

Financial Results for 9M22

Key Highlights

- Total Assets reached 446,823 EGP million, up +24% YTD.
- Gross Loans reached 213,118 EGP million, up +17% YTD
- Customer Deposits reached 375,940 EGP million, up +27% YTD.
- Non-performing Loans ratio and Coverage ratio of 4.18% and 138% respectively.
- Capital Adequacy ratio of 22.79% well above minimum required by CBE.
- Gross profit reached 13,392 EGP million, +36% YOY.
- Net Profit recorded 7,332 EGP million, +22% YOY.
- Cost-to-Income ratio of 22.5%.
- ROAA and ROAE of 2.4% and 20.2%, respectively.

The Russian-Ukrainian conflict continues to overshadow the global economic outlook. Tightening of monetary policies is being accelerated by central banks to combat the soaring inflation in most of the economies and outlook for global growth has been progressively revised down. Egypt isn't shielded from such repercussions and the CBE has upheld its monetary tightening stance further uplifting the regulatory reserve requirements for local currency deposits to 18%, up from 14%, and on top of cumulative 300bps hikes in the reference rates since March 2022, to be effective October 2022.

Despite the headwinds, QNBAA leveraged on the robustness of its business model and has delivered solid financial performance where balance sheet and profitability continued to grow in tandem. Total Assets expanded to 446.8 BEGP, +24% YTD, backed by a strong deposits' growth of 27% tipping a record high of 375.9 BEGP. Utilization remained decent at c. 57%, with gross loans' growth of 17% YTD, well above the 48.4% average for the market as of Jun-22. On a different note, the SMEs maintained one of the highest SME penetration rates in the market to reach 26.55% of the total lending portfolio.

Efficiency improved as CIR declined to 22.5%, despite the inflationary pressure, helped by the strong growth of the various revenues' components. Net Interest Income is 26% YOY on the back of NIM expansion as well as the strong growth of earning assets. Fees and Commissions recovery continued with 18% YOY growth whilst other revenues performance benefited from the depreciation of the local currency.

Conscious of the uncertainty, QNBAA continued adequate provisioning for its credit portfolio and booked EGP 2,577 million YTD to safeguard a decent coverage ratio of 138.0% versus NPL ratio of 4.18%. Yet, the consolidated net profit recorded EGP 7,332 million increasing +22% YOY realizing favourable ROAE and ROAA of 20.2% & 2.4% respectively.

The financial strength of the bank is well-looked-after as capital adequacy ratio marked 22.8%, primarily driven by Tier I capital, far above the minimum regulatory requirements and liquidity remained strong with 42.1% and 48.7% readings for CBE liquidity ratios of LCY and FCY respectively.

Mindful of its corporate social responsibility, QNB ALAHLI continued to honour its dues via furnishing support for key areas such as health, education and national initiatives like "Decent Life".

QNB ALAHLI is well positioned to support the Egyptian economy via its comprehensive offering of financial services either directly or via the breadth of its subsidiaries' offerings.

Financial Results

1.1. Balance Sheet

- **Gross Loans** recorded EGP 213,118 million, up by +17% compared to Dec-21. The corporate loans continue to improve reaching 170,061 MEGP with an increase of +16% YTD, while the retail loans grew well to reach 43,057 MEGP, +19% YTD. Loans market share stood at 5.83% in Jun-22 as per latest available data revealed by CBE.
- **Customer Deposits** jumped to 375,940 MEGP, +27% YTD. Corporate deposits were a booster making an impeccable 42% increase during the 9 months to September recording EGP 242,539 million. Retail deposits expanded by 7% YTD to EGP 133,401 million. Deposits market share reading came at 4.59%, by end of Jun-22, as per latest available data revealed by the CBE.
- **Total Equity** reached EGP 50,488 million, +9% YTD. The Capital Adequacy Ratio and Tier 1 ratios stood at 22.8% and 22.2%, respectively, well above the minimum required by CBE of 12.50% and 8.50%, respectively.
- **Liquidity Position** remained solid even with one of the highest utilization levels within the market with a gross loan/deposit ratio of c. 57% at the end of Sep-22. The CBE Liquidity ratio in local currency reached 42.1% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 48.7% versus 25% as required by the CBE. Net Stable Funding Ratio (NSFR) in both local currency and foreign currency reached 192% and 163%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 462% and 322%, respectively as of August 2022.

1.2. Income Statement

- **Net Banking Income** significantly increased to 17,278 MEGP, +32% compared to the same period last year, driven by +26% increase in the NII and +18% growth for the net fees and commissions. Other revenues' materially increased due to capital FX revaluation to reach 1,422 MEGP by the end of 9M22. YTD NIM reached 5.29%.
- **Operating expenses** growth was rather limited to +19%, totalling EGP 3,886 million to Sep-22, and therefore efficiency improved as cost- to-income declined 250bps to 22.5%.
- **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 2,577 million YTD.
- **Net profit** grew by +22% YOY, recording EGP 7,332 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, along with its keenness to support the education and scientific research, QNBALAHLI participated as the main sponsor for the second year for Zewail City Science Festival in its seventh edition titled "Time for Change".

Results Summary

1.3. Balance Sheet

Description in EGP million	Standalone basis			Consolidated basis		
	Sep-22	Dec-21	YTD Growth	Sep-22	Dec-21	YTD Growth
Cash & due from banks	82,838	38,805	113%	83,573	39,953	109%
Loans (Net)	203,033	174,641	16%	200,664	172,829	16%
Investments	144,010	130,407	10%	147,609	133,044	11%
Other assets	10,992	10,343	6%	14,977	13,743	9%
Total Assets	440,873	354,195	24%	446,823	359,569	24%
Customer Deposits	376,932	296,240	27%	375,940	295,492	27%
Due to banks	3,842	3,459	11%	3,843	3,459	11%
Other liabilities	11,299	9,445	20%	16,552	14,243	16%
Shareholders' equity	48,800	45,052	8%	50,488	46,375	9%
Total Liabilities and Equity	440,873	354,195	24%	446,823	359,569	24%

1.4. Income Statement

Description in EGP million	Standalone basis			Consolidated basis		
	Sep-22	Sep-21	YOY Growth	Sep-22	Sep-21	YOY Growth
Net interest income	13,800	10,916	26%	14,109	11,233	26%
Fees and commissions	1,789	1,517	18%	1,747	1,479	18%
Other operating income ① ②	1,119	154	623%	1,422	382	272%
Net banking income	16,708	12,587	33%	17,278	13,094	32%
Operating expenses ②	(3,800)	(3,197)	19%	(3,886)	(3,272)	19%
Gross operating income	12,908	9,390	37%	13,392	9,822	36%
Net cost of risk ①	(2,563)	(1,185)	116%	(2,577)	(1,226)	110%
Net income before tax	10,345	8,205	26%	10,815	8,596	26%
Income tax	(3,390)	(2,511)	35%	(3,483)	(2,589)	35%
Net Profit	6,955	5,694	22%	7,332	6,007	22%

*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		Sep-22	Sep-21
Profitability	ROAA	2.4%	2.6%
	ROAE	20.2%	19.0%
Efficiency	Cost-to-Income ratio	22.5%	25.0%
Financial Indicators – Balance Sheet		Sep-22	Dec-21
Liquidity	Gross loans / deposits ratio	56.7%	61.9%
Asset Quality	Non-performing loans ratio	4.18%	3.81%
	Coverage ratio *	138%	143%
	Capital adequacy ratio	22.8%	21.6%
	Leverage ratio	10.3%	11.0%
Non-Financial Indicators		Sep-22	Dec-21
Non-Financial Indicators	Staff	7,078	6,970
	Active customers	1,398,973	1,333,781
	Branches	231	231
	ATMs	883	872
	Points of sales	58,711	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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