

Financial Information for 3Q14

Highlights

- **Net Profit increased to EGP1,697 million, up by 24% Year on Year (“YoY”)**
- **Total Assets increased to EGP97,011 million, up by 19% from December 2013**
- **Gross Loans increased by 15% from December 2013 to EGP46,636 million**
- **Deposits grew by 18% from December 2013 to EGP79,603 million**
- **Total Shareholders' Equity increased to EGP10,917 million compared to EGP10,010 million December 2013**

QNB ALAHLI (QNBAA) has continued to deliver robust growth across all revenue items, driving its net profit up +24% compared to the same period last year, through growth in its total assets of +19% compared to December 2013.

Cost to income ratio has improved from 31% for 9M13 to 29% for 9M14. This is driven by net banking income increasing by +16% YoY, outstripping cost growth of only +8% YoY highlighting the strong cost management policies in place at QNB AA.

Loans and deposits continued their strong performance growing in both retail and corporate businesses. Growth of loans and deposits amounted to +15% and +18% respectively from December 2013.

With a solid client base, strong risk management policy, adequate capital buffer and the support of QNB Group, QNB AA is well positioned to capitalise and promote the ongoing recovery of the Egyptian economy.

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”. Results of “QNB AA Leasing” were consolidated starting December 2012. Moreover, results of “QNB AA Life Insurance” were consolidated starting January 2014.

1. Balance Sheet

1.1 Total Assets

QNB AA's total assets increased 19% to reach EGP97,011 million compared to EGP81,259 million in December 2013.

ROAA improved to 2.54% in September 2014 compared to 2.40% in December 2013.

1.2 Gross Loans

During 9M14, gross loans grew 15% to reach EGP46,636 million driven by both the corporate and retail portfolios, whilst continuing to show a positive trajectory with a growth of 2% compared to 2Q14.

Amounts in EGP million	Sep-14	Dec-13	YTD Growth
Corporate Loans	36,716	32,047	15%
Retail Loans	9,920	8,636	15%
Total Loans	46,636	40,683	15%
LCY Loans	32,828	29,391	12%
FCY Loans	13,808	11,292	22%

At the end of July 2014¹ loans market share on a standalone basis reached 7.94%, highlighting the improved competitiveness of QNB AA against a market share of 7.65% in December 2013.

The quality of the portfolio remained strong during 3Q14. The NPL ratio reached 3.55% at the end of September 2014, decreasing from 3.60% at the end of 2013, comparatively low for the Egyptian Banking market.

Provisioning levels have been enhanced during 3Q14, increasing the coverage ratio to 122.0% at the end of September 2014 compared to 120.9% at the end of 2013.

Amounts in EGP ² million	Sep-14	Dec-13	YTD Growth
Non-performing loans	1,654	1,465	13%
Loans provision balance	2,018	1,772	14%
NPL Ratio	3.55%	3.60%	
Coverage ratio	122.0%	120.9%	

¹ Source: CBE latest released data

² including reserved interest

1.3 Deposits

QNB AA's deposits recorded growth of 18% from December 2013 to reach EGP79,603 million, driven equally by the Corporate and Retail segments. On a quarterly basis, deposits grew by 4% compared to 2Q14.

Amounts in EGP million	Sep-14	Dec-13	YTD Growth
Corporate Deposits	44,977	37,890	19%
Retail Deposits	34,626	29,796	16%
Total Deposits	79,603	67,686	18%
LCY Deposits	62,006	52,056	19%
FCY Deposits	17,597	15,630	13%

At the end of July 2014¹ deposits market share on a standalone basis reached 5.29%, up from 5.14% in December 2013.

1.4 Liquidity Position

QNB AA's liquidity position, represented by Loans to Deposits ratio, was relatively stable at the end of 3Q14 with a net loan/deposit ratio of 56% on the back of strong growth in both loans and deposits.

Loans / Deposits Ratio	Sep-14	Dec-13
Gross Loans / Deposit (LCY)	53%	56%
Gross Loans / Deposit (FCY)	78%	72%
Gross Loan / Deposit	59%	60%
Net Loan / Deposit	56%	57%

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 EGP18,139 million at the end of September 2014.

The bank's capital base amounted to EGP10,917 million, which will continue to support its organic growth plans.

Basel II regulation CAR & Tier 1 ratios stood at 15.79% and 14.61% respectively, indicating a solid capital structure with a substantial capital buffer over the required regulatory minimums.

¹ Source: CBE latest released data

2. Income Statement

2.1 Robust growth over the year

in EGP million	YTD Consolidated*		YOY Growth	3Q14	3Q14/ 2Q14
	Sep14	Sep13			
Net Interest Income	2,666	2,204	21%	955	8%
Fees and Commissions	800	730	10%	281	8%
Other Operating Income ① ②	400	407	-2%	110	-30%
Net Banking Income	3,866	3,341	16%	1,346	3%
Operating Expenses ②	(1,118)	(1,032)	8%	(387)	5%
Gross Operating Income	2,747	2,309	19%	959	3%
Credit Risk Provision ①	(284)	(349)	-19%	(82)	27%
Other Provisions ①	(40)	(68)	-41%	(17)	31%
Total COR	(324)	(417)	-22%	(99)	28%
Net Income before Tax	2,423	1,892	28%	860	0%
Income Tax Charge	(726)	(523)	39%	(271)	-4%
Net Income	1,697	1,369	24%	589	2%
Cost / Income Ratio	29%	31%		29%	

*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 21% YoY, driven by an increase in interest earning assets.

The YTD NIM⁴ reached 4.62% at the end of September 2014, down from 4.86% at the end of December 2013 following the 50bps cut in the corridor rate by the CBE in Dec-13.

Net fees and commissions reached EGP800 million for 9M14 up 10% compared to EGP730 million for 9M13.

Other operating income reached EGP400 million, down 2% compared to 9M13, given a weaker impact of the capital and investment FX revaluation recognized in 2013 as the rate of devaluation of the Egyptian currency decreased.

Net banking income for 9M14 stood at EGP3,866 million, a 16% nominal YoY growth. The normalized growth, if adjusted for the impact of non-recurring items, would have been 20%.

⁴ Annualized NIM is calculated based on Standalone basis

2.3 Operating Expenses

Consolidated operating expenses reached EGP1,118 million for 9M14, presenting an overall modest increase of 8% YoY despite the extension of the branch network and accelerated inflationary pressure.

Given stronger revenue growth, efficiency expressed as Cost-to-Income ratio improved by 200bps to 29% from 31% for the 9M13 period.

2.4 Net Profit

QNB AA's Gross Operating Income reached EGP2,747 million for 9M14, up 19% compared to the same period last year.

Net cost of risk was limited to EGP324 million, compared to EGP417 million for 9M13, highlighting the stability in the quality of the credit portfolio.

Income tax charge grew 39% YoY following the increase of taxable revenue and the increase in the effective tax rate following recently declared amendments to the tax law.

In total, QNB AA recorded a net profit of EGP1,697 million, an increase of 24% YoY and 2% QoQ.

2.5 Conclusion

QNB AA delivered a robust performance during 9M14, combining asset growth, extension of its branch footprint and the resilient profitability metrics.

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 4,898 staff (vs. 4,473 in Dec 13) in two key businesses:

- Retail banking: the bank serves more than 724,000 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 178 branches, 369 ATMs and 10,292 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 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. 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 SGAM 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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