

### Key Highlights

- Total Assets reached EGP 291,569 million, up +7% YTD.
- Gross Loans reached EGP 172,326 million, up +7% YTD.
- Customer Deposits reached EGP 232,841 million, up +12% YTD.
- Non-performing Loans ratio and Coverage ratio of 2.97% and 171%, respectively.
- Capital Adequacy ratio of 21.39% well above minimum required by CBE.
- Gross profit reached EGP 9,667 million +8% YoY.
- Net Profit recorded EGP 5,642 million.
- Cost-to-Income ratio of 24.0%.
- ROAA and ROAE of 2.7% and 20.5%, respectively.

The impact of the pandemic continued to overshadow the global economy during 3Q20 despite cautious moves to ease measures that pushed the brakes on growth. Egypt was not an exception with the curfew coming to an end and the gradual relaxation of the restrictive measures, particularly toward the end of September, which cleared the way for the anxious resumption of economic growth considering the risks associated with a second wave.

Navigating such economic climate, QNB ALAHLI continued to deliver solid performance in terms of its balance sheet growth and profitability. Gross loans grew 7% YTD to EGP 172 billion, while deposits increased by 12% YTD to EGP 233 billion, enjoying the highest loans' market share within the private banks, and the highest utilization ratio of 74% which is far above the market average.

Resilience of core earnings was demonstrated with Net Banking Income growth of 8% to EGP 12,712 million, with its efficiency almost intact at the level of 24.0% based upon rigorous management of costs. Such favorable combination enabled the bank to give a boost to its provisioning, for the unforeseen consequences of the economic slowdown, while also delivering a robust net profit of EGP 5,642 million by the end of 3Q20. Within such an approach, asset quality remained under tight management as NPL remained as one of the lowest in the banking sector and stood at 2.97% yet with a high coverage of 171%.

QNBAA continued to spare no effort to honor its commitment toward its staff and customers with continued investments in its digital infrastructure as well as its branches. The bank actively joined efforts to wither the economic impact of the COVID-19 by donating EGP 110 million to support such efforts. Being an industry leader, QNB ALAHLI remains well positioned to leverage on the expected recovery of Egypt's strong economic growth.

# Financial Results

## 1.1. Balance Sheet

- **Gross Loans** stood at EGP 172,326 million, adding +7% since Dec-19 despite the challenging context. Corporate Loans increased by +4% YTD reaching EGP 140,306 million impacted partially by EGP appreciation against FCY, while Retail line of business acted as the growth engine with growth of +21% YTD to reach EGP 32,020 million. The SME share represents 22.2% of the total portfolio in Sep-20, as per the SME definition of CBE. Loans market share reached 7.67% as of Jun-20, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 232,841 million +12% compared to Dec-19. Retail Deposits increased +4% YTD to reach EGP 108,454 million representing 47% of the deposit stock. Corporate Deposits increased by +19% YTD to reach EGP 124,387 million. Deposits' market share reached 4.76% as of Jun-20, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 37,936 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio and Tier 1 ratios stood at 21.39% and 20.32%, respectively, well above the minimum required by CBE of 12.75% and 8.75%, respectively. QNB ALAHLI is the 2<sup>nd</sup> largest Egyptian private bank in terms of market capitalisation of EGP 32,042 million as at the end of Sep-20.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of 74.0% as at Sep-20. The CBE Liquidity ratio in local currency reached 44% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 35% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 171% and 142%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 346% and 340%, respectively.

## 1.2. Income Statement

- **Net Banking Income** for 9M20 reached EGP 12,712 million, +8% YoY. Net interest income grew by +9% YoY, with NIM at 5.71% compared to 5.84% at the end of 2019. Net fees and commissions reached EGP 1,285 million in 9M20, down -13% YoY due to the slowdown of trade activities and upon slashing down some fees as guided by the CBE to support customers' needs. Other operating income reached EGP 339 million.
- **Operating expenses** reached EGP 3,045 million for 9M20, an overall increase of +9% YoY as the cost base adjusts to the inflationary pressure, along with the organic growth and continued investments in infrastructure to enhance service delivery, while maintaining a high level of efficiency reflected in C/I ratio that reached 24.0% in 9M20.
- **Provision expense**, the bank continues to apply a conservative approach in terms of its provisioning to lessen potential risks from sudden economic context changes. Charges for expected credit losses (ECL) reached a net allocation of EGP 1,712 million representing 4.6x the creation compared to 9M19.
- **Net profit** reached EGP 5,642 million for 9M20, -13% compared to 9M19.

# Results Summary

## 1.3. Balance Sheet

Description	Standalone basis			Consolidated basis			
	in EGP million	Sep-20	Dec-19	YTD Growth	Sep-20	Dec-19	YTD Growth
Cash & due from banks		21,470	18,652	15%	23,419	20,477	14%
Loans (Net)		165,032	154,784	7%	163,443	153,527	6%
Investments		93,903	89,224	5%	94,704	89,745	6%
Other assets		6,666	6,261	6%	10,003	9,265	8%
<b>Total Assets</b>		<b>287,071</b>	<b>268,921</b>	<b>7%</b>	<b>291,569</b>	<b>273,014</b>	<b>7%</b>
Customer Deposits		233,383	209,065	12%	232,841	208,127	12%
Due to banks		7,130	16,031	-56%	7,130	16,031	-56%
Other liabilities		9,803	9,647	2%	13,662	13,553	1%
Shareholders' equity		36,755	34,178	8%	37,936	35,303	7%
<b>Total Liabilities and Equity</b>		<b>287,071</b>	<b>268,921</b>	<b>7%</b>	<b>291,569</b>	<b>273,014</b>	<b>7%</b>

## 1.4. Income Statement

Description	Standalone basis			Consolidated basis			
	in EGP million	Sep-20	Sep-19	Growth	Sep-20	Sep-19	Growth
Net interest income		10,892	10,033	9%	11,088	10,168	9%
Fees and commissions		1,318	1,503	-12%	1,285	1,482	-13%
Other operating income ①②		82	(190)	-143%	339	92	267%
<b>Net banking income</b>		<b>12,292</b>	<b>11,346</b>	<b>8%</b>	<b>12,712</b>	<b>11,744</b>	<b>8%</b>
Operating expenses ②		(2,977)	(2,732)	9%	(3,045)	(2,803)	9%
<b>Gross operating income</b>		<b>9,315</b>	<b>8,614</b>	<b>8%</b>	<b>9,667</b>	<b>8,941</b>	<b>8%</b>
Credit risk provision ①		(1,491)	(454)	228%	(1,720)	(479)	259%
Other provision ①		34	108	-69%	8	109	-93%
<b>Net cost of risk</b>		<b>(1,457)</b>	<b>(346)</b>	<b>321%</b>	<b>(1,712)</b>	<b>(370)</b>	<b>363%</b>
<b>Net income before tax</b>		<b>7,858</b>	<b>8,268</b>	<b>-5%</b>	<b>7,955</b>	<b>8,571</b>	<b>-7%</b>
Income tax		(2,286)	(2,062)	11%	(2,313)	(2,115)	9%
<b>Net Profit</b>		<b>5,572</b>	<b>6,206</b>	<b>-10%</b>	<b>5,642</b>	<b>6,456</b>	<b>-13%</b>

\*After the following adjustments from financial information published under Egyptian Accounting Standards ("EAS"):

- 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.
- 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		Sep-20	Sep-19
Profitability	ROAA	2.7%	3.3%
	ROAE	20.5%	27.8%
Efficiency	Cost-to-Income ratio	24.0%	23.9%
Financial Indicators – Balance Sheet		Sep-20	Dec-19
Liquidity	Gross loans / deposits ratio	74.0%	77.3%
Asset Quality	Non-performing loans ratio	2.97%	2.79%
	Coverage ratio *	171%	163%
	Capital adequacy ratio	21.39%	18.91%
	Leverage ratio	11.5%	10.3%
Non-Financial Indicators		Sep-20	Dec-19
KBIs	Staff	6,714	6,791
	Active customers	1,220,562	1,193,058
	Branches	229	227
	ATMs	516	487
	Points of sales	40,408	23,942

\* 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 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%.

Contacts: [www.qnbalahli.com](http://www.qnbalahli.com)

Sameh Badry  
+ 202 2770 7770  
[Sameh.Badry@qnbalahli.com](mailto:Sameh.Badry@qnbalahli.com)

Mohamed Mansour  
+ 202 2770 7717  
[Mohamed.M-Hassan@qnbalahli.com](mailto:Mohamed.M-Hassan@qnbalahli.com)

