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Press Release

National Bank of Egypt emerges as the strongest bank in Egypt and Africa in 2017, despite substantial pressure on capitalisation level and asset quality of African banks

- National Bank of Egypt emerges as the Strongest Bank in Egypt and Africa in 2017
- Although Middle Eastern banks experienced a contraction in profitability, their overall capitalisation and liquidity improved with the gradual adoption of Basel III regulations
- In Africa, asset quality and capitalisation were the key concerns

Toronto, Canada, 17th October 2017 - National Bank of Egypt ranks top the Strongest Banks by Balance Sheet ranking in Africa in 2017, based on a very detailed and transparent scorecard that ranks commercial banks on six areas of balance sheet financial performance; namely the ability to scale, balance sheet growth, risk profile, profitability, asset quality and liquidity. The bank, along with other strongest banks in the region, was recognised at the AB500 Strongest Banks by Balance Sheet ceremony held in conjunction with the annual SWIFT organised SIBOS convention in Toronto, Canada.

National Bank of Egypt emerges as the Strongest Bank in Egypt and Africa in 2017

The bank demonstrated strong profitability through its asset quality and strong capital adequacy, which helped attain strong balance sheet growth. With a strength score of 4.20, National Bank of Egypt holds the top spot for the banks in Egypt and Africa.

Qatar National Bank and Standard Bank Group remained top of The Middle East and Africa 100 ranking by assets. The Middle East and Africa 100 (MEA 100) 2017 is an evaluation of the 50 largest banks in the Middle East and the 50 largest banks in Africa for the financial year 2016. The study covers 12 countries, namely Bahrain, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE) in the Middle East and Egypt, Kenya, Nigeria and South Africa in Africa.

In 2016, the asset gap between the two largest banks widened, as total assets of Qatar National Bank expanded by 34% to \$198 billion and Standard Bank Group registered a 1.6% decline in its total assets. First Abu Dhabi Bank becomes the UAE's largest bank and the second largest bank in the Middle East and Africa after the successful completion of a merger of National Bank of Abu Dhabi and First Gulf Bank on 1st April 2017. Going forwards, further consolidation is expected in the region, as it will help enhance competitiveness of the banking sector.

Figure 1. AB500 strongest banks by balance sheet in the Africa region 2017

Rank	Bank	Country	Score
1	National Bank of Egypt	Egypt	4.20
2	Banque Misr	Egypt	4.03
3	Guaranty Trust Bank	Nigeria	3.61
4	QNB ALAHLI	Egypt	3.60
5	Zenith Bank	Nigeria	3.59
5	Bank Audi Egypt	Egypt	3.58
7	United Bank for Africa	Nigeria	3.53
8	Standard Bank Group	South Africa	3.49
8	Access Bank	Nigeria	3.49
10	Citibank Nigeria	Nigeria	3.44

Source: Asian Banker Research

Capital and asset quality concerns in Africa

Compared to Middle East, banks in these four African countries registered stronger balance sheet and profit growth, and maintained higher level of return on equity and assets and lower loan to deposit ratios. Nevertheless, they had weaker capital positions and worse asset quality. Weaker capitalisation level is particularly a concern for Egypt.

With the highest weighted average strength score at 3.77 out of five, Egyptian banks performed better in most areas except for capitalisation. The average capital adequacy ratio of Egyptian banks was lower from 12.9% in 2015 to at 12.1% in 2016. Egyptian banks have high exposure to foreign-currency loans, while most capital bases are in local currency. The weaker capital adequacy ratio can be largely attributed to the depreciation of the Egyptian pound in November 2016.

More Nigerian banks made it into the list of top ten strongest banks this year. Overall, Nigerian banks experienced considerable improvement in their financial performance in 2016. They recorded strong growth of loans and deposits, better profitability and higher capital adequacy ratio. However, strong profit growth they achieved is primarily driven by non-recurring foreign exchange revaluation gains. Their asset quality weakened significantly, with the average NPL ratio up from 7.2% in 2015 to 9.4% in 2016 and the average provision coverage ratio dropping from 86% to 77%.

Going forward, banks should take action to ease asset quality pressures and maintain profitability, and also meet the new requirements, as regulatory requirements will continue to evolve.

The Strongest Banks 2017 (based on balance sheet strength)

About the programme

The Asian Banker Strongest Banks is an annual assessment of the financial and business performance of the commercial banking industry in the Asia Pacific, the Middle East and Africa. The assessment ranks the top performing banks in each country by strength, an evaluation that is based on a belief that a strong bank demonstrates long-term profitability from its core businesses.

The scope of coverage for The Asian Banker Strongest Banks comprises of both the mature markets and the most promising emerging markets in Asia Pacific, Middle East and Africa. The focus of the assessment is on commercial banks and financial holding companies with a significant proportion of activity in commercial banking. The assessment does not include central banks, policy banks or finance companies.

The winners are determined using a scorecard approach based on six crucial performance indicators rated on a scale of 0-5: Scale, Balance sheet growth, Risk profile, Profitability, Asset quality and Liquidity.

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