

July 10th, 2013

Highlights

- Net Profit recorded EGP950 million, up by 21% from 1H12 and by 5% QoQ
- Total Assets accelerated growth to EGP74,853 million, up by 12% from Dec-12 and 9% QoQ
- Gross Loans grew strongly by 9% from Dec-12 and by 5% QoQ to EGP40,406 million
- Deposits volumes went up by 14% from Dec-12 and 9% QoQ to reach EGP61,419 million
- Total Shareholders' Equity increased to be EGP8,532 million compared to EGP8,428 million December 2012.

NSGB, to be renamed shortly to QNB Al Ahli¹, continues its leading role in supporting the Egyptian economy and its recovery. The solid growth of the lending portfolio, deposits and total assets confirms the success of the universal banking model implemented by NSGB in providing a wide range of services to companies and individuals. The improved cost-to-income ratio demonstrates, as well, a clear focus on improved efficiency whilst growing. The strongly embedded risk management practices helped to minimize the detrimental impact on the quality of the lending portfolio and the bank's profitability despite the prolonged unfavorable economic environment.

In 2Q13, NSGB's quarterly net profit grew by 5% in comparison with 1Q13, with 2Q13 being NSGB's first full disclosure as a subsidiary of QNB Group following QNB's successful acquisition of a 97.12% stake at the end of 1Q13. NSGB sustained its strong bottom line performance with net profit of EGP950 million for 1H13, 21% growth compared to 1H12 with decent growth across all the revenue streams.

¹ As decided in the extraordinary general assembly held on 13th June 2013, and subject to getting approvals from the concerned authorities.

1. Balance Sheet

1.1 Total Assets

NSGB total assets increased by 12% since the beginning of the year, to reach EGP74,853 million compared to EGP66,904 million in Dec-12, witnessing an accelerated growth in the 2Q13 by +9% compared to 1Q13.

1.2 Gross Loans

Loans grew by 9% since the beginning of the year to reach EGP40,406 million confirming strong support for customers financing, in particular in the retail segment.

Amounts in EGP million	Jun-13	Dec-12	YTD Growth
Corporate Loans	32,165	29,692	8%
Retail Loans	8,241	7,454	11%
Total Gross Loans	40,406	37,146	9%
LCY Loans	29,284	26,738	10%
FCY Loans	11,122	10,408	7%

As at the end of Mar-13, loans market share, on a standalone basis, was almost stable at 7.40% compared to 7.41% at the end of 2012².

Asset quality has been resilient despite the delayed economic recovery. The NPL ratio remained low at 3.19% by the end of Jun-13 despite increasing compared to 2.71% at the end of Dec-12. Provisioning levels and coverage ratio (including specific and collective provisions) stood comfortably at 111.8% by the end of Jun-13 albeit down from 123.3% by the end of Dec-12.

Amounts in EGP million ³	Jun-13	Dec-12	YTD Growth
Non-performing loans	1,291	1,007	28%
Loans provision balance	1,444	1,242	16%
NPL Ratio	3.19%	2.71%	
Coverage ratio	111.8%	123.3%	

² Source: CBE latest released data

³ The amounts in the table include the reserved interest

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1.3 Deposits

Growth in deposits recorded +14% compared to Dec-12 to reach EGP61,419 million, accelerated by successful campaigning in the 2nd quarter delivering +9% compared to 1Q13.

End of Mar-13, NSGB standalone deposits market share remained stable at 4.91% compared to 4.92% at the end of 2012.

Amounts in EGP million	Jun-13	Dec-12	YTD Growth
Corporate Deposits	35,387	30,783	15%
Retail Deposits	26,032	22,878	14%
Total Deposits	61,419	53,661	14%
LCY Deposits	44,493	37,246	19%
FCY Deposits	16,926	16,415	3%

1.4 Liquidity Position

NSGB enjoys a healthy liquidity position at the end of June 2013 with a loan/deposit ratio below 70% for all currencies. Overall, net loans/ deposits stands at 63% as at the end of June 2013.

Loans / Deposits Ratio	Jun-13	Dec-12
Gross Loans / Deposit (LCY)	66%	72%
Gross Loans / Deposit (FCY)	66%	63%
Gross Loans / Deposit	66%	69%
Net Loans / Deposit	63%	67%

1.5 Capital Base and CAR

NSGB, now 97.12% owned by QNB Group, is the 2nd largest private bank in terms of market capitalization with market value standing at EGP11,319 million by the end of Jun-13.

The bank's capital base amounted to EGP8.4 billion, which should support its organic growth plans.

Basel II regulation CAR & tier 1 ratios stood at 14.80% & 13.66% respectively indicating a solid capital structure for NSGB with a substantial capital buffer.

2. Profit and Loss

2.1 Robust growth in all Profit items

in EGP million	Consolidated*		YOY Growth	1Q13	2Q13 / 1Q13
	1H13	1H12			
Net interest income	1,438	1,259	14%	687	9%
Fees and commissions	477	388	23%	226	11%
Other operating income ① ② ③	322	99	226%	205	-43%
Net banking income	2,238	1,746	28%	1,118	0%
Operating Expenses ④	(692)	(568)	22%	(371)	-13%
Gross operating income	1,546	1,178	31%	747	7%
Credit Risk Provision	(187)	(160)	17%	(116)	-39%
Other Provisions ①	(51)	(27)		(10)	-
Total COR	(238)	(187)	27%	(126)	-11%
Net Income before tax	1,308	991	32%	621	11%
Income Tax charge ②	(358)	(206)	74%	(158)	27%
Net Income	950	786	21%	463	5%
Cost / Income Ratio	31%	33%	-	33%	-

*After 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 better fits with the economic nature of these items.

② Tax provision in 2012 has been restated to the “Income tax charge” for the presentation purposes, as it better fits with the economic nature of this item.

③ Intangible software expenses and building rental expenses have been restated from “Other operating income” to “Operating expenses” as they better fit with the economic nature of these items.

2.2 Net banking income

Net interest income grew by 14% Year-on-Year (to reach EGP1,438 million), reflecting the combined effect of interest earning asset growth and the effectiveness of NSGB pricing policy.

NSGB

The YTD NIM⁴ continued to improve to 4.89% at the end of Jun-13, compared to 4.59% at the end of Jun-12 and 4.72% at the end of Dec-12.

Net commission reached EGP477 million in Jun-13, gaining +23% compared to EGP388 million realized by Jun-12, mainly driven by the growth in the loans and trade finance activity as well as the introduction and development of more commission-based products and services, in particular for Retail customers.

Other operating income reached EGP322 million by the end of Jun-13 compared to EGP99 million as of Jun-12. The Jun-13 result is inflated by the non-recurring revenue in 2013 mainly derived from USD capital revaluation and along with the consolidation of the leasing revenue of Sogelease subsidiary during 1H13.

Overall, net banking income in Jun-13 stood at EGP2,238 million, recording YoY growth of 28%.

2.3 Operating expenses

The operating expenses were impacted by a one-off “welcome bonus” to the employees of NSGB recognized fully in 1Q13, leading to an overall increase of total expenses for the 1H13 by 22% YoY, when the normalized growth has been limited to 12% YoY.

Despite this one-off expense, Cost-to-Income ratio favorably decreased to 30.9% during Jun-13 compared to 32.5% in the previous year, reflecting NSGB’s operational effectiveness.

2.4 Net Profit

NSGB Gross Operating Income reached EGP1,546 million at end of Jun-13, up 31% compared to the same period last year and +7% compared to 1Q13.

Driven by the extended unsettled environment, the net cost of risk contributed negatively to the Profit and Loss by EGP238 million by the end of Jun-13 (of which EGP187 million relates to credit risk and EGP51 million for other provisions), compared to a total negative contribution of EGP187 million during the same period last year.

Income Tax charge growth stood at 74% YoY as net income before tax increased but was rather inflated by the lower comparison base for 1H12 when recovery of Off Balance Sheet provisions did impact the tax charge positively.

In total, NSGB’s net profit during the period recorded EGP950million, a strong increase by 21% YoY compared to Jun-12 and 5% compared to 1Q13.

⁴ Net Interest Margin (NIM) is calculated on a standalone basis

2.5 Conclusion

NSGB closed 1st half of 2013 with a solid increase in its profits and healthy assets, emphasizing its ability to support its customers and Egyptian economy despite an unstable environment. This was achieved through its robust universal banking model, rigorous risk management, diversified and competitive products and a widely spread network.

NSGB will strive to maintain the sustainability of its development and is looking forward to benefit from the recovery of the economy.

3. About NSGB

Established in April 1978, NSGB is the second largest private bank in Egypt in terms of market capitalization. The bank currently employs 4,344 staff (vs. 4,228 in Dec 12) in two key businesses:

- Retail banking: the bank serves close to 705,000 active customers, providing them with a wide range of products.
- Corporate and investment banking: NSGB provides services and tailor-made financial solutions to large, medium and small companies.
- NSGB is one of the main players in the banking activity supported by a wide coverage of 160 branches and 341 ATMs.

NSGB 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, NSGB has established several subsidiaries in Egypt:

- NSGB Leasing Company "Sogelease" (created in 1997). On March 26th 2013, NSGB raised its stake in Sogelease from 60% to 99.9% following the acquisition from Société Générale of their 40% stake.
- NSGB Life Insurance Company set up in 2003.
- NSGB Factoring Company set up in 2012.

Notes:

All figures and comments are made on a consolidated basis unless it is otherwise stated. In Sep-12, NSGB started consolidating the results of "NSGB Factoring". Results of "Sogelease" were consolidated starting Dec-12

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