

Financial Information for 2016

Highlights

- **Net Profit increased to EGP4,203 million, up by 32% Year on Year (“YoY”)**
- **Total Assets increased to EGP190,932 million, up by 44% from December 2015**
- **Gross Loans increased to EGP97,508 million, up by 55% from December 2015**
- **Total Deposits grew to EGP158,144 million, up by 46% from December 2015**
- **Total Shareholders’ Equity reached EGP17,115 million**

QNB ALAHLI delivered robust growth in results for 2016, generating a consolidated net profit of EGP 4,203 million, up by 32% compared with Dec-15. Total assets grew by 44% to reach EGP 190,932 million.

Net banking income increased by 44% YOY, compared with overhead expenses growth of 15% YOY. Based on this, efficiency ratio improved to 21% in Dec-16 from 27% in Dec-15.

Gross loans increased by 55% YTD and QNB ALAHLI continued to maintain strong asset quality, with NPL ratio as at Dec-16 of 2.56% which is below the overall market average. The strong revenue generation capacity combined with prudent risk management resulted in strengthening of the coverage ratio, reaching 187% up from 139% in Dec-15.

QNB ALAHLI as one of the leading banks in the banking sector, with a very solid client base, strong risk management and adequate capital buffer, is confident of meeting customers’ needs, drive long term values for shareholders, as well as achieving its organizational goals in the prevailing economic climate which is both filled with opportunities and challenges. This will be done through our extended network of branches, wide-ranging products, services and channels, as well as QNBAA subsidiaries.

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.

1. Balance Sheet

1.1 Total Assets

QNB ALAHLI's total assets increased by 44% to reach EGP 190,932 million compared to EGP 132,817 million in Dec-15, with ROAA of 2.60% in 2016.

1.2 Gross Loans

Gross loans grew by 55% YTD, to reach EGP 97,508 million, while QTD growth stood at 37% in 4Q16, with a significant growth in LCY loans portfolio that was further supported by the appreciation of FCY portfolio post the floatation of the local currency in November.

Amounts in EGP million	Dec-16	Dec-15	YTD Growth
Corporate Loans	82,016	49,845	65%
Retail Loans	15,492	13,090	18%
Total Loans	97,508	62,935	55%
LCY Loans	59,205	46,639	27%
FCY Loans	38,303	16,296	135%

At the end of Sep-16¹ loans market share, on a standalone basis, recorded 7.43%.

The quality of the portfolio remained resilient despite the prevailing economic uncertainty. NPL ratio at 2.56% at the end of 2016, was lower than 2.65% at the end of 2015, as well as below the average of the Egyptian Banking Market.

Provisioning levels continued to improve resulting in a higher coverage ratio of 187% as at Dec-16, compared to 139% at the end of 2015.

Amounts in EGP ² million	Dec-16	Dec-15	YTD Growth
Non-performing loans	2,500	1,667	50%
Loans provision balance	4,669	2,311	102%
NPL Ratio	2.56%	2.65%	
Coverage ratio	187%	139%	

1.3 Deposits

Customers' deposits grew by 46% from Dec-15, to reach EGP 158,144 million, with a substantial growth in LCY deposits in addition to the appreciation of the FCY component post EGP devaluation. Retail segment share stood at 43% of the total deposits as at Dec-16.

Amounts in EGP million	Dec-16	Dec-15	YTD Growth
Corporate Deposits	89,757	65,143	38%
Retail Deposits	68,387	42,947	59%
Total Deposits	158,144	108,090	46%
LCY Loans	113,789	89,153	28%
FCY Loans	44,355	18,937	134%

At the end of Sep-16³ deposits market share on a standalone basis recorded 5.68%.

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

² including reserved interest

1.4 Liquidity Position

QNB ALAHLI's liquidity position remained in line with the growth in the balance sheet with a net loan/deposit ratio of 59% as at Dec-16

Loans / Deposits Ratio	Dec-16	Dec-15
Gross Loans / Deposit	62%	58%
Net Loans / Deposit	59%	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 EGP 27,648 million as at the end of 2016.

The bank's capital base amounted to EGP 17,115 million, which will continue to support its organic growth plans.

Due to the strong capitalization QNB ALAHLI was able to withstand the impact of the inflated RWA following the local currency devaluation. As of the Dec-16, CAR & Tier 1 ratios stood at 10.85% & 9.70% respectively, noting the exclusion of the potential impact of 2016 earnings appropriation as per CBE rules, which is above the minimum required of 10.625% & 6.625% respectively.

2. Income Statement

2.1 Solid growth has continued

in EGP million	YTD Consolidated*		YOY Growth	3Q 16	4Q 16	QOQ Growth
	Dec-16	Dec-15				
Net Interest Income	7,069	4,925	44%	1,831	2,096	15%
Fees and Commissions	1,362	1,209	13%	328	397	21%
Other Operating Income ① ②	1,214	548	122%	104	749	621%
Net Banking Income	9,646	6,682	44%	2,262	3,242	43%
Operating Expenses ②	(2,073)	(1,805)	15%	(505)	(614)	22%
Gross Operating Income	7,573	4,877	55%	1,758	2,628	50%
Credit Risk Provision ①	(1,959)	(545)	259%	(324)	(1,135)	250%
Other Provisions ①	(19)	(116)	-84%	(11)	38	-460%
Total COR	(1,978)	(661)	199%	(334)	(1,097)	228%
Net Income before Tax	5,595	4,216	33%	1,423	1,531	8%
Income Tax charge	(1,391)	(1,023)	36%	(307)	(416)	36%
Net Income	4,203	3,192	32%	1,117	1,115	0%
Cost / Income Ratio	21%	27%		22%	19%	

*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 by 44% YOY, and +15% compared to 3Q16, driven by increase in interest earning assets and improved NIM⁴ which reached 5.28% by end of 2016 up 59 *bps* compared to Dec-15.

Net fees and commissions reached EGP 1,362 million for 2016, up 13%, compared to EGP 1,209 million for 2015, and 21% growth QOQ.

Other operating income reached EGP 1,214 up 122% compared to EGP 548 million for 2015.

Net banking income for 2016 stood at EGP 9,646 million, increasing 44% YOY, and 43% QOQ.

2.3 Operating Expenses

Consolidated operating expenses reached EGP 2,073 million for 2016 an overall increase of 15% YOY that was driven by organic growth and continued investment in infrastructure development to further enhance service delivery and customer experience.

Given stronger revenue growth and controlled growth of expenditure the Cost-to-Income ratio improved by around 600 *bps* from 27% for 2015 to 21% for 2016.

2.4 Net Profit

QNB ALAHLI's gross operating income reached EGP 7,573 million for 2016, up 55% compared to the same period last year, and up 50% QOQ.

Maintaining a conservative approach to risk management the coverage level was further enhanced to take care of unforeseen risks associated with shift in the fiscal or monetary policies on the quality of the credit portfolio. Overall net cost of risk recorded EGP 1,978 million at the end of 2016 compared to EGP 661 million at end of 2015.

Income tax charge for the period increased by 36% driven by higher taxable revenue growth.

QNB ALAHLI recorded a net profit of EGP 4,203 million for 2016 an increase of 32% YOY.

2.5 Conclusion

QNB ALAHLI continued to deliver another solid performance during 2016 combining asset growth, an extension of its customer base, expansion of its delivery channels, 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 5,803 staff (vs. 5,393 in Dec-15) in two key businesses:

- Retail banking: the bank serves more than 845,000 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 207 branches, 430 ATMs and 15,096 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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