

Key Highlights

- Total Assets reached EGP 230,873 million, up +4% YTD
- Customer Deposits reached EGP 193,141 million, up +4% YTD
- Gross Loans reached EGP 116,409 million, down -1% YTD
- Non-performing Loans ratio and Coverage ratio of 2.28% and 203% respectively
- Capital Adequacy ratio of 17.3% well above minimum required by CBE
- Net Profit recorded EGP 1,605 million, up +27% YoY
- Cost-to-Income ratio of 23.7%.
- ROAA and ROAE of 2.8% and 28.3% respectively

QNB ALAHLI delivered robust results during 1Q18 combining the resilient growth of its core earnings, assets and an active acquisition of customers, via a diversified range of delivery channels, and therefore confirming the effectiveness of its profit generation and commercial performance engine.

With a clear commercial orientation and commitment toward its client base, QNB ALAHLI enjoys one of the best utilization, Loans/Deposits, ratio in the Egyptian market place at a level of 60%, significantly above the average of the sector. This is balanced with prudent liquidity ratios, above regulatory requirements. The deposits growth and funding diversification during 1Q18 demonstrate the reliability of the ability to source liquidity to fulfill the needs for sustained growth.

Backed by its prudent risk management practices, QNB ALAHLI maintained a strong asset quality and healthy financial structure showcased by one of the lowest NPL ratios within the sector and a decent capital buffer well-above the regulatory requirement.

QNB ALAHLI, being one of the well-established and leading banks in the Egyptian banking sector, with a solid customer base, strong liquidity position, prudent risk management and adequate capital buffer, is geared toward supporting the ongoing turn-around of the Egyptian economy, through its extended network of branches, comprehensive product and service offerings.

Aiming to maintain the listing of QNB ALAHLI shares in EGX, QNB Group reduced its stake from 97.12% to 94.97%. That brought the free float to the required minimum of 5% and therefore the share became fully compliant with listing requirements by end of 1Q18.

1. Financial Results

1.1. Balance Sheet

- **Gross Loans** decreased by -1% YTD to reach EGP 116,409 million, where Corporate Loans decreased by -3% YTD to reach EGP 97,455 million, while Retail Loans grew by +5% YTD to reach EGP 18,953 million. SME portfolio represented 18.59% of the total portfolio, as per the definition of CBE, compared to a target of 20% by 2019. Loans market share reached 7.94% as of Nov-17¹ on a standalone basis.
- **Customer Deposits** grew by +4% from Dec-17, to reach EGP 193,141 million, supported by growth in both Corporate and Retail segments. Corporate Deposits grew by +3% YTD to reach EGP 106,493 million, while Retail Deposits grew by +7% YTD to reach EGP 86,648 million. Deposits market share reached 5.52% as of Nov-17² on a standalone basis.
- **Total Equity** amounted to EGP 22,914 million, which will continue to support the bank's organic growth plans. Capital Adequacy Ratio & Tier 1 ratios stood at 17.32% & 15.65% respectively, including 1Q18 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 52,508 million as at the end of Mar-18.
- **Liquidity Position** remained at a solid level with the highest utilisation within the market with a net loan/deposit ratio of 57% as at Mar-18. CBE Liquidity ratio in local currency recorded 48.1% versus 20% required from CBE, while CBE liquidity ratio in foreign currency reached 34% versus 25% required by the CBE. Moreover, Net Stable Funding Ratio (NSFR) in local currency and foreign currency recorded 199% and 143.5% respectively, while Liquidity Coverage Ratio (LCR) in local and foreign currency reached 700.1% and 256.6% respectively.

1.2. Income Statement

- **Net Banking Income** for 1Q18 stood at EGP 2,923 million, +18% over 1Q17 and +2% over 4Q17. Net interest income grew by +17% YoY, upon the increase in interest earning assets with a NIM⁴ of 4.74% by the end of Mar-18. Net fees and commissions reached EGP 483 million for 1Q18, up +12% compared to 1Q17, while Other operating income reached EGP 151 million.
- **Operating expenses** reached EGP 693 million for 1Q18, an overall increase of +21% 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 and customer experience.
- **Net profit** reached EGP 1,605 million for 1Q18, +27% compared to 1Q17, and +26% over 4Q17.

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	Mar-18	Dec-17	YTD Growth
Cash & due from banks	33,369	31,171	7%
Loans (Net)	110,810	112,597	-2%
Investments	78,982	70,099	13%
Other assets	7,712	9,088	-15%
Total Assets	230,873	222,955	4%
Customer Deposits	193,141	184,877	4%
Due to banks	4,427	3,742	18%
Other liabilities	10,391	11,830	-12%
Shareholders' equity	22,914	22,506	2%
Total Liabilities and Equity	230,873	222,955	4%

1.4. Income Statement

in EGP million	Mar-18	Mar-17	YoY Growth
Net interest income	2,289	1,950	17%
Fees and commissions	483	433	12%
Other operating income ① ②	151	88	72%
Net banking income	2,923	2,471	18%
Operating expenses ②	(693)	(575)	21%
Gross operating income	2,230	1,896	18%
Credit risk provision ①	(85)	(236)	-64%
Other provision ①	30	(24)	-225%
Net cost of risk	(55)	(260)	-79%
Net income before tax	2,175	1,636	33%
Income tax	(570)	(376)	52%
Net Profit	1,605	1,260	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		Mar-18	Mar-17
Profitability	ROAA	2.8%	2.6%
	ROAE	28.3%	28.7%
Efficiency	Cost-to-Income ratio	23.7%	23.3%
Financial Indicators – Balance Sheet		Mar-18	Dec-17
Liquidity	Gross loans / deposits ratio	60.3%	63.9%
	Non-performing loans ratio	2.28%	2.22%
Asset Quality	Coverage ratio	203%	203%
	Capital adequacy ratio	17.3%	15.8%
	Leverage ratio	8.3%	8.1%
Non-Financial Indicators		Mar-18	Dec-17
KBIs	Staff	6,071	6,073
	Active customers	1,005,434	974,401
	Branches	216	215
	ATMs	451	448
	Points of sales	17,637	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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