

**BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2014**

**Q1 2014 NET INCOME OF EGP 57MN VS EGP 11MN IN Q1 2013**

**Q1 2014 REVENUE OF EGP 218 MN; AN INCREASE OF EGP 101 MN/86.1% VS Q1 2013 AND EGP 62 MN/39.7% VS Q4 2013**

**NET INCOME OF EGP 57 MN; A 67% INCREASE OVER Q4 2013**

**CUSTOMER FINANCING REACHED EGP 7 BN /6.2% VS Q4 2013**

**CORE DEPOSITS GREW BY EGP 0.34 BN/2.6% VS Q4 2013 TO REACH EGP 13.47 BN**

**Bank Standalone Financial Highlights**

**Income Statement Q1 2014 vs. Q1 2013**

1. Net Income is EGP 56.9mn, which is EGP 45.6mn/400% better than the same period in 2013
2. Net Revenue from Funds (NRFF) is EGP 132.9mn, 45.5mn/52.1% higher than the same period in 2013, thanks to higher spreads in Micro finance and treasury investments
3. Total Revenue is EGP 218.1mn, EGP 100.9mn/86.1% higher than the same period in 2013 due to higher NRFF and EGP 51.1 mn/129% increase in Fees and Commissions
4. Solid Operating Leverage of 65.4% as revenue grew by 86.1% whilst expenses grew by 20.6%, this represents 400% increase over planned operating leverage.
5. Cost of Credit (provisions) was a net recovery of EGP 44mn compared to a recovery EGP 20.6mn the same period in 2013. General Provisions came at EGP 12.8mn vs. EGP 7.9mn same period prior year.
6. Deferred tax was an expense of EGP 42mn/EGP 37.1mn higher Q1 2013

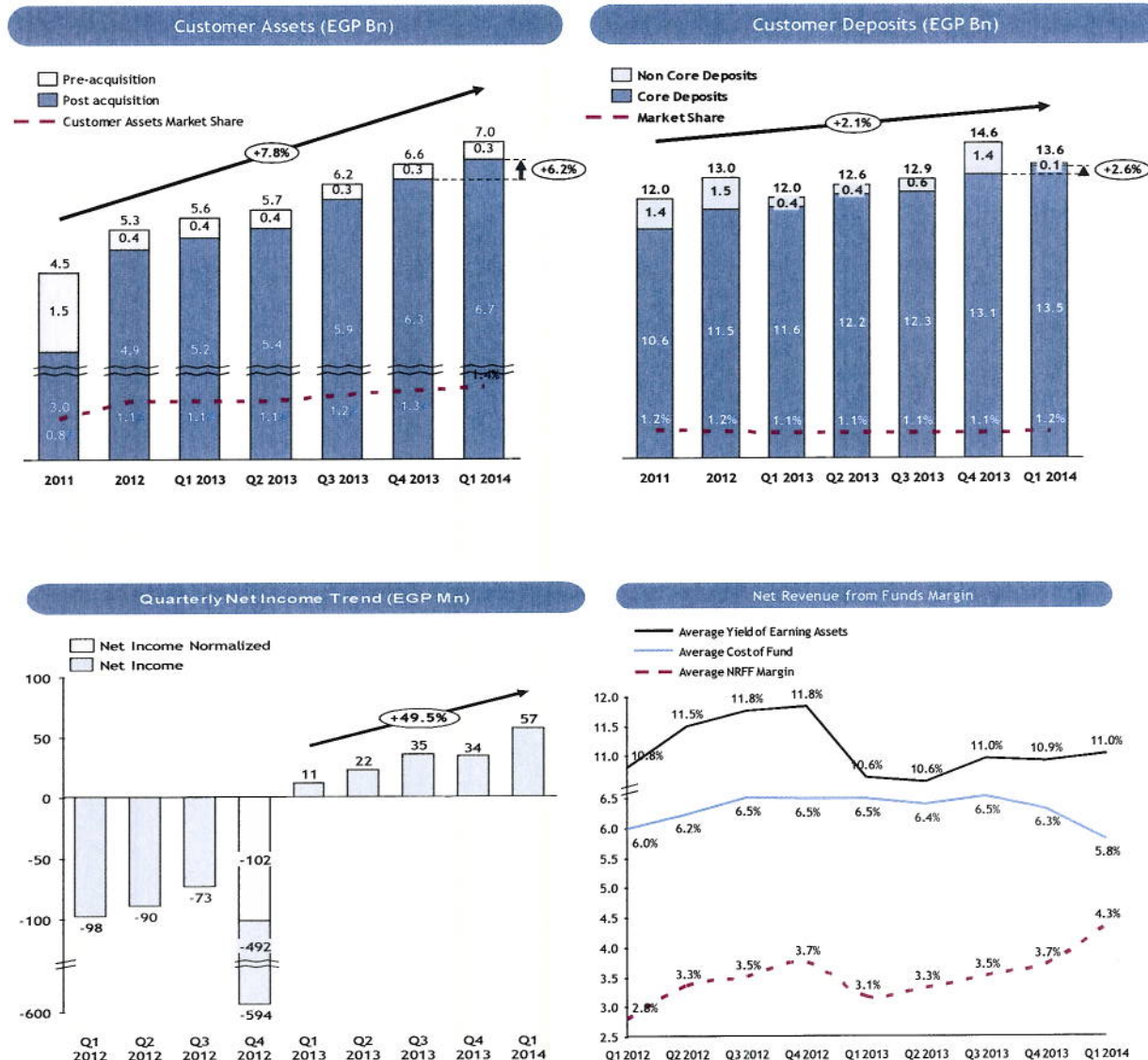
**Balance Sheet Q1 2014 vs. Q4 2013**

1. Total assets decreased by EGP 0.3bn/1.9% to reach EGP 16.1bn mainly due to a reduction in non-earning assets.
2. Headline financings grew by EGP 0.4bn/6.6% to reach EGP 7bn, of which corporate represents EGP 0.3 bn and Personal finance EGP 0.1 bn
3. Core deposits grew by EGP 0.3bn/2.6% to reach EGP 13.4bn
4. Shareholders' equity increased by EGP 0.1bn/18.7%
5. Loan to deposit ratio of 51.8% up from 45.3% in 2013
6. NPL's excluding EGP 389mn pre-acquisition portfolio dropped to 0.8% of total financing from 0.9% in Q4 2013.

### Income Statement: Q1 2014 vs. Q4 2013

1. Net Income was EGP 56.9mn, or EGP 22.9mn and 67.4% higher than Q4 2013
2. Net Revenue from Funds (NRFF) reached EGP 132.9mn registering EGP 19.6mn/17.3% increase over Q4 2013. This was mainly driven by a higher financing volumes and improved spreads in Micro Finance, and improved yields in treasury investments.
3. Total Revenue was EGP 218.1mn or EGP 61.9mn/39.6% higher than Q4 2013, due to an increase in NRFF in addition EGP 47.2 mn/180% Fees and Commissions increase vs. Q4 2013
4. Q1 2014 registered an Operating Leverage of 56.8% as revenue grew by 47.9% while expenses decreased by 8.9%
5. Q1 2014 Provisions were a net recovery of EGP 44mn compared to EGP 5.7mn in Q4 2013 of which general provisions were EGP 12.8mn vs. EGP 2.7mn in Q4 2013

### Key Graphs





### **Last 5 quarters performance**

<b>Balance sheet</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>
Total assets	14,201	14,599	15,305	16,397	16,091
Gross customer financing					
Pre-acquisition	4,100	3,372	3,326	395	392
Post acquisition	5,941	6,183	6,705	7,171	7,717
Customer deposits	12,021	12,617	12,923	14,564	13,600
Total equity	636	634	720	765	934
Non-performing financing ratio					
Headline	41.6%	35.9%	34.2%	6.1%	5.6%
of which New Bank	1.0%	1.0%	1.5%	0.9%	0.8%
Capital adequacy ratio - Basel II	10.8%	10.4%	11.3%	10.8%	11.1%
Tier 1 ratio - Basel II	6.5%	7.3%	7.3%	6.9%	6.3%
Customer financing to deposit ratio	46.2%	45.3%	48.1%	45.3%	51.8%

<b>Income statement</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>
Net Revenue	117	149	158	156	218
Expenses (G&A)	113	118	125	150	137
Operating profit (margin)	3.8	31.0	32.9	5.8	81.2
Credit provisions and impairment charge	(21)	(21)	(22)	(6)	(45)
Net profit	11	22	35	34	57
Total credit provisions to gross financing assets ratio	35.0%	30.0%	28.0%	30.0%	30.0%
Cost to income ratio	96.8%	79.2%	79.1%	96.3%	62.8%

<b>Key Performance Indicators</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>
ROAA	0.35%	0.66%	0.98%	0.92%	1.50%
ROAE	6.51%	13.40%	21.36%	19.75%	29.92%
Yield on Profit Earning Assets	10.63%	10.57%	10.96%	10.92%	11.02%
Cost of Funds*	6.49%	6.39%	6.52%	6.33%	5.82%
Net Revenue from Funds Margin	3.15%	3.30%	3.52%	3.71%	4.33%
Non-interest/ Total Revenue	25%	33%	32%	27%	39%

- Cost of Fund is calculated on paying liabilities and adjusted for Reserve requirements

### **Commentary**

ADIB – Egypt (EGX:ADIB) has reported net income of EGP 57 million for Q1 2014 compared to EGP 11 Million in Q1 2013 which represents more than 400% growth. Q1 2014 results are mainly driven by improved net revenue from funds margins of 4.33% vs 3.71% in Q1 2013, in addition to improved fee commissions from trade services.

Total assets reached EGP 16.1 billion a decrease of 1.8% over Q4 2013 due to a decline in non-earning assets. On the other hand, customer financing continued to grow to reach EGP 7.0 bn or 6.2% vs Q4 2013 which represents a market share of 1.4%<sup>1</sup> 0.1% up from Q4 2013. This asset growth was funded by a growth in core deposits of EGP 0.4bn/2.6% compared to a market growth rate of roughly 1%<sup>1</sup>. With this growth rate the balance sheet remains considerably liquid with 51.8% financing/deposit ratio and an average cost of fund of 5.82% vs 6.33% in Q4 2013.

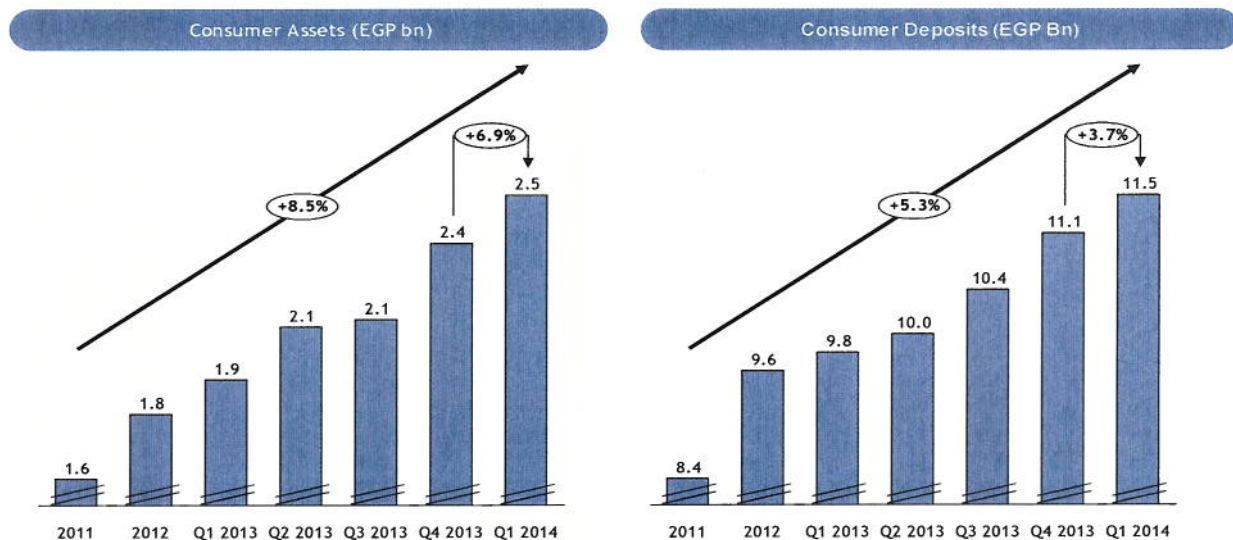
Net fees and commissions in Q1 2014 have increased by circa 200%, compared to Q4 2013 to reach EGP 73 million. This was driven by more than doubling trade and cash management volumes. In addition Net revenue from funds increased by EGP 19.6mn/17.3% to reach EGP 132.9mn, driven by the growth in balance sheet

<sup>1</sup> As of Q4 2013 data and ADIB Egypt extrapolation

coupled with higher spreads to reach 4.33%<sup>2</sup> or an increase of 62 bps over Q4 2013. This resulted in Q1 2014 total revenues of EGP 218 Million compared to EGP 156 Mn/39% in Q4 2013.

CAR continued to improve to reach 11.1% at the end of March 2014 vs. a regulatory requirement of 10.0%.

#### Key Business Segment highlights: Retail



The Retail financing portfolio grew by EGP 0.1 bn/6.9% in Q1 2014 to reach EGP 2.5bn. The growth was achieved mainly from Personal Finance. Over the last quarter and despite the volume growth, we have seen general provisions decrease by EGP 2 mn due to the improvement in delinquencies thanks to a vigorous collections strategy.

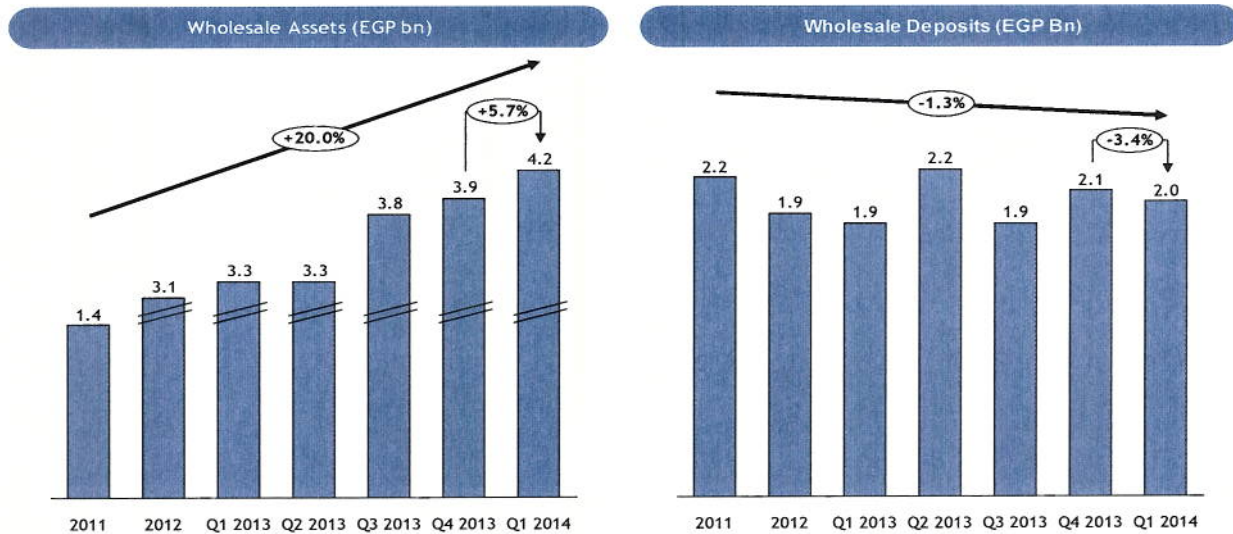
The Retail deposit portfolio grew by EGP 0.4bn/3.7% in the last quarter to 31<sup>st</sup> March 2014 to reach EGP 11.5bn, with an improvement in our average cost of deposits of 20 basis points compared to Q4 2013.

Retail continues to expand its service to new segments such as business banking launch, and plans to launch Priority Banking later this year.

<sup>2</sup> Based on NRFF/Total Earning assets



## Wholesale



The Wholesale Financing portfolio grew by EGP 0.3 billion/5.7% in Q1 2014 to reach EGP 4.2bn. The growth came predominately from the Top Tier Local Corporates and SME portfolio which reached EGP 112mn/19% an increase of EGP 18 Mn over Q4 2013. The Wholesale Bank deposit portfolio declined by EGP 0.1bn/-3.4% over the last quarter with a 150bps improvement in the cost of funds as the Bank succeeded in acquiring less expensive deposits.

Most of the significant fees and commissions growth mentioned under total ADIB was due to higher corporate trade volumes

## Treasury

Treasury continued to successfully handle the management of the excess liquidity and foreign exchange operations. The average asset portfolio managed by Treasury decreased by EGP 0.45bn in Q1 2014 vs Q4 2013 to reach LE 5.3bn as customer financing increased. Yield on treasury investments has improved to 10.4% vs 9.8% in 2013 due to the change in the mix of portfolio to focus more on higher yielding EGP investments. F/X income reached EGP 11.9 mn or an increase of EGP 4.4 mn/59% over Q1 2013. When compared to Q4 2013 F/X income decreased by 28% from EGP 16mn, due to CBE's recent regulations decreasing F/X margins.

## Risk Management

ADIB Egypt continued its successful management of the non-performing portfolio. As a result, the headline total non-performing portfolio as a percentage of gross customers financing dropped to 5.6% compared to 6.1% in 2013. Excluding the pre-acquisition portfolio, the non-performing financing percentage was at 0.8% vs. 0.9% in 2013. Specific provisions in Q1 2014 were a net recovery of EGP 58.7 mn compared to a recovery of EGP 6.1 mn in Q4 2013.

### **Information Technology**

During Q1 2014, ADIB – Egypt's Technology Group continued to focus on embedding new releases of the Banking system. Further, the Bank continued to invest in information security to improve the protection of customer information and privacy.

### **Employees**

ADIB Egypt rolled out its 2014 Employees Development programs in Q1 that covered three dimensions Technical Banking, Interpersonal & Managerial programs. As a result the percentage of Training hours increased by 47% during the quarter while the participants percentage increased by 6%, and is expected to increase further over the next 3 quarters.

### **Gratitude**

The Board of Directors would like to express their appreciation to our customers, shareholders and staff for their continued support and trust in our Bank