

Financial Information for 3Q15

Highlights

- **Net Profit increased to EGP2,322 million, up by 37% Year on Year (“YoY”)**
- **Total Assets increased to EGP127,498 million, up by 23% from December 2014**
- **Gross Loans increased by 21% from December 2014 to EGP59,020 million**
- **Deposits grew by 22% from December 2014 to EGP103,870 million**
- **Total Shareholders' Equity increased to EGP14,207 million compared to EGP11,921 million in December 2014**

QNB AA has continued to deliver robust growth across all revenue items, generating a Consolidated Net Profit of EGP 898 million in 3Q 15, +16% over 2Q 15.

Gross Operating Income increased by 30% YOY following stronger revenues growth by 26% compared to a growth of 17% on the expenses side. Accordingly, efficiency ratio improved by 210 bps compared to the previous year to reach 26.8% by end of Sep-15.

Gross Loans with an increase by 21% YTD maintained the strong portfolio quality, with the NPL ratio improving to 2.81% compared to 3.06% at the end of 2014, with a coverage ratio of 138.5%. Liquidity also improved further, driven by Deposits growth 22% YTD.

QNB AA, as one of the main players in the banking sector, backed by a solid capital buffer, strong liquidity position, and wide customer base is fully equipped to support the development of the Egyptian economy via our 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”. The results of “QNB AA Leasing” were consolidated starting December 2012. The results of “QNB AA Life Insurance” were consolidated starting January 2014, Moreover results of “QNB AA Assets management” were consolidated starting June 2014.

Balance Sheet

1.1 Total Assets

QNB AA's total assets increased 23% to reach EGP 127,498 million compared to EGP103,326 million in Dec-14, with a ROAA of 2.68% in 3Q15 compared to 2.51% in December 2014.

1.2 Gross Loans

Gross loans grew by 21% to reach EGP 59,020 million driven by growth in both the corporate and retail portfolios.

Amounts in EGP million	Sep-15	Dec-14	YTD Growth
Corporate Loans	46,504	38,443	21%
Retail Loans	12,516	10,419	20%
Total Loans	59,020	48,862	21%

At the end of Jun-15¹ loans market share on a standalone basis reached 7.95% up from Mar-15 reading of 7.80%.

The quality of the portfolio remained strong during 3Q15. The NPL ratio reached 2.81% as at the end of 3Q15, decreasing from 3.06% at the end of 2014, far below the Egyptian Banking market.

Provisioning levels have been strengthened further during 3Q15, improving the coverage ratio to 138.5% compared to 126.9% as at the end of Dec-14.

Amounts in EGP ² million	Sep-15	Dec-14	YTD Growth
Non-performing loans	1,657	1,495	11%
Loans provision balance	2,295	1,897	21%
NPL Ratio	2.81%	3.06%	
Coverage ratio	138.5%	126.9%	

1.3 Deposits

QNB AA's deposits grew 22% from Dec-14 to reach EGP 103,870 million, driven by growth in both the Corporate and Retail segments.

Amounts in EGP million	Sep-15	Dec-14	YTD Growth
Corporate Deposits	60,194	50,095	20%
Retail Deposits	43,676	35,363	24%
Total Deposits	103,870	85,458	22%

At the end of Jun-15³ deposits market share on a standalone basis reached 5.62%, up from 5.56% in Mar-15 and 5.49% in Dec-14.

^{1,3} Source: CBE latest released data

² including reserved interest

1.4 Liquidity Position

QNB AA's liquidity position, represented by the Loans to Deposits ratio was maintained in line with the growth in the balance sheet with a net loan/deposit ratio of 55% in 3Q15.

Loans / Deposits Ratio	Sep-15	Dec-14
Gross Loans / Deposit	57%	57%
Net Loans / Deposit	55%	55%

1.5 Capital Base and CAR

QNB AA, now 97.12% owned by the QNB Group, is the 2nd largest private bank in terms of market capitalisation with a market value of EGP 21,286 million as at the end of 3Q15.

The bank's capital base amounted to EGP 14,207 million, which will continue to support its organic growth plans.

Basel II regulation CAR & Tier 1 ratios stood at 15.64% and 14.12% respectively, indicating a solid capital structure with a substantial capital buffer over the required regulatory minimums.

2. Income Statement

2.1 Solid growth has continued

in EGP million	YTD Consolidated*		YOY Growth	2Q 15	3Q 15	QOQ Growth
	Sep-15	Sep-14				
Net interest income	3,546	2,666	33%	1,183	1,268	7%
Fees and commissions	887	800	11%	308	308	0%
Other operating income ① ②	440	400	10%	103	145	41%
Net banking income	4,873	3,866	26%	1,594	1,721	8%
Operating Expenses ②	(1,308)	(1,118)	17%	(421)	(459)	9%
Gross operating income	3,565	2,747	30%	1,173	1,262	8%
Credit Risk Provision	(417)	(284)	47%	(104)	(184)	77%
Other Provisions ①	(98)	(40)	145%	16	(65)	-506%
Total COR	(515)	(324)	59%	(88)	(249)	182%
Net Income before tax	3,050	2,423	26%	1,085	1,013	-7%
Income Tax charge	(728)	(726)	0%	(310)	(115)	-63%
Net Income	2,322	1,697	37%	775	898	16%
Cost / Income Ratio	27%	29%		26%	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.

2.2 Net Banking Income

Net interest income grew 33% YoY, + 7% vs. 2Q15, driven by an increase in interest earning assets.

The YTD NIM⁴ reached 4.68% during 3Q15, increasing by 3 bps compared to Dec-14 despite the cut in the CBE reference rate during 1Q15.

Net fees and commissions reached EGP887 million for 3Q15 up 11% compared to EGP800 million for 3Q14.

Other operating income reached EGP440 million, up 10% compared to 3Q14.

Net banking income for 3Q15 stood at EGP 4,873 million, growing 26% YoY and 8% compared to 2Q15.

2.3 Operating Expenses

Consolidated operating expenses reached EGP 1,308 million for 3Q15, presenting an overall increase of 17% YoY impacted by the normal inflationary pressures alongside the growing size of the bank, and the continued improvement in the Bank infrastructure.

Given stronger revenue growth, the Cost-to-Income ratio improved by 210 bps down from 28.9% by Sep-14 to 26.8% by end of 3Q15.

2.4 Net Profit

QNB AA's Gross Operating Income reached EGP 3,565 million for 9M15, up 30% compared to the same period last year and quarterly production for 3Q15 up 8% vs. 2Q15.

Despite resilient portfolio quality the bank opted to strengthen its coverage level to withstand any economic growth downturns with net cost of risk recording EGP515 million at the end of 3Q15 compared to EGP324 million for 3Q14.

Income tax charge was almost stagnant YoY, despite the increase in the Net Profit before tax by 26% YoY, given the recently revised down Corporate income tax rate.

In summary, QNB AA recorded a net profit of EGP 2,322 million, an increase of 37% YoY and 16% QoQ.

2.5 Conclusion

QNB AA continued to deliver a robust performance during 3Q15, combining asset growth, extension of its customer base and commercial activity and resilient profitability metrics.

⁴ Annualized NIM is calculated based on Standalone basis

3. About QNB AA

Established in April 1978, QNB AA is the second largest private bank in Egypt in terms of market capitalization. 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 5,304 staff (vs. 5,063 in Dec 14) in two key businesses:

- Retail banking: the bank serves more than 770,000 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 AA is one of the main players in the Egyptian market supported by a wide coverage of 181 branches, 388 ATMs and 13,409 deployed points of sales.

QNB AA 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 AA 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.

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