

Financial Results for 1Q22

Key Highlights

- Total Assets reached 389,895 EGP million, up +8% YTD.
- Gross Loans reached 197,963 EGP million, up +8% YTD
- Customer Deposits reached 323,266 EGP million, up +9% YTD.
- Non-performing Loans ratio and Coverage ratio of 3.91% and 142 % respectively.
- Capital Adequacy ratio of 22.5 % well above minimum required by CBE.
- Gross profit reached 4,354 EGP million, +35% YOY.
- Net Profit recorded 2,208 EGP million, +12% YOY.
- Cost-to-Income ratio of 22.3%.
- ROAA and ROAE of 2.4% and 19.1%, respectively.

With a global state of economic tension, because of the military conflict between Russia and Ukraine after the world's economy demonstrated early signs of recovery, Egypt is facing the setbacks and effects on tourism, energy and commodities prices which didn't only push inflation to 8.8% as of Feb-22 and 10.5% later for March 2022 but also started to weight down on NIR. The Central Bank of Egypt started to reign by allowing more flexible currency exchange rate that acts as a "shock absorber" accompanied by a 100bps hike in the corridor rate to push-down inflation while improving Egypt's attractiveness to foreign investments.

Walking through such uncertainty, QNBAA showed a resilient performance and managed to secure a net profit of 2,208 MEGP representing a growth of +12% YOY and rolling on ROAE and ROAA of 19.1% & 2.4% respectively. Cost-to-Income continued its progressive improvement to 22.3% at the end of 1Q22 compared to 24% in 1Q21.

Balance sheet growth was assured as well. Deposits increased by 9% undeterred by the intense rivalry, and correspondingly assets stretched by 8% YTD. Gross loans reached 198 BEGP, +8% YTD, to preserve QNBAA ranking with one of the highest loan-to-deposit ratios in the market, that stands at 61.2% as of Mar-22. Worth to mention that the SMEs loans is still maintaining a prominent share of the total bank portfolio, accelerating to 26.62%, after achieving the CBE's minimum required of 25% back in Dec-21, one full year ahead of the mandated time frame.

Motivated by its conservative approach, the management leveled up the provisioning to maintain a decent coverage ratio of 142% despite the demonstrated resilience of credit portfolio quality with the NPL ratio at 3.91%. The financial strength of the bank is well maintained in terms of capital adequacy ratio that marked 22.5% with a decent CBE liquidity ratio for LCY and FCY at 43.4% and 42.9%.

QNBAA didn't overlook its corporate social responsibility and spared no efforts to serve the society through the ongoing projects, mainly focusing on villages related to "Hayah Karima" initiative, while following a scheme that combines social aides with awareness sessions to bring in sustainability. In pursue of youth empowerment, the bank joined key sponsors of the World Youth Forum's 3rd edition which is one of the largest youth driven events in the Middle East.

Financial Results

1.1. Balance Sheet

- **Gross Loans** recorded EGP 197,963 million, up by +8% compared to Dec-21. The corporate loans continue to elevate reaching 158,492 EGP with an increase of +8% YTD, while the retail loans climbed to 39,472 EGP, +9% YTD. As for the loans market share, it stood at 5.96% in Dec-21 versus 6.98% in Dec-20, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** jumped to 323,266, +9% YTD. With the corporate deposits as a main booster, that made an impeccable 14% increase for the year's first quarter, reaching 193,554 MEGP. On the other side, the retail deposits are growing to 129,712 MEGP which is +4% YTD. Consequently, deposits market share increased to 4.59% in Dec-21 compared to 4.50% in Dec-20, on a standalone basis and as per latest available data revealed by the CBE.
- **Total Equity** reached EGP 45,971 million, -1% YTD. The Capital Adequacy Ratio and Tier 1 ratios stood at 22.5% and 21.9%, 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 61.2% at the end of Mar-22. The CBE Liquidity ratio in local currency reached 43.4% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 42.9% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 199% and 149%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 829% and 283%, respectively as of February 2022.

1.2. Income Statement

- **Net Banking Income** significantly increased to 5,603 MEGP, +32% compared to the same period last year, driven by +19% increase in the NII and +15% growth for the net fees and commissions. Other revenues' growth was massive, helped by the recent depreciation of the EGP, and scored 775 MEGP by the end of 1Q22. YTD NIM reached 5.12%.
- **Operating expenses** recorded EGP 1,248 million for Mar-22, along with a cost to income ratio of 22.3%.
- **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 1,110 million YTD.
- **Net profit** grew by +12% YOY, recording EGP 2,208 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.

These efforts were crowned by a shield of honour presented by Baheya Foundation for the supportive role in all events and initiatives in the field of CSR especially the initiatives related to women support in various fields, such as health, economic and social aspects.

Results Summary

1.3. Balance Sheet

Description in EGP million	Standalone basis			Consolidated basis		
	Mar-22	Dec-21	YTD Growth	Mar-22	Dec-21	YTD Growth
Cash & due from banks	58,458	38,804	51%	59,459	39,953	49%
Loans (Net)	188,972	174,641	8%	186,844	172,829	8%
Investments	125,898	130,407	-3%	128,964	133,044	-3%
Other assets	10,921	10,343	6%	14,628	13,743	6%
Total Assets	384,249	354,195	8%	389,895	359,569	8%
Customer Deposits	324,094	296,240	9%	323,266	295,492	9%
Due to banks	3,562	3,459	3%	3,562	3,459	3%
Other liabilities	12,102	9,445	28%	17,096	14,243	20%
Shareholders' equity	44,491	45,051	-1%	45,971	46,375	-1%
Total Liabilities and Equity	384,249	354,195	8%	389,895	359,569	8%

1.4. Income Statement

Description in EGP million	Standalone basis			Consolidated basis		
	Mar-22	Mar-21	YoY Growth	Mar-22	Mar-21	YoY Growth
Net interest income	4,154	3,474	20%	4,262	3,571	19%
Fees and commissions	579	506	15%	566	493	15%
Other operating income ① ②	635	53	1095%	775	168	361%
Net banking income	5,368	4,033	33%	5,603	4,232	32%
Operating expenses ②	(1,222)	(994)	23%	(1,248)	(1,018)	23%
Gross operating income	4,146	3,039	36%	4,355	3,214	35%
Net cost of risk ①	(1,100)	(451)	144%	(1,111)	(442)	151%
Net income before tax	3,046	2,588	18%	3,244	2,772	17%
Income tax	(1,006)	(773)	30%	(1,036)	(805)	29%
Net Profit	2,040	1,815	12%	2,208	1,967	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)

Financial Indicators – Income Statement		Mar-22	Mar-21
Profitability	ROAA	2.4%	2.6%
	ROAE	19.1%	19.6%
Efficiency	Cost-to-Income ratio	22.3%	24.0%
Financial Indicators – Balance Sheet		Mar-22	Dec-21
Liquidity	Gross loans / deposits ratio	61.2%	61.9%
Asset Quality	Non-performing loans ratio	3.91%	3.81%
	Coverage ratio *	142%	143%
	Capital adequacy ratio	22.5%	21.6%
	Leverage ratio	10.5%	11.0%
Non-Financial Indicators		Mar-22	Dec-21
Non-Financial Indicators	Staff	6,991	6,970
	Active customers	1,358,410	1,333,781
	Branches	231	231
	ATMs	872	872
	Points of sales	60,084	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 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%.

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