

**BOARD OF DIRECTORS REPORT FOR THE SIX MONTHS ENDED 30th JUNE 2012**

**NBD POSTS H1 NET INCOME OF LE (187.5)mn, LE 131.3mn OR 41.2% BETTER THAN H1 2011**

**2012 QTR 2 NET INCOME OF LE (89.8) MN, LE 7.8mn or 8.0% BETTER THAN Q1 2012**

**Income Statement**

**H1 2012 vs. H1 2011**

1. Net Income was LE (187.5)mn, LE 131.3mn or 41.2% better than H1 2011
2. Net Profit Income was LE 136.8mn, 64.2mn or 88.4% higher than H1 2011
3. Customer Net Revenue was LE 165.7mn, LE 66.3mn or 66.7% higher than H1 2011
4. Operating Leverage - revenue grew by 66.3% whilst expenses grew by 13.3%
5. Provisions at LE 164.9mn were LE 115.5mn better than H1 2011 (LE 100.0mn Acquired Bank & LE 15.5mn New Bank)

**Qtr 2 2012 vs. Q1 2012**

1. Net Income was LE (89.8)mn, LE 7.8mn or 8.0% better than Q1 2012
2. Net Profit Income was LE 76.2mn, 15.7mn or 25.9% higher than Q1 2012
3. Customer Net Revenue was LE 90.8mn, 16.0mn or 21.4% better than Q1 2012
4. Operating Leverage - revenue grew by 21.4% whilst expenses increased by 9.6%.
5. Provisions of LE 82.3mn were LE 0.3mn lower than Q1 2012

**Balance Sheet**

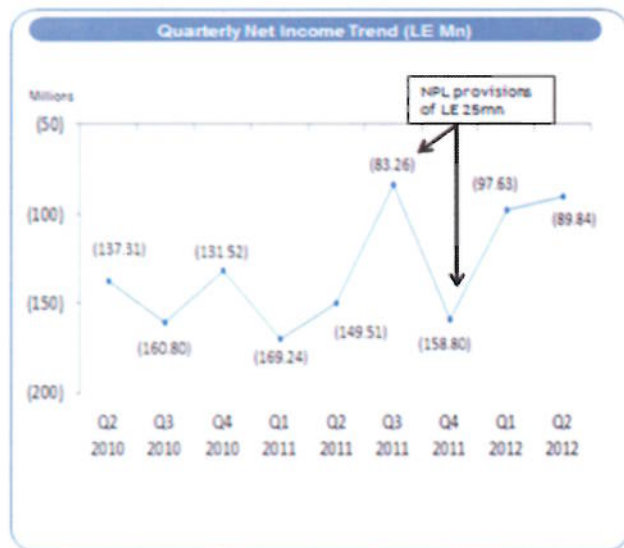
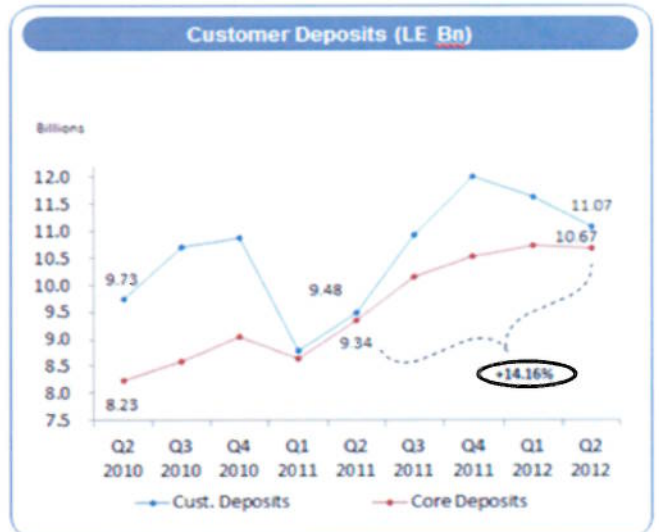
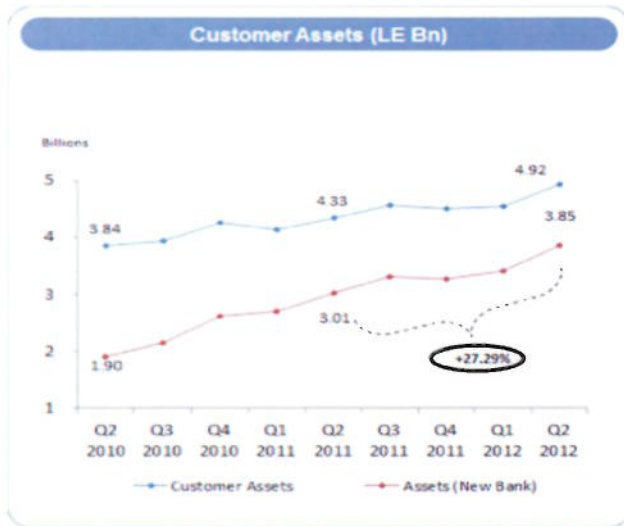
**Q2 2012 vs. Q4 2011**

1. Headline financings grew by LE 427mn or 9.5% to reach LE 4.92bn.
2. New Bank financings grew by LE 576mn or 17.6% to reach LE 3.85bn
3. Core deposits grew by LE 98mn or 1% to reach LE 10.7bn. Headline deposits which include Treasury deposits fell by LE 0.9bn or 8.2% to LE 11.07bn.
4. NPL provision shortfall fell from LE 950mn at Q4 2011 to LE 829mn at Q2 2012, a reduction of LE 121mn or 12.7%
5. Shareholders' Equity increased by LE 42mn or 5.9% from LE 709mn to LE 751mn

**Q2 2012 vs. Q2 2011**

1. Headline financings grew by LE 594mn or 13.7% to reach LE 4.92bn.
2. New Bank financings grew by LE 841mn or 27.9% to reach LE 3.85bn
3. Core deposits grew by LE 1.29bn or 13.8%. Headline deposits which includes the TMU increased by LE 1.58bn or 16.7%
4. NPL provision shortfall fell from LE 964mn at Q2 2011 to LE 829mn at Q2 2012, a reduction of LE 135mn or 14.0%
5. Shareholders' Equity increased by LE 236mn or 45.8% to LE 751.1mn

## Key Graphs



\*NPL Provisions highlighted on the Net Income Chart refer to the amount taken under the CBE agreement for the Acquired Bank where in Q3 and Q4 2011 it was LE 25mn and Q1 & Q2 2012 were LE 75mn

## H2 Commentary

The National Bank for Development has declared its financial results for the first six months of 2012. They show a continuation of the substantial progress that was made in 2011 and built on the solid results released for Q1 2012. Most encouraging was the Net Income loss reduced from LE (97.6)mn in Q1 to LE (89.8)mn in Q2, an improvement of 8.0% and brings the cumulative loss for the six months to LE (187.5)mn, LE 131.3mn or 41.2% better than the first six months of 2011.

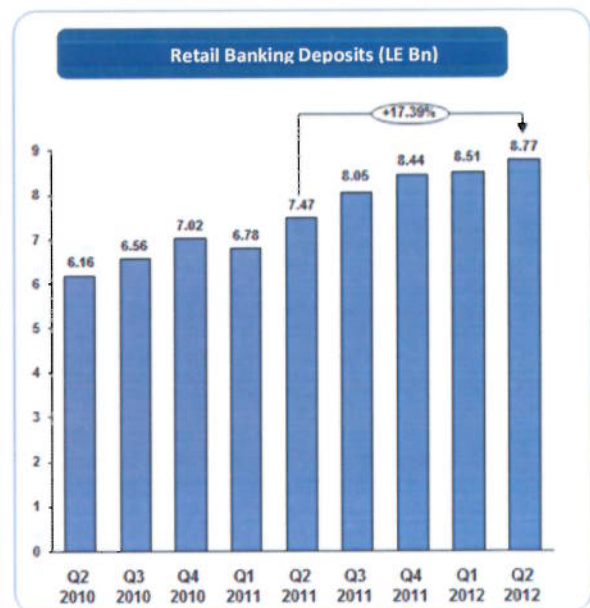
Within the results, compared to the first six months of 2011, Customer Net Revenue, which comprises of all revenues directly attributable to Consumer and Wholesale customers and Treasury placements reached LE 165.7mn an increase of LE 66.3mn or 66.7%. Whilst achieving this substantial revenue growth our expenses over the same period increased by a more modest LE 22.8mn or 13.3%.

The key driver of the revenue increase has been the growth in Customer assets and deposits which grew by 13.7% and 16.7% respectively over the last twelve months. The asset growth for the New Bank was an even more impressive 27.7% and was almost five times the estimated level of the overall market growth. Additional benefits were gained through the yield on placement of our surplus liquidity and the reduction of the Central Bank reserve requirement which fell from 14% from 12% during the half year.

During the half year as detailed below we continued to make substantial investments in our franchise with continued investment in our branch network, IT infrastructure, people and products all of which continue to have a positive impact on the customer experience and thus allowing us to build deeper relationships with an ever greater number of customers.

### **Key Business Segment highlights are:**

#### **Retail**

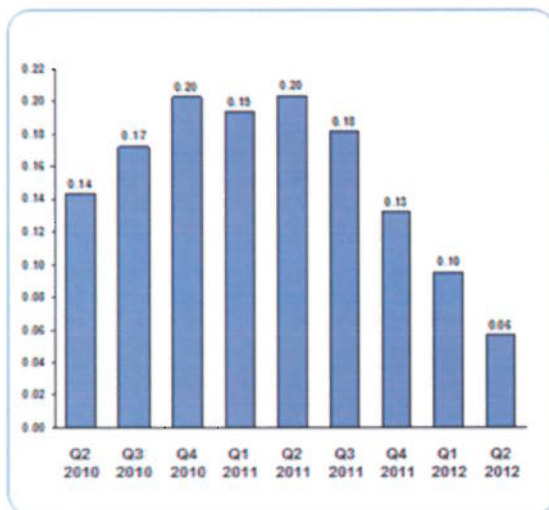


The asset portfolio grew by LE 178.9mn or 12.8% in H1 to reach LE 1.58bn. Over the last 12 months the portfolio has grown by LE 472.9mn or 42.78%

The deposit portfolio grew by LE 327mn or 3.9% in H1 to reach LE 8.7bn. Over the last 12 months the portfolio has grown by LE 1.3bn or 17.4%

The growth in Retail over the last 12 months is a result of continued efforts to introduce new Shari'a compliant products that fulfill our customers' needs as well as our marketing initiatives aimed at advertising products and services nationally, and within the neighborhood of branches and surrounding areas through micro marketing initiatives. In addition, we are also seeing the impact of the refurbished and new branches, as well as benefitting by having a national footprint covering all 19 governorates that gives us a solid diversified presence across Egypt. A major focus has also been on customer service and during the half year we improved our external branch customer mystery shopper satisfaction levels from 66% to 83%.

#### Micro Finance



The asset portfolio reduced by LE 79.2mn or 58.2% in H1 to reach LE 56.9mn. Over the last 12 months the portfolio has reduced by LE 137mn or 70.7%. The fall is in line with our plans to clean up the portfolio and reflects the challenges faced by this sector and its vulnerability to the Egyptian economic and political environment. To address these challenges the microfinance staff focused their efforts towards collecting past due accounts and current installments on time. As the portfolio has stabilized we have now started to write business in almost all branches and would expect to see stabilization and modest growth in the near future

## Wholesale



The first half saw a substantial increase in the Wholesale asset portfolio of LE 476.6mn or 27.4% to reach LE 2.2bn. Over the last 12 months the portfolio has grown by LE 505.4mn or 29.5%.

The deposit portfolio in H1 fell by LE 228.5mn or 10.8% due to pressure on Wholesale liquidity and corporates investing directly in T-bills, however over the last twelve months the portfolio was flat at LE 1.9bn.

As well as the significant growth in cash management activity in H1 the Wholesale Bank also achieved some significant milestones including winning a number of prestigious mandates such as lead arrangers for a LE 620mn Syndicated Mudarbah Facility for East Delta Electricity Production Company and initial lead arranger/ book runner/ facility agent for a EGP 300 Million Syndicated Ijara Facility for Emaar Misr. In addition to these corporate finance activities our trade business has performed very strongly with Q2 volumes being 94% higher than the same quarter last year.

## Treasury

Treasury continued within H1 2012 to handle the management of our excess liquidity as well as our foreign exchange operations. For the first six months based on a growth in volumes and improvement in rates Treasury revenue is up 66.6% for the first six months compared to the same period last year.

### Information Technology

During the second quarter technology focused on infrastructure upgrades which are fundamental and critical for our business growth for the remainder of 2012 and 2013. Those included communication network upgrade, enhanced email system, boosting database & reporting performance, augmenting data center & disaster recovery sites

### Employees

NBD continues to adopt the basic philosophy that continuing to support and strengthening the “Capital Manpower” represents the most important point of competitive advantage we have. Employees received 1,925 training days in the half year through a combination of internal workshops and external programmes.

### Gratitude

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