



# Press Release

## Financial Results for 1H20

### Key Highlights

- Total Assets reached EGP 285,888 million, up +5% YTD.
- Gross Loans reached EGP 167,344 million, up +4% YTD.
- Customer Deposits reached EGP 223,200 million, up +7% YTD.
- Non-performing Loans ratio and Coverage ratio of 2.90% and 174% respectively.
- Capital Adequacy ratio of 20.79% well above minimum required by CBE.
- Gross profit reached EGP 6,637 million +13% YoY.
- Net Profit recorded EGP 3,845 million.
- Cost-to-Income ratio of 23.2%.
- ROAA and ROAE of 2.8% and 21.5% respectively

The operating environment continued to be overshadowed by the Covid-19 pandemic that has profoundly affected societies and economies throughout the world. Egypt was no exception and the partial lock down and impact of various measures initiated as a result of the pandemic have fully materialized in 2Q20. Despite such a challenging backdrop, QNB ALAHLI performance remained resilient. For 1H20, the Net Banking Income grew +11% YoY to EGP 8,637 million while the cost management measures helped further improvement in the efficiency with 100bps decline in the cost-to-income to 23.2%.

Stimulated by its commercial focus and despite slowing economic growth, QNB ALAHLI gross loans increased 4% YTD as the bank joined the efforts of the CBE to spur growth and lessen the impact of the pandemic on multiple economic sectors. Deposits' grew by 7% reaffirming QNB ALAHLI's ability to safeguard its liquidity buffers while enjoying the best utilization with gross loans to deposits of 75%.

Regardless lack of signs of deterioration in the portfolio credit quality, with NPL ratio checked at 2.9%, the uncertain path to recovery, as economies explore the way out of the pandemic, has shaped management prudent decision to increase its credit risk provisions further. With coverage ratio (including stage 1 and 2) up to 174%, the bank's financial performance resilience has been strengthened against unforeseen setbacks that might be caused by prolonged recovery.

Within such context, QNBAA spared no effort to honor its commitment toward its staff and customers capitalizing on its digital infrastructure to deliver as much of its services to ensure business continuity. 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 strong economic growth.

## Financial Results

### 1.1. Balance Sheet

- **Gross Loans** stood at EGP 167,344 million, adding +4% since Dec-19 despite challenging context. Corporate Loans increased by +2% YTD reaching EGP 137,142 million impacted partially with EGP depreciation against FCY, while Retail line of business acted as the growth catalyst with growth +14% YTD to reach EGP 30,202 million. The SME share represents 22.3% out of the total portfolio in Jun-20, as per the SME definition of CBE. Loans market share reached 8.23% as of Mar-20, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 223,200 million +7% compared to Dec-19. Retail Deposits increased +3% YTD to reach EGP 107,021 million, to represent 48% of the deposit stock. Corporate Deposits increased by +11% YTD to reach EGP 116,179 million. Deposits market share reached 4.90% as of Mar-20, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 36,084 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio & Tier 1 ratios stood at 20.79% & 19.75% respectively, well above the minimum required by CBE of 12.75% & 8.75% respectively. QNB ALAHLI is the 2<sup>nd</sup> largest Egyptian private bank in terms of market capitalisation of EGP 36,632 million as at the end of Jun-20.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of 75% as at Jun-20. The CBE Liquidity ratio in local currency reached 46% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 33% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 166% and 136% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 347% and 187% respectively.

### 1.2. Income Statement

- **Net Banking Income** for 1H20 reached EGP 8,637 million, +11% YoY. Net interest income grew by +11% YoY, with stabilized NIM level to reach 5.83% compared to 5.84% at the end of 2019. Net fees and commissions reached EGP 852 million in 1H20, down -12% YoY on back of slowdown in the trade activities and slashing down some fees based to support customers. Other operating income reached EGP 324 million.
- **Operating expenses** reached EGP 2,000 million for 1H20, an overall increase of +7% 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 maintain a high level of efficiency reflected in C/I ratio that reach 23.2% in 1H20.
- **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 1,232 million.
- **Net profit** reached EGP 3,845 million for 1H20, -9% compared to 1H19.

## Results Summary

### 1.3. Balance Sheet

Description in EGP million	Standalone basis			Consolidated basis		
	Jun-20	Dec-19	YTD Growth	Jun-20	Dec-19	YTD Growth
Cash & due from banks	20,140	18,652	8%	22,114	20,477	8%
Loans (Net)	159,619	154,784	3%	158,066	153,527	3%
Investments	95,524	89,307	7%	96,155	89,745	7%
Other assets	6,352	6,178	1%	9,553	9,265	3%
<b>Total Assets</b>	<b>281,635</b>	<b>268,921</b>	<b>5%</b>	<b>285,888</b>	<b>273,014</b>	<b>5%</b>
Customer Deposits	223,775	209,065	7%	223,200	208,127	7%
Due to banks	10,510	16,031	-34%	10,510	16,031	-34%
Other liabilities	12,419	9,647	29%	16,094	13,553	19%
Shareholders' equity	34,931	34,178	-2%	36,084	35,303	2%
<b>Total Liabilities and Equity</b>	<b>281,635</b>	<b>268,921</b>	<b>5%</b>	<b>285,888</b>	<b>273,014</b>	<b>5%</b>

### 1.4. Income Statement

Description in EGP million	Standalone basis			Consolidated basis		
	Jun-20	Jun-19	Growth	Jun-20	Jun-19	Growth
Net interest income	7,336	6,618	11%	7,461	6,712	11%
Fees and commissions	873	976	-11%	852	963	-12%
Other operating income ① ②	104	(141)	-174%	324	76	325%
<b>Net banking income</b>	<b>8,313</b>	<b>7,453</b>	<b>12%</b>	<b>8,637</b>	<b>7,751</b>	<b>11%</b>
Operating expenses ②	(1,953)	(1,828)	7%	(2,000)	(1,875)	7%
<b>Gross operating income</b>	<b>6,360</b>	<b>5,625</b>	<b>13%</b>	<b>6,637</b>	<b>5,876</b>	<b>13%</b>
Credit risk provision ①	(1,051)	(237)	343%	(1,250)	(264)	374%
Other provision ①	36	(12)	-395%	18	(13)	-241%
<b>Net cost of risk</b>	<b>(1,015)</b>	<b>(249)</b>	<b>307%</b>	<b>(1,232)</b>	<b>(277)</b>	<b>346%</b>
<b>Net income before tax</b>	<b>5,345</b>	<b>5,376</b>	<b>-1%</b>	<b>5,405</b>	<b>5,599</b>	<b>-3%</b>
Income tax	(1,542)	(1,347)	14%	(1,560)	(1,382)	13%
<b>Net Profit</b>	<b>3,803</b>	<b>4,029</b>	<b>-6%</b>	<b>3,845</b>	<b>4,217</b>	<b>-9%</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		Jun-20	Jun-19
Profitability	ROAA	2.8%	3.3%
	ROAE	21.5%	28.3%
Efficiency	Cost-to-Income ratio	23.2%	24.2%
Financial Indicators – Balance Sheet		Jun-20	Dec-19
Liquidity	Gross loans / deposits ratio	75.0%	77.3%
Asset Quality	Non-performing loans ratio	2.90%	2.79%
	Coverage ratio *	174%	163%
	Capital adequacy ratio	20.79%	18.91%
	Leverage ratio	11.1%	10.3%
Non-Financial Indicators		Jun-20	Dec-19
KBIs	Staff	6,755	6,791
	Active customers	1,209,833	1,193,058
	Branches	227	227
	ATMs	497	487
	Points of sales	27,134	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%.

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