

Financial Results for FY22

Key Highlights

- Total Assets reached 483,280 EGP million, up +34% YTD.
- Gross Loans reached 228,019 EGP million, up +25% YTD.
- Customer Deposits reached 406,242 EGP million, up +37% YTD.
- Non-performing Loans ratio and Coverage ratio of 5.05% and 120.6% respectively.
- Capital Adequacy ratio of 22.99%, well above minimum required by CBE.
- Gross profit reached 19,627 EGP million, +47% YOY.
- Net Profit recorded 10,350 EGP million, +36% YOY.
- Cost-to-Income ratio of 22.4%.
- ROAA and ROAE of 2.46% and 20.6%, respectively.

Beginning of 2022, the global economy was on the verge of recovering from the pandemic's repercussions that slowed down growth despite the buildup of unfulfilled demand given the interruption of the supply chain and the lockdowns experienced in large parts of the globe. This recovery couldn't maintain its course as a result of the Russo-Ukrainian military conflict. The inflation that resulted from the opening of the economies was fueled further with soaring energy and commodity prices. Risk aversion increased specially with the start of an aggressive monetary tightening in the US, which put extreme pressure on most currencies (including Egypt).

The EGP lost 36% of its value throughout 2022 as the CBE turned to a more flexible exchange rate regime while using its tools in pursuit of combating the cost-push inflation. The CBE reference discount rate cumulatively increased by 800 bps, to 16.75%, and the regulatory reserve requirements for LCY deposits increased by 400 bps, to 18%, to absorb the liquidity in the market. Toward the end of the year, the CBE pulled out from the subsidized lending programs, handing the management of those programs to the relevant governmental bodies, which marked the completion of another milestone that would secure another IMF 4 years support program, of USD 3 billion, with the first disbursement of USD 347 million before end of 2022.

QNBAA has navigated well through such choppy waters to deliver a very strong performance in terms of profitability and growth alike. Balance sheet grew by 34% YTD fueled by a 37% spike in its deposits to 406 BEGP. As a leader in commercial lending, gross loans moved up to 228 BEGP, +25%, to maintain a utilization of 56.1% well above the latest market readings of 47.2%. Despite the spillover effect of the pandemic slowdown, higher inflation, higher interest rates and the disruption of supply asset quality remain solid with NPL ratio of 5.05% and cushioned by a coverage ratio of 120.6% as management consciously opted to increase provisioning to safeguard against the increased uncertainty.

Net profit growth soared to 36%YOY to reach 10,350 MEGP as gains from devaluation impact has primarily served the massive provisions allocated in addition to the improved margins, that helped to pump up NII growth to +30% YOY to 19,968 MEGP, and fees & commissions growth of +21% YOY. Efficiency improved to 22.4% with a more prudent cost control that was helped further by revenue growth.

This performance served the expansion of ROAE and ROAA to 20.6% & 2.46% respectively. The capital strength is conserved, with a CAR of 22.99% far above the minimum regulatory requirements. CBE liquidity ratio stands at 49.1% & 42.6% for LCY & FCY respectively.

Financial Results

1.1. Balance Sheet

- **Gross Loans** were up to 228,019 MEGP reflecting a +25% YTD, split into 182,792 MEGP corporate loans that grew +25% YTD and 45,227 MEGP retail loans which was up by +25% YTD as well. Loans market share stood at 5.84% in Sep-22 as per latest available data revealed by CBE. As for the SMEs, they succeeded to maintain its share of the total corporate loans, that marked 25.46% at the end of 2022 far from the benchmark set earlier by the CBE that was already ticked-off in Dec-21.
- **Customer Deposits** jumped to 406,242 MEGP, energized by corporate deposits growth of +54% representing 91,197 MEGP YTD. Retail deposits paced with the competitive increase to mark +16% YTD, despite the harsh competition posed between March to May of public banks' offering. Deposits market share reading came at 4.81%, by end of Sep-22, as per latest available data revealed by the CBE.
- **Total Equity** climbed by +17% YTD to attain 54,098 MEGP at the end of 2022. Capital adequacy ratio and tier 1 ratios scored 22.99% & 22.35% respectively, ahead of the minimum required by the CBE of 12.5% & 8.5%.
- **Liquidity Position** remained solid even with one of the highest utilization levels within the market with a gross loan/deposit ratio of c. 56% at the end of Dec-22. The CBE Liquidity ratio in local currency reached 49.1% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 42.6% versus 25% as required by the CBE. Net Stable Funding Ratio (NSFR) in both local currency and foreign currency reached 198% and 143%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 505% and 384%, respectively as of November 2022.

1.2. Income Statement

- **Net Banking Income** growth accelerated mainly driven by increase in the NII on the improved NIM, expansion of earning assets and the effective management of assets' allocation. NII went up to 19,968 MEGP, +30% YOY, bringing the YTD NIM to 5.40%. Non-interest income stretched to 5,326 MEGP during 2022, +112 % over 2021, mainly driven by the recovery of F&Cs growth and boasted further by the FX revaluation gains. NBI concluded at 25,295 MEGP, +42% YOY.
- **Operating expenses** were very challenging due to the rising inflation rates & the FX strike that kept lifting the costs. QNB ALAHLI succeeded to rule the expenses at 5,668 MEGP for FY22, only +25% YTD.
- **Provision expense** went up YOY by +89%, as a reflection of the decent loans' portfolio growth as well as the challenging economic context. Charges for expected credit losses (ECL) reached a net allocation of 4,136 MEGP YTD.
- **Net profit** marked 10,350 MEGP which is +36% YOY.

Corporate Social Responsibility:

QNB ALAHLI is dedicated to its CSR with a plenty of activities throughout 2022. Among different pillars, support of the youth was a key with the bank sponsoring multiple events and contributions such as the 7th edition of *Zewail City Science Festival*, the establishment and equipment of *El-Sewedy* Technical Academy Electrical Lab, as well as organizing multiple sessions for different universities about the HR trends and job market, aiming to build future calibers. These efforts were crowned by an honorary shield from the *NilePreneurs* initiative under the auspices of the Central Bank of Egypt.



Sustainability has been a trademark for QNB ALAHLI that maintained its responsibility towards the less fortunate families, by working on many projects across the governorates such as Monofeya, Gharbeya, Qena, Giza & El-Beheira, renovating schools and improving the housing environment with “*Misr Al-Kheir Foundation*” and participating with “*Orman Association*” by medical check-ups during Eye Medical Convoy projects.

“Think Nature” is the symbol for the contract signed with *VISA* to produce the first “eco-Friendly” cards in Egypt, another fruitful cooperation during COP27 to join a variety of QNB AL-AHLI’s products that supports the environment. QNB Group’s participation in COP27 was sealed with signing a collaboration agreement for several project with *EBRD “European Bank for Reconstruction and Development”*, including 20 MUSD specified for youth projects’ technical support.

QNB ALAHLI has explored further other aspects of its CSR mandate by facilitating the banking services to people with disabilities through multiple channels.

Results Summary

1.3. Balance Sheet

Description	Standalone basis			Consolidated basis			
	in EGP million	Dec-22	Dec-21	YTD Growth	Dec-22	Dec-21	YTD Growth
Cash & due from banks		72,821	38,805	88%	73,922	39,953	85%
Loans (Net)		216,591	174,641	24%	213,960	172,829	24%
Investments		175,401	130,407	35%	179,289	133,044	35%
Other assets		11,979	10,343	16%	16,109	13,743	17%
Total Assets		476,792	354,195	35%	483,280	359,569	34%
Customer Deposits		407,067	296,240	37%	406,242	295,492	37%
Due to banks		3,522	3,459	2%	3,522	3,459	2%
Other liabilities		13,622	9,445	44%	19,418	14,243	36%
Shareholders' equity		52,581	45,052	17%	54,098	46,375	17%
Total Liabilities and Equity		476,792	354,195	35%	483,280	359,569	34%

1.4. Income Statement

Description	Standalone basis			Consolidated basis			
	in EGP million	Dec-22	Dec-21	YOY Growth	Dec-22	Dec-21	YOY Growth
Net interest income		19,578	14,922	31%	19,968	15,340	30%
Fees and commissions		2,506	2,082	20%	2,449	2,030	21%
Other operating income ① ②		2,707	412	557%	2,878	483	495%
Net banking income		24,791	17,416	42%	25,295	17,853	42%
Operating expenses ②		(5,549)	(4,422)	25%	(5,668)	(4,525)	25%
Gross operating income		19,242	12,994	48%	19,627	13,328	47%
Net cost of risk ①		(4,104)	(2,142)	92%	(4,136)	(2,193)	89%
Net income before tax		15,137	10,852	39%	15,491	11,135	39%
Income tax		(5,013)	(3,400)	47%	(5,141)	(3,508)	47%
Net Profit		10,124	7,452	36%	10,350	7,627	36%

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

❶ 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.

❷ 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		Dec-22	Dec-21
Profitability	ROAA	2.5%	2.3%
	ROAE	20.6%	17.7%
Efficiency	Cost-to-Income ratio	22.4%	25.3%
Financial Indicators – Balance Sheet		Dec-22	Dec-21
Liquidity	Gross loans / deposits ratio	56.1%	61.9%
Asset Quality	Non-performing loans ratio	5.05%	3.81%
	Coverage ratio *	121%	143%
	Capital adequacy ratio	23.0%	21.6%
	Leverage ratio	10.3%	11.0%
Non-Financial Indicators		Dec-22	Dec-21
Non-Financial Indicators	Staff	7,230	6,970
	Active customers	1,403,658	1,333,781
	Branches	232	231
	ATMs	893	872
	Points of sales	56,976	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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