

## **Financial Information for 4Q15**

### **Highlights**

- **Net Profit increased to EGP3,192 million, up by 38% Year on Year (“YoY”)**
- **Total Assets increased to EGP132,817 million, up by 29% from December 2014**
- **Gross Loans increased by 29% from December 2014 to EGP62,935 million**
- **Deposits grew by 26% from December 2014 to EGP108,090 million**
- **Total Shareholders' Equity increased to EGP14,979 million compared to EGP11,921 million in December 2014**

QNB AA delivered a strong set of results for 2015, with net profit of EGP3,192 million being an increase of 38% YOY supported by robust commercial activity with total assets increasing by 29% to reach EGP132,817 million.

Net banking income increased by 27% YOY while expense growth was limited to 18% YOY bringing the Cost-to-Income ratio down to 27.0% in Dec-15 from 28.9% in Dec-14. As a result gross operating income increased by 30% YOY to reach EGP4,877 million.

Gross loans increased by 29% YOY with portfolio credit quality, reflected in the NPL ratio, improving further to 2.65% down from 3.06% as at the end of Dec-14. Liquidity improved following a significant increase in deposits up 26% YOY.

QNB AA, as one of the leading banks in the Egyptian market, with total equity of EGP15.0 billion and a CAR of 14.36%, is well capitalized to meet its clients' needs as well as supporting the ongoing stimulation of the Egyptian economy via an extended network of branches, wide-ranging products and services.

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*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 29% to reach EGP132,817 million compared to EGP103,326 million in Dec-14, with ROAA improving to 2.70% in December 2015 from 2.51% in December 2014.

### 1.2 Gross Loans

Gross loans grew by 29% to reach EGP62,935 million driven by strong growth in both the corporate and retail portfolios.

Amounts in EGP million	Dec-15	Dec-14	YTD Growth
Corporate Loans	49,845	38,443	30%
Retail Loans	13,090	10,419	26%
<b>Total Loans</b>	<b>62,935</b>	<b>48,862</b>	<b>29%</b>

At the end of Sep-15<sup>1</sup> loans market share on a standalone basis reached 7.82%.

The quality of the portfolio continued to improve during FY 2015. The NPL ratio reached 2.65% as at the end of 2015, decreasing from 3.06% at the end of 2014, a ratio far below the rest of the Egyptian Banking market.

Provisioning levels have been strengthened further during 2015, improving the coverage ratio to 138.6% compared to 126.9% as at the end of Dec-14.

Amounts in EGP <sup>2</sup> million	Dec-15	Dec-14	YTD Growth
Non-performing loans	1,667	1,495	11%
Loans provision balance	2,311	1,897	22%
<b>NPL Ratio</b>	<b>2.65%</b>	<b>3.06%</b>	
<b>Coverage ratio</b>	<b>138.6%</b>	<b>126.9%</b>	

### 1.3 Deposits

QNB AA's deposits grew 26% from Dec-14 to reach EGP108,090 million, driven by growth in both the Corporate and Retail segments.

Amounts in EGP million	Dec-15	Dec-14	YTD Growth
Corporate Deposits	65,143	50,095	30%
Retail Deposits	42,947	35,363	21%
<b>Total Deposits</b>	<b>108,090</b>	<b>85,458</b>	<b>26%</b>

At the end of Sep-15<sup>3</sup> deposits market share on a standalone basis reached 5.68%, up from 5.62% in Jun-15 and 5.49% in Dec-14.

<sup>1,3</sup> Source: CBE latest released data

<sup>2</sup> 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 56% in FY 2015.

Loans / Deposits Ratio	Dec-15	Dec-14
Gross Loans / Deposit	58%	57%
Net Loans / Deposit	56%	55%

## 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 EGP19,357 million as at the end of 2015.

The bank's capital base amounted to EGP14,979 million, which will continue to support its organic growth plans.

Basel II regulation CAR & Tier 1 ratios stood at 14.36% and 12.95% 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	4Q 15	QOQ Growth
	Dec-15	Dec-14			
Net interest income	4,925	3,697	33%	1,379	9%
Fees and commissions	1,209	1,080	12%	321	4%
Other operating income ① ②	548	490	12%	108	(26%)
Net banking income	<b>6,682</b>	<b>5,267</b>	<b>27%</b>	<b>1,808</b>	<b>5%</b>
Operating Expenses ②	(1,805)	(1,525)	18%	(497)	8%
Gross operating income	<b>4,877</b>	<b>3,742</b>	<b>30%</b>	<b>1,312</b>	<b>4%</b>
Credit Risk Provision ①	(545)	(349)	56%	(128)	(30%)
Other Provisions ①	(116)	(62)	87%	(18)	(73%)
Total COR	<b>(661)</b>	<b>(411)</b>	<b>61%</b>	<b>(146)</b>	<b>(41%)</b>
Net Income before tax	<b>4,216</b>	<b>3,331</b>	<b>27%</b>	<b>1,166</b>	<b>15%</b>
Income Tax charge	(1,023)	(1,012)	1%	(296)	158%
Net Income	<b>3,192</b>	<b>2,319</b>	<b>38%</b>	<b>870</b>	<b>(3%)</b>
Cost / Income Ratio	<b>27%</b>	<b>29%</b>		<b>27%</b>	

\*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, +9% vs. 3Q15, driven by an increase in interest earning assets and improved NIM<sup>4</sup> which reached 4.69% for FY 2015 up 4bps from FY 2014.

Net fees and commissions reached EGP1,209 million for FY 2015 up 12% compared to EGP1,080 million for FY 2014.

Other operating income reached EGP548 million, up 12% compared to FY 2014.

Net banking income for FY 2015 stood at EGP6,682 million, increasing 27% YoY and 5% compared to 3Q15.

## 2.3 Operating Expenses

Consolidated operating expenses reached EGP1,805 million for FY 2015, representing an overall increase of 18% YoY driven by inflation, organic growth, and continued improvements in the Banks infrastructure.

Given stronger revenue growth, the Cost-to-Income ratio improved by 190 bps down from 28.9% for FY 2014 to 27.0% for FY 2015.

## 2.4 Net Profit

QNB AA's gross operating income reached EGP4,877 million for FY 2015, up 30% compared to the same period last year and 4Q15 up 4% vs. 3Q15.

Continuing the Banks conservative approach to risk management the Bank opted to strengthen its coverage level to withstand any further economic growth downturns with net cost of risk recording EGP661 million at the end of FY 2015 compared to EGP411 million for FY 2014.

Against an increase in the net income before tax of 27%, income tax charge increased 1% YoY given the recently revised corporate income tax rate. The base effect triggered by the tax rate amendments during 3Q15, for the nine months to September, resulted in a drop of 3% in the quarterly net profit compared to 3Q15 even though Net Income before tax was up 15%.

In summary, QNB AA recorded a net profit of EGP3,192 million for FY 2015, an increase of 38% YoY.

## 2.5 Conclusion

QNB AA continued to deliver a robust performance during FY 2015, combining asset growth, an extension of its customer base and improved commercial activity resulting in robust profitability metrics.

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<sup>4</sup> 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 5,393 staff (vs. 5,063 in Dec 14) in two key businesses:

- Retail banking: the bank serves more than 780,000 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 186 branches, 390 ATMs and 13,511 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 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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