

Key Highlights

- Total Assets reached EGP 246,674 million, up +11% YTD
- Customer Deposits reached EGP 198,224 million, up +7% YTD
- Gross Loans reached EGP 133,100 million, up +13% YTD
- Non-performing Loans ratio and Coverage ratio of 2.48% and 170% respectively
- Capital Adequacy ratio of 17.95% well above minimum required by CBE
- Net Profit recorded EGP 5,384 million, up +27% YoY
- Cost-to-Income ratio of 22.7%.
- ROAA and ROAE of 3.1% and 29.1% respectively

QNB ALAHLI maintained its resilient performance with the growth of its assets and customers' base, expansion of its core earnings, achieving increased efficiency whilst continuing its organic growth.

QNB ALAHLI continues to be a commercially-focused bank, demonstrating one of the best utilization ratios (Loan-to-Deposit), in the Egyptian market place at a level of 67% that is significantly above the average for the banking sector. Nevertheless, the bank maintains diversified and dynamic funding sources and enjoys prudent liquidity ratios at levels comfortably above regulatory requirements.

The prudent risk management practices safeguard the bank's healthy financial structure and top quality credit portfolio, with an NPL ratio well below and a coverage ratio far above the average for the banking sector. This provides comfort as the market approaches the implementation of IFRS 9 which starts in 2019, supported by a strong capital buffer ahead of the regulatory requirement.

QNB ALAHLI, as a market leader in the Egyptian banking sector, has a one million customer base, a strong liquidity position, prudent risk management and adequate capital buffer, which means that the bank is geared towards supporting and capitalizing on the development of the Egyptian economy via its extended network of branches, comprehensive product suite and diversified service offering.

1. Financial Results

1.1. Balance Sheet

- **Gross Loans** increased by +13% YTD, +3% QTD to reach EGP 133,100 million, of which Corporate Loans increased by +12% YTD to reach EGP 112,526 million and Retail Loans grew by +14% YTD to reach EGP 20,574 million. The SME portfolio represented 19.51% of the total portfolio, as per the definition of the CBE, compared to a target of 20% by 2019. Loan market share reached 7.93% as of Jul-18¹ on a standalone basis.
- **Customer Deposits** grew by +7% from Dec-17, to reach EGP 198,224 million, supported by growth in both the Corporate and Retail segments. Corporate Deposits grew by +5% YTD to reach EGP 109,106 million, while Retail Deposits grew by +10% YTD to reach EGP 89,118 million. Deposit market share reached 5.64% as of Jul-18² on a standalone basis.
- **Total Equity** amounted to EGP 26,771 million, which will continue to support the bank's organic growth plans. The Capital Adequacy Ratio & Tier 1 ratios stood at 17.95% & 16.79% respectively, including 9M18 interim earnings³, comfortably above the minimum required of 11.875% & 7.875% respectively. QNB ALAHLI is the 2nd largest Egyptian private bank in terms of market capitalisation of EGP 42,999 million as at the end of Sep-18.
- **Liquidity Position** remained at a solid level with the highest utilisation within the market with a net loan/deposit ratio of 64% as at Sep-18. The CBE Liquidity ratio in local currency recorded 50% versus 20% as required by the CBE, while the CBE liquidity ratio in foreign currency reached 35% versus 25% as required by the CBE. Moreover, the Net Stable Funding Ratio (NSFR) in local currency and foreign currency recorded 197% and 134% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 378% and 276% respectively.

1.2. Income Statement

- **Net Banking Income** for 9M18 stood at EGP 9,819 million, +22% over 9M17 and +6% over 2Q18. Net interest income grew by +24% YoY, upon the increase in interest earning assets, with a NIM⁴ of 4.88% by the end of Sep-18. Net fees and commissions reached EGP 1,423 million for 9M18, up +8% compared to 9M17, while Other operating income reached EGP 468 million.
- **Operating expenses** reached EGP 2,231 million for 9M18, an overall increase of +23% YoY as the cost base adjusts to the inflationary pressure encountered throughout 2017, backed by the organic growth and continued development of infrastructure aiming to further enhance service delivery.
- **Net profit** reached EGP 5,384 million for 9M18, +27% compared to 9M17, and +4% over 2Q18.

Disclaimer:

All figures and comments are made on a consolidated basis unless otherwise stated.

^{1,2} Source: CBE latest released data

³ Following the instruction issued by CBE in Feb-17 allowing banks to incorporate current year earnings in the Capital base

⁴ Annualised NIM is calculated based on Standalone basis

Results Summary

1.3. Balance Sheet

in EGP million	Sep-18	Dec-17	YTD Growth
Cash & due from banks	24,868	31,171	-20%
Loans (Net)	127,291	112,597	13%
Investments	86,609	70,099	24%
Other assets	7,906	9,088	-13%
Total Assets	246,674	222,955	11%
Customer Deposits	198,224	184,877	7%
Due to banks	10,512	3,742	181%
Other liabilities	11,167	11,830	-6%
Shareholders' equity	26,771	22,506	19%
Total Liabilities and Equity	246,674	222,955	11%

1.4. Income Statement

in EGP million	Sep-18	Sep-17	YoY Growth
Net interest income	7,928	6,406	24%
Fees and commissions	1,423	1,314	8%
Other operating income ① ②	468	308	52%
Net banking income	9,819	8,028	22%
Operating expenses ②	(2,231)	(1,809)	23%
Gross operating income	7,588	6,219	22%
Credit risk provision ①	(352)	(538)	-35%
Other provision ①	41	(31)	-232%
Net cost of risk	(311)	(569)	-45%
Net income before tax	7,277	5,650	29%
Income tax	(1,893)	(1,400)	35%
Net Profit	5,384	4,250	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.

1.5. Key Indicators

Financial Indicators – Income Statement		Sep-18	Sep-17
Profitability	ROAA	3.1%	2.9%
	ROAE	29.1%	29.6%
Efficiency	Cost-to-Income ratio	22.7%	22.5%
Financial Indicators – Balance Sheet		Sep-18	Dec-17
Liquidity	Gross loans / deposits ratio	67.1%	63.9%
Asset Quality	Non-performing loans ratio	2.48%	2.22%
	Coverage ratio	170%	203%
	Capital adequacy ratio	17.9%	15.8%
	Leverage ratio	9.2%	8.1%
Non-Financial Indicators		Sep-18	Dec-17
KBIs	Staff	6,288	6,073
	Active customers	1,048,466	974,401
	Branches	216	215
	ATMs	464	448
	Points of sales	19,350	17,068

About QNB ALAHLI

QNB ALAHLI was established in April 1978, with a majority stake of 94.97% owned by QNB Group, after the group reduced its stake down from 97.12% during 1Q18, bringing its free float to the required minimum of 5% to comply with EGX listing requirements.

QNB ALAHLI is managing three successful funds: money market “Themar Fund”, equity “Tadawol Fund” and balanced “Tawazon Fund”.

Over the years, QNB ALAHLI established several subsidiaries in Egypt:

- QNBAA Leasing Company established in 1997. On March 26th, 2013, QNB ALAHLI raised its stake in QNBAA Leasing Co. from 60% to 99.9%.
- QNBAA Factoring Company set up in 2012, with QNB ALAHLI stake representing 99.9%.
- QNBAA Life Insurance Company set up in 2003. In January 2014, QNB ALAHLI increased its stake in QNBAA Life Insurance from 25% to 99.9%.
- QNBAA Asset Management Company, in June 2014 QNB ALAHLI increased its stake from 4.9% to 97.4%.

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