

Key Highlights

- Total Assets reached EGP 336,170 million, up +16% YTD.
- Gross Loans reached EGP 178,043 million, up +3% YTD
- Customer Deposits reached EGP 274,934 million, up +18% YTD.
- Non-performing Loans ratio and Coverage ratio of 3.8% and 132% respectively.
- Capital Adequacy ratio of 22.81% well above minimum required by CBE.
- Gross profit reached EGP 9,822 million, +2% YOY.
- Net Profit recorded EGP 6,007 million, +6% YOY.
- Cost-to-Income ratio of 25.0%.
- ROAA and ROAE of 2.6% and 19.0%, respectively.

The global economy is bracing itself for a slow recovery. Yet, inflationary pressures, fuelled by increasing energy prices and supply chain bottlenecks, raises concerns about how slow this recovery would be. Latest GDP reading of the Egyptian economy is signalling an upcoming decent recovery. The rollover of the national vaccination campaign should support Egypt efforts toward a V shaped recovery in the tourism sector and the economy as a whole in 2022.

Within the current context and by end of 3Q 2021, QNBA ALAHLI managed a profitable growth delivering a 6% YOY increase of net profit, with EGP 6,007 million recorded, backed by strong assets growth of 16% YTD, bringing its balance sheet footing to EGP 336,170 million, while robustly showcasing the efficiency of the model with 25% cost-to-income ratio.

While deposits growth has been strong at 18% YTD, QNB ALAHLI has firmly hanged on to its leadership position in loans, with a growth of 3% YTD, bringing its LTD ratio to 65%, which is significantly above the latest reading for the market, 50%, as of Jun-21. Asset quality metrics were resilient with NPL ratio at 3.8% with a coverage ratio of 132%. As a market leader, the SME share of the portfolio, as of December 2021, expanded further to 24% by end of September 2021 signaling ability to hit the CBE designated target, 25% by end of 2022, after achieving the small enterprises minimum share of 10%, back in 1H21.

Supported by solid liquidity position along with a resilient capital structure, with capital adequacy ratio of 22.8%, QNB ALAHLI is embracing itself for a period of robust growth as the Egyptian economy continues to recover.

Along its journey, QNB ALAHLI has honoured its corporate social responsibilities and joined various transformational initiatives of the Central Bank of Egypt including those promoting financial inclusion, cashless transacting and digital banking via its wide physical footprint and the diverse fully fledged product offering whether in the bank or through its subsidiaries.

Financial Results

1.1. Balance Sheet

- **Gross Loans** increased to EGP 178,043 million, adding +3% since Dec-20. Corporate Loans slightly increased by 2% to reach EGP 142,684 million, while Retail line of business grew robustly by 9% YTD to reach EGP 35,359 million. Loans market share reached 6.17% as of Jun-21, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** grew to EGP 274,934 million +18% compared to Dec-20. Retail Deposits increased +11% YTD to reach EGP 122,903 million representing 45% of the deposit stock. While Corporate Deposits made a promising increase of +24% YTD to reach EGP 152,031 million. Deposits market share reached 4.46% as of Jun-21, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 44,797 million, giving the bank more room for growth. The Capital Adequacy Ratio and Tier 1 ratios stood at 22.81% and 22.28%, 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 c. 65% as at Sep-21. The CBE Liquidity ratio in local currency reached 47% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 38% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 189% and 150%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 576% and 367%, respectively as of August 2021.

1.2. Income Statement

- **Net Banking Income** for 9M21 reached EGP 13,094 million, showing a 3% YOY growth. Net interest income, for 9M21, is 1% YoY and recorded a sequential increase of 2% in 3Q21 vs. 2Q21. Moreover, QNB ALAHLI maintained a healthy YTD NIM of 5.29%. Net fees and commissions reached EGP 1,479 million in 9M21, climbing to +15% YOY despite the slowdown of trade activities in addition to slashing down some fees as guided by the CBE to support the banking clients. Other operating income reached EGP 382 million.
- **Operating expenses** reached EGP 3,272 million for 9M21, increased by +7% YOY, showcasing how the management can control the expenses growth while maintaining a solid level of efficiency reflected in a Cost to Income ratio standing at 25.0% in 9M21.
- **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 1,226 million YTD.
- **Net profit** reached EGP 6,007 million for 9M21, +6% compared to 9M20.

Corporate Social Responsibility:

QNB ALAHLI continued its corporate social responsibility activities while making sure that these activities are carefully synchronized with the government efforts to lessen the negative impact of the pandemic on the most impacted sectors.

Results Summary

1.3. Balance Sheet

Description in EGP million	Standalone basis			Consolidated basis		
	Sep-21	Dec-20	YTD Growth	Sep-21	Dec-20	YTD Growth
Cash & due from banks	30,144	22,391	35%	31,441	24,235	30%
Loans (Net)	170,627	164,962	3%	168,907	163,636	3%
Investments	121,202	91,148	33%	123,481	92,224	34%
Other assets	9,063	6,975	30%	12,341	10,068	23%
Total Assets	331,036	285,476	16%	336,170	290,163	16%
Customer Deposits	275,645	233,892	18%	274,934	233,322	18%
Due to banks	3,428	4,139	-17%	3,428	4,139	-17%
Other liabilities	8,651	8,992	-4%	13,011	13,065	0%
Shareholders' equity	43,312	38,453	13%	44,797	39,637	13%
Total Liabilities and Equity	331,036	285,476	16%	336,170	290,163	16%

1.4. Income Statement

Description in EGP million	Standalone basis			Consolidated basis		
	Sep-21	Sep-20	YoY Growth	Sep-21	Sep-20	YoY Growth
Net interest income	10,916	10,892	0%	11,233	11,088	1%
Fees and commissions	1,517	1,318	15%	1,479	1,285	15%
Other operating income ① ②	154	82	88%	382	339	13%
Net banking income	12,587	12,292	2%	13,094	12,712	3%
Operating expenses ②	(3,197)	(2,977)	7%	(3,272)	(3,045)	7%
Gross operating income	9,390	9,315	1%	9,822	9,667	2%
Net cost of risk ①	(1,185)	(1,457)	-19%	(1,226)	(1,712)	-28%
Net income before tax	8,205	7,858	4%	8,596	7,955	8%
Income tax	(2,511)	(2,286)	10%	(2,589)	(2,313)	12%
Net Profit	5,694	5,572	2%	6,007	5,642	6%

*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-21	Sep-20
Profitability	ROAA	2.6%	2.7%
	ROAE	19.0%	20.5%
Efficiency	Cost-to-Income ratio	25.0%	24.0%
Financial Indicators – Balance Sheet		Sep-21	Dec-20
Liquidity	Gross loans / deposits ratio	65%	74%
Asset Quality	Non-performing loans ratio	3.84%	3.0%
	Coverage ratio *	132%	177%
	Capital adequacy ratio	22.8%	21.5%
	Leverage ratio	11.9%	11.9%
Non-Financial Indicators		Sep-21	Dec-20
Non-Financial Indicators	Staff	6,791	6,686
	Active customers	1,307,215	1,247,742
	Branches	231	231
	ATMs	870	611
	Points of sales	65,094	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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