

Press Release

Financial Results for 1H19

Key Highlights

- Total Assets reached EGP 252,608 million
- Customer Deposits reached EGP 203,958 million
- Gross Loans reached EGP 149,084 million
- Non-performing Loans ratio and Coverage ratio of 2.76% and 171% respectively
- Capital Adequacy ratio of 19.5% well above minimum required by CBE
- Net Profit recorded EGP 4,217 million, up +22% YoY, and +9% QoQ
- Cost-to-Income ratio of 24.2%
- ROAA and ROAE of 3.3% and 28.3% respectively

QNB ALAHLI's continued its resilient commercial performance in a way that positively reflects its core revenue and bottom line. With a clear commercial orientation, the bank has continued to increase utilization (Loans to Deposits). The progressive shift in its deposits mix clearly portrays the dynamism of its operation that serves well targeted profitable growth while securing decent liquidity buffers above the minimum required by the regulator.

QNB ALAHLI's financial strength successfully passed the implementation of IFRS9 which started in 2019. The minimal impact of the 1st time adoption and the very marginal increase in the NPL, which was way below the average of the market. This is due to the bank's prudent risk management policies, as well as its capital strength and strong capital generation capacity, with a decent capital buffer, which is well above the minimum required by the CBE, means that 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, where SMEs portfolio represents 22.3% of total lending portfolio by the end of 1H19, asserting the dynamism of its business model and the ability to leverage on its long-standing market presence.

QNB ALAHLI, as a market leader in the Egyptian banking sector, has more than one million active customers, a solid balance sheet structure, a strong liquidity position, with prudent risk management and an adequate capital buffer. This allows QNB ALAHLI to pursue profitability relying on the bank's clear strategy, solid core banking operations while continuing to support the Egyptian economy development.

Financial Results

1.1. Balance Sheet

- **Gross Loans** stood at EGP 149,084 million up +4% since Dec-18 and +3% compared to 1Q19. The subdued demand for FCY alongside the appreciation of the LCY overshadowed a stronger demand in LCY borrowing, bringing Corporate Loans growth to +3% YTD to reach EGP 125,315 million. Retail Loans, mostly in LCY, grew by +10% YTD to reach EGP 23,769 million. The SMEs share represent 22.3% out of the total portfolio in Jun-19, as per the definition of CBE. Loans market share reached 7.82% as of Mar-19, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 203,958 million -1% compared to 2018. Where Corporate Deposits decreased by 8% YTD to reach EGP 101,858 million, while Retail Deposits grew by 8% YTD to reach EGP 102,100 million. Deposits' composition change perfectly fits with our conscious pursuit of sustained profitable growth. Deposit market share reached 5.17% as of Mar-19, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 31,021 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio & Tier 1 ratios stood at 19.5% & 18.5% 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 40,403 million as at the end of Jun-19.
- **Liquidity Position** remained solid even with the highest utilisation within the market with a gross loan/deposit ratio of 73% as at Jun-19. The CBE Liquidity ratio in local currency recorded 41% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 34% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency recorded 176% and 136% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 471% and 267% respectively.

1.2. Income Statement

- **Net Banking Income** for 1H19 increased to EGP 7,751 million, +24% over 1H18, and +6% QOQ. Net interest income grew by +36% YoY, as NIM expanded to 5.56% up from 5.04% at the end of 2018. Net fees and commissions reached EGP 963 million for 1H19, up +1% compared to 1H18, being impacted by lower translation of the FCY portion upon EGP appreciation in 1H19. Other operating income reached EGP 76 million.
- **Operating expenses** reached EGP 1,875 million for 1H19, an overall increase of +32% 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.
- **Provision expense**, the bank continues to beef up its provisions to mitigate potential risks arising from economic shocks. Charges for expected credit losses (ECL) composed the majority of a net provision allocation of EGP 277 million representing +84% YOY increase.
- **Net profit** reached EGP 4,217 million for 1H19, +22% compared to 1H18 and +9% QOQ, supported by an improved effective tax rate despite the recent amendments to Sovereign Income taxation given the prudent management of the balance sheet composition.

Results Summary

1.3. Balance Sheet

in EGP million	Jun-19	Dec-18	YTD Growth
Cash & due from banks	27,785	23,274	19%
Loans (Net)	141,913	137,965	3%
Investments	73,912	89,304	-17%
Other assets	8,998	7,944	13%
Total Assets	252,608	258,487	-2%
Customer Deposits	203,958	205,286	-1%
Due to banks	5,410	12,708	-57%
Other liabilities	12,219	11,840	3%
Shareholders' equity	31,021	28,653	8%
Total Liabilities and Equity	252,608	258,487	-2%

1.4. Income Statement

in EGP million	Jun-19	Jun-18	YoY Growth
Net interest income	6,712	4,951	36%
Fees and commissions	963	951	1%
Other operating income ①②	76	370	-79%
Net banking income	7,751	6,272	24%
Operating expenses ②	(1,875)	(1,416)	32%
Gross operating income	5,876	4,856	21%
Credit risk provision ①	(264)	(185)	43%
Other provision ①	(13)	34	-138%
Net cost of risk	(277)	(151)	84%
Net income before tax	5,599	4,705	19%
Income tax	(1,382)	(1,246)	11%
Net Profit	4,217	3,459	22%

*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		Jun-19	Jun-18
Profitability	ROAA	3.3%	3.0%
	ROAE	28.3%	29.3%
Efficiency	Cost-to-Income ratio	24.2%	22.6%
Financial Indicators – Balance Sheet		Jun-19	Dec-18
Liquidity	Gross loans / deposits ratio	73.1%	70.1%
Asset Quality	Non-performing loans ratio	2.76%	2.42%
	Coverage ratio **	171%	166%
	Capital adequacy ratio	19.5%	17.8%*
	Leverage ratio	10.6%	9.6%*
Non-Financial Indicators		Jun-19	Dec-18
KBIs	Staff	6,741	6,541
	Active customers	1,127,980	1,083,528
	Branches	220	220
	ATMs	473	462
	Points of sales	22,310	20,265



* Data as of Dec-18 includes the full year profit before profit distribution.

** Including loans provision for stage 1,2 and 3.

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 1H18, 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 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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