

Press Release

Financial Results for FY20

Key Highlights

- Total Assets reached EGP 290,163 million, up +6% YTD.
- Gross Loans reached EGP 172,919 million, up +7% YTD.
- Customer Deposits reached EGP 233,322 million, up +12% YTD.
- Non-performing Loans ratio and Coverage ratio of 3.0% and 177% respectively.
- Capital Adequacy ratio of 21.92% well above minimum required by CBE.
- Gross profit reached EGP 12,819 million +6% YoY.
- Net Profit recorded EGP 7,492 million.
- Cost-to-Income ratio of 23.9%.
- ROAA and ROAE of 2.7% and 20.0%, respectively.

COVID-19 was the topic of the year that had its toll on the economic activities across the globe. Egypt was not an exception. The preemptive efforts of the fiscal and monetary policies, back in March 2020, have helped soften the impact on various economic sectors and households and safeguarded Egypt growth potential. The evolving news about the vaccines provide much awaited light at end of the tunnel even though the time to recovery is still uncertain.

Despite the headwinds, QNBAA honored its commitment toward its customers, staff and shareholders showing a genuine dedication, loyalty and commitment to preserve running and continue enhancing its business model. While doing so, QNBAA was actively engaged in supporting both fiscal or the monetary initiatives undertaken by the CBE to ease the burden, caused by the pandemic, on Corporates and Individuals alike. That hasn't been only limited to the direct contribution, of EGP 110 million, to support COVID-19 relief efforts but also included rapid execution of loans' payments deferral/rescheduling and fees-waiving instruction by the CBE. As a leading private sector bank, QNB ALAHLI joined CBE efforts for promoting financial inclusion, advocate electronic payments and leverage the use of e-channels. In that regard, QNB ALAHLI put in place plans for a successful deployment of additional 345 ATMs and 60,000 additional POS terminals.

Demonstrating resilience of its business model, QNB ALAHLI delivered a solid performance in terms of balance sheet growth and profitability in 2020. Gross loans grew 7% YTD to EGP 173 billion, while deposits increased by 12% YTD to EGP 233 billion. QNB ALAHLI loans market share topped the list of private banks with Loans to Deposits ratio of 74% that is far above the market average.

Core earnings were solid with Net Banking Income growth of 6% YoY to EGP 16,839 million. The rapid execution of QNB ALAHLI cost management successfully preserved its ranking, in terms of efficiency, with cost to income ratio remaining checked at 23.9%.

Following its prudent risk management approach and careful assessment of the underlying risks of a prolonged recovery, management opted cautiously to increase the credit risks provisioning level to weather any unforeseen impact on the assets quality despite a low NPL reading of 3.0%, being the lowest within the market, increasing the coverage ratio to 177%.

Reaping the benefits of the concluded reconciliation agreements with the Egyptian tax authority, the bank successfully completed a comprehensive assessment of its tax provisions that consciously yielded a release of EGP 155 million putting an end to long running disputes.

QNB ALAHLI delivered a robust net profit of EGP 7,492 million by the end of FY20, a drop of -12% compared to 2019 because of higher provisioning level during 2020.

The strength of QNB ALAHLI capital structure and its revenue generation capacity remain do position it to leverage on the expected rebound of the economic activities in line with its historical commitment to propel Egyptian economy growth and deliver the best value to its customers and shareholders capitalizing on a robust business model, prudent risk management and talented team.

Financial Results

1.1. Balance Sheet

- **Gross Loans** stood at EGP 172,919 million, adding +7% since Dec-19 despite the challenging context. Corporate Loans increased by +4% YTD reaching EGP 140,464 million impacted partially by EGP appreciation against FCY, while Retail line of business acted as the growth engine with growth of +22% YTD to reach EGP 32,454 million. The SME share represents 22.5% of the total portfolio in Dec-20, as per the SME definition of CBE. Loans market share reached 7.47% as of Aug-20, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 233,322 million +12% compared to Dec-19. Retail Deposits increased +7% YTD to reach EGP 110,875 million representing 48% of the deposit stock. Corporate Deposits increased by +17% YTD to reach EGP 122,447 million. Deposits' market share reached 4.69% as of Aug-20, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 39,637 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio and Tier 1 ratios stood at 21.92% and 21.09%, respectively, well above the minimum required by CBE of 12.75% and 8.75%, respectively. QNB ALAHLI is the 2nd largest Egyptian private bank in terms of market capitalisation of 38,744 EGP million as at the end of 2020.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of 74.1% as at Dec-20. The CBE Liquidity ratio in local currency reached 42% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 32% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 173% and 138%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 552% and 353%, respectively.

1.2. Income Statement

- **Net Banking Income** for FY20 reached EGP 16,839 million, +6% YoY. Net interest income grew by +6% YoY, with NIM at 5.55% compared to 5.84% at the end of 2019. Net fees and commissions reached EGP 1,803 million in FY20, down -9% 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 399 million.
- **Operating expenses** reached EGP 4,020 million for FY20, an overall increase of +6% 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 the Cost to Income ratio that reached 23.9% in FY20.
- **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 2,250 million representing 3.5x the creation compared to FY19.
- **Net profit** reached EGP 7,492 million for FY20, -12% compared to FY19.

Results Summary

1.3. Balance Sheet

Description	Standalone basis			Consolidated basis			
	in EGP million	FY 2020	FY2019	YOY Growth	FY 2020	FY2019	YOY Growth
Cash & due from banks		22,391	18,652	20%	24,235	20,477	18%
Loans (Net)		164,962	154,784	7%	163,635	153,527	7%
Investments		91,148	89,224	2%	92,224	89,745	3%
Other assets		6,975	6,261	11%	10,068	9,265	9%
Total Assets		285,476	268,921	6%	290,162	273,014	6%
Customer Deposits		233,892	209,065	12%	233,321	208,127	12%
Due to banks		4,139	16,031	-74%	4,139	16,031	-74%
Other liabilities		8,992	9,647	-7%	13,065	13,553	-4%
Shareholders' equity		38,453	34,178	13%	39,637	35,303	12%
Total Liabilities and Equity		285,476	268,921	6%	290,162	273,014	6%

1.4. Income Statement

Description	Standalone basis			Consolidated basis			
	in EGP million	FY 2020	FY2019	YOY Growth	FY 2020	FY2019	YOY Growth
Net interest income		14,354	13,568	6%	14,637	13,753	6%
Fees and commissions		1,848	2,003	-8%	1,803	1,972	-9%
Other operating income ① ②		107	(94)	-214%	399	154	158%
Net banking income		16,309	15,477	5%	16,839	15,879	6%
Operating expenses ②		(3,928)	(3,693)	6%	(4,020)	(3,790)	6%
Gross operating income		12,381	11,784	5%	12,819	12,089	6%
Net cost of risk ①		(1,977)	(611)	223%	(2,250)	(645)	249%
Net income before tax		10,404	11,173	-7%	10,569	11,444	-8%
Income tax		(3,005)	(2,851)	5%	(3,077)	(2,922)	5%
Net Profit		7,399	8,322	-11%	7,492	8,522	-12%

*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)

Description		FY 2020	FY2019
Profitability	ROAA	2.7%	3.2%
	ROAE	20.0%	26.6%
Efficiency	Cost-to-Income ratio	23.9%	23.9%
Liquidity	Gross loans / deposits ratio	74.1%	77.3%
Asset Quality	Non-performing loans ratio	3.00%	2.79%
	Coverage ratio *	177%	163%
	Capital adequacy ratio	21.92%	18.91%
	Leverage ratio	12.2%	10.3%
Non-Financial Indicators	Staff	6,686	6,791
	Active customers	1,247,742	1,193,058
	Branches	231	227
	ATMs	611	487
	Points of sales	54,144	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 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%.

Contacts: www.qnbalahli.com

Sameh Badry
+ 202 2770 7770
Sameh.Badry@qnbalahli.com

Mohamed Mansour
+ 202 2770 7717
Mohamed.M-Hassan@qnbalahli.com

