

Key Highlights

- Total Assets reached EGP 257,260 million, up +15% YTD
- Customer Deposits reached EGP 205,286 million, up +11% YTD
- Gross Loans reached EGP 143,912 million, up +22% YTD
- Non-performing Loans ratio and Coverage ratio of 2.4% and 166% respectively
- Capital Adequacy ratio of 17.8% well above minimum required by CBE
- Net Profit recorded EGP 7,201 million, up +30% YoY
- Cost-to-Income ratio of 23.6%.
- ROAA and ROAE of 3.0% and 28.1% respectively

QNB ALAHLI concluded another successful year in its history. Its strong bottom line YoY performance was backed by a resilient growth of its top line revenues coupled with assets expansion and broadened customer base. Its continued organic growth didn't overshadow its efficiency that improved YoY as well. QNB ALAHLI continues depicting a clear commercial orientation, enjoying one of the highest utilization ratios in the Egyptian market, as Gross Loans-to-Deposits ratio reached 70% at the end of 2018, while maintaining a diversified and stable funding base, and enjoying the largest loans' market share among its rivals of private banks.

QNB ALAHLI exceeded the SMEs portfolio-share target of 20% designated by CBE due by end 2019. QNB ALAHLI SMEs portfolio represents 23% of total lending portfolio by end of 2018 asserting the commercial orientation of the bank and dynamism of its the business model.

QNB ALAHLI became the 1st bank to conclude the reconciliation of more than sixty long-litigated tax cases and benefited from the 90% delay penalty waivers, within a very short time frame that was applauded by the Egyptian Tax Authority, neutralizing long standings risks.

The growth of its credit portfolio didn't compromise its quality given its prudent risk management processes. QNB ALAHLI enjoys one of the lowest NPL ratios in the sector with a very decent high coverage ratio. The strong capitalization of the bank, well above the regulatory requirement, provides a decent buffer to comfortably accommodate the results of IFRS 9 implementation planned locally in 2019. QNB ALAHLI, as a market leader in the Egyptian banking sector, with more than one million active customers, strong liquidity position, prudent risk management and adequate capital buffer, is geared toward supporting and capitalizing on the ongoing development of the Egyptian economy, through its well-planned physical footprint, comprehensive product suite and diversified service offerings.

1. Financial Results

1.1. Balance Sheet

- **Gross Loans** increased by +22% YTD, +8% QTD to reach EGP 143,912 million, of which Corporate Loans increased by +22% YTD to reach EGP 122,215 million and Retail Loans grew by +20% YTD to reach EGP 21,697 million. The SMEs represent 23% out of the total portfolio in Dec-18, as per the definition of CBE, up from 17.32% by Dec-17, loans market share reached 7.93% as of Oct-18 on a standalone basis – as per latest available data revealed by CBE.
- **Customer Deposits** grew by +11% from Dec-17, to reach EGP 205,286 million, supported by growth in both the Corporate and Retail segments. Corporate Deposits grew by +7% YTD to reach EGP 110,703 million, while Retail Deposits grew by +16% YTD to reach EGP 94,583 million. Deposit market share reached 5.47% as of Oct-18 on a standalone basis – as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 28,653 million, which will continue to support the bank's organic growth plans. The Capital Adequacy Ratio & Tier 1 ratios stood at 17.8% & 16.6% respectively, including 2018 earnings, comfortably above an expected minimum required of 13.5% & 7.875% respectively by the beginning of 2019. QNB ALAHLI is the 2nd largest Egyptian private bank in terms of market capitalisation of EGP 39,179 million as at the end of Dec-18.
- **Liquidity Position** remained solid with the highest utilisation within the market with a net loan/deposit ratio of 67% as at Dec-18. The CBE Liquidity ratio in local currency recorded 49% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 33% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency recorded 185% and 136% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 383% and 282% respectively.

1.2. Income Statement

- **Net Banking Income** for 2018 stood at EGP 13,623 million, +25% over 2017 and +7% over 3Q18. Net interest income grew by +28% YoY, upon the increase in interest-earning assets and NIM expansion to 5.04% up from 4.74% last year. Net fees and commissions reached EGP 1,956 million for 2018, up +10% compared to 2017, while Other operating income reached EGP 577 million.
- **Operating expenses** reached EGP 3,214 million for 2018, an overall increase of +20% 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** accounted for a net reintegration resulting primarily from the successful conclusion of a major legal dispute during 1Q18 and the tax provision recovery recognized in 3Q18 based on re-assessment of an Income tax legal dispute risk following a recently agreed reconciliation protocol between the Tax Authority and FEB (Federation of Egyptian Banks).
- **Net profit** reached EGP 7,201 million for 2018, +30% compared to 2017.



Results Summary

1.3. Balance Sheet

in EGP million	Dec-18	Dec-17	YTD Growth
Cash & due from banks	23,274	31,171	-25%
Loans (Net)	137,965	112,597	23%
Investments	88,077	70,099	26%
Other assets	7,944	9,088	-13%
Total Assets	257,260	222,955	15%
Customer Deposits	205,286	184,877	11%
Due to banks	11,481	3,742	207%
Other liabilities	11,840	11,830	0%
Shareholders' equity	28,653	22,506	27%
Total Liabilities and Equity	257,260	222,955	15%

1.4. Income Statement

in EGP million	Dec-18	Dec-17	YoY Growth
Net interest income	11,090	8,694	28%
Fees and commissions	1,956	1,775	10%
Other operating income ① ②	577	424	36%
Net banking income	13,623	10,893	25%
Operating expenses ②	(3,214)	(2,674)	20%
Gross operating income	10,409	8,219	27%
Credit risk provision ①	(632)	(814)	-22%
Other provision ①	39	(42)	-193%
Net cost of risk	(593)	(856)	-31%
Net income before tax	9,816	7,363	33%
Income tax	(2,615)	(1,838)	42%
Net Profit	7,201	5,525	30%

*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-18	Dec-17
Profitability	ROAA	3.0%	2.7%
	ROAE	28.1%	27.9%
Efficiency	Cost-to-Income ratio	23.6%	24.5%
Financial Indicators – Balance Sheet		Dec-18	Dec-17
Liquidity	Gross loans / deposits ratio	70.1%	63.9%
Asset Quality	Non-performing loans ratio	2.4%	2.2%
	Coverage ratio	166%	203%
	Capital adequacy ratio	17.8%	15.8%
	Leverage ratio	9.6%	8.1%
Non-Financial Indicators		Dec-18	Dec-17
KBIs	Staff	6,541	6,073
	Active customers	1,083,528	974,401
	Branches	220	215
	ATMs	462	448
	Points of sales	20,265	17,068

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 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%.

Contacts: www.qnbalahli.com

Sameh Badry
+ 202 2770 7770
Sameh.Badry@qnbalahli.com

Mohamed Mansour
+ 202 2770 7717
Mohamed.M-Hassan@qnbalahli.com

