

Key Highlights

- Total Assets reached EGP 315,038 million, up +9% YTD.
- Gross Loans reached EGP 177,776 million, up +3% YTD.
- Customer Deposits reached EGP 255,925 million, up +10% YTD.
- Non-performing Loans ratio and Coverage ratio of 3.8% and 143% respectively.
- Capital Adequacy ratio of 22.40% well above minimum required by CBE.
- Gross profit reached EGP 6,597 million -1% YoY.
- Net Profit recorded EGP 4,098 million, +7% YoY.
- Cost-to-Income ratio of 24.0%.
- ROAA and ROAE of 2.7% and 19.8%, respectively.

While global recovery is still on its way, Egypt is cautiously planning for the post pandemic era. The ambitious national vaccination campaign, governmental measures to support the most impacted sectors, the ongoing economic and monetary policy reforms should help Egypt in its pursuit to recovery.

Despite the challenging context, QNB ALAHLI continues to demonstrate the resilience of its business model. Total assets increased 9% YTD to reach EGP 315,038 million and net profit growth expanded further to 7% YOY to reach EGP 4,098 million by the end of 1H21.

With growth in loans and deposits, although at a higher rate, QNB ALAHLI enjoys highest utilization, with c. 70% LDR, far above the market average. The prudent risk management practices enabled QNB ALAHLI to maintain excellent asset quality and healthy financial structure showcased by one of the lowest NPL ratios within the sector reaching 3.8%, coverage ratio *of 143% and a solid capital buffer well above the regulatory requirement.

SME share stood at 23.39%, strongly on track to reach the updated target announced by CBE of 25% by end of 2022, while Small enterprises target already checked and surpassed at 10.31% compared to target of 10% defined by CBE.

The capital strength of QNB ALAHLI and the robust liquidity position in both local and foreign currencies will help the bank leverage upon the stronger economic recovery of Egypt post the pandemic.

** Including loans provision for stage 1, 2 and 3.*

Financial Results

1.1. Balance Sheet

- **Gross Loans** increased to EGP 177,776 million, adding +3% since Dec-20 despite the challenging context. Corporate Loans slightly increased by 2% to reach EGP 143,444 million, while Retail line of business grew by 6% YTD to reach EGP 34,332 million. Loans market share reached 6.53% as of Apr-21, on a standalone basis, as per latest available data revealed by CBE.
- **Customer Deposits** grew to EGP 255,925 million +10% compared to Dec-20. Retail Deposits increased +9% YTD to reach EGP 120,416 million representing 47% of the deposit stock. Corporate Deposits increased by +11% YTD to reach EGP 135,509 million. Deposits market share reached 4.38% as of Apr-21, on a standalone basis, as per latest available data revealed by the CBE.
- **Total Equity** amounted to EGP 42,963 million, thus giving a decent room for the bank growth. The Capital Adequacy Ratio and Tier 1 ratios stood at 22.40% and 21.49%, respectively, well above the minimum required by CBE of 12.50% and 8.50%, respectively.
- **Liquidity Position** remained robust even with the highest utilization within the market with a gross loan/deposit ratio of c. 70% as at Jun-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 35% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency reached 181% and 146%, respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 563% and 386%, respectively as of June 2021.

1.2. Income Statement

- **Net Banking Income** for 1H21 reached EGP 8,680 million, growing 5% QoQ yet stable YoY. Net interest income recovered by increasing 6% QoQ bringing the YoY decline to a mere -1% compared to the -7% YoY hit as of March 2021. In the meantime, QNB ALAHLI maintained a healthy YTD NIM of 5.34%. Net fees and commissions reached EGP 987 million in 1H21, remarkably increasing by +16% YoY despite the slowdown of trade activities in addition to slashing down some fees as guided by the CBE to support customers' needs. Other operating income reached EGP 323 million.
- **Operating expenses** reached EGP 2,083 million for 1H21, increased by +4% YoY, demonstrating the management ability to control expenses growth to continue keeping a high level of efficiency reflected in a Cost to Income ratio standing at 24.0% in 1H21.
- **Provision expense**, the bank didn't shy from building the necessary provisions given the challenges facing the different economic sectors. Charges for expected credit losses (ECL) reached a net allocation of EGP 815 million YTD.
- **Net profit** reached EGP 4,098 million for 1H21, +7% compared to 1H20.

Corporate Social Responsibility:

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

- Contributed to the national vaccination campaign.
- Worked with several charitable organizations on social development projects.
- Provided multiple scholarships in the field of higher education.

Results Summary

1.3. Balance Sheet

Description	Standalone basis			Consolidated basis			
	in EGP million	Jun-21	Dec-20	YTD Growth	Jun-21	Dec-20	YTD Growth
Cash & due from banks		25,106	22,391	12%	26,600	24,235	10%
Loans (Net)		169,596	164,962	3%	168,071	163,636	3%
Investments		106,477	91,148	17%	108,308	92,224	17%
Other assets		8,973	6,975	29%	12,059	10,068	20%
Total Assets		310,152	285,476	9%	315,038	290,163	9%
Customer Deposits		256,589	233,892	10%	255,925	233,322	10%
Due to banks		3,653	4,139	-12%	3,653	4,139	-12%
Other liabilities		8,384	8,992	-7%	12,497	13,065	-4%
Shareholders' equity		41,526	38,453	8%	42,963	39,637	8%
Total Liabilities and Equity		310,152	285,476	9%	315,038	290,163	9%

1.4. Income Statement

Description	Standalone basis			Consolidated basis			
	in EGP million	Jun-21	Jun-20	YOY Growth	Jun-21	Jun-20	YOY Growth
Net interest income		7,160	7,336	-2%	7,370	7,461	-1%
Fees and commissions		1,013	873	16%	987	852	16%
Other operating income ①②		106	104	1%	322	324	-1%
Net banking income		8,279	8,313	0%	8,680	8,637	0%
Operating expenses ②		(2,035)	(1,953)	4%	(2,083)	(2,000)	4%
Gross operating income		6,244	6,360	-2%	6,597	6,637	-1%
Net cost of risk ①		(778)	(1,015)	23%	(815)	(1,232)	-34%
Net income before tax		5,466	5,345	2%	5,782	5,405	7%
Income tax		(1,633)	(1,542)	6%	(1,684)	(1,560)	8%
Net Profit		3,833	3,803	1%	4,098	3,845	7%

*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		Jun-21	Jun-20
Profitability	ROAA	2.7%	2.8%
	ROAE	19.8%	21.5%
Efficiency	Cost-to-Income ratio	24.0%	23.2%
Financial Indicators – Balance Sheet		Jun-21	Dec-20
Liquidity	Gross loans / deposits ratio	70%	74%
Asset Quality	Non-performing loans ratio	3.8%	3.0%
	Coverage ratio *	143%	177%
	Capital adequacy ratio	22.4%	21.5%
	Leverage ratio	12.1%	11.9%
Non-Financial Indicators		Jun-21	Dec-20
Non-Financial Indicators	Staff	6,723	6,686
	Active customers	1,284,417	1,247,742
	Branches	231	231
	ATMs	861	611
	Points of sales	64,147	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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