

Key Highlights

- Total Assets reached EGP 284,370 million, up +4% YTD.
- Gross Loans reached EGP 164,853 million, up +2% YTD.
- Customer Deposits reached EGP 215,858 million, up +4% YTD.
- Non-performing Loans ratio and Coverage ratio of 2.75% and 171% respectively.
- Capital Adequacy ratio of 19.84% well above minimum required by CBE.
- Gross profit reached EGP 3,413 million +22% YoY.
- Net Profit recorded EGP 1,870 million.
- Cost-to-Income ratio of 23.6%.
- ROAA and ROAE of 2.7% and 21.6% respectively

QNB ALAHLI delivered strong commercial performance in 1Q 2020 against a relatively challenging environment improving the Net Banking Income +19% YoY to EGP 4,466 million, while maintaining the control on expenditure and improving the efficiency levels further with the decline of Cost to Income ratio to 23.6%.

The outbreak of the Corona virus (COVID-19) is expected to impact the global and local economy. The recent performance of financial market reflects the looming impact on the economy. The revised down growth projections, depressed demand and businesses interruption measures, dictated by the need to contain the spreading of the virus, poses triggers for a probable impact on the performance of the credit portfolio that to date remained resilient with NPL at 2.75% as one of the lowest. The payment holiday for debtors granted in line with CBE initiative in this regard, is required and essential to provide pre-emptive measures to mitigate the impact on the economic growth, which is intended to offset the risks that management hope will not materialize. Yet, Management has decided to safeguard against such risks by increasing the provisioning at this stage by increasing coverage ratio to 171% by end of 1Q20.

Committed to its role in serving the local economy, QNB ALAHLI is joining the efforts of the banking sector to weather the impact of the COVID-19 on the economy and will be donating EGP 100 million to support efforts.

Within this context, QNB ALAHLI is leveraging on its business continuity plans to ensure the ability to serve its customer base as well as the whole economy while taking the necessary measures to safeguard its staff. The leveraged use of digital banking means, that have been the key focus for the bank, should help in that regard enabling the bank to continue its role as a leading player in the Egyptian banking market place.

Financial Results

1.1. Balance Sheet

- **Gross Loans** stood at EGP 164,853 million, adding +2% since Dec-19 despite challenging context. Corporate Loans remained stable YTD reaching EGP 134,984 million impacted partially with EGP appreciation against FCY, while Retail line of business acted as the growth catalyst with growth +12% YTD to reach EGP 29,869 million. The SME share represents 22.75% out of the total portfolio in Mar-20, as per the SME definition of CBE. Loans market share reached 8.51% as of Jan-20, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** stood at EGP 215,858 million +4% compared to Dec-19. Retail Deposits increased +2% YTD to reach EGP 105,880 million, to represent 49% of the deposit stock. Corporate Deposits increased by +5% YTD to reach EGP 109,978 million. Deposits market share reached 4.93% as of Jan-20, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 34,030 million, which is adequate for supporting the bank's growth. The Capital Adequacy Ratio & Tier 1 ratios stood at 19.84% & 18.92% respectively, well above the minimum required by CBE of 12.75% & 8.75% respectively. QNB ALAHLI is the 2nd largest Egyptian private bank in terms of market capitalisation of EGP 39,913 million as at the end of Mar-20.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of 76% as at Mar-20. The CBE Liquidity ratio in local currency reached 48% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 31% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 178% and 128% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 373% and 147% respectively.

1.2. Income Statement

- **Net Banking Income** for 1Q20 reached EGP 4,466 million, +19% YoY. Net interest income grew by +20% YoY, with expanded NIM evolution to reach 5.98% up from 5.84% at the end of 2019. Net fees and commissions reached EGP 506 million in 1Q20, up +4% YoY on back of lower translation on FCY-denominate component following the YoY appreciation of the EGP. Other operating income reached EGP 112 million.
- **Operating expenses** reached EGP 1,054 million for 1Q20, an overall increase of +9% YoY as the cost base adjusts to the inflationary pressure, along with the organic growth and continued investments in infrastructure to enhance service delivery, while maintain a high level of efficiency reflected in C/I ratio that reach 23.6% in 1Q20.
- **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 712 million.
- **Net profit** reached EGP 1,870 million for 1Q20, -8% compared to 1Q19.

Results Summary

1.3. Balance Sheet

Description	Standalone basis			Consolidated basis			
	in EGP million	Mar-20	Dec-19	YTD Growth	Mar-20	Dec-19	YTD Growth
Cash & due from banks		20,904	18,652	12%	22,842	20,477	12%
Loans (Net)		155,774	154,784	1%	154,298	153,527	1%
Investments		97,666	89,307	9%	98,038	89,745	9%
Other assets		5,940	6,178	-4%	9,192	9,265	-1%
Total Assets		280,284	268,921	4%	284,370	273,014	4%
Customer Deposits		216,858	209,065	4%	215,858	208,127	4%
Due to banks		18,562	16,031	16%	18,562	16,031	16%
Other liabilities		11,893	9,647	23%	15,919	13,553	17%
Shareholders' equity		32,971	34,178	-4%	34,030	35,303	-4%
Total Liabilities and Equity		280,284	268,921	4%	284,370	273,014	4%

1.4. Income Statement

Description	Standalone basis			Consolidated basis			
	in EGP million	Mar-20	Mar-19	Growth	Mar-20	Mar-19	Growth
Net interest income		3,789	3,165	20%	3,848	3,214	20%
Fees and commissions		515	493	5%	506	486	4%
Other operating income ①②		(14)	(80)	-82%	112	58	93%
Net banking income		4,290	3,577	20%	4,466	3,758	19%
Operating expenses ②		(1,028)	(936)	10%	(1,054)	(963)	9%
Gross operating income		3,262	2,641	23%	3,413	2,795	22%
Credit risk provision ①		(520)	(34)	1420%	(703)	(108)	550%
Other provision ①		1	(57)	-101%	(9)	(9)	9%
Net cost of risk		(519)	(92)	468%	(712)	(117)	510%
Net income before tax		2,742	2,550	8%	2,700	2,679	1%
Income tax		(822)	(637)	29%	(831)	(656)	27%
Net Profit		1,921	1,912	0.4%	1,870	2,023	-8%

*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-20	Mar-19
Profitability	ROAA	2.7%	3.2%
	ROAE	21.6%	28.2%
Efficiency	Cost-to-Income ratio	23.6%	25.6%
Financial Indicators – Balance Sheet		Mar-20	Dec-19
Liquidity	Gross loans / deposits ratio	76.4%	77.3%
Asset Quality	Non-performing loans ratio	2.75%	2.79%
	Coverage ratio *	171%	163%
	Capital adequacy ratio	19.84%	18.91%
	Leverage ratio	10.4%	10.3%
Non-Financial Indicators		Mar-20	Dec-19
KBIs	Staff	6,802	6,791
	Active customers	1,213,160	1,193,058
	Branches	227	227
	ATMs	493	487
	Points of sales	24,946	23,942

* 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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