

Key Highlights

- Total Assets reached EGP 305,183 million, up +5% YTD.
- Gross Loans reached EGP 174,236 million, up +1% YTD.
- Customer Deposits reached EGP 247,663 million, up +6% YTD.
- Non-performing Loans ratio and Coverage ratio of 3.3% and 166% respectively.
- Capital Adequacy ratio of 21.94% well above minimum required by CBE.
- Gross profit reached EGP 3,214 million -6% YoY.
- Net Profit recorded EGP 1,967 million, + 5% YoY.
- Cost-to-Income ratio of 24.0%.
- ROAA and ROAE of 2.6% and 19.6%, respectively.

The COVID-19 pandemic has taken the world by surprise. The availability of the vaccines and the rapid efforts for vaccinating the public are bringing a light to the end of the tunnel despite economies having to manage with 2nd and 3rd waves, which is preventing a full resumption of the economic activities. Egypt, so far, has weathered the impact via a series of fiscal and monetary stimuli programs geared towards softening the economic impact of the pandemic on Egypt growth fundamentals. Despite the context, QNB ALAHLI business model proved resilient even though the prolonged uncertainty elevated a conservative approach.

QNB ALAHLI delivered a robust net profit of EGP 1,967 million by the end of 1Q21, +5% YoY, with assets growth +5% since Dec-20. Profitability metrics remain quite resilient with ROAA and ROAE of 2.6% and c. 19.6% respectively. The bank enjoys one of the highest loans-to-deposits ratio in the Egyptian banking sector, 70%, while sustaining a reasonable liquidity in local or foreign currencies alike given the efficacy of its deposits' raising engine that boosted deposits' growth by 6% YTD. Even with challenges of the economic context, Gross Loans grew by 1% YTD and QNB ALAHLI hit the 1st ratio of the CBE targets by having 10.3% of the portfolio directed to small enterprises. The 2nd target, having total SMEs exposure of 25%, is manageable with a current reading of 23.1% at the end of 1Q21

QNB ALAHLI operational efficiency helped withstand pressure on earnings resulting from loans' repricing, following 400bps corridor rate cut, and the waiving of certain fees to support CBE efforts in promoting financial inclusion and cashless transacting. Cost-to-Income ratio remained one of the lowest, at 24%, without any compromise to our CSR mandate to support various relief efforts, including availing the vaccine, via 49 MEGP donations to date.

Given the prudent risk management approach, the bank continued to increase its credit provisioning despite a low NPL reading of 3.3% bringing the coverage ratio to 166% by end of 1Q21. That's believed to provide the needed cushion against unforeseen spillover effects of a prolonged economic slowdown.

Financial Results

1.1. Balance Sheet

- **Gross Loans** stood at EGP 174,236 million, adding +1% since Dec-20 despite the challenging context. Corporate Loans remain stagnant YTD reaching EGP 140,658 million impacted partially by EGP appreciation against FCY, while Retail line of business acted as the growth engine with growth of +3% YTD to reach EGP 33,578 million. SME share stood currently at 23.1%, strongly on track to reach the updated target announced by CBE of 25% by end of 2022, while Small enterprises target already checked and breached at 10.3% compared to target of 10% defined by CBE. Loans market share reached 6.98% as of Dec-20, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 247,663 million +6% compared to Dec-20. Retail Deposits increased +4% YTD to reach EGP 114,949 million representing 46% of the deposit stock. Corporate Deposits increased by +8% YTD to reach EGP 132,714 million. Deposits market share reached 4.50% as of Dec-20, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 40,789 million, which is adequate for supporting the bank growth. The Capital Adequacy Ratio and Tier 1 ratios stood at 21.94% and 21.34%, 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 34,930 EGP million as of the end of Mar- 21.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of 70.4% as at Mar-21. The CBE Liquidity ratio in local currency reached 45% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 34% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 179% and 147%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 584% and 344%, respectively.

1.2. Income Statement

- **Net Banking Income** for 1Q21 reached EGP 4,232 million, -5% YoY. Net interest income dropped by -7% YoY impacted by the base impact as 1Q20 was not impacted by the drop in the reference rate during 2020 totalling 400bps, while maintain a healthy NIM of 5.37%. Net fees and commissions reached EGP 493 million in 1Q21, down -3% 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 168 million.
- **Operating expenses** reached EGP 1,018 million for 1Q21, a decrease of -3% YoY, reflecting the high control of the expense side, keeping a high level of efficiency reflected in the Cost to Income ratio that reached 24.0% in 1Q21.
- **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 442 million down by -38% compared to 1Q20.
- **Net profit** reached EGP 1,967 million for 1Q21, +5% compared to 1Q20.

Results Summary

1.3. Balance Sheet

Description in EGP million	Standalone basis			Consolidated basis		
	Mar-21	Dec-20	YTD Growth	Mar-21	Dec-20	YTD Growth
Cash & due from banks	30,028	22,391	34%	31,679	24,235	31%
Loans (Net)	165,849	164,962	1%	164,517	163,636	1%
Investments	96,810	91,148	6%	98,270	92,224	7%
Other assets	7,593	6,975	9%	10,717	10,068	6%
Total Assets	300,280	285,476	5%	305,183	290,163	5%
Customer Deposits	248,276	233,892	6%	247,663	233,322	6%
Due to banks	3,852	4,139	-7%	3,852	4,139	-7%
Other liabilities	8,687	8,992	-3%	12,879	13,065	-1%
Shareholders' equity	39,465	38,453	3%	40,789	39,637	3%
Total Liabilities and Equity	300,280	285,476	5%	305,183	290,163	5%

1.4. Income Statement

Description in EGP million	Standalone basis			Consolidated basis		
	Mar-21	Mar-20	YOY Growth	Mar-21	Mar-20	YOY Growth
Net interest income	3,474	3,789	-8%	3,571	3,848	-7%
Fees and commissions	506	515	-2%	493	506	-3%
Other operating income ① ②	53	(14)	-475%	168	112	50%
Net banking income	4,033	4,290	-6%	4,232	4,466	-5%
Operating expenses ②	(994)	(1,028)	-3%	(1,018)	(1,053)	-3%
Gross operating income	3,039	3,262	-7%	3,214	3,413	-6%
Net cost of risk ①	(451)	(519)	-13%	(442)	(712)	-38%
Net income before tax	2,588	2,743	-6%	2,772	2,701	3%
Income tax	(773)	(822)	-6%	(805)	(831)	-3%
Net Profit	1,815	1,921	-6%	1,967	1,870	5%

*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-21	Mar-20
Profitability	ROAA	2.6%	2.7%
	ROAE	19.6%	21.6%
Efficiency	Cost-to-Income ratio	24.0%	23.6%
Financial Indicators – Balance Sheet		Mar-21	Dec-20
Liquidity	Gross loans / deposits ratio	70.4%	74.1%
Asset Quality	Non-performing loans ratio	3.31%	3.00%
	Coverage ratio *	166%	177%
	Capital adequacy ratio	21.94%	21.5%
	Leverage ratio	11.9%	11.9%
Non-Financial Indicators		Mar-21	Dec-20
Non-Financial Indicators	Staff	6,694	6,686
	Active customers	1,256,219	1,247,742
	Branches	231	231
	ATMs	715	611
	Points of sales	57,878	54,144

* 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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