

Financial Information for 1H16

Highlights

- **Net Profit increased to EGP1,972 million, up by 38% Year on Year (“YoY”)**
- **Total Assets increased to EGP146,317 million, up by 10% from December 2015**
- **Gross Loans increased by 9% from December 2015 to EGP68,553 million**
- **Deposits grew by 11% from December 2015 to EGP119,820 million**
- **Total Shareholders’ Equity reached EGP14,906 million**

QNB ALAHLI continued to deliver another solid performance in 2Q 2016 across all revenue lines, generating a consolidated net profit of EGP1,972 million in 1H 2016, up by 38% compared 1H 2015.

Net banking income increased by 31% YOY far exceeding expenses’ growth of 12% YOY and thereby improving the cost-to-income ratio to 23.0% in 1H 2016 from 26.9% in 1H 2015.

QNB ALAHLI continues to show strong assets quality, with NPL ratio improving further to 2.41%, 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 further improvement to the coverage ratio, reaching 172.4%, up from 138.6% in Dec-15.

QNB ALAHLI as one of the key players in the banking sector, with a very solid client base, strong risk management, and adequate capital buffer, is confident of meeting customer needs, drive long term value for the shareholder, as well as supporting the expected recovery of the Egyptian economy both directly and through its subsidiaries. With that in mind, QNB AA has continued its expansion with the addition of 11 more branches during 1H 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 10% to reach EGP146,317 million compared to EGP132,817 million in Dec-15, with ROAA of 2.83% in 1H 2016.

1.2 Gross Loans

Gross loans grew by 9% to reach EGP68,553 million, as both corporate and retail line of business showing strong growth. The QTD growth of 7% in 2Q 2016, QNBAA was achieved by broadening its market reach and selectively exploiting available opportunities.

Amounts in EGP million	Jun-16	Dec-15	YTD Growth
Corporate Loans	54,242	49,845	9%
Retail Loans	14,311	13,090	9%
Total Loans	68,553	62,935	9%

At the end of Mar-16¹ loans market share on a standalone basis was at 7.63%.

The quality of the portfolio continued to improve during 2Q 2016. The NPL ratio decreased to 2.41% as of end of 1H 2016, from 2.65% at the end of 2015 a figure well below the rest of the Egyptian Banking Market.

Provisioning levels have been strengthened further during 2Q 2016 improving the coverage ratio to 172.4% compared to 138.6% at the end of Dec-15.

Amounts in EGP ² million	Jun-16	Dec-15	YTD Growth
Non-performing loans	1,652	1,667	-1%
Loans provision balance	2,848	2,311	23%
NPL Ratio	2.41%	2.65%	
Coverage ratio	172.4%	138.6%	

1.3 Deposits

QNB ALAHLI's deposits grew 11% from Dec-15 to reach EGP119,820 million, driven by growth of both the Corporate and Retail segments with retail share standing at 41% of the total deposits as of 2Q 2016.

Amounts in EGP million	Jun-16	Dec-15	YTD Growth
Corporate Deposits	70,213	65,143	8%
Retail Deposits	49,607	42,947	16%
Total Deposits	119,820	108,090	11%

At the end of Mar-16³ deposits market share on a standalone basis was at 5.66%.

^{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 55% in 1H 2016.

Loans / Deposits Ratio	Jun-16	Dec-15
Gross Loans / Deposit	57%	58%
Net Loans / Deposit	55%	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 EGP23,041 million as at the end of 1H 2016.

The bank's capital base amounted to EGP14,906 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 14.66% and 13.52% 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	1Q 16	2Q 16	QOQ Growth
	Jun-16	Jun-15				
Net interest income	3,142	2,278	38%	1,473	1,670	13%
Fees and commissions	637	580	10%	310	327	6%
Other operating income ① ②	362	295	23%	238	123	-48%
Net banking income	4,141	3,153	31%	2,021	2,120	5%
Operating Expenses ②	(954)	(850)	12%	(512)	(442)	-14%
Gross operating income	3,187	2,303	38%	1,509	1,678	11%
Credit Risk Provision ①	(500)	(232)	115%	(282)	(218)	-23%
Other Provisions ①	(46)	(34)	38%	(20)	(26)	31%
Total COR	(547)	(266)	105%	(302)	(244)	-19%
Net Income before tax	2,640	2,037	30%	1,207	1,434	19%
Income Tax charge	(668)	(613)	9%	(302)	(367)	21%
Net Income	1,972	1,424	38%	905	1,067	18%
Cost / Income Ratio	23%	27%		25%	21%	

*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 38% YOY, and +13% vs. 1Q 2016, driven by an increase in interest earning assets and improved NIM⁴ which reached 4.94% during 1H 2016 up 24 *bps* compared to 2015.

Net fees and commissions reached EGP637 million for 1H 2016 up 10% compared to EGP580 million for 1H 2015.

Other operating income reached EGP 362 million, up 23% compared to 1H 2015.

Net banking income for 1H 2016 stood at EGP 4,141 million, increasing 31% YOY and 5% compared to 1Q 2016.

2.3 Operating Expenses

Consolidated operating expenses reached EGP954 million for 1H 2016 representing an overall increase of 12% YOY mainly impacted by organic growth and continued investment in infrastructure development to further enhance service delivery and customer experience.

Given stronger revenue growth and control over expenses the Cost-to-Income ratio improved by around 400 *bps* from 27% for 1H 2015 to 23.0% for 1H 2016.

2.4 Net Profit

QNB ALAHLI's gross operating income reached EGP3,187 million for 1H 2016, up 38% compared to the same period last year and up 11% vs. 1Q 2016.

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 EGP547 million at the end of 1H 2016 compared to EGP266 million for 1H 2015.

The income tax charge for the period growth was 9% higher although net income before tax was higher by 30%, mainly due to the downward revision to the corporate income tax rate.

QNB ALAHLI recorded a net profit of EGP1,972 million for 1H 2016, an increase of 38% YOY and 18% vs. 1Q 2016.

2.5 Conclusion

QNB ALAHLI continued to deliver a robust performance during 2Q 2016 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 one of the top players on the banking sector. 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 5,563 staff (vs. 5,393 in Dec-15) in two key businesses:

- Retail banking: the bank serves more than 816,000 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 197 branches, 412 ATMs and 14,951 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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