



Press Release

Financial Results for 2017

Key Highlights

- Total Assets reached EGP 222,955 million, up +17% YTD
- Gross Loans reached EGP 118,169 million, up +21% YTD
- Customer Deposits reached EGP 184,877 million, up +17% YTD
- Non-performing Loans ratio and Coverage ratio of 2.2% and 203.1% respectively
- Capital Adequacy ratio of 15.8% well above minimum required by CBE
- Net Profit recorded EGP 5,525 million, up +31% YoY
- Cost-to-Income ratio of 24.5%
- ROAA and ROAE of 2.7% and 27.9% respectively

QNB ALAHLI has delivered a robust performance in 2017 combining its bottom-line growth with a strong evolution of its asset, expansion of its customer base, continued organic growth and increased efficiency providing resilient profitability metrics.

Despite a challenging context shaped by fiscal and monetary policy transformations, QNB ALAHLI achieved reasonable growth in its lending portfolio across various segments and expanded its market share in loans, with a successful penetration of the SMEs in line with government policy. Deposits grew for both retail and corporates providing the funding required for sustained growth.

The credit portfolio maintained its high quality with one of the lowest NPL ratios in the sector. Nevertheless, management opted to increase the provisioning level, and consequently the coverage ratio, to withstand uncertainty arising from possible further fiscal consolidation measures. Given its capacity to generate capital, QNB ALAHLI enjoys a healthy financial structure with Tier 1, Tier 2 and leverage ratios comfortably above the minimum required.

QNB ALAHLI, being one of the well established and leading banks in the Egyptian market, is well positioned to support and capitalize on the ongoing improvement in the economy.

Disclaimer:

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

1. Financial Results

1.1. Balance Sheet

- **Gross Loans** grew by +21% YTD to reach EGP 118,169 million, supported by solid growth across the different commercial segments, where Corporate Loans grew by +22% YTD to reach EGP 100,130 million and Retail Loans grew by +16% YTD to reach EGP 18,039 million, while SME portfolio represented 17% of the total portfolio, as per the definition of CBE, compared to a target of 20% by 2019. Loans market share reached 7.84% as of Sep-17¹ on a standalone basis.
- **Customer Deposits** grew by +17% from Dec-16, to reach EGP 184,877 million, also supported by growth in Corporate and Retail segments. Corporate Deposits grew by +15% YTD to reach EGP 103,552 million, while Retail Deposits grew by +19% YTD to reach EGP 81,325 million. Deposits market share reached 5.35% as of Sep-17² on a standalone basis.
- **Total Equity** amounted to EGP 22,506 million, which will continue to support the bank's organic growth plans. QNBAA is the 2nd largest Egyptian private bank in terms of market capitalisation of EGP 37,763 million as at the end of Dec-17. Capital Adequacy Ratio & Tier 1 ratios stood at 15.8% & 14.4% respectively, including 9M17 interim earnings³, which is above the minimum required of 11.25% & 7.25% respectively.
- **Liquidity Position** remained at a solid level with the highest utilisation within the market with a net loan/deposit ratio of 61% as at Dec-17. CBE Liquidity ratio in local currency recorded 44.7% versus 20% required from CBE, while CBE liquidity ratio in foreign currency reached 36.3% versus 25% required by the CBE. Moreover, Net Stable Funding Ratio in local currency and foreign currency recorded 200.2% and 144.6% respectively, while Liquidity Coverage Ratio in local and foreign currency reached 707.1% and 251.2% respectively.

1.2. Income Statement

- **Net Banking Income** for 2017 stood at EGP 10,893 million, increasing +13% YoY. Net interest income grew by +23% YoY, upon the increase in interest earning assets with a NIM⁴ of 4.74% by the end of Dec-17. Net fees and commissions reached EGP 1,775 million for 2017, up +30% compared to EGP 1,363 million for 2016, while Other operating income reached EGP 424 million.
- **Operating expenses** reached EGP 2,674 million for 2017, an overall increase of +29% YoY driven by the impact of fiscal and monetary policy changes starting late 2016, but came in line with average inflation reading for the year despite continued organic growth and development of infrastructure to further enhance service delivery and customer experience.
- **Net profit** reached EGP 5,525 million for 2017, up +31% compared to the same period last year. QNBAA maintained its prudent approach to risk management with EGP 856 million net allocations in the cost of risk to preserve a solid coverage level that would enable it to withstand impacts from anticipated changes in the operational environment.

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

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

⁴ Annualised NIM is calculated based on Standalone basis

2. Results Summary

2.1. Balance Sheet

in EGP million	Dec-17	Dec-16	YTD Growth
Cash & due from banks	31,171	21,447	45%
Loans (Net)	112,597	92,577	22%
Investments	70,099	68,767	2%
Other assets	9,088	8,141	12%
Total Assets	222,955	190,932	17%
Clients Deposits	184,877	158,144	17%
Due to banks	3,742	2,327	61%
Other liabilities	11,830	13,346	-11%
Shareholders' equity	22,506	17,115	32%
Total Liabilities and Equity	222,955	190,932	17%

2.2. Income Statement

in EGP million	Dec-17	Dec-16	YoY Growth
Net interest income	8,694	7,069	23%
Fees and commissions	1,775	1,363	30%
Other operating income ① ②	424	1,214	-65%
Net banking income	10,893	9,646	13%
Operating expenses ②	(2,674)	(2,073)	29%
Gross operating income	8,219	7,573	9%
Credit risk provision ①	(814)	(1,960)	-58%
Other provision ①	(42)	(19)	121%
Net cost of risk	(856)	(1,979)	-57%
Net income before tax	7,363	5,594	32%
Income tax	(1,838)	(1,391)	32%
Net Profit	5,525	4,203	31%

*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.

2.3. Key Indicators

Financial Indicators		Dec-17	Dec-16
Profitability	ROAA	2.7%	2.6%
	ROAE	27.9%	26.2%
Efficiency	Cost-to-Income ratio	24.5%	21.5%
Liquidity	Gross loans / deposits ratio	63.9%	61.7%
Asset Quality	Non-performing loans ratio	2.2%	2.6%
	Coverage ratio	203.1%	186.8%
	Capital adequacy ratio	15.8%	13.8%
	Leverage ratio	8.1%	7.2%
Other Indicators		Dec-17	Dec-16
KBIs	Staff	6,073	5,803
	Active customers	974,401	884,686
	Branches	215	207
	ATMs	448	430
	Points of sales	17,068	15,096

3. About QNB ALAHLI

QNB ALAHLI was established in April 1978, with majority stake of 97.12 % 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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