

### Key Highlights

- Total Assets reached 550,989 MEGP, +14% YTD, +67,709 MEGP.
- Gross Loans reached 252,037 MEGP, +11% YTD, +24,018 MEGP.
- Customer Deposits reached 460,565 MEGP, +13% YTD, +54,323 MEGP.
- Non-performing Loans ratio and Coverage ratio of 4.95% and 118.6%, respectively.
- Capital Adequacy ratio of 22.44%, well above minimum required by CBE.
- Net Profit recorded 8,665 MEGP, +82% YOY, +3,911 MEGP.
- Cost-to-Income ratio of 19.2%.
- ROAA and ROAE of 3.35% and 30.5%, respectively.

Developed economies are gradually adjusting their monetary policy measures, which may relieve pressure on emerging markets and currencies. The Egyptian government is actively stimulating the economy by improving market competitiveness and the legal framework for doing business, among other actions such as accelerating asset sales and implementing the Local Currency Settlement (LCS) mechanism with trading partners. Markets have reacted positively to these initiatives, resulting in a positive shift in sentiment towards the Egyptian economy.

QNB ALAHLI is successfully addressing the market challenges by employing its robust business model. The Financial position has grown by +14% YTD, primarily due to a +13% rise in deposits. Moreover, the total loans have exceeded December 2022 level by +11%, leading to a utilization ratio of 54.7%, reflecting strong business activity. Despite the challenges of maintaining portfolio quality, the management has efficiently maintained the Non-Performing Loans ratio at a remarkable 4.95%, ensuring a solid coverage ratio of 118.6%.

QNB ALAHLI's profitability has improved significantly, with a notable YOY net profit growth rate of +82%, resulting in a net income of 8,665 MEGP. All profitability measures improved, with ROAA and ROAE reaching 3.35% and 30.5%, respectively. Similarly, the cost-to-income ratio fell to 19.2%, a 350 bps decrease from June 2022.

The NII set a new level of 13,899 MEGP, retaining its 77% NBI share. Non-interest income exceeds expectations, increasing by +83% YOY. This expansion contributed to the bank's NBI reaching 18,107 MEGP, a +61% increase YOY. The considerable growth in NBI has helped in offsetting expense growth of +37% YOY mainly driven by high levels of inflation.

We are particularly proud to scale up the commercial footprint of "**QNB bebasata**" during the 2<sup>nd</sup> Quarter, the first fully digital banking experience in Egypt, as a testament to our dedication to digitalization. "**QNB bebasata**" provides an exceptional user experience that is free from commissions and fees. This launch marks a significant step forward, revolutionizing the financial industry scene and redefining how people see banking through an innovative approach. QNB ALAHLI is dedicated to being a forerunner in this field.

# Financial Results

## 1.1. Financial Position

- **Gross Loans** increased by +11% YOY to 252,037 MEGP, with a net production of 24,018 MEGP, of which 20,925 MEGP was contributed by corporate loans, which totalled 203,718 MEGP. Despite the high lending rates, retail loans reached 48,319 MEGP, up by +7% YOY. The SMEs' proportion of total corporate loans was maintained at 23.29% in 1H23, even though the target was already met in Dec-21.
- **Customer Deposits** increased by +13% YOY to 460,565 MEGP. Corporate deposits increased to 295,296 MEGP, while retail deposits continued to recover and regain market share, closing at 165,269 MEGP, +14% YTD.
- **Total Equity** increased by 10% YOY to 59,466 MEGP. The capital adequacy and tier 1 ratios were 22.44% and 21.76%, respectively, above the CBE's minimum requirements of 12.5% and 8.5%.
- **Liquidity Position** remained strong despite one of the market's highest utilization levels, with a gross loan/deposit ratio of around 55% at the end of June-23. The CBE liquidity ratio in local currency was 51.2%, compared to the CBE's requirement of 20%, and the CBE liquidity ratio in foreign currency was 47.8%, compared to the CBE's requirement of 25%. As of May 2023, the Net Stable Funding Ratio (NSFR) in both local and foreign currency was 202% and 148%, respectively, while the Liquidity Coverage Ratio (LCR) was 683% and 399%, respectively.

## 1.2. Income Statement

- **Net Banking Income** rose by 61% YOY to 18,107 MEGP, with the NII recording a +56% YOY growth to reach 13,899 MEGP. Its advancement increased the NIM to 6.08%, up by +87 bps from Jun-22.
- **Operating expenses** are increasing as projected due to multiple variables, including inflation and currency depreciation, reaching 3,474 MEGP, up by +37% YOY.
- **Provision expense** is keeping assets adequately covered, with 2,120 MEGP YTD, +388 MEGP higher than the previous period and +22% YOY.
- **Net profit** reached 8,665 MEGP, up by +82% from Jun-22.

## Corporate Social Responsibility:

QNB ALAHLI's profound dedication to corporate social responsibility has manifested itself in a wide range of impactful initiatives, spanning from healthcare advancements with **Al-Nas Hospital** to protocol signing with **Zewail City for Science, Technology, and Innovation**, as well as sponsoring multiple employment fairs with universities such as **AUC, GUC, and New Giza**.

Furthermore, granting scholarships to students at **Borg El Arab Technological University** in collaboration with **Sonaa El Kheir Foundation**, financial literacy seminars, and long-term projects for youths in **Hayah Karima Villages** highlight the commitment to empower the next generation. QNB ALAHLI's dedication to building a positive effect in society clearly represents the essence of the bank.



# Results Summary

## 1.3. Financial Position

Description in MEGP	Separate basis			Consolidated basis		
	Jun-23	Dec-22	YTD Growth	Jun-23	Dec-22	YTD Growth
Cash & due from banks	93,530	72,821	28%	95,168	73,922	29%
Loans (Net)	239,763	216,591	11%	237,139	213,960	11%
Investments	195,931	175,401	12%	200,357	179,289	12%
Other assets	14,086	11,979	18%	18,325	16,109	14%
<b>Total Assets</b>	<b>543,310</b>	<b>476,792</b>	<b>14%</b>	<b>550,989</b>	<b>483,280</b>	<b>14%</b>
Customer Deposits	461,049	407,067	13%	460,565	406,242	13%
Due to banks	6,471	3,522	84%	6,471	3,522	84%
Other liabilities	18,280	13,622	34%	24,488	19,418	26%
Shareholders' equity	57,510	52,581	9%	59,466	54,098	10%
<b>Total Liabilities and Equity</b>	<b>543,310</b>	<b>476,792</b>	<b>14%</b>	<b>550,989</b>	<b>483,280</b>	<b>14%</b>

## 1.4. Income Statement

Description in MEGP	Separate basis			Consolidated basis		
	Jun-23	Jun-22	YOY Growth	Jun-23	Jun-22	YOY Growth
Net interest income	13,672	8,706	57%	13,899	8,911	56%
Fees and commissions	1,995	1,170	70%	1,965	1,142	72%
Other operating income ① ②	1,794	875	105%	2,243	1,159	93%
<b>Net banking income</b>	<b>17,461</b>	<b>10,751</b>	<b>62%</b>	<b>18,107</b>	<b>11,212</b>	<b>61%</b>
Operating expenses ②	(3,406)	(2,485)	37%	(3,474)	(2,543)	37%
<b>Gross operating income</b>	<b>14,055</b>	<b>8,266</b>	<b>70%</b>	<b>14,633</b>	<b>8,669</b>	<b>69%</b>
Net cost of risk ①	(2,042)	(1,730)	18%	(2,120)	(1,733)	22%
<b>Net income before tax</b>	<b>12,013</b>	<b>6,536</b>	<b>84%</b>	<b>12,513</b>	<b>6,936</b>	<b>80%</b>
Income tax	(3,801)	(2,123)	79%	(3,847)	(2,182)	76%
<b>Net Profit</b>	<b>8,212</b>	<b>4,413</b>	<b>86%</b>	<b>8,665</b>	<b>4,754</b>	<b>82%</b>

\*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-23	Jun-22
Profitability	ROAA	3.35%	2.48%
	ROAE	30.5%	20.1%
Efficiency	Cost-to-Income ratio	19.2%	22.7%
Financial Indicators – Balance Sheet		Jun-23	Dec-22
Liquidity	Gross loans / deposits ratio	54.7%	56.1%
Asset Quality	Non-performing loans ratio	4.95%	5.05%
	Coverage ratio *	118.6%	120.6%
	Capital adequacy ratio**	22.44%	21.79%
	Leverage ratio**	9.9%	9.8%
Non-Financial Indicators		Jun-23	Dec-22
Non-Financial Indicators	Staff	7,190	7,230
	Active customers	1,698,972	1,403,658
	Branches	232	232
	ATMs	918	893
	Points of sales	57,214	56,976

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

\*\*CAR & Leverage ratios are restated compared to Dec-22 released data after considering profit share, board remuneration and the banking system support and development share.

## 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 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 26<sup>th</sup>, 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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