

Financial Results for 1H22

Key Highlights

- Total Assets reached 406,115 EGP million, up +13% YTD.
- Gross Loans reached 205,512 EGP million, up +12% YTD
- Customer Deposits reached 337,176 EGP million, up +14% YTD.
- Non-performing Loans ratio and Coverage ratio of 4.08% and 136% respectively.
- Capital Adequacy ratio of 22.6% well above minimum required by CBE.
- Gross profit reached 8,669 EGP million, +31% YOY.
- Net Profit recorded 4,754 EGP million, +16% YOY.
- Cost-to-Income ratio of 22.7%.
- ROAA and ROAE of 2.5% and 20.1%, respectively.

The Egyptian Monetary and Fiscal Policy had tandemly responded to the soaring global economic challenges in the 2nd quarter as the repercussions continue to spill over to the Egyptian Economy. The CBE brought its cumulative rate hikes to 300 bps since the beginning of the year while continuing to maintain a flexible exchange rate and complemented by economical policies reforms to alleviate the impacts on the Egyptian Economy.

Demonstrating its resilient business model and despite the challenging context in the 2nd Quarter, QNBAA continued to deliver a solid performance in terms of not only Balance Sheet growth but profitability as well. Gross loans reached 206 BEGP, +12% YTD, with 61% loans to deposits maintaining its position as one of the top ranked banks in terms of utilization. The SMEs loans is still maintaining a prominent share of the total bank portfolio, accelerating its share further to 26.74%, after achieving the CBE's minimum requirement of 25% back in Dec-21, one full year ahead of the mandated time frame.

Given the context and considering its rigorous risk polices, QNBAA doubled the provisions booked in 1H21 bringing to 1,733 EGP million, compared to the comparable period year ago, and therefore maintained a decent coverage ratio of 135.7% with NPL ratio at 4.08%. Yet, such conservative approach didn't restrain the bank from delivering a solid set of results. The Consolidated net profit recorded a +16% growth YOY to reach 4,754 MEGP and hence marked ROAE and ROAA of 20.1% & 2.5% respectively. Efficiency improved as Cost-to-Income declined to 22.7% at the end of 1H22 compared to 24% in 1H21.

The financial strength of the bank is well preserved as capital adequacy ratio marked 22.6%, primarily driven by Tier I captial, far above the minimum regulatory requirements while enjoying a decent liquidity position with CBE liquidity ratio for LCY and FCY at 47.8% and 48.5% respectively.

Rising from the belief of the importance of the community service and social development, QNB ALAHLI didn't spare any efforts and continued its Corporate Social Responsibility activities by continuing to collaborate and support other social responsibility institutions like "Misr El-Kheir Foundation" & "Orman Association".

Financial Results

1.1. Balance Sheet

- **Gross Loans** recorded EGP 205,512 million, up by +12% compared to Dec-21. The corporate loans continue to rise reaching 163,700 EGP with an increase of +12% YTD, while the retail loans climbed to 41,812 EGP, +15% YTD. As for the loans market share, it stood at 5.86% in Mar-22 versus 5.96% in Dec-21, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** jumped to 337,176, +14% YTD. With the corporate deposits as a main booster, that made an impeccable 22% increase for the year's first half, reaching 207,365 MEGP. On the other side, the retail deposits are growing to 129,812 MEGP which is +4% YTD. Consequently, deposits market share increased to 4.64% in Mar-22 compared to 4.59% in Dec-21, on a standalone basis and as per latest available data revealed by the CBE.
- **Total Equity** reached EGP 48,380 million, 4% YTD. The Capital Adequacy Ratio and Tier 1 ratios stood at 22.6% and 22.0%, respectively, well above the minimum required by CBE of 12.50% and 8.50%, respectively.
- **Liquidity Position** remained solid even with the one of the highest utilization levels within the market with a gross loan/deposit ratio of 61.0% at the end of Jun-22. The CBE Liquidity ratio in local currency reached 47.8% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 48.5% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 184% and 155%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 621% and 297%, respectively as of May 2022.

1.2. Income Statement

- **Net Banking Income** significantly increased to 11,212 MEGP, +29% compared to the same period last year, driven by +21% increase in the NII and +16% growth for the net fees and commissions. Other revenues' materially increased due to capital FX revaluation to reach 1,159 MEGP by the end of 1H22. YTD NIM reached 5.21%.
- **Operating expenses** recorded EGP 2,544 million for Jun-22, along with a cost to income ratio of 22.7%.
- **Provision expense**, QNB ALAHLI made sure to cover the necessary needs given the prevailing uncertainty. Charges for expected credit losses (ECL) reached a net allocation of EGP 1,733 million YTD.
- **Net profit** grew by +16% YOY, recording EGP 4,754 million.

Corporate Social Responsibility:

As usual, QNB ALAHLI will always meet its responsibilities towards the society. We maintained the diversified corporate social responsibility projects, cooperating with various institutions and parties, such as Hayah Karima initiative, Baheya hospital and Misr El Kheir.

Results Summary

1.3. Balance Sheet

| Description in EGP million | Standalone basis | | | Consolidated basis | | |
|-------------------------------------|------------------|----------------|------------|--------------------|----------------|------------|
| | Jun-22 | Dec-21 | YTD Growth | Jun-22 | Dec-21 | YTD Growth |
| Cash & due from banks | 46,823 | 38,805 | 21% | 47,720 | 39,953 | 19% |
| Loans (Net) | 196,178 | 174,641 | 12% | 193,992 | 172,829 | 12% |
| Investments | 145,623 | 130,407 | 12% | 148,829 | 133,044 | 12% |
| Other assets | 11,691 | 10,343 | 13% | 15,574 | 13,743 | 13% |
| Total Assets | 400,316 | 354,195 | 13% | 406,115 | 359,569 | 13% |
| Customer Deposits | 338,109 | 296,240 | 14% | 337,176 | 295,492 | 14% |
| Due to banks | 4,413 | 3,459 | 28% | 4,413 | 3,459 | 28% |
| Other liabilities | 11,066 | 9,445 | 17% | 16,146 | 14,243 | 13% |
| Shareholders' equity | 46,727 | 45,052 | 4% | 48,380 | 46,375 | 4% |
| Total Liabilities and Equity | 400,316 | 354,195 | 13% | 406,115 | 359,569 | 13% |

1.4. Income Statement

| Description in EGP million | Standalone basis | | | Consolidated basis | | |
|-------------------------------|------------------|--------------|------------|--------------------|--------------|------------|
| | Jun-22 | Jun-21 | YoY Growth | Jun-22 | Jun-21 | YoY Growth |
| Net interest income | 8,706 | 7,160 | 22% | 8,911 | 7,370 | 21% |
| Fees and commissions | 1,170 | 1,013 | 16% | 1,142 | 987 | 16% |
| Other operating income ① ② | 875 | 106 | 728% | 1,159 | 323 | 260% |
| Net banking income | 10,751 | 8,279 | 30% | 11,212 | 8,680 | 29% |
| Operating expenses ② | (2,485) | (2,035) | 22% | (2,543) | (2,083) | 22% |
| Gross operating income | 8,266 | 6,244 | 32% | 8,669 | 6,597 | 31% |
| Net cost of risk ① | (1,730) | (778) | 122% | (1,733) | (815) | 113% |
| Net income before tax | 6,536 | 5,466 | 20% | 6,936 | 5,782 | 20% |
| Income tax | (2,123) | (1,633) | 30% | (2,182) | (1,684) | 30% |
| Net Profit | 4,413 | 3,833 | 15% | 4,754 | 4,098 | 16% |

*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 (Consolidated Basis)

| Financial Indicators – Income Statement | | Jun-22 | Jun-21 |
|---|------------------------------|-----------|-----------|
| Profitability | ROAA | 2.5% | 2.7% |
| | ROAE | 20.1% | 19.8% |
| Efficiency | Cost-to-Income ratio | 22.7% | 24.0% |
| Financial Indicators – Balance Sheet | | Jun-22 | Dec-21 |
| Liquidity | Gross loans / deposits ratio | 61.0% | 61.9% |
| Asset Quality | Non-performing loans ratio | 4.08% | 3.81% |
| | Coverage ratio * | 136% | 143% |
| | Capital adequacy ratio | 22.6% | 21.6% |
| | Leverage ratio | 10.7% | 11.0% |
| Non-Financial Indicators | | Jun-22 | Dec-21 |
| Non-Financial Indicators | Staff | 7,035 | 6,970 |
| | Active customers | 1,380,849 | 1,333,781 |
| | Branches | 231 | 231 |
| | ATMs | 873 | 872 |
| | Points of sales | 61,608 | 62,234 |

* 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 their stake down from 97.12% during 1H18, bringing the free float to the required minimum of 5% to comply with EGX listing requirements.

QNB ALAHLI is managing three successful funds: money Junket “TheJun 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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