as it enjoys one of the best utilization ratios (Loan-to-Deposit) in the Egyptian market place at a level of 72%, which is significantly above the average banking sector. The bank's agility in managing dynamic funding sources underpins its ability to deliver profitable growth while it maintains prudent liquidity ratios comfortably above the regulatory requirements.

QNB ALAHLI's financial strength successfully passed the implementation of IFRS9 started in 2019. The minimal impact of the 1<sup>st</sup> time adoption and the very marginal increase in the NPL, way below the average of the market, resemble its prudent risk management policies coupled with its capital strength and strong capital generation capacity. With a decent capital buffer, above the minimum required by the CBE, the bank is still positioned to pursue growth as a market leader.

QNB ALAHLI crossed the SMEs target of 20% designated by the CBE due by the end of 2019. QNB ALAHLI SMEs portfolio represents 23% of total lending portfolio by the end of 1Q19, asserting the dynamism of its business model and the ability to leverage on its long-standing market presence.

QNB ALAHLI, being one of the well-established and leading banks in the Egyptian banking sector, with a solid customer base, strong liquidity position, prudent risk management and adequate capital buffer, is geared towards supporting the ongoing development of the Egyptian economy, via its extended network of branches, comprehensive product and diversified service offerings.

# Financial Results

## 1.1. Balance Sheet

- **Gross Loans** stood at EGP 144,533 million almost stable compared to 2018 being partially impacted by EGP appreciation against FCY. Corporate Loans decreased by -1% YTD to reach EGP 121,506 million, while Retail Loans grew by +6% YTD to reach EGP 23,028 million. The SMEs share represent 23% out of the total portfolio in Mar-19, as per the definition of CBE, which is stable compared to Dec-18. Loans market share reached 7.94% as of Dec-18, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** decreased by -2% from Dec-18, to reach EGP 201,253 million. Corporate Deposits decreased by -7% YTD to reach EGP 103,412 million, while Retail Deposits grew by +3% YTD to reach EGP 97,841 million as the bank continues to pursue profitability through a change to its deposit mix. Deposit market share reached 5.43% as of Dec-18, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 28,805 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio & Tier 1 ratios stood at 17.7% & 16.5%, 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 2<sup>nd</sup> largest Egyptian private bank in terms of market capitalisation of EGP 42,127 million as at the end of Mar-19.
- **Liquidity Position** remained solid even with the highest utilisation within the market with a gross loan/deposit ratio of 72% as at Mar-19. The CBE Liquidity ratio in local currency recorded 45% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 38% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency recorded 182% and 143% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 384% and 282% respectively.

## 1.2. Income Statement

- **Net Banking Income** for 1Q19 increased to EGP 3,758 million, +29% over 1Q18. Net interest income grew by +40% YoY, as NIM expanded to 5.28% up from 5.04% at the end of 2018. Net fees and commissions reached EGP 486 million for 1Q19, up +1% compared to 1Q18, while Other operating income reached EGP 58 million.
- **Operating expenses** reached EGP 963 million for 1Q19, an overall increase of +39% 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.
- **Other provisions** increase in 1Q19 due to base impact as 1Q18 accounted for a net recovery resulting primarily from the successful conclusion of a major legal dispute.
- **Net profit** reached EGP 2,023 million for 1Q19, +26% compared to 1Q18.



# Results Summary

## 1.3. Balance Sheet

in EGP million	Mar-19	Dec-18	YTD Growth
Cash & due from banks	23,522	23,274	1%
Loans (Net)	137,442	137,965	0%
Investments	80,507	89,304	-10%
Other assets	8,245	7,944	4%
<b>Total Assets</b>	<b>249,716</b>	<b>258,487</b>	<b>-3%</b>
Customer Deposits	201,253	205,286	-2%
Due to banks	7,292	12,708	-43%
Other liabilities	12,366	11,840	4%
Shareholders' equity	28,805	28,653	1%
<b>Total Liabilities and Equity</b>	<b>249,716</b>	<b>258,487</b>	<b>-3%</b>

## 1.4. Income Statement

in EGP million	Mar-19	Mar-18	YoY Growth
Net interest income	3,214	2,289	40%
Fees and commissions	486	483	1%
Other operating income ① ②	58	151	-62%
<b>Net banking income</b>	<b>3,758</b>	<b>2,923</b>	<b>29%</b>
Operating expenses ②	(963)	(693)	39%
<b>Gross operating income</b>	<b>2,795</b>	<b>2,230</b>	<b>25%</b>
Credit risk provision ①	(108)	(85)	28%
Other provision ①	(8)	30	-128%
<b>Net cost of risk</b>	<b>(116)</b>	<b>(55)</b>	<b>114%</b>
<b>Net income before tax</b>	<b>2,679</b>	<b>2,175</b>	<b>23%</b>
Income tax	(656)	(570)	15%
<b>Net Profit</b>	<b>2,023</b>	<b>1,605</b>	<b>26%</b>

\*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		Mar-19	Mar-18
Profitability	ROAA	3.2%	2.8%
	ROAE	28.2%	28.3%
Efficiency	Cost-to-Income ratio	25.6%	23.7%
Financial Indicators – Balance Sheet		Mar-19	Dec-18
Liquidity	Gross loans / deposits ratio	72%	70.1%
Asset Quality	Non-performing loans ratio	2.73%	2.4%
	Coverage ratio	175%	166%**
	Capital adequacy ratio	17.7%	17.8%*
	Leverage ratio	9.7	9.6%*
Non-Financial Indicators		Mar-19	Dec-18
KBIs	Staff	6,613	6,541
	Active customers	1,102,430	1,083,528
	Branches	220	220
	ATMs	468	462
	Points of sales	20,985	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 its stake down from 97.12% during 1Q18, bringing its 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 March 26<sup>th</sup>, 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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