

Key Highlights

- Total Assets reached EGP 237,481 million, up +7% YTD
- Customer Deposits reached EGP 191,849 million, up +4% YTD
- Gross Loans reached EGP 129,146 million, up +9% YTD
- Non-performing Loans ratio and Coverage ratio of 2.09% and 203% respectively
- Capital Adequacy ratio of 16.91% well above minimum required by CBE
- Net Profit recorded EGP 3,459 million, up +27% YoY
- Cost-to-Income ratio of 22.6%.
- ROAA and ROAE of 3.0% and 29.3% respectively

QNB ALAHLI delivered a decent set of results portraying the healthy growth in its core earnings matrix backed by asset growth and increasing its customer base. The balanced result set confirms the effectiveness of the commercial approach and its profit generation capacity.

With a solid commercial orientation and commitment to meet its clients' needs, QNB ALAHLI enjoys one of the best Loans/Deposits ratios in the Egyptian market at 67%, beating the sector average, while observing decent liquidity ratios, well above regulatory requirements, through a well diversified funding mix.

The prudent risk management practices enabled QNB ALAHLI to maintain excellent asset quality and healthy financial structure showcased by one of best, if not the lowest, NPL ratios within the sector, a high coverage ratio and a decent capital buffer well above the regulatory requirement.

QNB ALAHLI, being one of the best established and leading banks in the Egyptian banking sector, with a solid customer base, strong liquidity position, prudent risk management, adequate capital buffer and widely spread physical footprint is properly positioned to benefit from the turnaround of the Egyptian economy and the accelerating financial inclusion.

QNB ALAHLI fulfilled the listing requirements in EGX after QNB Group reduced its stake from 97.12% to 94.97% bringing its free float to the required minimum of 5% by end of 1Q18.

1. Financial Results

1.1. Balance Sheet

- **Gross Loans** increased by +9% YTD, +11% QTD to reach EGP 129,146 million, of which Corporate Loans increased by +9% YTD to reach EGP 109,365 million, while Retail Loans grew by +10% YTD to reach EGP 19,781 million. The SME portfolio represented 19.05% of the total portfolio, as per the definition of CBE, compared to a target of 20% by 2019. Loan market share reached 7.72% as of Feb-18¹ on a standalone basis.
- **Customer Deposits** grew by +4% from Dec-17, to reach EGP 191,849 million, supported by growth in both the Corporate and Retail segments. Corporate Deposits grew by +1% YTD to reach EGP 104,737 million, while Retail Deposits grew by +7% YTD to reach EGP 87,112 million. Deposit market share reached 5.50% as of Feb-18² on a standalone basis.
- **Total Equity** amounted to EGP 24,791 million, which will continue to support the bank's organic growth plans. Capital Adequacy Ratio & Tier 1 ratios stood at 16.91% & 15.76% respectively, including 1H18 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 45,857 million as at the end of Jun-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 Jun-18. CBE Liquidity ratio in local currency recorded 47% versus 20% required from CBE, while CBE liquidity ratio in foreign currency reached 32% versus 25% required by the CBE. Moreover, Net Stable Funding Ratio (NSFR) in local currency and foreign currency recorded 193.6% and 134.3% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 434.3% and 207.6% respectively.

1.2. Income Statement

- **Net Banking Income** for 1H18 stood at EGP 6,272 million, +23% over 1H17 and +15% over 1Q18. Net interest income grew by +23% YoY, upon the increase in interest earning assets with a NIM⁴ of 4.85% by the end of Jun-18. Net fees and commissions reached EGP 951 million for 1H18, up +11% compared to 1H17, while Other operating income reached EGP 370 million.
- **Operating expenses** reached EGP 1,417 million for 1H18, an overall increase of +20% 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 3,459 million for 1H18, +27% compared to 1H17, and +16% over 1Q18.

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	Jun-18	Dec-17	YTD Growth
Cash & due from banks	29,960	31,171	-4%
Loans (Net)	123,451	112,597	10%
Investments	76,248	70,099	9%
Other assets	7,822	9,088	-14%
Total Assets	237,481	222,955	7%
Customer Deposits	191,849	184,877	4%
Due to banks	9,727	3,742	160%
Other liabilities	11,114	11,830	-6%
Shareholders' equity	24,791	22,506	10%
Total Liabilities and Equity	237,481	222,955	7%

1.4. Income Statement

in EGP million	Jun-18	Jun-17	YoY Growth
Net interest income	4,951	4,018	23%
Fees and commissions	951	860	11%
Other operating income ① ②	370	217	70%
Net banking income	6,272	5,095	23%
Operating expenses ②	(1,417)	(1,117)	20%
Gross operating income	4,855	3,918	24%
Credit risk provision ①	(184)	(361)	-49%
Other provision ①	34	(27)	-226%
Net cost of risk	(150)	(388)	-61%
Net income before tax	4,705	3,530	33%
Income tax	(1,246)	(800)	56%
Net Profit	3,459	2,730	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		Jun-18	Jun-17
Profitability	ROAA	3.0%	2.8%
	ROAE	29.3%	29.7%
Efficiency	Cost-to-Income ratio	22.6%	23.1%
Financial Indicators – Balance Sheet		Jun-18	Dec-17
Liquidity	Gross loans / deposits ratio	67.3%	63.9%
	Non-performing loans ratio	2.09%	2.22%
Asset Quality	Coverage ratio	203%	203%
	Capital adequacy ratio	16.9%	15.8%
	Leverage ratio	8.8%	8.1%
Non-Financial Indicators		Jun-18	Dec-17
KBIs	Staff	6,192	6,073
	Active customers	1,026,609	974,401
	Branches	216	215
	ATMs	459	448
	Points of sales	18,660	17,068

About QNB ALAHLI

QNB ALAHLI was established in April 1978, with majority stake of 94.97% owned by QNB Group. 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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