

Financial Information for 1Q17

Highlights

- **Net Profit increased to EGP1,260 million, up by 39% Year on Year (“YoY”)**
- **Total Assets increased to EGP195,780 million, up by 3% from December 2016**
- **Gross Loans increased to EGP99,617 million, up by 2% from December 2016**
- **Total Deposits grew to EGP159,795 million, up by 1% from December 2016**
- **Total Shareholders’ Equity reached EGP18,037 million**

QNB ALAHLI continued to deliver robust growth in results generating a consolidated net profit of EGP 1,260 million, up by 39% compared to the same period last year. Total assets grew by 3% to reach EGP 195,780 million.

Efficiency ratio improved to 23% in 1Q17, down by 200bps from 25% in 1Q16. This was driven by increase in net banking income of 22% YOY, compared to a more moderate growth in cost by 12% YOY.

The assets quality continued to remain strong, with NPL ratio improving to 2.51% in Mar-17 as compared to 2.56% at the end of Dec-16, which is below the overall banking sector average. The strong revenue generation capacity combined with prudent risk management accounted for high coverage ratio of 195% at the end of Mar-17.

QNB ALAHLI as one of the leading banks in the Egyptian banking sector, with its solid customers base, strong liquidity position, prudent risk management and adequate capital buffer is well positioned to support the ongoing efforts to progressively enhance the Egyptian economy through the extended network of branches and comprehensive product 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.

1. Balance Sheet

1.1 Total Assets

QNB ALAHLI's total assets increased by 3% to reach EGP 195,780 million compared to EGP 190,932 million in Dec-16, with ROAA of 2.61% in 1Q17.

1.2 Gross Loans

Gross loans grew by 2% YTD, to reach EGP 99,617 million, supported by the growth across the different commercial segments.

| Amounts in EGP million | Mar-17 | Dec-16 | YTD Growth |
|------------------------|---------------|---------------|------------|
| Corporate Loans | 83,523 | 82,016 | 2% |
| Retail Loans | 16,094 | 15,492 | 4% |
| Total Loans | 99,617 | 97,508 | 2% |
| LCY Loans | 64,146 | 59,205 | 8% |
| FCY Loans | 35,471 | 38,303 | -7% |

At the end of Dec-16¹ loans market share, on a standalone basis, recorded 7.55%.

As part of CBE's SME initiative, the Bank's SME portfolio represented 16.12% out of the total portfolio, as per the definition of CBE, compared to a target of 20% by 2019.

The quality of the portfolio remained resilient despite the prevailing economic uncertainty. NPL ratio stood at 2.51% in Mar-17, down from 2.56% at the end of 2016, and was below the average of the Egyptian Banking Market.

Provision level continue to improve with a coverage ratio of 195% as at Mar-17 compared to 187% at the end of 2016. .

| Amounts in EGP ² million | Mar-17 | Dec-16 | YTD Growth |
|-------------------------------------|--------------|--------------|------------|
| Non-performing loans | 2,503 | 2,500 | 0% |
| Loans provision balance | 4,868 | 4,669 | 4% |
| NPL Ratio | 2.51% | 2.56% | |
| Coverage ratio | 195% | 187% | |

1.3 Deposits

Customers' deposits grew by 1% from Dec-16, to reach EGP 159,795 million, predominantly due to growth in Retail deposits. Accordingly business mix changed and Retail segment share reached 46% of the total deposits as at Mar-17.

| Amounts in EGP million | Mar-17 | Dec-16 | YTD Growth |
|------------------------|----------------|----------------|------------|
| Corporate Deposits | 86,360 | 89,757 | -4% |
| Retail Deposits | 73,435 | 68,387 | 7% |
| Total Deposits | 159,795 | 158,144 | 1% |
| LCY Loans | 114,153 | 113,789 | 0% |
| FCY Loans | 45,642 | 44,355 | 3% |

At the end of Dec-16³ deposits market share on a standalone basis recorded 5.79%.

^{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 Mar-17.

| Loans / Deposits Ratio | Mar-17 | Dec-16 |
|------------------------|--------|--------|
| Gross Loans / Deposit | 62% | 62% |
| Net Loans / Deposit | 59% | 59% |

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 30,497 million as at the end of Mar-17.

The bank's capital base amounted to EGP 18,037 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 in Nov-16. As of Mar-17, CAR & Tier 1 ratios stood at 14.56% & 13.42% respectively, including 1Q17 interim earnings⁴, which is above the minimum required of 11.25% & 7.25% respectively.

2. Income Statement

2.1 Solid growth has continued

| in EGP million | YTD Consolidated* | | YOY Growth | 4Q 16 | QOQ Growth |
|----------------------------|-------------------|--------------|-------------|----------------|-------------|
| | Mar-17 | Mar-16 | | | |
| Net Interest Income | 1,950 | 1,473 | 32% | 2,096 | -7% |
| Fees and Commissions | 433 | 310 | 40% | 397 | 9% |
| Other Operating Income ① ② | 88 | 238 | -63% | 749 | -88% |
| Net Banking Income | 2,470 | 2,021 | 22% | 3,242 | -24% |
| Operating Expenses ② | (575) | (512) | 12% | (614) | -6% |
| Gross Operating Income | 1,896 | 1,509 | 26% | 2,628 | -28% |
| Credit Risk Provision ① | (236) | (282) | -16% | (1,135) | -79% |
| Other Provisions ① | (24) | (20) | 19% | 38 | -163% |
| Total COR | (260) | (302) | -14% | (1,097) | -76% |
| Net Income before Tax | 1,636 | 1,207 | 36% | 1,531 | 7% |
| Income Tax charge | (375) | (302) | 24% | (416) | -10% |
| Net Income | 1,260 | 905 | 39% | 1,115 | 13% |
| Cost / Income Ratio | 23% | 25% | | 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.

⁴ After the latest instruction issued by CBE during Feb.17 allowing banks to incorporate current year earning in Capital base

2.2 Net Banking Income

Net interest income grew by 32% YOY, driven by increase in interest earning assets and a NIM⁵ of 5.12% by end of Mar-17.

Net fees and commissions reached EGP 433 million for 1Q17, up 40%, compared to EGP 310 million for 1Q16, and 9% growth QOQ.

Other operating income reached EGP 88 million.

Net banking income for 1Q17 stood at EGP 2,470 million, increasing 22% YOY.

2.3 Operating Expenses

Consolidated operating expenses reached EGP 575 million for 1Q17 an overall increase of 12% 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 200bps from 25% for 1Q16 to 23% for 1Q17.

2.4 Net Profit

QNB ALAHLI's gross operating income reached EGP 1,896 million for 1Q17, up 26% compared to the same period last year.

Despite the stability of the portfolio credit quality, a prudent approach to risk was sustained with EGP 260 million net allocations in the cost of risk that further enhanced the coverage level. This is intended to reinforce QNBAA approach to maintaining prudent levels of provision so as to enable it to withstand negative impacts from expected changes in the operational environment.

Income tax charges for the period increased by 24% as taxable revenue grew.

QNB ALAHLI recorded a net profit of EGP 1,260 million for 1Q17 an increase of 39% YOY and 13% QOQ.

2.5 Conclusion

QNB ALAHLI continued to deliver another solid performance during 1Q17 combining asset growth, an extension of its customer base, expansion of its delivery channels, and improved commercial activity resulting in robust profitability metrics

⁵ 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 5,815 staff (vs. 5,803 in Dec-16) in two key businesses:

- Retail banking: the bank serves more than 860,000 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 208 branches, 440 ATMs and 15,639 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.

Contacts: www.qnbalahli.com

Sameh Badry
+ 202 2770 7770
Sameh.badry@qnbalahli.com

Mohamed Mansour
+ 202 2770 7717
Mohamed.m-hassan@qnbalahli.com

