

## Financial information for 1Q14

### Highlights

- **Net Profit increased to EGP534 million, up by 15% Year on Year (“YoY”)**
- **Total Assets increased to EGP87,131 million, up by 7% from December 2013**
- **Gross Loans improved 3% from December 2013 to EGP41,818 million**
- **Deposits grew by 5% from December 2013 to EGP71,123 million**
- **Total Shareholders' Equity increased to EGP10,256 million compared to EGP10,010 million December 2013**

QNB ALAHLI (QNB AA) continued to deliver robust results across its revenue lines, generating a consolidated net income of over EGP534 million in 1Q14, up 15% over 1Q13.

Despite a declining rate environment, QNB AA performance indicators remain strong, with improving NIM and efficiency ratio.

The various bank segments delivered decent performance in an environment marked by political and economic instability. The slower corporate recovery was contained through an increased focus on the Retail and the SME segments.

With 20% YoY growth in net interest income coupled with a decent 15% growth in fees & commissions, QNB AA managed to offset the decline in other revenue given the non-recurring items recognized in 1Q13. Moreover, Net banking income increased by 9% YoY to EGP1,219 million.

*Disclaimer:*

*All figures and comments are made on a consolidated basis unless otherwise stated. In September 2012, QNB AA started consolidating the results of “QNBAA Factoring”. Results of “QNBAA Leasing” were consolidated starting December 2012. Moreover, results of “QNBAA Life Insurance” were consolidated starting January 2014.*

# 1. Balance Sheet

## 1.1 Total Assets

QNB AA's total assets increased 7% to reach EGP87,131 million compared to EGP81,259 million in December 2013.

ROAA improved to 2.53% in March 2014 compared to 2.40% in December 2013.

## 1.2 Gross Loans

During 1Q14, loans grew 3% to reach EGP41,818 million driven by growth in both the corporate and retail portfolios.

Amounts in EGP millions	Mar-14	Dec-13	YTD Growth
Corporate Loans	32,872	32,047	3%
Retail Loans	8,946	8,636	4%
<b>Total Loans</b>	<b>41,818</b>	<b>40,683</b>	<b>3%</b>
LCY Loans	29,877	29,283	2%
FCY Loans	11,941	11,400	5%

At the end of January 2014<sup>1</sup> loans market share on a standalone basis reached 7.65%, highlighting the improved competitiveness of QNB AA when compared to 7.40% in January 2013.

The quality of the portfolio maintained its resilience despite continued economic uncertainty. The NPL ratio reached 3.90% at the end of March 2014, marginally up from 3.81% at end of 2013, comparatively low for the Egyptian Banking market.

Provisioning levels, including specific and collective provisions, have been enhanced during 1Q14; leading to a coverage ratio of 116.4% at the end of 1Q14 compared to 114.4% at the end of 2013.

Amounts in EGP <sup>2</sup> millions	Mar-14	Dec-13	YTD Growth
Non-performing loans	1,630	1,548	5%
Loans provision balance	1,898	1,772	7%
<b>NPL Ratio</b>	<b>3.90%</b>	<b>3.81%</b>	
<b>Coverage ratio</b>	<b>116.4%</b>	<b>114.4%</b>	

<sup>1</sup> Source: CBE latest released data

<sup>2</sup> including reserved interest

### 1.3 Deposits

QNB AA's deposits recorded growth of 5% from December 2013 to reach EGP71,123 million, driven by a decent performance from both the Corporate and Retail segments.

Amounts in EGP millions	Mar-14	Dec-13	YTD Growth
Corporate Deposits	39,623	37,890	5%
Retail Deposits	31,500	29,796	6%
<b>Total Deposits</b>	<b>71,123</b>	<b>67,686</b>	<b>5%</b>
LCY Deposits	54,457	52,056	5%
FCY Deposits	16,666	15,630	7%

At the end of January 2014<sup>1</sup> deposits market share on a standalone basis reached 5.17%, up from 4.93% in January 2013.

### 1.4 Liquidity Position

QNB AA's liquidity position improved at the end of 1Q14 with a net loan/deposit ratio of 56% down from 57% in December 2013 on the back of stronger growth in deposits.

Loans / Deposits Ratio	Mar-14	Dec-13
Gross Loans / Deposit (LCY)	55%	56%
Gross Loans / Deposit (FCY)	72%	73%
<b>Gross Loans / Deposit</b>	<b>59%</b>	<b>60%</b>
<b>Net Loans / Deposit</b>	<b>56%</b>	<b>57%</b>

### 1.5 Capital Base and CAR

QNB AA, now 97.12% owned by the QNB Group, is the 2<sup>nd</sup> largest private bank in terms of market capitalisation with a market value of EGP15,886 million at end of March 2014.

The bank's capital base amounted to EGP10,256 million, which will continue to support its organic growth plans.

Basel II regulation CAR & Tier 1 ratios stood at 17.23% and 15.66% respectively, indicating a solid capital structure with a substantial capital buffer over regulatory minimums.

<sup>1</sup> Source: CBE latest released data

## 2. Income Statement

### 2.1 Robust growth over the year

in EGP millions	YTD Consolidated*		YOY Growth
	Mar-14	Mar-13	
Net interest income	826	687	20%
Fees and commissions	259	226	15%
Other operating income ❶	134	205	(35%)
Net banking income	<b>1,219</b>	<b>1,118</b>	<b>9%</b>
Operating expenses ❷	(365)	(371)	(2%)
Gross operating income	<b>854</b>	<b>747</b>	<b>14%</b>
Credit risk provision	(137)	(116)	18%
Other provisions ❸	(10)	(9)	3%
Total COR	<b>(147)</b>	<b>(126)</b>	<b>17%</b>
Net income before tax	<b>707</b>	<b>621</b>	<b>14%</b>
Income tax charge ❸	(173)	(158)	10%
Net income	<b>534</b>	<b>463</b>	<b>15%</b>
Cost / Income Ratio	<b>30%</b>	<b>33%</b>	-

\*After the following adjustments from financial information published under Egyptian Accounting Standards ("EAS"):

❶ 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.

❷ 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.

❸ Tax provision related to 2013 has been restated to the "Income tax charge" for presentation purposes, as it fits better with the economic nature of this item.

### 2.2 Net banking income

Net interest income grew 20% YoY, driven by an increase in interest earning assets.

The YTD NIM<sup>4</sup> was 4.64% at the end of March 2014, compared to 4.86% at the end of December 2013 driven by the 50bps cut in the corridor rate by the CBE in Dec-13.

Net fees & commissions reached EGP259 million by the end of March 2014 up 15% compared to EGP226 million at the end of March 2013.

Other operating income reached EGP134 million, where QNB AA successfully managed to absorb the absence of non-recurring positive impact recorded into 1Q13 resulted mainly from strong capital and investment revaluation.

Overall, net banking income in March 2014 stood at EGP1,219 million, recording a YoY growth of 9%. The normalized growth in NBI, after adjusting for the impact of non-recurring items, was 21%.

<sup>4</sup> Annualized NIM is calculated based on standalone basis

## **2.3 Operating expenses**

Consolidated operating expenses reached EGP365 million by the end of 1Q14, presenting an overall decrease of 2% YoY.

Together with the growth in revenue the Cost-to-Income ratio improved by 300bps to 30% versus 33% for the previous year.

## **2.4 Net Profit**

QNB AA's Gross Operating Income reached EGP854 million by the end of 1Q14, up 14% compared to the same period last year.

Given the continued economic situation, provisions have been further reinforced. Net cost of risk contributed negatively to the Income Statement by EGP147 million compared to a total negative contribution of EGP126 million during the same period last year.

Income tax charge grew 10% YoY as a result of improved profitability considering the restatement of tax provisions in 1Q13.

In total, QNB AA recorded a net profit of EGP534 million, an increase of 15% YoY.

## **2.5 Conclusion**

QNB AA sustained its positive momentum in the first quarter of 2014, solidifying its position as the second largest private bank despite turmoil in the operating environment. QNB AA succeeded in increasing its profitability, assets and customer deposits, thanks to its strong risk management, dynamic policies, diversified products and widely spread network.

### 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 4,622 staff (vs. 4,473 in Dec 13) in two key businesses:

- Retail banking: the bank serves more than 720,000 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 170 branches, 355 ATMs and 9,962 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 26<sup>th</sup> March 2013, QNB AA raised its stake in QNBAA Lease from 60% to 99.9% following the acquisition of a 40% stake from Société Générale.
- QNB AA Factoring Company set up in 2012 with QNB AA stake representing 99.9%.
- QNB AA Life Insurance Company set up in 2003. N.B. QNB AA increased its stake in the company from 25% to 99.9% at the beginning of January 2014.

**Contacts:** [www.qnbalahli.com](http://www.qnbalahli.com)

Sameh Badry  
+ 202 2770 7770  
[Sameh.badry@qnbalahli.com](mailto:Sameh.badry@qnbalahli.com)

Julien Garnier  
+ 202 2770 7761  
[Julien.garnier@qnbalahli.com](mailto:Julien.garnier@qnbalahli.com)

Mohamed Mansour  
+ 202 2770 7717  
[Mohamed.m-hassan@qnbalahli.com](mailto:Mohamed.m-hassan@qnbalahli.com)