

## **Financial Information for 3Q16**

### **Highlights**

- **Net Profit increased to EGP3,088 million, up by 33% Year on Year (“YoY”)**
- **Total Assets increased to EGP151,880 million, up by 14% from December 2015**
- **Gross Loans increased by 13% from December 2015 to EGP71,136 million**
- **Deposits grew by 15% from December 2015 to EGP124,240 million**
- **Total Shareholders’ Equity reached EGP15,957 million**

QNB ALAHLI continued to deliver robust growth across all revenue lines, generating a consolidated net profit of EGP3,088 million in 3Q 2016, up by 33% compared with 3Q 2015.

Net banking income increased by 31% YOY compared to expenses growth of 12%. Thereby, improving the efficiency ratio to 23% in 3Q 2016 compared with 27% in 3Q 2015.

QNB ALAHLI continued to maintain strong asset quality with NPL ratio improving to 2.37% compared with 2.65% at the end of 2015. The strong revenue generation capacity combined with prudent risk management resulted in further improvement to the coverage ratio, reaching 187.0% up from 138.6% in Dec-15.

QNB ALAHLI as one of the leading banks in the Egyptian market, with strong risk management, adequate capital buffer as well as solid client base is well positioned to meet customer needs as well as supporting the ongoing efforts to stimulate the Egyptian economy.

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*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 14% to reach EGP151,880 million compared to EGP132,817 million in Dec-15, with ROAA of 2.89% in 3Q 2016.

### 1.2 Gross Loans

Gross loans grew by 13% YTD, to reach EGP71,136 million, while QTD growth stood at 4% in 3Q 2016, with strong growth showed in both corporate and retail.

Amounts in EGP million	Sep-16	Dec-15	YTD Growth
Corporate Loans	56,598	49,845	14%
Retail Loans	14,538	13,090	11%
<b>Total Loans</b>	<b>71,136</b>	<b>62,935</b>	<b>13%</b>

At the end of Jun-16<sup>1</sup> loans market share, on a standalone basis, recorded 7.39%.

The quality of the portfolio continued to improve during 3Q 2016. The NPL ratio decreased to 2.37% as of end of 3Q 2016, from 2.65% at the end of 2015, well below the average of the Egyptian Banking Market.

QNB ALAHLI management continued to strengthen its provisioning levels further during 3Q 2016 improving the coverage ratio to 187.0% compared to 138.6% at the end of Dec-15.

Amounts in EGP <sup>2</sup> million	Sep-16	Dec-15	YTD Growth
Non-performing loans	1,684	1,667	1%
Loans provision balance	3,149	2,311	36%
<b>NPL Ratio</b>	<b>2.37%</b>	<b>2.65%</b>	
<b>Coverage ratio</b>	<b>187.0%</b>	<b>138.6%</b>	

### 1.3 Deposits

QNB ALAHLI's deposits grew 15% from Dec-15 to reach EGP124,240 million, driven by growth of both the Corporate and Retail segments, with retail share standing at 42% of the total deposits as of 3Q 2016.

Amounts in EGP million	Sep-16	Dec-15	YTD Growth
Corporate Deposits	71,517	65,143	10%
Retail Deposits	52,723	42,947	23%
<b>Total Deposits</b>	<b>124,240</b>	<b>108,090</b>	<b>15%</b>

At the end of Jun-16<sup>3</sup> deposits market share on a standalone basis recorded 5.69%.

<sup>1,3</sup> Source: CBE latest released data

<sup>2</sup> 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 3Q 2016.

Loans / Deposits Ratio	Sep-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 2<sup>nd</sup> largest private bank in terms of market capitalisation with a market value of EGP20,725 million as at the end of 3Q 2016.

The bank's capital base amounted to EGP15,957 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 14.56% and 13.43% 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	2Q 16	3Q 16	QOQ Growth
	Sep-16	Sep-15				
Net Interest Income	4,973	3,546	40%	1,670	1,831	10%
Fees and Commissions	965	887	9%	327	328	0%
Other Operating Income ① ②	465	440	6%	123	104	-16%
<b>Net Banking Income</b>	<b>6,403</b>	<b>4,873</b>	<b>31%</b>	<b>2,120</b>	<b>2,262</b>	<b>7%</b>
Operating Expenses ②	(1,459)	(1,308)	12%	(442)	(505)	14%
<b>Gross Operating Income</b>	<b>4,944</b>	<b>3,565</b>	<b>39%</b>	<b>1,678</b>	<b>1,758</b>	<b>5%</b>
Credit Risk Provision ①	(812)	(427)	90%	(226)	(311)	37%
Other Provisions ①	(69)	(88)	-22%	(18)	(24)	30%
<b>Total COR</b>	<b>(881)</b>	<b>(515)</b>	<b>71%</b>	<b>(244)</b>	<b>(334)</b>	<b>37%</b>
<b>Net Income before Tax</b>	<b>4,063</b>	<b>3,050</b>	<b>33%</b>	<b>1,434</b>	<b>1,423</b>	<b>-1%</b>
Income Tax charge	(975)	(728)	34%	(367)	(307)	-16%
<b>Net Income</b>	<b>3,088</b>	<b>2,322</b>	<b>33%</b>	<b>1,067</b>	<b>1,117</b>	<b>5%</b>
<b>Cost / Income Ratio</b>	<b>23%</b>	<b>27%</b>		<b>21%</b>	<b>22%</b>	

\*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 40% YOY, and +10% vs. 2Q 2016, driven by an increase in interest earning assets and improved NIM<sup>4</sup> which reached 5.15% by end of 3Q 2016 up 46 *bps* compared to Dec-15.

Net fees and commissions reached EGP965 million for 3Q 2016 up 9% compared to EGP887 million for 3Q 2015.

Other operating income reached EGP465 million, up 6% compared to 3Q 2015.

Net banking income for 3Q 2016 stood at EGP6,403 million, increasing 31% YOY, and 7% compared to 2Q 2016.

## 2.3 Operating Expenses

Consolidated operating expenses reached EGP1,459 million for 3Q 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 3Q 2015 to 23% for 3Q 2016.

## 2.4 Net Profit

QNB ALAHLI's gross operating income reached EGP4,944 million for 3Q 2016, up 39% compared to the same period last year, and up 5% vs. 2Q 2016.

In keeping with the bank's conservative approach to risk management the coverage level was further enhanced to take care of uncertainty associated with any shift in fiscal or monetary policies as well as evolving economic conditions. The net cost of risk recorded EGP881 million at the end of 3Q 2016 compared to EGP515 million at end of 3Q 2015.

The income tax charge for the period increased by 34% driven by higher taxable revenue.

QNB ALAHLI recorded a net profit of EGP3,088 million for 3Q 2016, an increase of 33% YOY, and 5% vs. 2Q 2016.

## 2.5 Conclusion

QNB ALAHLI continued to deliver another solid performance during 3Q 2016 combining asset growth, an extension of its customer base and improved commercial activity resulting in robust profitability metrics.

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<sup>4</sup> 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 5,601 staff (vs. 5,393 in Dec-15) in two key businesses:

- Retail banking: the bank serves more than 830,000 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 201 branches, 422 ATMs and 15,256 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 26<sup>th</sup> 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.

**Contacts:** [www.qnbalahli.com](http://www.qnbalahli.com)

Sameh Badry  
+ 202 2770 7770  
[Sameh.badry@qnbalahli.com](mailto:Sameh.badry@qnbalahli.com)

Mohamed Mansour  
+ 202 2770 7717  
[Mohamed.m-hassan@qnbalahli.com](mailto:Mohamed.m-hassan@qnbalahli.com)

