

Financial Information for 1Q16

Highlights

- **Net Profit increased to EGP905 million, up by 39% Year on Year (“YoY”)**
- **Total Assets increased to EGP139,152 million, up by 5% from December 2015**
- **Gross Loans increased by 2% from December 2015 to EGP63,917 million**
- **Deposits grew by 4% from December 2015 to EGP112,642 million**
- **Total Shareholders’ Equity reached EGP14,230 million**

QNB ALAHLI continued to deliver significant growth across all revenue lines, generating a consolidated Net profit of EGP905 million in 1Q2016, up by 39% compared 1Q2015.

Net banking income increased by 30% YOY, which was higher than the expenses growth of 19% YOY, thereby improving the Cost-to-income ratio to 25.3% in 1Q2016 from 27.5% in 1Q2015.

QNB ALAHLI continue to show strong assets quality, with NPL ratio improving further to 2.49%, down from 2.65% at the end of Dec-15, despite the prevailing economic conditions. The strong revenue generation capacity combined with prudent risk management resulted in a further improvement in the Coverage ratio, reaching 165.9%, up from 138.6% in Dec-15.

QNB ALAHLI as one of the key players in the banking sector, with a solid client base, strong risk management, adequate capital buffer, is well positioned to meet its customers’ needs, drive long term values for shareholders, as well as supporting the expected recovery of the Egyptian economy both directly and via its subsidiaries. With that in mind, QNB AA has continued its expansion with the addition of 6 more branches during 1Q 2016 and continued development of its product mix and service offerings.

Disclaimer:

All figures and comments are made on a consolidated basis unless otherwise stated. In September 2012, QNB AA started consolidating the results of “QNB AA Factoring”, while “QNB AA Leasing” results were consolidated starting December 2012. The results of “QNB AA Life Insurance” were consolidated starting January 2014, moreover, “QNB AA Assets management” results were consolidated starting June 2014.

Balance Sheet

1.1 Total Assets

QNB ALAHLI's total assets increased 5% to reach EGP139,152 million compared to EGP132,817 million in Dec-15, with ROAA of 2.66% in 1Q2016.

1.2 Gross Loans

Gross loans grew by 2% to reach EGP63,917 million, with both corporate and retail line of business showing growth YTD. SMEs loans, currently stands at c. EGP 5.8 billion, represent 9.0% of QNB ALAHLI's gross (standalone) loans.

Amounts in EGP million	Mar-16	Dec-15	YTD Growth
Corporate Loans	50,532	49,845	1%
Retail Loans	13,385	13,090	2%
Total Loans	63,917	62,935	2%

At the end of Dec-15¹ loans market share on a standalone basis reached 8.08%, up from 8.03% in Dec-14.

The quality of the portfolio continued to improve during 1Q2016. The NPL ratio decreased to 2.49% as of end of 1Q2016, from 2.65% at the end of 2015, a figure far below the rest of the Egyptian Banking market.

Provisioning levels have been strengthened further during 1Q2016 improving the coverage ratio to 165.9% compared to 138.6% at the end of Dec-15.

Amounts in EGP ² million	Mar-16	Dec-15	YTD Growth
Non-performing loans	1,589	1,667	-5%
Loans provision balance	2,635	2,311	14%
NPL Ratio	2.49%	2.65%	
Coverage ratio	165.9%	138.6%	

1.3 Deposits

QNB ALAHLI's deposits grew 4% from Dec-15 to reach EGP112,642 million, driven by growth in both the Corporate and Retail segments.

Amounts in EGP million	Mar-16	Dec-15	YTD Growth
Corporate Deposits	67,240	65,143	3%
Retail Deposits	45,402	42,947	6%
Total Deposits	112,642	108,090	4%

At the end of Dec-15³ deposits market share on a standalone basis reached 5.68%, up from 5.49% in Dec-14.

^{1,3} Source: CBE latest released data

² including reserved interest

1.4 Liquidity Position

QNB ALAHLI's liquidity position, represented by the Loans to Deposits ratio was maintained in line with the growth in the balance sheet with a net loan/deposit ratio of 54% in 1Q 2016.

Loans / Deposits Ratio	Mar-16	Dec-15
Gross Loans / Deposit	57%	58%
Net Loans / Deposit	54%	56%

1.5 Capital Base and CAR

QNB ALAHLI, 97.12% owned by the QNB Group, is the 2nd largest private bank in terms of market capitalisation with a market value of EGP21, 970 million as at the end of 1Q2016.

The bank's capital base amounted to EGP14,230 million, which will continue to support its organic growth plans.

Our capital ratio continue to be strong and well in excess of banks regulatory requirement as Basel II regulation CAR & Tier 1 ratios stood at 15.75% and 14.62% respectively, with a substantial capital buffer to support the bank's ongoing growth.

2. Income Statement

2.1 Solid growth has continued

in EGP million	YTD Consolidated*		YOY Growth	4Q15	QOQ Growth
	Mar-16	Mar-15			
Net interest income	1,473	1,095	35%	1,379	7%
Fees and commissions	310	272	14%	321	(4%)
Other operating income ① ②	238	192	24%	108	121%
Net banking income	2,021	1,558	30%	1,808	12%
Operating Expenses ②	(512)	(429)	19%	(497)	3%
Gross operating income	1,509	1,130	34%	1,312	15%
Credit Risk Provision ①	(282)	(128)	120%	(128)	120%
Other Provisions ①	(20)	(50)	(60%)	(18)	13%
Total COR	(302)	(178)	70%	(146)	107%
Net Income before tax	1,207	952	27%	1,166	4%
Income Tax charge	(302)	(303)	0%	(296)	2%
Net Income	905	649	39%	870	4%
Cost / Income Ratio	25%	28%		27%	

*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.

2.2 Net Banking Income

Net interest income grew 35% YOY, +7% vs. 4Q2015, driven by an increase in interest earning assets and improved NIM⁴ which reached 4.77% during 1Q2016 up 8 *bps* compared to 4Q2015.

Net fees and commissions reached EGP310 million for 1Q2016 up 14% compared to EGP272 million for 1Q2015.

Other operating income reached EGP238 million, up 24% compared to 1Q2015.

Net banking income for 1Q2016 stood at EGP2,021 million, increasing 30% YOY and 12% compared to 4Q2015.

2.3 Operating Expenses

Consolidated operating expenses reached EGP512 million for 1Q2016, representing an overall increase of 19% YOY, mainly impacted by organic growth, and continued improvement of the infrastructure to further enhance service delivery and customer experience.

Given stronger revenue growth, the Cost-to-Income ratio improved by 218 *bps* from 27.5% for 1Q2015 to 25.3% for 1Q2016.

2.4 Net Profit

QNB ALAHLI's gross operating income reached EGP1,509 million for 1Q 2016, up 34% compared to the same period last year and up 15% vs. 4Q2015.

In keeping with the bank's conservative approach to risk management, its coverage level was further strengthened to withstand any negative economic changes in the future with the net cost of risk recording EGP302 million at the end of 1Q2016 compared to EGP178 million for 1Q2015.

The income tax charge for the period remained stable although net income before tax increased by 27%, mainly due to the revision to the corporate income tax rate.

QNB ALAHLI recorded a net profit of EGP905 million for 1Q2016, an increase of 39% YOY and 4% vs. 4Q2015.

2.5 Conclusion

QNB ALAHLI continued to deliver a robust performance during 1Q2016, combining asset growth, an extension of its customer base and improved commercial activity resulting in robust profitability metrics.

⁴ Annualized NIM is calculated based on Standalone basis

3. About QNB ALAHLI

Established in April 1978, QNB ALAHLI is the second largest private bank in Egypt in terms of market capitalization. QNB Group acquired 97.12% of QNB AA which included the full stake of Société Générale – France amounting to 77.17% along with 19.95% acquired from other shareholders.

The bank currently employs 5,459 staff (vs. 5,393 in Dec-15) in two key businesses:

- Retail banking: the bank serves more than 800,000 active customers, providing them with a wide range of products.
- Corporate and investment banking: QNB AA provides services and tailor-made financial solutions to large, medium and small companies.

QNB ALAHLI is one of the main players in the Egyptian market supported by a wide coverage of 192 branches, 402 ATMs and 14,250 deployed points of sales.

QNB ALAHLI is managing three successful funds: “**Themar Fund**”, which is our successful money market fund, “**Tadawol Equity Fund**” and also a balanced fund “**Tawazon Fund**”.

Over recent years, QNB ALAHLI has established several subsidiaries in Egypt:

- QNB AA Leasing Company “QNB AA Lease” (created in 1997). On 26th March 2013, QNB AA raised its stake in QNB AA Lease from 60% to 99.9% following the acquisition of Société Générale stake.
- QNB AA Factoring Company set up in 2012 with QNB AA stake representing 99.9%.
- QNB AA Life Insurance Company set up in 2003. QNB AA increased its stake in the company from 25% to 99.9% at the beginning of January 2014.
- QNB AA also increased its stake in QNB AA Asset Management Egypt Company from 4.9% to 97.4% following the acquisition of a 92.5% stake from Société Générale starting June 2014.

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