

**Price**  
**EGP18.70**  
at close of 11 Jan 2022

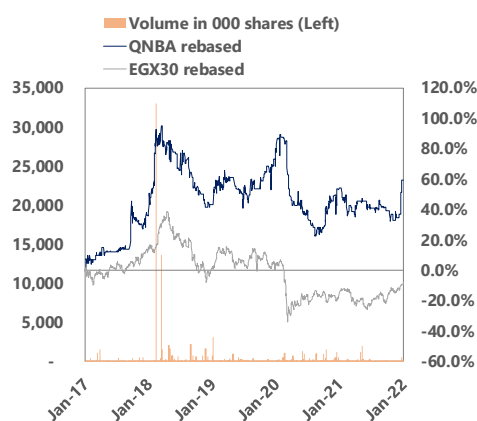
**Fair Value**  
**EGP19.9**  
set on 7 Dec 2021

**12M PT**  
**EGP19.5** (+4%)  
set on 7 Dec 2021

Investment Rating **Neutral** ★ ★ ★  
Risk Rating **Medium** ! ! !

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Source: Bloomberg.

## Key Stock Statistics

Shares outstanding (mn)	<b>2,155</b>
Free float	<b>5.0%</b>
Market cap (mn)	<b>EGP40,289</b>
Market cap (mn)	<b>USD2,554</b>
52w range (EGP/share)	<b>13.0-20.0</b>
EGP100 invested 5y ago	<b>EGP160</b>
TTM EPS	<b>EGP3.54</b>
TTM P/E	<b>5.3x</b>
P/BV	<b>0.87x</b>
2022e EPS	<b>EGP4.41</b>
2022e P/E	<b>4.24x</b>
2022e P/B	<b>0.78x</b>
Last fiscal year's DPS	<b>EGP0.0</b>
Dividend yield	<b>0.0%</b>
5Yr beta	<b>0.6</b>
3Y Proj. EPS CAGR	<b>20%</b>

## Slow Earnings Pace Despite Assets Growth

Downgrade to Neutral on recent price rally

**Subdued earnings growth on a provisions related house-cleaning job:** QNB Alahli [QNBA] has reported its consolidated 2021 figures, with a bottom line of EGP7.6bn (+2% y/y) on a higher net interest income (NII) of EGP15.3bn (+5% y/y). Net earnings came in slightly below our estimates of EGP7.8bn (-3% vs. PRe). QNBA managed to achieve NII growth despite a y/y drop in NIM, in light of a strong interest earnings assets (IEA) growth. We note that the annual slippage in NIM is a product of lower yields on IEA, as the impact of the rate cuts in 2020 materialized. Also, weak earnings growth was the product of booking yet another round of hefty credit provisions, which amounted to EGP2.3bn (+6% y/y).

**ROAE weakened on muted earnings growth:** Total assets grew boldly by 24% y/y, as the bank managed to grow its deposits by c.27% y/y. However, balance sheet growth did not filter through to earnings. Hence, ROAA dropped marginally to 2.3% (-35bps y/y), whereas ROAE weakened by 277bps to 17.7%, given a slow expansion in the bank's equity multiplier. Despite having a very high base year in 2020, QNBA booked 6% higher credit provisions during 2021 as its NPL ratio upped to 3.8% (+80bps y/y). In addition, we note that Q4 2021 made up 42% of total credit provisions booked in 2021. As a result, overall coverage ratio slipped to 143% in 2021, down from 177% a year earlier, albeit higher than 132% in Q3 2021.

**Balance sheet growth driven by Treasuries growth:** Total assets grew 24% y/y to EGP360bn in 2021. This was driven by a 62% leap in governmental debt securities, which amounted EGP134bn, which in turn led to a higher tax rate of 31.5% in 2021 vs. 29.1% a year before. Moreover, lending growth came was more contained, growing only 6% y/y to EGP173bn. While net loans still captured the biggest chunk of total assets (i.e. 48%), GLDR decelerated drastically to 62% (c.-12pp) due to a big jump in deposits to EGP295bn (+27% y/y). We note that QNBA has a short-term (ST) positive repricing gap of 8% of total assets. This means QNBA's ST financial assets are higher than its ST financial liabilities, making it a beneficiary to an extent in the event of higher interest rates.

**Downgrade to Neutral on recent stock price rally:** QNBA rallied c.19% since we published our banking sector note in December 2021. In view of 2021 results, we maintain our 12M PT at EGP19.5/ share (ETR +4%), hence we downgrade our rating from Overweight to Neutral with room to upgrade during 2022. QNBA is currently traded at 2022e P/E of 4.2x and P/BV of 0.78x.

**FINANCIAL KPIs** (figures in EGPmn, unless otherwise noted)

<b>Balance Sheet (EGPmn)</b>			
	<b>2021</b>	<b>2020</b>	<b>y/y</b>
Cash & other at CBE	22,642	17,167	32%
Interbank assets	17,311	7,068	145%
Net customer loans	172,829	163,636	6%
Trading Investments	410	61	571%
T-bills	40,038	42,004	-5%
Financial Investments	92,597	50,156	85%
Non-earning and other assets	13,743	10,071	36%
<b>Total assets</b>	<b>359,569</b>	<b>290,163</b>	<b>24%</b>
Interbank liabilities	3,459	4,139	-16%
Customer deposits	295,492	233,322	27%
Other liabilities	21,160	21,343	-1%
<b>Total liabilities</b>	<b>313,193</b>	<b>250,526</b>	<b>25%</b>
<b>Shareholders' equity</b>	<b>46,375</b>	<b>39,637</b>	<b>17%</b>
<b>Total liabilities &amp; equity</b>	<b>359,569</b>	<b>290,163</b>	<b>24%</b>

<b>Income Statement (EGPmn)</b>			
	<b>2021</b>	<b>2020</b>	<b>y/y</b>
Interest income	32,133	30,738	5%
Interest expense	(16,793)	(16,101)	4%
<b>Net interest income</b>	<b>15,340</b>	<b>14,637</b>	<b>5%</b>
Net fees & commissions	2,030	1,803	13%
Other non interest income	173	154	13%
<b>Non-interest income</b>	<b>2,203</b>	<b>1,956</b>	<b>13%</b>
<b>Total revenue</b>	<b>17,543</b>	<b>16,594</b>	<b>6%</b>
G&A & other Opex	(4,135)	(3,889)	6%
<b>Operating profit</b>	<b>13,408</b>	<b>12,705</b>	<b>6%</b>
Loan loss charge	(2,273)	(2,137)	6%
<b>Pre-tax profit</b>	<b>11,135</b>	<b>10,568</b>	<b>5%</b>
Taxes	(3,508)	(3,077)	14%
<b>Net profit</b>	<b>7,627</b>	<b>7,492</b>	<b>2%</b>

Source: Bank reports, Prime Research.

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