Press Release

Financial Results for 9M23

Key Highlights

- Total Assets reached EGP 592,108 million, +23% YTD, up by EGP 108,829 million.
- Gross Loans reached EGP 257,845 million, +13% YTD, up by EGP 29,826 million.
- Customer Deposits reached EGP 497,825 million, +23% YTD, up by EGP 91,583 million.
- Non-performing Loans ratio and Coverage ratio of 5.43% and 114.1%, respectively.
- Capital Adequacy ratio of 23.65%, well above minimum required by CBE.
- Net Profit recorded EGP 12,524 million, +71% YOY, up by EGP 5,193 million.
- Cost-to-Income ratio of 18.5%.
- ROAA and ROAE of 3.11% and 28.6%, respectively.

Despite the difficulties, Egypt is committed to economic change. Policymakers have established clear and defined priorities that include effectively managing inflation, addressing dollarization challenges, and defending the economy. Various efforts are being done to improve the economic landscape. Egypt has taken strong efforts to capitalize on new prospects by joining BRICS, while also rapidly proceeding with its asset sales program, with the goal of producing around USD 5 billion by July 2024. These efforts are backed up by a strict monetary policy, as indicated by the Central Bank of Egypt's decision to boost overnight interest rates by 1% at its August meeting. This action plainly demonstrates the regulator's intention to combat growing inflationary pressures in the face of rising global prices.

QNB ALAHLI has achieved an impressive +23% YTD growth in its financial position. This growth was driven by a surge in deposits, which amounted EGP 92 billion by the end of September. As a result, the total deposit balance reached EGP 498 billion, reflecting a YTD increase of +23%. This substantial growth in deposits has enabled QNB ALAHLI to adopt a flexible lending approach, that increased the gross loans portfolio to EGP 258 billion. This generated a +13% in loans compared to December 2022, showcasing the bank's ability to effectively utilize its deposit base for lending activities. The Non-Performing Loan ratio stands at 5.43%, demonstrating the commitment to managing risks effectively. The Cost of Risk reached EGP 3,791 million by September 2023 to generate a coverage ratio of 114%.

Our unwavering commitment to deliver a strong financial performance is consistently demonstrated through efficient assets allocation and rigorous control of funding costs. This approach has resulted in a strong Net Interest Margin of 6.15% by the end of September 2023 along with +56% growth in net interest income. Furthermore, the non-interest income surged, showing a remarkable +74% YOY increase. These positive developments have provided a solid foundation to absorb increased overhead expenses and costs associated with risk.

Our Net Profit reached EGP 12,524 million, reflecting a stretch of +71% compared to the same period of the last year. We are pleased with this achievement as it showcases our management and staff determination to deliver remarkable growth to our shareholders despite the challenges.

Financial Results

1.1. Financial Position

- **Gross Loans** expanded by +13% YTD, reaching a total of EGP 257,845 million, demonstrating resilience in the face of challenging lending conditions. Corporate loans went up to EGP 206,675 million, marking +13% YTD growth, while retail loans reached EGP 51,171 million, reflecting +13% YTD increase too.
- **Customer Deposits** showed a notable performance, with a net increase of EGP 91,583 million, resulting in a total of EGP 497,825 million, marking a commendable +23% YTD growth. This surge was primarily fuelled by corporate deposits, which increased by an impressive EGP 65,795 million, reaching a total of EGP 327,357 million. Concurrently, retail deposits continued their upward trend, reaching EGP 170,468 million, reflecting a robust +18% YTD growth.
- **Total Equity** accelerated to 62,737 MEGP, up by +16% YTD. The capital adequacy and tier 1 ratios were 23.65% and 22.92%, respectively, above the CBE's minimum requirements of 12.5% and 8.5%.
- **Liquidity Position** remained strong despite one of the market's highest utilization levels, with a gross loan/deposit ratio of around 51.8% at the end of Sep-23. The CBE liquidity ratio in local currency was 55.15%, compared to the CBE's requirement of 20%, and the CBE liquidity ratio in foreign currency was 49.72%, compared to the CBE's requirement of 25%. As of August 2023, the Net Stable Funding Ratio (NSFR) in both local and foreign currency was 211% and 149%, respectively, while the Liquidity Coverage Ratio (LCR) was 471% and 365%, respectively.

1.2. Income Statement

- **Net Banking Income,** as usual, the driving force behind profitability, has achieved EGP 27,496 million, marking a robust +59% YOY growth. The Net Interest Income also saw impressive growth, reaching EGP 21,979 million, a substantial +56% increase YOY, contributing significantly to the overall NBI growth by 77%. This advancement has elevated the Net Interest Margin to 6.15%, marking an increase of +85 basis points from September 2022
- **Operating expense** reflected the prevailing inflation figures, with an increase of +31% compared to September 2022, bringing the total to EGP 5,092 million.
- **Provision expense** rose in tandem with the movement of the loans’ portfolio, reaching EGP 3,791 million, all while prudently safeguarding the assets.
- **Net profit** grew well by +71% YOY to conclude at EGP 12,524 million at the end of Sep-23.

Corporate Social Responsibility:

QNB ALAHLI establish strong and lasting partnerships with its change agents like **Misr ElKheir**, **Al-Orman**, **Baheya Foundation**, and **Zewail University**. These collaborations focus on key principles like sustainability, diversity, and supporting underserved communities.

QNB ALAHLI's mission takes shape through tangible actions: a protocol signage with **Baheya Foundation**; equipping **Shefaa Al-Orman Hospital** in Upper Egypt, eliminating equipment shortages and providing free treatment to reduce waitlists. Also, starting projects to boost economic empowerment, championing women and the disabled individuals alongside **Al-Orman** and **Misr El-Kheir**.

Results Summary

1.3. Financial Position

Description	*Separate basis*		
in MEGP	**Sep-23**	**Dec-22**	**YTD Growth**
Cash & due from banks	99,854	72,821	37%
Loans (Net)	244,507	216,591	13%
Investments	227,013	175,401	29%
Other assets	12,667	11,979	6%
Total Assets	**584,040**	**476,792**	**22%**
Customer Deposits	498,340	407,067	22%
Due to banks	7,302	3,522	107%
Other liabilities	17,768	13,622	30%
Shareholders' equity	60,630	52,581	15%
Total Liabilities and Equity	**584,040**	**476,792**	**22%**

Consolidated basis		
Sep-23	**Dec-22**	**YTD Growth**
101,496	73,922	37%
241,750	213,960	13%
231,688	179,289	29%
17,174	16,109	7%
592,108	**483,280**	**23%**
497,825	406,242	23%
7,302	3,522	107%
24,244	19,418	25%
62,737	54,098	16%
592,108	**483,280**	**23%**

1.4. Income Statement

Description	*Separate basis*			*Consolidated basis*		
in MEGP	**Sep-23**	**Sep-22**	**YOY Growth**	**Sep-23**	**Sep-22**	**YOY Growth**
Net interest income	21,630	13,800	57%	21,979	14,109	56%
Fees and commissions	2,992	1,789	67%	2,945	1,747	69%
Other operating income ❶❷	1,968	1,119	76%	2,572	1,422	81%
Net banking income	**26,590**	**16,708**	**59%**	**27,496**	**17,278**	**59%**
Operating expenses ❷	(4,988)	(3,800)	31%	(5,092)	(3,886)	31%
Gross operating income	**21,602**	**12,908**	**67%**	**22,404**	**13,392**	**67%**
Net cost of risk ❶	(3,694)	(2,563)	44%	(3,791)	(2,577)	47%
Net income before tax	**17,908**	**10,345**	**73%**	**18,613**	**10,815**	**72%**
Income tax	(5,988)	(3,390)	77%	(6,089)	(3,483)	75%
Net Profit	**11,919**	**6,955**	**71%**	**12,524**	**7,332**	**71%**

**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		Sep-23	Sep-22
Profitability	ROAA	3.11%	2.4%
	ROAE	28.6%	20.2%
Efficiency	Cost-to-Income ratio	18.5%	22.5%
Financial Indicators – Balance Sheet		**Sep-23**	**Dec-22**
Liquidity	Gross loans / deposits ratio	51.8%	56.1%
Asset Quality	Non-performing loans ratio	5.43%	5.05%
	Coverage ratio *	114.1%	120.6%
	Capital adequacy ratio**	23.65%	21.79%
	Leverage ratio**	9.7%	9.8%
Non-Financial Indicators		**Sep-23**	**Dec-22**
Non-Financial Indicators	Staff	7,173	7,230
	Active customers	1,721,699	1,403,658
	Branches	232	232
	ATMs	908	893
	Points of sales	48,223	56,976

** Including loans provision for stage 1, 2 and 3.*
***CAR & Leverage ratios are restated compared to Dec-22 released data after considering profit share, board remuneration and the banking system support and development share.*

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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