



Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Report on Review of consolidated Interim Financial Statements

To: The Board of directors of Commercial International Bank (Egypt) S.A.E

Introduction

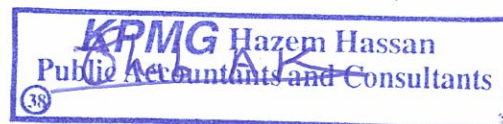
We have performed a review for the accompanying consolidated balance sheet of Commercial International Bank (Egypt) S.A.E as of 31 March 2010 and the related consolidated statements of income, cash flows and changes in equity for the financial period from January 1st, 2010 up to March 31st, 2010, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on June 27, 2002 and its amendments, including amendments that relates to financial investments issued on December 16, 2008 and in light of the prevailing Egyptian laws. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements 2410, "Review of consolidated Interim Financial Statements Performed by the Independent Auditor of the Bank." A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Bank, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Bank as at 31 March 2010, and of its financial performance and its cash flows for the financial period then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on June 27, 2002 and its amendments, including amendments that relates to financial investments issued on December 16, 2008 and in light of the prevailing Egyptian laws.



Ehab Fawzy Akl
Egyptian financial supervisory Authority Number "9"
KPMG Hazem Hassan
Public accountants & consultants

Cairo, 12 May 2010

S.A.E
Consolidated Balance Sheet In
Mar. 31, 2010

	Note No.	<u>Mar. 31, 2010</u> <u>EGP</u>	<u>Dec. 31, 2009</u> <u>EGP</u> <u>(Restated)</u>
<u>Assets:-</u>			
- Cash and Due From Central Bank	(15)	4,098,896,337	4,179,256,489
- Due From Banks	(16)	8,080,344,588	7,946,147,786
- Treasury Bills and other Governmental Notes	(17)	13,575,742,969	13,198,960,913
- Trading Financial Assets	(18)	565,803,757	491,138,956
- Loans and Overdrafts for Banks (Net After Provision)	(19)	191,260,819	200,765,433
- Loans and Overdrafts for Customers (Net After Provision)	(20)	29,337,106,271	27,242,306,896
- Financial Derivatives	(21)	158,429,339	225,347,220
<u>Financial Investments:-</u>			
- Available for Sale	(22)	8,971,680,580	7,429,977,151
- Held to Maturity	(22)	567,682,491	590,057,209
- Financial Investments in Associated Co.	(23)	86,863,558	74,750,645
- Brokers - Debit Balances		178,931,462	180,154,770
- Reconciliation Accounts- Debit Balances		-	20,302,650
- Real estate investments	(24)	42,485,364	42,485,364
- Debit Balances and Other Assets	(25)	1,176,681,129	963,058,418
- Goodwill		190,443,866	200,467,228
- Intangible Assets		556,604,736	573,471,546
- Deferred Tax	(24)	45,280,919	37,232,586
- Fixed Assets (Net)	(25)	745,043,219	749,602,993
<u>Total Assets</u>		<u>68,569,281,403</u>	<u>64,245,484,253</u>
<u>Liabilities and Shareholder's Equity:-</u>			
<u>Liabilities:-</u>			
- Due to Banks	(27)	1,061,560,353	458,145,229
- Customers Deposits	(28)	58,162,948,569	54,648,654,522
- Brokers- Credit Balances		286,673,337	212,593,347
- Reconciliation Accounts - Credit Balances		16,138,275	-
- Financial Derivatives	(21)	107,471,850	150,526,830
- Credit Balances and Other Liabilities	(30)	1,400,047,942	1,162,019,568
- Long Term Loans	(29)	89,230,051	93,237,042
- Other Provisions	(31)	411,278,468	450,056,493
<u>Total Liabilities</u>		<u>61,535,348,845</u>	<u>57,175,233,031</u>
<u>Shareholders' Equity:-</u>			
- Issued and Paid in Capital	(29)	2,925,000,000	2,925,000,000
- Reserves	(31)	3,566,504,525	2,379,311,040
- Reserve for employee stock ownership plan (ESOP)		180,651,201	161,728,984
- Retained Earning		(212,673,915)	(176,287,838)
<u>Total Shareholders' Equity</u>		<u>6,459,481,810</u>	<u>5,289,752,186</u>
- Net Profit of the Period / Year		528,380,846	1,734,891,714
<u>Total Shareholders' Equity and Net Profit</u>		<u>6,987,862,656</u>	<u>7,024,643,900</u>
Minority Interest		46,069,902	45,607,323
<u>Total Liabilities and Shareholders' Equity</u>		<u>68,569,281,403</u>	<u>64,245,484,253</u>
<u>Contingent Liabilities and Commitments</u>			
- letters of Credit, Guarantees and Other Commitments	(37)	11,757,591,390	12,637,872,568

The Accompanying Notes are an Integral part of the Financial Statements and are to be Read Therewith
(Review Report attached)


Hisham Ezz El-Arab
Chairman
& Managing Director

S.A.E
Consolidated Income Statement For The Period Ended
Mar. 31, 2010

	Note No.	<u>Mar. 31, 2010</u>	<u>Mar. 31, 2009</u>
		<u>EGP</u>	<u>EGP</u>
			<u>(Restated)</u>
- Interest and similar income	(6)	1,035,830,917	1,049,573,089
- Interest expense and similar charges	(6)	(516,009,902)	(531,339,572)
<u>Net Interest Income</u>		<u>519,821,015</u>	<u>518,233,517</u>
- Fees & Commissions Income	(7)	231,363,496	167,843,388
- Fees & Commissions Expense	(7)	(17,151,477)	(16,029,590)
<u>Net Fees and Commissions Income</u>		<u>214,212,019</u>	<u>151,813,798</u>
- Dividends Income	(8)	64,123,657	99,707,405
- Net Trading Income	(9)	83,597,485	151,005,723
- (Losses) Profit from Financial Investments	(22)	58,397,638	(2,454,862)
- Goodwill Amortization		(10,023,361)	-
- Administrative Expenses	(10)	(320,782,046)	(281,267,506)
- Other Operating (Expenses) Income	(11)	23,157,996	(54,123,142)
- Return (Losses) Of Impairment From Loans	(12)	(1,911,080)	(11,765,527)
- Intangible Assets Amortization		(16,866,810)	(16,866,810)
- Bank's share in the profits of associates		12,073,718	-
<u>Net Profit Before Tax</u>		<u>625,800,230</u>	<u>554,282,597</u>
- Income Tax	(13)	(103,405,138)	(86,848,070)
- Deferred Tax	(13) & (33)	6,448,333	4,583,409
<u>Net Profit After Tax</u>		<u>528,843,425</u>	<u>472,017,936</u>
- Minority Interest		462,579	324,363
<u>Bank Shareholders</u>		<u>528,380,846</u>	<u>471,693,573</u>
<u>Earning Per Share</u>			
Basic	(14)	1.46	1.43
Diluted	(14)	1.42	1.39


Hisham Ezz El-Arab
Chairman
& Managing Director

S.A.E
Consolidated Cash Flow For The Period Ended
Mar. 31, 2010

	<u>Mar. 31, 2010</u>	<u>Mar. 31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
<u>Cash Flow From Operating Activities:-</u>		<u>(Restated)</u>
- Net Income Before Tax	625,800,230	554,282,597
 <u>Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities</u>		
- Depreciation	46,300,528	47,517,609
- Provisions (Formed During The Period)	33,833,418	37,566,244
- Trading Financial Investments Evaluation Differences	(14,065,167)	(9,294,939)
- Intangible Assets Amortization	(16,866,810)	(16,866,810)
- Goodwill Amortization	(10,023,361)	-
- Impairment Of Assets	(1,296,453)	(2,329,265)
- Utilization Of Provisions (Except Provision For Doubtful Debts)	(1,361,150)	(5,012,830)
- Provisions No Longer Used	(37,914,910)	-
- Fcy Revaluation Differences Of Provisions Balances (Except Doubtful Debts)	409,559	2,899,477
- Profits From Selling Fixed Assets	(1,833,430)	(609,735)
- Profits From Selling Financial Investments	(62,495,543)	(7,567,855)
- Fcy Revaluation Diff.Of Long Term Loans	(886,352)	(560,550)
- Share Based Payments	18,922,217	20,419,257
	578,522,774	620,443,200
 <u>Net Decrease (Increase) In Assets</u>		
- Due From Banks	24,633,442	(2,414,402,063)
- Treasury Bills And Other Governmental Notes	1,454,263,087	202,115,319
- Trading Financial Assets	(60,599,634)	(254,653,950)
- Financial Derivatives (Net)	23,862,901	(55,017,097)
- Loans And Overdrafts	(2,087,309,696)	(434,661,139)
 <u>Net Increase (Decrease) In Liabilities</u>		
- Debit Balances And Other Assets	(247,822,932)	194,345,944
- Due To Banks	603,415,124	1,916,074,630
- Customers Deposits	3,514,294,047	2,374,571,801
- Credit Balances And Other Liabilities	244,539,821	(333,067,366)
 <u>Net Cash Provided From Operating Activities</u>	4,047,798,934	1,815,749,279

S.A.E
Consolidated Cash Flow For The Period Ended
Mar. 31, 2010

	<u>Mar. 31, 2010</u> <u>EGP</u>	<u>Mar. 31, 2009</u> <u>EGP</u> <u>(Restated)</u>
<u>Cash Flow From Investing Activities:-</u>		
- Investments in Associated Companies	(12,112,913)	(245,505)
- Purchase Of Fixed Assets , Premises And Fitting- Out Of Branches	(5,707,103)	(64,857,088)
- Redemption Of Held To Maturity Financial Investments	33,318,731	33,520,654
- Held To Maturity Financial Investment Purchases	(10,944,014)	(9,181,620)
- Available For Sale Financial Investment	(1,477,911,433)	(2,755,596,086)
- Real estate investments	-	3,839,052
<u>Net Cash (Used In) Provided From Investing Activities</u>	<u>(1,473,356,731)</u>	<u>(2,792,520,593)</u>
<u>Cash Flow From Financing Activities:-</u>		
- Increase (Decrease) In Long - Term Loans	(3,120,639)	7,041,206
- Dividends Paid	(661,806,331)	(478,236,553)
<u>Net Cash (Used In) Financing Activities</u>	<u>(664,926,970)</u>	<u>(471,195,347)</u>
Net Cash And Cash Equivalent Changes	1,909,515,233	(1,447,966,661)
Beginning Balance Of Cash And Cash Equivalent	10,230,779,568	8,778,740,569
<u>Cash And Cash Equivalent Balance At The End Of The Period</u>	<u>12,140,294,802</u>	<u>7,330,773,908</u>
<u>Cash And Cash Equivalent Are Represented As Follows:-</u>		
- Cash And Due From Central Bank	4,098,896,337	5,118,485,646
- Due From Banks	8,080,344,588	8,456,786,434
- Treasury Bills And Other Governmental Notes	13,575,742,969	10,699,658,592
- Due From Banks (Time Deposits)	(7,484,826,893)	(8,143,399,335)
- Treasury Bills With Maturity More Than Three Months	(6,129,862,199)	(8,800,757,429)
<u>Total Cash And Cash Equivalent</u>	<u>12,140,294,802</u>	<u>7,330,773,908</u>

S.A.E
Consolidated Statement of Changes in Shareholders' Equity as of
Mar. 31, 2010

2009	Capital EGP	Legal Reserve EGP	General Reserve EGP	Intangible Assets Value For Bank Share		Special Reserve EGP	Reserve For A.F.S Investments Revaluation Diff. EGP	Banking Risks Reserve EGP	Profits Of The Year EGP	Reserve For Employee Stock Ownership Plan (ESOP) EGP	Total Shareholders Equity EGP
				Before Acquisition EGP	Retained Earning EGP						
- Beginning Balnace	2,925,000,000	432,851,511	407,547,602	302,794,421	87,845,690	185,993,785	(20,985,045)	-	1,370,592,742	86,727,903	5,778,368,609
- Effect Of Adjusting Accounting Standards	-	-	-	-	-	20,536,766	-	-	-	-	20,536,766
- Beginning Balnace After Adjustments	2,925,000,000	432,851,511	407,547,602	302,794,421	87,845,690	206,530,551	(20,985,045)	-	1,370,592,742	86,727,903	5,798,905,375
- Transferred To Reserves	-	80,755,023	1,056,108,883	-	-	-	-	-	(1,136,863,906)	-	-
- Transfer To Retained Earning	-	-	-	-	(244,507,717)	-	-	-	244,507,717	-	-
- Dividends Paid	-	-	-	-	-	-	-	-	(478,236,553)	-	(478,236,553)
- Net Profits Of The Year	-	-	-	-	-	-	-	-	1,734,891,714	-	1,734,891,714
- Change During the Year	-	-	(152,185)	-	(1,023,965)	-	-	-	-	-	(1,176,150)
- Addition from Financial Investment Revaluation	-	-	-	-	-	-	(86,139,721)	-	-	-	(86,139,721)
- Reserve For Employees Stock Ownership Plan (ESOP)	-	-	-	-	-	-	-	-	-	75,001,081	75,001,081
- Effect Of Adjusting Accounting Standards	-	-	-	-	(18,601,847)	-	-	26,652,790	(26,652,790)	-	(18,601,847)
Balance At The End Of The Year	2,925,000,000	513,606,534	1,463,504,300	302,794,421	(176,287,838)	206,530,551	(107,124,766)	26,652,790	1,708,238,924	161,728,984	7,024,643,899

2010	Capital EGP	Legal Reserve EGP	General Reserve EGP	Intangible Assets Value For Bank Share		Special Reserve EGP	Reserve For A.F.S Investments Revaluation Diff. EGP	Banking Risks Reserve EGP	Profits Of The Year EGP	Reserve For Employee Stock Ownership Plan (ESOP) EGP	Total Shareholders Equity EGP
				Before Acquisition EGP	Retained Earning EGP						
- Beginning Balnace	2,925,000,000	513,606,534	1,463,504,300	302,794,421	(176,287,838)	206,530,551	(107,124,766)	26,652,790	1,708,238,924	161,728,984	7,024,643,899
- Transferred To Reserves	-	87,847,835	1,010,739,284	-	-	-	-	-	(1,098,587,119)	-	-
- Transferred To Retained Earning	-	-	-	-	(37,980,544)	(22,173,982)	-	-	52,154,526	-	(8,000,000)
- Dividends Paid	-	-	-	-	-	-	-	-	(661,806,331)	-	(661,806,331)
- Net Profit Of The Period	-	-	-	-	-	-	-	-	528,380,846	-	528,380,846
- Change During the Year	-	-	-	-	1,594,467	-	-	-	-	-	1,594,467
- Addition from Financial Investment Revaluation	-	-	-	-	-	-	84,127,558	-	-	-	84,127,558
- Effect Of Adjusting Accounting Standards	-	-	-	-	-	-	-	44,378,643	(44,378,643)	-	-
- Reserve For Employees Stock Ownership Plan (ESOP)	-	-	-	-	-	-	-	-	-	18,922,217	18,922,217
- Revaluation Differences of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
Balance At The End Of The Period	2,925,000,000	601,454,369	2,474,243,584	302,794,421	(212,673,915)	184,356,569	(22,997,208)	71,031,433	484,002,203	180,651,201	6,987,862,656

Commercial International Bank (Egypt) S.A.E.
Notes to the Consolidated Financial Statements
For the Financial Period
from January 1, 2010 to March 31, 2010

1. General information

Commercial International Bank (Egypt) provide retail, corporate banking and investment banking services in various parts of Egypt and abroad through its Head Office and one hundred & eight branches, in addition to forty seven units and employs over 4284 people in the balance sheet date.

Commercial International Bank (Egypt) S.A.E was formed as a commercial Bank on August 7, 1975 under the Investment Law No. 43 for 1974 . The address of its registered office is as follows: Nile Tower 21/23 Sharel Degol St, Giza.

The Bank listing on the Cairo & Alex stock exchange, with further listings in Kuwait and Abu Dhabi stock exchange .

CI Capital Holding Co S.A.E It was formed as a joint stock company on April 9th, 2005 under the capital market law no. 95 for 1992 and its executive regulations. Financial register no. 166798 on April 10th, 2005 and the company have been licensed by the capital market authority to carry out its activities under license no. 353 on May 24th, 2006.

As of March 31, 2010 the bank directly owns 54,988,000 shares representing 99.98% of CI Capital Holding Company's capital and on March 31, 2010 CI Capital Holding Co. directly owns the following shares in its subsidiaries:

<u>Company Name</u>	<u>No. of Shares</u>	<u>Ownership%</u>	<u>Indirectly Share%</u>
▪ CIBC Co.	539,880	89.98	89.96
▪ CI Assets Management	445,499	89.09	89.07
▪ CI Investment Banking Co.	448,500	89.70	89.68
▪ CI For Research Co.	448,500	89.70	89.68
▪ Dynamic Brokerage Co.	3,392,000	99.91	99.89
▪ United Brokerage Co. – Dubai	5,000,000	49.00	48.99

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of financial statements preparation

The following is a summary of significant changes in accounting policies and financial statements due to the application of these accounting adjustments:

- The consolidated financial statements have been prepared in accordance with Egyptian Financial Reporting Standards 2006. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading, financial assets and financial liabilities held at fair value through profit or loss, available for sale and all derivatives contracts.

Basis of consolidation

Given the bank's acquisition of the proportion of 98.99% (full control) in CI Capital Holding, the style of the kidneys is the basis of the assembly taken in the preparation of consolidated financial statements of the Bank

Consolidated Financial Statements are Consisting of the Financial Statements of Commercial International Bank and Consolidated Financial Statements of CI Capital Holding and it's subsidiaries .the control is achieved through the bank's ability to control the financial and operational policies of the invests in order to obtain benefits from its activities . The basis of the consolidation is follows: -

- Eliminating all balances and transactions between the bank and group companies.
 - The cost of acquisition of subsidiary companies is based on the company's share in the fair value of assets acquired and obligations outstanding the acquisition date.
 - Minority shareholders represent the rights of others in subsidiary companies.
 - Proportional Consolidation is used in consolidating method companies under joint control
- Changed the disclosure requirements of the objectives and policies and methods of risk management, financial management and capital adequacy and some other explanatory notes.
 - The bank set the relevant parties in accordance with the requirements of the amended and added some new clarifications on these parties
 - Collecting all facilities controlled by the bank directly or indirectly, irrespective of the activity of these installations. Previously, there were no collection facilities that do not work in banking or finance. The users of these financial statements, independent reading consolidated financial statements of the Bank, as and for the period ended March 31,

2010, so for getting complete information on the Bank's financial position and results of its work and its cash flows and changes in owner equity.

- Studying all the differences that result in tax obligations for tax deferred and recognized retroactively, and for deferred tax assets and retained tax losses, it has been recognized only within the limits of future economic benefits expected of them. Shows the note (38) the impact of the recognition of differences in the tax numbers comparison
- Note number (35) shows the impact of that change on the item of owner equity and available for sale, investments which were previously measured at cost adjusted rate differentials in exchange rates or fair value whichever is less with the incurred of the decline in value of the income statement.
- As a Result of the application instructions and the new criteria to recognize all derivatives in the first of January 2009 in the financial statements, as separate derivatives implicit in the history of recognition in the financial statements was the measurement of all derivatives at fair value
- Has changed the method of measuring loans and facilities impairment and other debt instruments, which are measured at amortized cost, Resulted in cancellation of the General Provisions component of loans and facilities and instead total provision was provided for groups of assets that carry a credit risk and similar characteristics or individual provision. As a result of changing the way of provision provided increase the specified provision, which were configured for specific items by amount of EGP 20,536,766. The total increase in the outstanding provision in the 1st of Jan 2009 had retained to special reserve in owner's equity according to the new way.
- When the actual rate of return determined for applying the amortized cost method to calculate the income and the cost of the return on debt instruments, in commissions and fees associated with the acquisition or issuance of debt instruments and added to or deducted from the value of the acquisition / release as part of the cost of treatment, which lead to change the actual rate of return of those tools. It was not practicable to apply the impact of this accounting change retroactively, but that change has been applied to debt instruments acquired or issued on or after the first January 2009
- The Bank has applied the new accounting requirements for payment shown on the shares of such regulations in force on or after the first of January 2010. As a result, the income statement for the fiscal year ended March 31, 2009 added by amount of 18,922,217 LE is the cost of stock options granted to employees.
- Purchase accounting was applied to all acquisitions made on or after the first of January 2009 in accordance with the new requirements of accounting, and there was no effect on the bank unconsolidated or consolidated financial statements of the bank.
- The Bank has conducted Assets Acquired as Settlement of Debts of the purpose of ascertaining the applicability of rules classified as non-current assets held for sale under other assets, did not result in a difference in the classification or value measured those assets.

2.2 Subsidiaries and Associates

(a) Subsidiaries

- Subsidiaries are all entities (including special purpose entities) over which the Bank has owned directly or indirectly the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity.

(b) Associates

- Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.
- The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement under the item income (expense) Other operating.
- Accounting for subsidiaries and associates in the financial statements are recorded by cost method , according to this method, investments are a cost of acquisition including any good will and deduct any impairment losses in value, and recorded the dividends in the income statement in the adoption of the distribution of these profits and evidence of the right bank debts.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in Egyptian pound, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at Period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.5 Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue'
- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

according to the financial assets for trading which are reclassified in the periods that begin from first of January 2009 it is reclassified according to the fair value in the date of reclassification .

bank in all conditions doesn't reclassify any financial instrument moving to programs of financial instruments reclassified with fair value from profit and loss or to financial assets program for trading .

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the bank intends to sell immediately or in the short term, which are classified as held for trading, or those that the bank upon initial recognition designates as at fair value through profit or loss; (b) those that the bank upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially

all of its initial investment, other than because of credit deterioration.

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

(d) Available-for-sale financial assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired.

At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the bank's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The Bank re-tab the financial asset tabbed within the range of financial instruments available for sale, which left the definition of loans and debts (bonds or loans), quoting a set of tools available for sale to the group of loans and receivables or financial assets held to maturity - all as the case - when available Bank has the intent and ability to hold these financial assets in the foreseeable future or until maturity and are re-tab at fair value in the history of re-tab, and not process any profits or losses on those assets that have been recognized previously in equity and in the following manner:

1 - In case of financial asset re-tab, which has a fixed maturity are amortized gains or losses over the remaining life of the investment retained until the maturity date in a manner effective yield is consumed any difference between the value on the basis of amortized cost and value on an accrual basis over the remaining life of the financial asset using the effective yield method, and in the case of the decay of the value of the financial asset is later recognition of any gain or loss previously recognized directly in equity in the profits and losses.

2 - in the case of financial asset which has no fixed maturity continue to profit or loss in equity until the sale of the asset or to dispose of it, then be recognized in the profit and loss In the case of erosion of the value of the financial asset is later recognition of any gain or loss previously recognized directly within equity in the profits and losses.

If the Bank to adjust its estimates of payments or receipts are the settlement of the carrying amount of the financial asset (or group of financial assets) to reflect the actual cash inflows and the adjusted estimates to be recalculated book value and then calculates the present value of estimated future cash flows at the effective yield of the financial instrument and is recognized settlement recognized as income or expense in the profit and loss.

In all cases, if the bank re-Tab financial asset in accordance with what is referred to The Bank at a later date to increase its estimate of the proceeds of future cash result of the increase will be recovered from the cash receipts, is the recognition of the impact of this increase in settlement of the interest rate effective from the date of change in the estimate and not in settlement of the balance of the original notebook in the history of change in the estimate.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

[See 'Helpful hint 1' – Appendix I.]

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

when it is collected and this is after redeeming all dues of consumer loans and personnel mortgages also small loans for economic activities. as for loans given to institutions it is related to the monetary base also , it raises the return after that , according to rescheduling conditions on the loan till paying 25% from rescheduling payments with a minimum one year without being late , if the customer is always paying at his due dates the interest calculated is added to the loan balance which makes revenues (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.

2.9 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Operating revenues in the holding company:

The activities income of the subsidiaries companies comes as soon as the related service is done, the services are :

- Consultancy services to the group before the acquisition date.
- Securities trading fees & commission for the customers.
- Management fees as follows:

Mutual funds & investment portfolios management fees:

The Management fee is calculated as a percentage of the net value of assets under management according to the agreement's terms and conditions. These amounts are credited to the assets management company's revenue pool on a monthly accrual basis.

- Commission is calculated, based on certain ratios of mutual fund's net asset value, for the valuation of mutual fund's assets. This valuation commission is calculated and accrued on a daily basis.

2.10 Dividend income

Dividends are recognised in the income statement when the bank's right to receive payment is established.

2.11 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the

effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

(b) Assets classified as available for sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.13 Fixed Assets

Land and buildings comprise mainly branches and offices. All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20 years,
– Leasehold improvements	3 years
– Equipment and motor vehicles	3 years, or over the period of the lease if less
- Furniture and safes	8 years.
- Transportations	5 years
- Computers and Core Systems	3/10 years
- Fixtures and fittings	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

2.14 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill

Goodwill is capitalized and represents the excess of the cost of an acquisition over the fair value of the Bank's share of the acquired entity's net identifiable assets at the date of acquisition. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Goodwill is included in the cost of investments in associated and

subsidiaries investments in the Bank standalone financial statements. Goodwill is tested for impairment whereas the income statements are charged by the impairment.

Goodwill is allocated over the cash generating units for the purpose of testing the impairment. The cash generating units represent the main segments of the bank.

Other intangible assets

Other intangible assets that are acquired by the Bank are stated at cost less accumulated amortization and any adjustment for impairment losses. Other intangible assets are comprised of separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset with definite life. Intangible assets with indefinite life are not amortized but they are tested for impairment

2.15 Leases

The accounting treatment for the finance lease in accordance with law 95 of 1995, if the contract entitles the lessee to purchase the asset at a specified date and the value selected, or the current value of the total lease payments representing at least 90% of the value of the asset. The other leases contracts are considered operating leases contracts.

Being lessee

Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets, within the expenses in the income statement for the period in which they occurred. If the bank decided to exercise the rights to purchase the leased assets, the cost of the right to purchase it as an asset are capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.

And recognition of payments under the operating lease expense minus any discounts obtained from the lesser under expenses in the income statement on a straight-line basis over the term of the contract

Being lesser

For assets leased financially, assets are recorded in the fixed assets in the Budget and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized on the basis of rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients' accounts is transferred to the budget in the income statement until the expiration of the lease where it is used to off set with a net book value of the leased asset. Maintenance and insurance expenses are loaded on the income statement when incurred to the extent they are not charged to the tenant.

In case there is objective evidence that the Bank will not be able to collect all assets of financial lease debtors, it will be reduced to the recoverable amount.

For assets leased under operating lease of fixed assets, it appears in the budget and amortized over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

2.16 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.17 Other Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions which negated the purpose of wholly or partly repaid within the item other operating income (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received

in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 income tax

Income tax on the profit or loss for the year includes each of year tax and deferred tax and is recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the budget in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the budget.

Deferred tax assets of the Bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

2.19 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.20 Dividends

Dividends deducted from equity in the period, which the General Assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the Governing Council.

2.21 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial

instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

3.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralised in a credit risk management team in Bank Treasury and reported to the Board of Directors and head of each business unit regularly.

3.1.1 Credit risk measurement

(a) Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee), are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (Note 3/A).

(i) The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into four rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale and mapping of external ratings

Bank's rating	Description of the grade
1	Performing loans
2	Regular watching
3	Watch list
4	Non performing loans

(iii) Loss given default or loss severity represents the Bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by bank Treasury for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.1.2 Risk limit control and mitigation policies

The bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Mortgage business assets such as premises, inventory and accounts receivable;
- Mortgage financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivatives

The bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank market transactions on any single day.

(c) Master netting arrangements

The bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 Impairment and provisioning policies

The internal and external rating systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment (see Note 2.13). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the balance sheet at year-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom two gradings. The table below shows the percentage of the Bank's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

Bank's rating

	31 March 2010		31 Dec. 2009	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
Performing loans	28,428,671,318	603,897,085	26,363,698,438	559,879,925
Regular watching	1,312,351,662	55,781,507	1,370,765,821	61,404,360
Watch list	309,210,490	29,762,727	384,723,397	32,208,051
Non performing loans	1,021,731,978	620,524,219	862,001,836	650,702,109
	<u>31,071,965,449</u>	<u>1,309,965,538</u>	<u>28,981,189,492</u>	<u>1,304,194,445</u>

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 29, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

Pattern of measuring the danger of general banking activities

In addition to the four categories of measuring credit worthiness discussed in disclosure 1/a the management makes small groups more detailed according to the CBE rules assets facing credit risk are classified to detailed conditions relying greatly on customer's information , activities , financial position and his regular payments to his debts .

The bank calculates the provisions needed for assets impairment in addition to credit regulations according to special percentages .

From CBE , in the case of increase of impairment loss provision needed according to CBE than that for purposes of making the financial statements according to the Egyptian rules , the risk of general banking reserve is included in owners equity deducted from the retained earning with this increase , this reserve is modified with periodic basis with the increase and decrease , which equals the increase in provisions and this reserve is not distributed ,

And this is categories of institutional worthiness according to internal ratings according to CBE rules and rates of provisions needed for assets impairment related to credit risk :

CBE RATING	categorization	PROVISION %	INTERNAL RATING	INTERNAL RATING
1	Low Risk	0	1	Good Loans
2	Average Risk	1%	1	Good Loans
3	Satisfactory Risk	1%	1	Good Loans
4	Reasonable Risk	2%	1	Good Loans
5	Acceptable Risk	2%	1	Good Loans
6	Marginally Acceptable risk	3%	2	Normal Follow up
7	Watch list	5%	3	Special Follow up
8	Substandard	20%	4	Non Performing loans
9	Doubtful	50%	4	Non Performing loans
10	Bad Debt	100%	4	Non Performing loans

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	<u>Maximum exposure</u>	
	<u>31 March 2010</u>	<u>31 Dec.2009</u>
Credit risk exposures relating to on-balance sheet assets are as follows:		
Treasury bills and other governmental securities	13,575,742,969	13,575,742,969
Trading assets		
– Debt securities	281,021,919	221852634
Loans and advances to banks	191,260,819	200,765,433
Loans and advances to customers:		
Loans to individuals:		
– Overdrafts	693,787,829	986,868,989
– Credit cards	463,872,627	452,129,339
– Term loans	1,350,582,571	1,006,597,234
– Mortgages	361,245,056	291,663,968
Loans to corporate entities:		
– Overdrafts	3,604,775,360	3,367,186,944
– Direct loans	17,980,507,506	15,268,369,667
– Syndicated loans	6,365,707,680	7,380,011,341
– Other loans	60,226,002	27,596,578
Derivative financial instruments	158,429,339	225,347,220
Debt Instrument	9,436,814,739	7,904,480,706
Total	<u>54,523,974,414</u>	<u>50,908,613,021</u>
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	1,147,834,000	931,471,000
Loan commitments and other credit related liabilities	579,351,354	469,403,911
Letter of Credit	700,884,667	820,272,115
Letter of guarantee	10,477,355,369	11,348,196,542
At 31 December	<u>12,905,425,390</u>	<u>13,569,343,568</u>

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 57.55% of the total maximum exposure is derived from loans and advances to banks and customers; 17.01% represents investments in debt securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 95.72% of the loans and advances portfolio is categorised in the top two grades of the internal rating system.
- 95.72% of the loans and advances portfolio are considered to be neither past due nor impaired.
- Of the 1,021,731,978 loans and advances assessed on an individual basis
- An improvement in the credit quality of loans and advances has resulted in a lower impairment charge in the income statement, showing a decrease;
- The bank has introduced a more stringent selection process upon granting loans and advances during the period ended 31, March, 2010
- More than 59.64% of the investments in debt securities and other bills have at least at A- credit rating.

3.1.5 Loans and advances

Loans and advances are summarised as follows:

	<u>31 March 2010</u>		<u>31 December 2009</u>	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	29,549,762,161	191,260,819	27,533,698,826	200,765,433
Past due but not impaired	309,210,490		384,723,397	
Individually impaired	1,021,731,978		862,001,836	
Gross	<u>30,880,704,630</u>	<u>191,260,819</u>	<u>28,780,424,059</u>	<u>200,765,433</u>
Less: allowance for impairment	1,309,965,538		1,304,194,445	
Net	<u>29,570,739,092</u>	<u>191,260,819</u>	<u>27,476,229,613</u>	<u>200,765,433</u>

(a) Loans and advances neither past due or impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

31 March 2010

	<u>Loans and advances to customers</u>								Loans and advances to banks
	<u>Individual (retail customers)</u>				<u>Corporate entities</u>		<u>Total Loans and advances to customers</u>		
	<u>Over-drafts</u>	<u>Credit cards</u>	<u>Term loans</u>	<u>Mort-gages</u>	<u>Over draft</u>	<u>Direct loans</u>	<u>Syndicate d loans</u>		
Grades:									
Performing loans	678,271,992	396,890,19	1,222,991,237	352,746,981	3,177,788,358	16,200,338,192	5,795,747,282	2,650,900,402	25,173,873,832
Regular watching	5,373,306	10,117,163	17,729,038	571,200	50,611,636	1,098,618,240	73,549,571	33,790,708	1,222,779,447
Watch list	835,970	317,403	563,301		47,918,397	157,048,801	72,763,891	1,716,674	277,731,090
Non performing loans					64,477,259	267,247,765	69,482,736	0	401,207,759
Total	<u>684,481,267</u>	<u>407,324,759</u>	<u>1,241,283,576</u>	<u>353,318,181</u>	<u>3,340,795,650</u>	<u>17,723,252,998</u>	<u>6,011,543,480</u>	<u>2,686,407,783</u>	<u>27,075,592,128</u>

Mortgage loans in the sub-standard class were considered not to be impaired after taking into consideration the recoverability from collateral.

31 December 2009

Loans and advances to customers

	<u>Individual (retail customers)</u>				<u>Corporate entities</u>			<u>Total Loans and advances to customers</u>	Loans and advances to banks
	Over-drafts	Credit cards	Term loans	Mort-gages	overdraft	Direct loan	Syndicate d loans		
Grades:									
Performing loans	890,676,721	394,637,875	903,863,918	290,596,009	3,136,943,440	13,939,917,693	6,257,182,856	2,469,774,524	23,334,043,989
Regular watching	12,820,602	3,957,706	8,073,382	357,919	43,390,654	1,093,427,248	147,333,950	25,209,608	1,284,151,852
Watch list	1,324,269		8,603	140,599	50,802,089	197,825,470	102,414,317	1,473,470	351,041,876
Non performing loans					55,277,044	156,022,682			211,299,726
Total	904,821,591	398,595,581	911,946,903	291,094,527	3,286,413,227	15,387,193,093	6,506,931,123	2,496,457,603	25,180,537,443

(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

31 Mar 2010

	<u>Individual (retail customers)</u>				Total
	Overdrafts	Credit cards	Term loans	Mortgages	
Past due up to 30 days	186,242,816	77,370,133	1,702,918	567,172	265,883,038
Past due 30 - 60 days	2,801,747	9,103,462	4,956,985	175,205	17,037,399
Past due 60-90 days	2,768,001	3,361,046	518,470	16,700	6,664,217
Total	191,812,563	89,834,641	7,178,373	759,077	289,584,654

	<u>Corporate entities</u>			Total
	overdraft	Direct loans	Syndicated loans	
Past due up to 30 days		40,736,809		40,736,809
Past due 30-60 days		4,394,741	6,692,891	11,087,632
Past due 60-90 days		299,500,473	126,704,158	426,363,979
Total		303,895,214	174,133,858	478,188,420

31 December 2009

	<u>Individual (retail customers)</u>				Total
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Term loans</u>	<u>Mortgages</u>	
Past due up to 30 days	135,042,604	24,262,417	1,137,995	587,951	161,030,967
Past due 30-60 days	11,669,707	3,789,215	6,274,817	120,991	21,854,730
Past due 60-90 days	1,310,615	1,428,700	549,114	8,149	3,296,577
Total	148,022,926	29,480,332	7,961,925	717,092	186,182,274

	<u>Corporate entities</u>			Total
	<u>overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	
Past due up to 30 days	0	38,372,513		38,372,513
Past due 30-60 days	83,594,723	28,072,549		111,667,272
Past due 60-90 days	64,026,688	235,371,149	159,348	299,557,185
Total	147,621,411	301,816,211	159,348	449,596,970

Loans and advances assessed on an individual basis before cash flows from guarantees are EGP 1,021,731,978

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	<u>Individual</u>				<u>Corporate entities</u>			<u>Total</u>
	Overdrafts	Credit cards	Term loans	Mort-gages	overdraft	Direct loans	Syndicate d loans	
<u>31 March 2010</u>								
Individually impaired loans	5,234,681	41,208,000	70,360,535	2,939,000	176,065,265	516,897,498	209,027,000	1,021,731,978
Fair value of collateral								
	<u>Individual</u>				<u>Corporate entities</u>			<u>Total</u>
	Overdrafts	Credit cards	Term loans	Mort-gages	overdraft	Direct loans	Syndicate d loans	
<u>31 December 2009</u>								
Individually impaired loans	4,978,512	39,136,769	72,300,784	2,540,770	170,916,226	522,861,775	49,267,000	862,001,836
Fair value of collateral								

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset from to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired

3.1.6 Debt securities, treasury bills and other governmental securities

The table below presents an analysis of debt securities, treasury bills and other governmental securities by rating agency designation at 31 March 2010, based on Standard & Poor's ratings or their equivalent:

	Treasury bills and other bills	Trading securities	Investment securities	Designated at fair value	Total
AAA		440,440	794,293,658		794,734,098
AA- to AA+		35,651,942	545,751,136		581,403,078
A- to A+		50,362,401	388,575,565		438,937,966
Lower than A-	13,571,018,384	77,485,856	6,838,911,384		20,487,415,624
Unrated		401,863,118	1,058,694,886		1,460,558,004
Total	13,571,018,384	565,803,757	9,626,226,629		23,763,048,770

3.1.7 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2010. For this table, the bank has allocated exposures to regions based on the country of domicile of its counterparties.

	<u>Arab Republic of Egypt</u>					
	<u>Cairo</u>	<u>Alex, Delta & Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>	<u>Gulf Countries</u>	<u>Total</u>
Treasury bills and other governmental securities	13,575,742,969			13,575,742,969		13,575,742,969
Trading Investment						
debt securities	281,021,919			281,021,919		281,021,919
Loans and advances to banks	191,260,819			191,260,819		191,260,819
Loans and advances to customers:						
Loans to individuals:						
– Overdrafts	296,894,352	327,200,868	66,952,319	691,047,539	2,740,290	693,787,829
– Credit cards	336,526,869	103,055,665	23,996,577	463,579,111	293,516	463,872,627
– Term loans	869,114,867	378,420,587	102,884,548	1,350,420,002	162,569	1,350,582,571
– Mortgages	298,475,674	56,551,035	6,218,347	361,245,056		361,245,056
Loans to corporate entities:						
– Overdrafts	3,208,709,083	395,274,507	791,770	3,604,775,360		3,604,775,360
– Direct loans	12,601,234,709	4,888,339,767	490,933,030	17,980,507,506		17,980,507,506
– syndicated loans	6,365,707,680			6,365,707,680		6,365,707,680
– other loans	57,658,805	2,004,241	562,956	60,226,002		60,226,002
Trading assets – debt securities						
Derivative financial instruments	158,429,339			158,429,339		158,429,339
Investment securities – debt securities	9,436,814,739			9,436,814,739		9,436,814,739
Pledged assets						
Other assets						
As at 31 march 2010	47,677,591,822	6,150,846,670	692,339,547	54,520,778,039	3,196,374	54,523,974,414

(b) Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

31 March 2010	<u>Financial institutions</u>	<u>Manufacturing</u>	<u>Other industries</u>	<u>Individuals</u>	<u>Total</u>
Treasury bills and other governmental bills	13,575,742,969				13,575,742,969
Financial assets for trading	281,021,919				281,021,919
– debt instruments					
Loans and advances to banks	191,260,819				191,260,819
Loans and advances to customers:					
Loans to individuals:					
– Overdrafts				693,787,829	693,787,829
– Credit cards				463,872,627	463,872,627
– Term loans				1,350,582,571	1,350,582,571
– Mortgages				361,245,056	361,245,056
Loans to corporate entities:					
– Overdrafts	3,604,775,360				3,604,775,360
– Direct loans	17,980,507,506				17,980,507,506
– Syndicated loans	6,365,707,680				6,365,707,680
– Other loans	60,226,002				60,226,002
Trading assets – debt securities					
Derivative financial instruments	158,429,339				158,429,339
Investment securities – debt instrument	9,436,814,739				9,436,814,739
Pledged assets					
Other assets					
	<u>51,654,486,331</u>			<u>2,869,488,082</u>	<u>54,523,974,414</u>

3.2 Market risk

The bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

3.2.1 Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies (Note 20.2). The Bank also enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below.

(a) Value at risk

The Bank applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Bank, trading and non-trading separately, which are monitored on a daily basis by Bank Treasury.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10-day periods in the past. The Bank's assessment of past movements is based on data for the past five years. The Bank applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the Board annually for all trading and non-trading portfolio operations and allocated to business units. Actual exposure against limits, together with a consolidated bank-wide VAR, is reviewed daily by Bank Treasury. Average daily VAR for the Bank during the current year was 261,174,959 LE

The quality of the VAR model is continuously monitored by back-testing the VAR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated, and all back-testing results are reported to the Board of Directors.

(b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Bank Treasury include: risk factor stress

testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and ad hoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

3.2.2 VAR summary for 2010 and 2009

(a) Bank VAR by risk type

	<u>31 March 2010</u>			<u>31 December 2009</u>		
	Average	High	Low	Average	High	Low
1) Foreign exchange risk	1,792,025	10,729,891	166,214	1,628,590	4,994,042	602,443
2) Interest rate risk	48,013,213	67,255,525	34,498,955	114,823,244	138,750,321	85,152,133
For trading purposes	54,156,284	74,921,730	40,389,256	100,832,141	117,268,237	73,561,270
For non trading purposes	9,553,355	20,715,061	4,155,521	15,535,403	26,362,163	7,301,319
3) Equities risk	25,153,555	28,069,450	22,824,206	23,496,965	25,916,213	20,021,611
4) Investment fund	4,869,180	4,984,231	4,710,973	4,806,556	5,074,884	4,556,113
Total VAR	78,917,402	96,920,732	65,604,975	143,985,000	169,843,273	114,046,822

(b) Trading portfolio VAR by risk type

	<u>31 March 2010</u>			<u>31 December 2009</u>		
	Average	High	Low	Average	High	Low
1) Foreign exchange risk	356,024	2,397,186	118,917	307,823	883,615	116,378
2) Interest rate risk	8,147,337	10,264,927	6,191,081	42,269,890	58,591,001	32,865,596
For trading purposes	9,025,736	12,462,404	7,137,231	45,989,917	67,921,405	29,653,822
For non trading purposes	3,225,770	6,932,136	1,205,298	6,769,105	11,457,200	3,229,241
3) Equities risk	6,192,784	6,856,055	5,600,135	5,899,644	7,221,488	4,866,168
4) investment fund	1,290,392	1,479,013	1,099,468	1,480,875	1,704,370	1,265,702
Total VAR	11,858,224	13,647,447	10,071,620	44,101,339	60,067,638	35,133,019

The increase of VAR in 2010, especially the interest rate risk, mainly relates to the increased volatility of market interest rates in global principal financial markets.

The above three VAR results are calculated independently from the underlying positions and historical market moves. The aggregate of the trading and non-trading VAR results does not constitute the bank's VAR due to correlations and consequent diversification effects between risk types and portfolio types.

3.2.3 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk – on- and off-balance sheet financial instruments

	LE	US\$	Euro	£	Other	Total
As at 31 December 2010						
Assets						
Cash and balances with central banks	3,795,452,409	206,389,567	63,558,937	14,686,943	18,808,480	4,098,896,337
Due from banks	211,539,666	3,713,340,204	3,528,420,175	429,751,099	197,293,445	8,080,344,588
Treasury bills and other governmental securities	13,575,742,969					13,575,742,969
Financial assets for trading						
Loans and overdraft to banks	240,819,742	85,349,697	7,269,988		53,230,993	565,803,757
Loans and overdraft to customers		191,260,819				191,260,819
	15,069,829,105	14,986,251,553	818,653,438	5,761,089	209,444	30,880,704,630
Derivative financial instruments	158,429,339					158,429,339
Financial assets designated at fair value						0
Investment securities:						0
– Available for sale	7,836,779,356	1,103,494,577	31,406,647			8,971,680,580
– Held to maturity	257,560,276	310,122,214				567,682,491
Other assets						
Total financial assets	41,146,152,862	20,596,208,631	4,449,309,186	450,199,131	269,542,361	67,090,545,509
Liabilities						
Due to banks	944,058,133	68,317,408	49,148,447	36,364		1,061,560,353
Deposits from customers	34,724,339,219	18,337,768,088	4,546,283,854	473,962,872	232,634,843	58,314,988,875
Trading liabilities						
Derivative financial instruments	107,471,850					107,471,850
Debt securities in issue						
Other loans	65,296,432	9,893,859	14,039,760			89,230,051
Financial liabilities designated at fair value						
Other liabilities						
Total financial liabilities	35,841,165,634	18,415,979,355	4,609,472,062	473,999,236	232,634,843	59,573,251,129
Net on-balance sheet financial position	5,304,987,228	2,180,229,277	(160,162,875)	(23,800,104)	36,907,518	7,517,294,380

3.2.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Bank Treasury.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
As at 31 December 2010							
Assets							
Cash and central banks balances						4,098,896,337	4,098,896,337
Due from banks	4,237,218,803	3,305,070,671	237,028,951			301,026,163	8,080,344,588
Treasury and other governmental securities	1,676,017,969	5,464,325,000	6,435,400,000				13,575,742,969
Financial assets for trading							
Financial assets for Trading	413,301,534		24,964,465	58,611,197		68,926,561	565,803,757
Loans and overdraft to banks	28,194,788	78,179,397	28,437,364	56,449,271			191,260,819
Loans and overdraft to customers	16,386,207,329	6,719,097,446	4,981,221,689	2,453,655,622	340,522,545		30,880,704,631
Financial Derivatives	90,371,343	332,880,051	679,506,619	845,994,365	10,460,447	96,152,108	2,055,364,934
Financial assets designated at fair value							
Investment securities:							-
– Available for sale	894,284,906	627,006,760	319,606,100	6,399,236,131	94,849,705	636,696,979	8,971,680,580
– Held to maturity			265,687,501	301,994,990			567,682,491
Other assets							
Total financial assets	23,725,596,671	16,526,559,324	12,971,852,689	10,115,941,575	445,832,697	5,201,698,148	68,987,481,105
Liabilities							
Due to banks	966,247,001					95,313,352	1,061,560,353
Deposits form customers	26,997,969,041	6,622,337,128	4,575,240,153	9,954,620,925	446,889,939	9,717,931,688	58,314,988,875
Financial Liabilities for Trading							-
Financial Derivatives	311,291,649	864,751,010	171,102,652	569,602,906		87,659,228	2,004,407,445
Other deposits	3,732,051	1,568,000	31,901,000	52,029,000			89,230,051
Other liabilities							
Total financial liabilities	28,279,239,743	7,488,656,138	4,778,243,805	10,576,252,832	446,889,939	9,900,904,268	61,470,186,724
Total interest re pricing gap	(4,553,643,071)	9,037,903,187	8,193,608,884	(460,311,257)	(1,057,242)	(4,699,206,120)	7,517,294,381

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Bank Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and requirements of central bank of Egypt
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Notes 3.3.3-3.3.4).

Bank Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed by a separate jointly by team in Bank Assets & liabilities Management, liabilities Investments and Bank Insurance to maintain a wide diversification by currency, geography, provider, product and term.

3.3.3 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at and the maturities assumption for non contractual products On the basis of there behaviour studies of balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2010	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	1,061,560,353					1,061,560,353
Deposits form customers	18,261,816,584	8,112,780,936	7,739,174,200	16,401,388,535	7,799,828,621	58,314,988,875
Trading liabilities						
Debt securities in issue						
Other loans	3,732,051	1,568,000	31,901,000	52,029,000		89,230,051
Derivatives	5,152,486	8,722,485	5,937,652			19,812,623
Other liabilities						
Total liabilities (contractual maturity dates)	19,332,261,474	8,123,071,421	7,777,012,851	16,453,417,535	7,799,828,621	59,485,591,902
Total assets (contractual maturity dates)	11,855,454,996	10,282,979,353	14,017,550,846	21,133,102,581	11,597,877,340	68,886,965,116

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from CBE and due from banks items in the course of collection and treasury and other government bills; loans and overdrafts to banks; and loans and overdrafts to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

3.3.4 Derivative cash flows

(a) Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis include:

- Foreign exchange derivatives: over-the-counter (OTC) currency options, currency futures, exchange traded currency options; and
- Interest rate derivatives: interest rate swaps, forward rate agreements, OTC interest rate options, other interest rate contracts, exchange traded interest rate futures and exchange traded interest rate options.

The table below analyses the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1 -3 months	3 -12 months	1-5 years	Over 5 years	Total
At 31 March 2010						
liabilities 2010						
Derivatives held for trading:						
- Foreign exchange derivatives	(5,152,486)	(8,722,485)	(5,937,652)			(19,812,623)
- Interest rate derivatives			(1,932,916)	(9,741,684)	(68,495)	(11,743,095)
Total	<u>(5,152,486)</u>	<u>(8,722,485)</u>	<u>(7,870,568)</u>	<u>(9,741,684)</u>	<u>(68,495)</u>	<u>(31,555,718)</u>

Off balance sheet items 31/03/2010, 31/12/2009

31 Mar 2010	Up to 1 year	1-5 years	Over 5 years	total
Financial Guarantees , Bills and other Facilities	8,801,475,466	2,940,969,537	15,146,387	11,757,591,390
Total	<u>8,801,475,466</u>	<u>2,940,969,537</u>	<u>15,146,387</u>	<u>11,757,591,390</u>

3.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value using a valuation technique

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during 30/9/2009 269,461,872 LE and 329,726,619 in 31/12/2009

(b) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	31 March2010	31 Dec.2009	31 March2010	31 Dec.2009
Financial Assets				
Due from banks	8,080,344,588	7,946,147,786	191,260,819	200,765,433
Loans and overdraft to banks				
Loans and overdraft to customers				
– Retail customers (individual)			2,869,488,082	2,737,259,530
– Large corporate customers			28,011,216,547	26,043,164,529
Investment securities available for sale			102,548,332	115,553,654
Investment securities (held-to-maturity)			567,682,491	590,057,209
Total Financial Assets	8,080,344,588	7,946,147,786	31,742,196,271	29,686,800,355
Financial liabilities				
Due to banks	1,061,560,353	458,145,229		
Deposits from customers	58,162,948,569	54,648,654,522		
– Retail customers				
– Large corporate customers				
Debt securities in issue				
Other loans	89,230,051	93,237,042		
Total Financial Liabilities	59,313,738,973	55,200,036,793		

(i) Due from other banks

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and overdrafts to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Loans and overdrafts to banks

Loans and banking facilities represented in loans not from deposits at banks. The expected fair value of the loans and facilities represents the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate to determine fair value.

(iii) Investment securities

Investment securities include only interest-bearing assets held to maturity; assets classified as available for sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(iv) Due to other banks and customers, other deposits and other borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) Debt securities in issue

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

3.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the [name of country's authority] (the Authority), for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires each bank or banking group to: (a) hold the minimum level of the issued and paid up capital of EGP500m, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 10%. In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Arab Republic of Egypt are directly regulated and supervised by their local banking supervisor, which may differ from country to country.

The dominator of capital adequacy consists of:

- Share capital, consisting of paid-up capital (after deducting the book value of treasury shares), and retained earnings and reserves resulting from the distribution of profits with the exception of General risk reserve banking, and deducting there from previously recognized goodwill and any transferred loss
- Qualifying subordinated loan capital, which consists of the equivalent of the risk allocation year according to the principles of credit issued by the Central Bank of Egypt for not more than 1.25% of total assets and liabilities weighted with risk, loans / deposits support in excess of the schedule of five years (with consumption of 20% of their value in each year of the last five years of the schedule) and 45% of the increase between the fair value and book value for each of the financial investments available for sale and held to maturity in subsidiaries.

When calculating the total dominator of capital adequacy, it shall not exceed the capital cushions (Qualifying subordinated loan capital) for share capital and loans not to increase (deposits) support for half of the share capital.

Assets are risk weighted ranging from zero to 100% classified by the relation of the debtor to all each asset to reflect the credit risk associated with it, taking the cash collateral account. These are used for the treatment of off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December. During those two years, the individual entities within the Bank and the Bank complied with all of the externally imposed capital requirements to which they are subject.

	<u>31 March 2010</u>	<u>31 DEC 2009</u>
	<u>EGP</u>	<u>EGP</u>
Tier 1 capital		
Share capital (net of the treasury shares)	2,925,000,000	2,925,000,000
General bank reserves	2,474,395,768	2,474,395,768
Legal reserve	601,454,369	601,454,369
Other reserve	303,086,745	241,133,169
Retained earnings	20,231,298	(1,942,684)
Total qualifying Tier 1 capital	6,324,168,180	6,240,040,622
Tier 2 capital		
Redeemable preference shares (general risk provision)	538,804,977	510,442,970
Loans/deposits		
Convertible bonds (including liability and equity portions)		
45% of the increase in fair value than the book value for A.F.S.		
– Financial investments available for sale		
– held to maturity and in subsidiaries		
Total qualifying Tier 2 capital	538,804,977	510,442,970
Less investments in associates		
Total capital 1+2	6,862,973,157	6,750,483,592
Risk-weighted assets:		
On-balance sheet	38,280,072,140	36,143,068,815
Off-balance sheet	4,824,326,028	4,692,368,750
Total risk-weighted assets	43,104,398,168	40,835,437,565
Basel ratio (%)	%15.92	%16.53

The increase of the regulatory capital in the year of 2010 is mainly due to the contribution of the current-year profit.

4. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available info.

(a) Impairment losses on loans and overdraft

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision of impairment losses would be lower by 192,093,722 than the provided provision.

(b) Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. For example, to the extent that management used a tightening of 20 basis points in the credit spread,

(e) Held-to-maturity investments

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortised cost.

5. Segment analysis

(a) By business segment

The Bank is divided into main business segments on a worldwide basis:

- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products; and
- Investment banking – incorporating financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.
- Others – other Bank operations comprise fund management, institutional finance and providing computer services, none of which constitutes a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

<u>At 31 March 2010</u>	<u>Corporate</u>	<u>SME's</u>	<u>Investment</u>	<u>Retail</u>	<u>Total</u>
	<u>Banking</u>		<u>Banking</u>	<u>Banking</u>	
Sector Revenue	545,300,605	14,083,395	110,602,234	326,531,535	996,517,769
Sector Expenses	(130,387,558)	(18,381,995)	(6,244,364)	(209,717,868)	(364,731,785)
Total sector activities	<u>414,913,047</u>	<u>(4,298,600)</u>	<u>104,357,870</u>	<u>116,813,667</u>	<u>631,785,984</u>
Profit before tax	414,913,047	(4,298,600)	104,357,870	116,813,667	631,785,984
Tax	(85,589,698)		(423,275)	(17,392,165)	(103,405,138)
Profit for the period	329,323,349	(4,298,600)	103,934,595	99,421,502	528,380,846
Geographical segments Assets	51,011,666,331	627,447,000	15,373,000	2,869,488,082	54,523,974,414
Total Assets	51,011,666,331	627,447,000	15,373,000	2,869,488,082	54,523,974,414

<u>At 31 March 2010</u>	<u>Corporate</u>	<u>SME's</u>	<u>Investment</u>	<u>Retail</u>	<u>Total</u>
	<u>banking</u>		<u>Banking</u>	<u>Banking</u>	
Sector Revenue	2,063,487,895	1,233,264,123	35,755,000	40,989,074	3,373,496,092
Sector expenses	(499,571,860)	(763,045,467)	(28,445,000)	(18,890,191)	(1,309,952,518)
Total sector activities	<u>1,563,916,035</u>	<u>470,218,656</u>	<u>7,310,000</u>	<u>22,098,883</u>	<u>2,063,543,574</u>
Profit before tax	1,563,916,035	470,218,656	7,310,000	22,098,883	2,063,543,574
Tax	(252,484,787)	(73,899,941)	(1,150,000)	(1,117,132)	(328,651,860)
Profit for the year	1,311,431,248	396,318,715	6,160,000	20,981,751	1,734,891,714
Geographical segments Assets	47,270,192,035	220,223,300	15,311,000	2,737,259,530	50,242,985,865
Total assets	47,270,192,035	220,223,300	15,311,000	2,737,259,530	50,242,985,865

(b) By Geographical segment

31 March 2010

	<u>Alex, Delta &</u>			<u>Total</u>	<u>Gulf</u>	
	<u>Cairo</u>	<u>sinai</u>	<u>Upper Egypt</u>		<u>Countries</u>	<u>Total</u>
Sector Revenue	800,837,746	166,215,234	25,382,791	992,435,771	1,701,882	994,137,653
Sector expenses	(249,842,165)	(94,946,755)	(19,495,720)	(364,284,640)	(447,145)	(364,731,785)
Total sector activities	<u>550,995,581</u>	<u>71,268,479</u>	<u>5,887,071</u>	<u>628,151,131</u>	<u>1,254,737</u>	<u>629,405,868</u>
Profit before tax	550,995,581	71,268,479	5,887,071	628,151,131	1,254,737	629,405,868
Tax	(85,589,698)	(14,143,991)	(1,093,983)	(100,827,672)	(197,350)	(101,025,022)
Profit for the Period	465,405,883	57,124,488	4,793,088	527,323,459	1,057,387	528,380,846
Geographical segments Assets	47,677,591,822	6,150,846,670	692,339,547	54,520,778,039	3,196,374	54,523,974,414
Total Assets	47,677,591,822	6,150,846,670	692,339,547	54,520,778,039	3,196,374	54,523,974,414

Arab Republic of Egypt

31 December 2009

	<u>Alex, Delta &</u>			<u>Total</u>	<u>Gulf</u>	
	<u>Cairo</u>	<u>sinai</u>	<u>Upper Egypt</u>		<u>Countries</u>	<u>Total</u>
Sector Revenue	2,694,752,367	604,289,656	90,005,198	3,389,047,221	6,513,865	3,395,561,086
Sector expenses	(909,802,720)	(331,898,850)	(80,523,392)	(1,322,224,962)	(9,792,550)	(1,332,017,512)
Total sector activities	<u>1,784,949,647</u>	<u>272,390,806</u>	<u>9,481,806</u>	<u>2,066,822,259</u>	<u>(3,278,685)</u>	<u>2,063,543,574</u>
Profit before tax	1,784,949,647	272,390,806	9,481,806	2,066,822,259	(3,278,685)	2,063,543,574
Tax	(266,683,079)	(57,301,417)	(4,577,700)	(328,562,197)	(89,663)	(328,651,860)
Profit for the year	1,518,266,568	215,089,389	4,904,106	1,738,260,062	(3,368,348)	1,734,891,714
Geographical Segments Assets	44,373,993,783	5,220,836,561	159,979,784	49,754,810,128	488,175,738	50,242,985,865
Total Assets	50,242,985,865	50,242,985,865	50,242,985,865	50,242,985,865	50,242,985,865	50,242,985,865

(6) Net Interest Income

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Mar.31, 2009</u> <u>EGP</u>
- Interest Received from Loans and similar items:-		
- Banks	20,362,909	47,339,471
- Clients	500,353,138	574,310,917
	<u>520,716,047</u>	<u>621,650,388</u>
- Treasury Bills and Bonds	328,671,993	316,701,203
- Reverse Repose	240,209	26,351,249.26
- Financial Investment In Held to Maturity and Available for Sale Debt Instruments	186,201,041	84,871,911
- Other	1,627	(1,662)
<u>Total</u>	<u>1,035,830,917</u>	<u>1,049,573,089</u>
- Interest Paid on deposits and similar items:-		
- Banks	15,414,399	30,305,517
- Clients	500,398,594	500,608,201
	<u>515,812,993</u>	<u>530,913,718</u>
- Other	196,909	425,854
<u>Total</u>	<u>516,009,902</u>	<u>531,339,572</u>
<u>Net</u>	<u>519,821,015</u>	<u>518,233,517</u>

(7) Net Income From Fees & Commissions

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Mar.31, 2009</u> <u>EGP</u>
<u>Fees & Commissions Income :</u>		
Fees & Commissions Related to Credit	124,662,435	98,936,368
Custody Fees	40,301,663	11,074,246
Other Fees	66,399,398	57,832,774
<u>Total</u>	<u>231,363,496</u>	<u>167,843,388</u>
<u>Fees & Commissions Expense :</u>		
Other Fees Paid	(17,151,477)	(16,029,590)
<u>Total</u>	<u>(17,151,477)</u>	<u>(16,029,590)</u>
<u>Net Fees & Commissions</u>	<u>214,212,019</u>	<u>151,813,798</u>

(8) Dividends

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Mar.31, 2009</u> <u>EGP</u>
Available for Sale Securities	60,651,357	95,161,746
Subsidiaries and Associated	3,472,300	4,545,659
<u>Total</u>	<u>64,123,657</u>	<u>99,707,405</u>

(9) Trading Net Profit

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Mar.31, 2009</u> <u>EGP</u>
- Profit From Foreign exchange	75,053,936	81,813,058
- (Losses) From Revaluations of Trading Assets and Liabilities in Foreign Currencies	(392,746)	1,433,237
- Profit From Forward Foreign exchange Deals Revaluation	(4,192,906)	5,935,047
- (Losses) Profit From Interest Rate Swaps Revaluation	(10,479,717)	5,844,465
- (Losses) Profit From Swap Deals Revaluation	(1,926,175)	(342,130)
- Trading Debt Instruments	11,125,580	61,078,853
- Trading Equity Instruments	14,409,513	(4,756,807)
<u>Total</u>	<u>83,597,485</u>	<u>151,005,723</u>

(10) <u>Administrative Expenses</u>	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
<u>Personnel costs</u>		
- Wages & Salaries	145,548,381	94,552,086
- Social Insurance	6,437,041	6,275,601
- Other Benefits	4,454,437	4,604,825
- <u>Other Administrative Expenses</u>	164,342,187	175,834,993
Total	<u>320,782,046</u>	<u>281,267,506</u>
(11) <u>Other Operating (Expenses) Income</u>	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- (Losses) Profits From Assets & Liabilities Revaluation Except Trading	(1,567,464)	(12,411,954)
- Profits From Selling Equipments And Fixed Assets	1,833,430	609,735
- Provision No Longer Used	35,848,354	(25,800,717)
- Others	(12,956,324)	(16,520,206)
Total	<u>23,157,996</u>	<u>(54,123,142)</u>
(12) <u>Return (Losses) Of Impairment From Loans</u>	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
Loans And Overdrafts For Customers	(2,014,936)	(11,765,527)
Held to Maturity Financial Investments	103,856	-
Total	<u>(1,911,080)</u>	<u>(11,765,527)</u>
(13) <u>Adjustments to Calculate the Effective Tax Rate</u>	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Profit Before Tax	625,800,230	554,282,597
- Tax Rate	20%	20%
<u>Income Tax Based On Accounting Profit</u>	<u>125,160,046</u>	<u>110,856,519</u>
<u>Add / (Deduct)</u>		
- Non-Deductible Expenses	33,310	3,339,468
- Tax Exemptions	(23,643,297)	(31,946,432)
- Effect Of Provisions	(4,584,020)	15,106
	(9,234)	-
<u>Income Tax</u>	<u>96,956,805</u>	<u>82,264,661</u>
Effective Tax Rate	15.49%	14.84%
(14) <u>Earning Per Share</u>	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Net Profit For The Period Available for Distribution	484,002,203	471,102,426
- Board Member's Bonus	(7,260,033)	(7,066,536)
- Staff Profit Sharing	(48,400,220)	(47,110,243)
<u>Shareholders' Share In Profits</u>	<u>428,341,949</u>	<u>416,925,647</u>
- Number Of Shares	292,500,000	292,500,000
<u>Basic Earning Per Share</u>	<u>1.46</u>	<u>1.43</u>
- By Issuance Of ESOP Earning Per Share Will Be:-		
Number Of Shares Including ESOP Shares	300,641,285	299,101,053
<u>Diluted Earning Per Share</u>	<u>1.42</u>	<u>1.39</u>

(15) Cash And Due From Central Bank

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Dec.31, 2009</u> <u>EGP</u>
- Cash	927,886,163	911,195,861
- Reserve Balance With CBE:-		
- Current Accounts	3,171,010,174	3,268,060,628
<u>Total Cash & Due From Central Bank</u>	<u>4,098,896,337</u>	<u>4,179,256,489</u>
<u>Balances without Interest</u>	<u>4,098,896,337</u>	<u>4,179,256,489</u>

(16) Due From Banks

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Dec.31, 2009</u> <u>EGP</u>
- Current Accounts	595,517,695	436,687,451
- Deposits	7,484,826,893	7,509,460,335
<u>Total Due From Banks</u>	<u>8,080,344,588</u>	<u>7,946,147,786</u>
- Central Banks (Except Obligatory Reserve)	2,232,765,447	2,121,116,884
- Local Banks	539,876,061	974,205,982
- Foreign Banks	5,307,703,080	4,850,824,920
<u>Total Due From Banks</u>	<u>8,080,344,588</u>	<u>7,946,147,786</u>
- Non Bearing Interest Balances	595,517,695	436,687,451
- Fixed Bearing Interest Balances	7,484,826,893	7,509,460,335
<u>Total Due From Banks</u>	<u>8,080,344,588</u>	<u>7,946,147,786</u>
- Current Balances	8,080,344,588	7,946,147,786
<u>Total Due From Banks</u>	<u>8,080,344,588</u>	<u>7,946,147,786</u>

(17) Treasury Bills And Other Governmental Notes

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Dec.31, 2009</u> <u>EGP</u>
- 91 Days Maturity	7,530,725,000	5,654,811,592
- 182 Days Maturity	4,950,125,000	4,539,175,000
- 364 Days Maturity	1,485,275,000	3,451,725,000
	<u>13,966,125,000</u>	<u>13,645,711,592</u>
- Unearned Income	(390,382,031)	(446,750,679)
<u>Total Treasury Bills</u>	<u>13,575,742,969</u>	<u>13,198,960,913</u>

(18) Financial Assets For Trading

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Dec.31, 2009</u> <u>EGP</u>
<u>Debt Instruments:-</u>		
- Government Bonds	75,247,628	75,348,284
- Other Debt Instruments	187,461,371	110,518,274
<u>Total Debt Instruments</u>	<u>262,708,999</u>	<u>185,866,558</u>
<u>Equity Instruments:-</u>		
- Foreign Company Shares	68,926,562	57,624,532
- Mutual Fund	215,855,277	211,661,790
<u>Total Equity Instruments</u>	<u>284,781,838</u>	<u>269,286,322</u>
Funds Managed By Others	18,312,920	35,986,076
<u>Total Financial Assets For Trading</u>	<u>565,803,757</u>	<u>491,138,956</u>

(19) Loans And Overdrafts For Banks

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Dec.31, 2009</u> <u>EGP</u>
- Time and Term Loans	191,260,819	200,765,433
<u>Total Loans and Overdrafts For Banks</u>	<u>191,260,819</u>	<u>200,765,433</u>
Distributed To:-		
- Non-Current Balances	191,260,819	200,765,433
<u>Net Loans And Overdrafts For Banks</u>	<u>191,260,819</u>	<u>200,765,433</u>

(20) Loans And Overdrafts For Customers

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Mar.31, 2009</u> <u>EGP</u>
<u>Retail</u>		
- Overdrafts	693,787,829	986,868,989
- Credit Cards	463,872,627	452,129,339
- Personal Loans	1,350,582,571	1,006,597,234
- Real state Loans	361,245,056	291,663,968
<u>Total (1)</u>	<u>2,869,488,082</u>	<u>2,737,259,530</u>
<u>Corporate</u>		
- Overdrafts	3,604,775,360	3,367,186,944
- Direct Loans	17,980,507,506	15,268,369,667
- Syndicated loans	6,365,707,680	7,380,011,341
- Other Loans	60,226,002	27,596,577
<u>Total (2)</u>	<u>28,011,216,547</u>	<u>26,043,164,529</u>
<u>Loans And Overdrafts For Customers (1+2)</u>	<u>30,880,704,630</u>	<u>28,780,424,059</u>
- Unearned Bills Discount	(82,259,038)	(92,637,396)
- Provision For Doubtful Debts	(1,309,965,539)	(1,304,194,446)
- Interest In Suspense	(151,373,781)	(141,285,321)
<u>Net Loans And Overdrafts For Customers</u>	<u>29,337,106,271</u>	<u>27,242,306,896</u>
<u>Distributed To:-</u>		
Current Balances	11,249,134,682	10,362,261,423
Non-Current Balances	18,087,971,589	16,880,045,473
<u>Net Loans And Overdrafts For Customers</u>	<u>29,337,106,271</u>	<u>27,242,306,896</u>

(20) Loans And Overdrafts For Customers (Cont.)

- Analysis Of The Doubtful Debts Provision For Customers

Mar.31, 2010

Retail

	<u>Overdrafts</u>	<u>Credit Cards</u>	<u>Personal Loans</u>	<u>Real state Loans</u>	<u>Total</u>
- Balance At Beginning Of The Period	6,217,574	63,472,214	123,755,953	6,607,506	200,053,247
- Formed During The Period	3,088,988	(7,245,867)	(14,456,958)	1,319,369	(17,294,468)
- Write Off During The Period	-	-	-	-	-
- Recoveries From Written Off Debts	-	321,520	-	-	321,520
- Foreign Currency Revaluation Diff.	-	-	-	-	-
Balance At The End Of The Period	9,306,562	56,547,867	109,298,995	7,926,875	183,080,299

Corporate

	<u>Overdrafts</u>	<u>Direct Loans</u>	<u>Syndicated loans</u>	<u>Other Loans</u>	<u>Total</u>
- Balance At Beginning Of The Period	182,615,379	456,119,614	461,400,856	4,005,349	1,104,141,198
- Formed During The Period	3,209,919	7,918,816	8,110,266	70,404	19,309,404
- Write Off During The Period	-	-	-	-	-
- Recoveries From Written Off Debts	452,101	1,129,216	-	-	1,581,318
- Foreign Currency Revaluation Diff.	-	1,853,320	-	-	1,853,320
Balance At The End Of The Period	186,277,399	467,020,966	469,511,122	4,075,753	1,126,885,240

Dec.31, 2009

Retail

	<u>Overdrafts</u>	<u>Credit Cards</u>	<u>Personal Loans</u>	<u>Real state Loans</u>	<u>Total</u>
Balance At Beginning Of The Year	2,439,210	50,894,643	152,213,149	3,960,474	209,507,476
Formed During The Year	3,778,364	11,412,910	(28,457,196)	2,647,032	(10,618,890)
Write Off During The Year	-	(63,301)	-	-	(63,301)
Recoveries From Written Off Debts	-	1,227,962	-	-	1,227,962
Foreign Currency Revaluation Diff.	-	-	-	-	-
Balance At The End Of The Year	6,217,574	63,472,214	123,755,953	6,607,506	200,053,247

Corporate

	<u>Overdrafts</u>	<u>Direct Loans</u>	<u>Syndicated loans</u>	<u>Other Loans</u>	<u>Total</u>
Balance At Beginning Of The Year	187,125,155	451,736,126	485,564,104	4,232,079	1,128,657,464
Formed During The Year	3,031,459	41,692,243	(24,163,248)	(226,730)	20,333,724
Write Off During The Year	(11,186,847)	(54,216,933)	-	-	(65,403,780)
Recoveries From Written Off Debts	3,645,612	19,080,865	-	-	22,726,477
Foreign Currency Revaluation Diff.	-	(2,172,687)	-	-	(2,172,687)
Balance At The End Of The Year	182,615,379	456,119,614	461,400,856	4,005,349	1,104,141,198

(21) Financial derivatives

Derivatives

The bank uses the following financial derivatives for non hedging purposes.

- Forward contracts represents commitments of buying foreign and local currencies including unexecuted spot transactions. Future contracts for foreign currencies and/or interest rates represents contractual commitments to receive or pay net amount on the basis of changes in foreign exchange rates or interest rates, and/or buying or selling foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.
- Credit risk is considered low, and future interest rate contracts represents future exchange rate contracts negotiated for case by case, these contracts requires financial settlements of any differences in contractual interest rates and prevailing market interest rates on future dates based on contractual amount (nominal value) pre agreed upon.
- Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts)/ contractual amounts are not exchanged except for some foreign exchange contracts
- Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities.
This risk is monitored continuously through comparisons of fair value and contractual amount, and to control continuously through comparisons of fair value and contractual amount, and to control the outstanding credit risk, the bank evaluates other parties using the same methods as in borrowing activities.
- Options contracts in foreign currencies and/or interest rates represents contractual agreements for the buyer (issuer) to seller (holders) as a right not an obligations whether to buy (buy option) or to sell (sell option) at a certain day or within certain period for a certain amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between the bank and one of its client (Off balance sheet). The bank exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.
- The contractual value for some derivatives options considered a base to compare the realized financial instruments on the balance sheet, but it didn't provide indicator on the projected cash flows of the fair value for current instruments, those amounts doesn't reflects credit risk or interest rate risk.
- Derivatives in the banks benefit represent (assets) conversely it represents (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time and also the range through which the financial derivatives can be in benefit of the bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. hereunder are the fair values of the booked financial derivatives.

For Trading Derivatives

	<u>Notional Amount</u>	<u>Mar.31, 2010</u>		<u>Notional Amount</u>	<u>Dec.31, 2009</u>	
		<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>
- Foreign Derivatives:-						
- Forward Foreign exchange contracts	2,403,361,834	12,386,321	11,876,548	2,216,238,458	11,313,445	6,610,765
- Currency swap	2,836,136,003	49,334,658	7,379,823	2,282,456,175	59,700,304	8,520,349
- Options	285,447,124	556,252	556,252	1,115,741,508	6,680,711	6,680,711
Total Derivatives (1)		62,277,231	19,812,623		77,694,460	21,811,825
- Interest rate derivatives:-						
- Interest rate Swaps	1,896,935,595	20,235,976	11,743,095	1,468,824,580	25,635,166	6,697,411
Total Derivatives (2)		20,235,976	11,743,095		25,635,166	6,697,411
- Commodity	197,367,253	75,916,132	75,916,132	219,509,800	122,017,594	122,017,594
Total Derivatives (3)		75,916,132	75,916,132		122,017,594	122,017,594
Total Assets (liability) For Trading Derivatives (1+2+3)		158,429,339	107,471,850		225,347,220	150,526,830

(22) Financial Investment

	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>	
<u>- Available For Sale Financial Investment:-</u>	<u>EGP</u>	<u>EGP</u>	
- Debt Instruments Listed - Fair Value	8,214,109,693	6,756,292,076	
- Equity Instruments Listed - Fair Value	102,548,332	115,553,654	
- Unlisted Instruments	655,022,555	558,131,421	
<u>Total Available For Sale Financial Investment</u>	<u>8,971,680,580</u>	<u>7,429,977,151</u>	
<u>- Held To Maturity Financial Investment:-</u>			
- Listed Debt Instruments	263,539,985	272,889,366	
- Unlisted Instruments	304,142,506	317,167,843	
<u>Total Held To Maturity Financial Investment</u>	<u>567,682,491</u>	<u>590,057,209</u>	
<u>Total Financial Investment</u>	<u>9,539,363,071</u>	<u>8,020,034,360</u>	
- Listed Balances	7,545,926,691	7,154,182,641	
- Unlisted Balances	1,993,436,380	865,851,719	
	<u>9,539,363,071</u>	<u>8,020,034,360</u>	
- Fixed Interest Debt Instruments	7,269,877,413	5,701,939,359	
- Variable Interest Debt Instruments	1,554,343,239	1,601,779,389	
	<u>8,824,220,653</u>	<u>7,303,718,749</u>	
	<u>Available for Sale</u>	<u>Held to Maturity</u>	<u>Total</u>
	<u>Financial</u>	<u>Financial</u>	
	<u>Investment</u>	<u>Investment</u>	
- Opening Balance 1/1/2009	2,774,965,250	681,263,274	3,456,228,524
- Addition	9,345,814,437	10,130,536	9,355,944,973
- Deduction (Selling - Recovery)	(4,581,571,366)	(100,347,555)	(4,681,918,922)
- Differences In Revaluation Of The Cash Assets In Foreign Currencies	(8,035,073)	(989,046)	(9,024,119)
- Profit From Fair Value Deference	(86,277,201)	-	(86,277,201)
- Deduct - Impairment Losses	(14,918,896)	-	(14,918,896)
<u>Balance At The End Of Year</u>	<u>7,429,977,151</u>	<u>590,057,209</u>	<u>8,020,034,360</u>
- Opening Balance 1/1/2010	7,429,977,151	590,057,209	8,020,034,360
- Addition	2,235,189,914	9,997,505	2,245,187,419
- Deduction (Selling - Recovery)	(778,806,641)	(33,422,587)	(812,229,228)
- Differences In Revaluation Of The Cash Assets In Foreign Currencies	1,192,597	946,509	2,139,106
- Profit From Fair Value Deference	84,127,558	-	84,127,558
- Deduct - Impairment Provision	-	103,856	103,856
<u>Balance At The End Of Period</u>	<u>8,971,680,580</u>	<u>567,682,491</u>	<u>9,539,363,071</u>
	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>	
<u>- Profit (Losses) From Financial Investment</u>	<u>EGP</u>	<u>EGP</u>	
Profit From Selling Available For Sale Financial Instruments	57,206,665	(4,780,213)	
(Losses) From Impairment Of Equity Instruments Available For Sale	-	(2,312,308)	
(Losses) Of Impairment From Available For Sale Debt Instruments	1,192,597	4,641,573	
Return (Losses) Of Impairment From Held to Maturity Investments	(1,624)	(3,914)	
	<u>58,397,638</u>	<u>(2,454,862)</u>	

(23) Financial Investments in Associated Companies

	<u>Mar.31, 2010</u>		<u>Dec.31, 2009</u>	
	<u>Value (EGP)</u>	<u>%</u>	<u>Value (EGP)</u>	<u>%</u>
- Commercial International life insurance co.	27,081,266	45	23,036,454	45
- Corplease co.	43,662,426	40	34,379,405	40
- Cotecna Trade Support	0	39	0	39
- Haykala for Investment	1,613,368	40	2,247,898	40
- Egypt Factors	3,615,324	39	5,652,750	39
- International. Co. for Appraisal and Collection.	1,704,178	40	2,292,338	40
- International Co. for Security and Services (Falcon)	9,186,997	40	7,141,800	40
Total	86,863,558		74,750,645	

The Financial Investments in Associated companies are represented as follows :-

- Financial Investments Unlisted in Stock Exchange	86,863,558	74,750,645
Total	86,863,558	74,750,645

(24) Real estate investments *

<u>Assets</u>	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
	<u>Book value</u>	<u>Book value</u>
- Building number 17 tiba st. Eldokki next to shooting club	7,600,000	7,600,000
- Commercial unit number f 35 in arkadia mall (14 elbahr st. Boulak kornish el nile)	361,200	361,200
- Floor 3 building number 131 eltahriri st. Eldokki + part of the garage	3,239,200	3,239,200
- Appartment in the first floor 230 meters elmadina tower elgomhoria st. Port said	1,000,000	1,000,000
- 338.32 meters on a land and building the property number 16 elmakrizi st. Heliopolis	1,650,000	1,650,000
- Villa number 27/291 elgamil portsaid	225,000	225,000
- Villa number 113 royal hills 6th of october	2,500,000	2,500,000
- A land area with 1468.85 meters elsaidi basin -markaz nabrouh eldakahlia	1,321,965	1,321,965
- Land and a bulding in elmansoura elnahda street 766.3 meters	7,663,000	7,663,000
- Agricultural area 1 feddan 14t and 17.25 shares near el azazi fakous elsharkia	322,000	322,000
- Land number 16 mit khamis elmansoura (3 carats, 15 share)which equals 645 meters	1,935,000	1,935,000
- land with a villa model number 10 on land number 219 Elshorouk 2000 compound villas	2,525,500	2,525,500
- Agricultral area 27 feddans 19 carats markaz shebin eldakahlia	7,225,833	7,225,833
- Agricultral area 19 feddans 17 carats El-Hesas El-Dakahlia	4,916,666	4,916,666
Total	42,485,364	42,485,364

(25) Debit Balances and Other Assets

	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Accrued Revenues	461,898,301	451,247,581
- Prepaid Expenses	74,925,349	71,046,513
- Advances for Purchase of Fixed Assets	54,860,374	89,060,595
- Accounts receivable and Other Assets**	580,366,752	347,073,376
- Assets Acquired as Settlement of Debts	4,630,353	4,630,353
	1,176,681,129	963,058,418

* This Include The Value Of Premises That Was Not Recorded Under The Bank's Name By EGP 34.884.964 Which Were Acquired Against Settlement Of The Debts Mentioned Above, In The Same Time The Legal Procedures Are Under Process To Register Or Sell These Assets Within The period required by law.

** Include EGP 8,331,048 as Assets Held For Sale.

(26) Net Fixed Assets**Mar.31, 2010**

	Land	Premises	IT	Vehicles	Fitting -Out	Machines & Equipment	Furniture & Furnishing	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Opening Balance (3)	77,943,180	333,931,594	651,140,471	24,906,765	235,612,855	238,024,201	106,675,098	1,668,234,164
Additions (Deductions) During The Period	(17,395,000)	49,576,247	4,589,087	(51,500.00)	2,220,392	1,315,788	1,485,740	41,740,754
Closing Balance (1)	60,548,180	383,507,841	655,729,558	24,855,265	237,833,247	239,339,989	108,160,838	1,709,974,918
Accu.Depreciation at Beginning of The Year (4)	-	122,545,577	415,058,452	22,820,614	167,756,764	134,767,789	55,681,975	918,631,171
Current Period Depreciation	-	4,031,594	22,285,177	249,123	10,677,760	6,625,153	2,431,721	46,300,528
Accu.Depreciation at End of The Year (2)	-	126,577,171	437,343,629	23,069,737	178,434,524	141,392,942	58,113,696	964,931,699
End of Period Net Assets (1-2)	60,548,180	256,930,670	218,385,929	1,785,528	59,398,723	97,947,047	50,047,142	745,043,219
Beginning of Period Net Assets (3-4)	77,943,180	211,386,017	236,082,019	2,086,151	67,856,091	103,256,412	50,993,123	749,602,993

Depreciation Rates**%5****%20****%20****%33.3****33%****20%**

- Net Fixed Assets Value On The Balance Sheet Date Includes EGP 63,561,697 Non Registered Assets While Their Registrations Procedures Are In Process.

(27) Due To Banks

	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Current Accounts	161,560,353	258,145,229
- Deposits	900,000,000	200,000,000
	<u>1,061,560,353</u>	<u>458,145,229</u>
- Central Banks	30,686,595	33,070,672
- Local Banks	922,731,911	215,963,990
- Foreign Banks	108,141,847	209,110,567
	<u>1,061,560,353</u>	<u>458,145,229</u>
- Non Bearing Interest Balances	161,560,353	258,145,229
- Fixed Bearing Interest Balances	900,000,000	200,000,000
	<u>1,061,560,353</u>	<u>458,145,229</u>
- Current Balances	161,560,353	258,145,229
- Non-Current Balances	900,000,000	200,000,000
	<u>1,061,560,353</u>	<u>458,145,229</u>

(28) Customers Deposits

	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Demand Deposits	14,637,593,827	14,296,409,936
- Time Deposits	22,326,000,491	21,669,911,514
- Certificates of Deposit	12,380,152,906	9,805,872,397
- Saving Deposits	7,906,117,894	8,024,613,798
- Other Deposits	913,083,451	851,846,877
	<u>58,162,948,569</u>	<u>54,648,654,522</u>
- Corporate Deposits	19,463,024,500	18,518,700,820
- Retail Deposits	38,851,964,375	36,129,953,702
	<u>58,314,988,875</u>	<u>54,648,654,522</u>
- Non Bearing Interest Balances	15,550,677,278	15,148,256,813
- Floating Bearing Interest Balances	6,538,430	10,746,100
- Fixed Bearing Interest Balances	42,605,732,861	39,489,651,609
	<u>58,162,948,569</u>	<u>54,648,654,522</u>
- Current Balances	45,698,758,325	44,757,686,685
- Non-Current Balances	12,464,190,244	9,890,967,837
	<u>58,162,948,569</u>	<u>54,648,654,522</u>

(29) Long Term Loans

	<u>Rate</u>	<u>Maturity Date</u>	<u>Maturing Through</u>	<u>Balance as of</u>	<u>Balance as of</u>
	<u>%</u>		<u>Next Year</u>	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
			<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
- F.I.S.C.	7	3-5 years	15,088,497	34,314,000	36,314,000
- KFW Private Sector Industry (Phase II)	9 - 10.5	10 YEARS	5,004,762	12,661,733	9,581,678
- UNIDO	1	2011	1,349,330	1,378,028	2,249,926
- Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	18,577,540	29,826,191	33,687,857
- Ministry of Agriculture (V.S.P)	3.5 - 5.5 depends on maturity date	3-5 years	40,000	60,000	60,000
- Social Fund	3 months T/D or 9% which more	2010	679,250	1,096,241	1,485,844
- Spanish Microfinance Loan	0.5	2012	45,403	9,893,858	9,857,737
Total			<u>40,784,782</u>	<u>89,230,051</u>	<u>93,237,042</u>

(30) Credit Balances and Other Liabilities

	<u>Mar.31, 2010</u>	<u>Mar.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Accrued Interest Payable	188,117,961	168,854,663
- Accrued Expenses	88,559,764	95,935,714
- Accounts Payable	771,153,161	461,958,941
- Income Tax	98,518,063	306,398,840
- Other Credit balances	253,698,993	128,871,410
Total	<u>1,400,047,942</u>	<u>1,162,019,568</u>

(31) Other Provisions

	<u>Mar.31, 2010</u>					
	<u>EGP</u>					
	<u>Opening</u> <u>Balance</u>	<u>Formed</u> <u>During the Year</u>	<u>FCY Balance</u> <u>Reval. Difference</u>	<u>Usage</u> <u>During the Year</u>	<u>Balance</u> <u>No Longer Required</u>	<u>Closing</u> <u>Balance</u>
- Provision For Income Tax Claims	155,953,095	-	-	-	(20,000,000)	135,953,095
- Provision For Legal Claims	3,862,273	67,800	-	-	(360,740)	3,569,333
- Provision For Contingent	281,592,486	-	412,905	-	(17,554,170)	264,451,221
- Provision For Other Claim	8,356,874	-	(3,346)	(1,361,150)	-	6,992,378
- Provision For End Of Service	291,765	20,676	-	-	-	312,441
Total	450,056,493	88,476	409,559	(1,361,150)	(37,914,910)	411,278,468

	<u>Dec.31, 2009</u>					
	<u>EGP</u>					
	<u>Opening</u> <u>Balance</u>	<u>Formed</u> <u>During the year</u>	<u>FCY Balance</u> <u>Reval. Difference</u>	<u>Usage</u> <u>During the year</u>	<u>Balance</u> <u>No Longer Required</u>	<u>Closing</u> <u>Balance</u>
- Provision For Income Tax Claims	155,953,095	-	-	-	-	155,953,095
- Provision For Legal Claims	1,271,113	3,298,742	-	(190,504)	(517,078)	3,862,273
- Provision For Contingent	244,688,780	37,653,452	(749,746)	-	-	281,592,486
Provision For Other Claim	8,723,449	9,455,000	25,167	(6,346,855)	(3,499,887)	8,356,874
Provision For End Of Service	383,640	137,875	-	(229,750)	-	291,765
Total	411,020,077	50,545,069	(724,579)	(6,767,109)	(4,016,965)	450,056,493

(32) Shareholders Equity

(A) Capital:-

- The authorized capital reached EGP 5000 million according to the extraordinary general assembly decision on 19 Mar,2006
- Issued and paid in capital reached EGP 2,950,721,800 to be divided on 295,072,180 shares with EGP 10 par value for each share on 21/04/2010 according to board of directors decision on 11/11/2009 by using 25,721,800 million after shares issuance of first tranche for E.S.O.P program.
- The extraordinary general assembly approved in the meeting of 26 June,2006 to activate a motivating and rewarding program for the bank's employees and managers through employee share ownership plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting 31,dec 2006 and delegated the board of directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- Dividend deducted from shareholders' equity in the period in which the General Assembly recognizes the shareholders of this dividend, which includes the share of workers in the profits and remuneration of the Board of Directors stated in the law

(B) Reserves:-

- According to the bank statutes 5% of net profit is to increase legal reserve until reaches 50% of the bank's issued and paid in capital
- Concurrence of central bank of Egypt for usage of special reserve is required.

(33) Deferred Tax Assets and Liabilities

	<u>Assets (liabilities)</u> <u>Mar.31, 2010</u>	<u>Assets (liabilities)</u> <u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
Deferred tax assets and liabilities are attributable to the following:		
- Fixed Assets (Depreciation)	(24,853,423)	(29,507,214)
- Other Provisions(Excluded Loan Loss, Contingent Liabilities And Income Tax Provisions)	2,785,942	3,045,281
- Other Items(Other Investments Revaluation Difference)	31,517,523	31,517,523
- Reserve For Employee Stock Ownership Plan (ESOP)	35,830,877	32,176,996
	<hr/>	<hr/>
Total	<u><u>45,280,919</u></u>	<u><u>37,232,586</u></u>

(34) Share-Based Payments

- According to the extraordinary general assembly meeting on June 26, 2006, the bank launched new employees share ownership plan (ESOP) scheme and issued equity-settled share-based payments. Such employees should complete a term of 3 years of service in the bank to have the right in ordinary shares at face value (right to share) that will be issued on the vesting date; otherwise such grants will be forfeited. Equity-settled share-based payments are measured at fair value at the grant date, and expensed on a straight-line basis over the vesting year (3 years) with corresponding increase in equity based on estimated number of shares that will eventually vest. The fair value for such equity instruments is measured by use of Black-Scholes pricing model.

Details of the rights to share outstanding during the Year are as follows:

	<u>Number of Shares</u>
- Outstanding At The Beginning Of The Year	6,447,102
- Granted During The Year	1,694,183
- Forfeited During The Year	-
- Exercised During The Year	-
- Expired During The Year	-
	<hr/>
- Outstanding At The End Of The Year	<u><u>8,141,285</u></u>

- The estimated fair value of the equity instrument granted to the first tranche is EGP 30.54 .
- The estimated fair value of the equity instrument granted to the second tranche is EGP 54.12 .
- The estimated fair value of the equity instrument granted to the third tranche is EGP 27.40 .
- The estimated fair value of the equity instrument granted to the fourth tranche is EGP43.40 .

- The equity instrument fair value for the first, second and third tranches have been adjusted to reflect the dilution effect of the Stock dividend that took place in 2009.

(35) Reserves and Retained Earnings

	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Legal Reserve	601,454,369	513,606,534
- General Reserve	2,474,243,584	1,463,504,300
- Retained Earning	(212,673,915)	(176,287,838)
- Special Reserve	184,356,569	206,530,551
- Reserve For A.F.S Investments Revaluation Diff.	(22,997,208)	(107,124,766)
- Banking Risks Reserve	71,031,433	26,652,790
- Intangible Assets Value For Bank Share Before Acquisition	302,794,421	302,794,421
Total Reserves and Retained Earnings at the End of the period	<u><u>3,398,209,252</u></u>	<u><u>2,229,675,991</u></u>
A- Banking Risks Reserve	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Opening Balance	26,652,790	-
- Effect Of Adjusting Accounting Standards	44,378,643	26,652,790
Ending Balance	<u><u>71,031,433</u></u>	<u><u>26,652,790</u></u>
B- Legal Reserve	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Opening Balance	513,606,534	432,851,511
- Transferd from Profits	87,847,835	80,755,023
Ending Balance	<u><u>601,454,369</u></u>	<u><u>513,606,534</u></u>
C- Reserve For A.F.S Investments Revaluation Diff.	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Opening Balance	(107,124,766)	(20,985,045)
- Gains (Losses) from A.F.S Investment Revaluation	84,127,558	(86,139,721)
Ending Balance	<u><u>(22,997,208)</u></u>	<u><u>(107,124,766)</u></u>
D- Retained Earning	<u>Mar.31, 2010</u>	<u>Dec.31, 2009</u>
	<u>EGP</u>	<u>EGP</u>
- Opening Balance	(176,287,838)	87,845,690
- Dividends of the previous year	(60,154,526)	(244,507,717)
- Change During the Year	1,594,467	(1,023,965)
- Transferred To Special Reserve	22,173,982	-
- Effect Of Adjusting Accounting Standards		(18,601,847)
Ending Balance	<u><u>(212,673,915)</u></u>	<u><u>(176,287,838)</u></u>

(36) Cash And Cash Equivalent

	<u>Mar. 31, 2010</u> <u>EGP</u>	<u>Dec. 31, 2009</u> <u>EGP</u>
- Cash And Due From Central Bank	4,098,896,337	4,179,256,489
- Due From Banks	8,080,344,588	7,946,147,786
- Treasury Bills And Other Governmental Notes	13,575,742,969	13,198,960,913
- Due From Banks (Time Deposits)	(7,484,826,893)	(7,509,460,335)
- Treasury Bills With Maturity More Than Three Months	(6,129,862,198)	(7,584,125,285)
Total Cash And Cash Equivalent	<u>12,140,294,803</u>	<u>10,230,779,568</u>

(37) Contingent Liabilities And Commitments**(A) Legal Claims**

There are a number of existing cases filed against the bank in 31/03/2010 without provision as it's not expected to make any losses from it.

(B) Capital Commitments**- Financial Investments:-**

The capital commitments for the financial investments reached on the date of financial position EGP 137,825,829 as follows:-

	<u>Investments value</u> <u>EGP</u>	<u>Paid</u> <u>EGP</u>	<u>Remaining</u> <u>EGP</u>
- Available for Sale Financial Investments	489,366,617	352,140,788	137,225,829
- Financial Investments in associates Co.	1,200,000	600,000	600,000

- Fixed Assets and Branches Constructions:-

The value of Commitments for the purchase of fixed assets contracts and branches constructions that have not been implemented till the date of financial statement amounted to EGP 5.193.252

(C) Loans, Facilities and Gurantees Commitments

	<u>Mar.31, 2010</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
- Letters Of Guarantee	10,477,355,369	11,348,196,542
- Letters Of Credit (Import And Export)	700,884,667	820,272,115
- Customers Acceptances	579,351,354	469,403,911
Total	<u>11,757,591,390</u>	<u>12,637,872,568</u>

(38) Comparative Figures

- The Comparative Figures Are Amended To Confirm With The Reclassification Of The Current Year And General Assembly Held on 17th Of March, 2010, Decisions, For Ratifying The Appropriation Account Of Year 2009.
- Some items in income statement and balance sheet have been restated According to Central Bank of Egypt new regulation issued in December 16, 2008 as Follows:-

	<u>Balance Bfore</u> <u>Adjustments Year</u> <u>2009</u>	<u>Balance After</u> <u>Adjustments Year</u> <u>2009</u>
- Loans and Overdrafts for Customers (Net After Provision)	27,102,918,752	27,242,306,896
- Reconciliation Accounts - Credit Balances	1,139,717,462	1,162,019,568
- Other Provisions	380,160,007	450,056,493
- Special Reserve	185,993,785	206,530,551
- Banking Risks Reserve	-	26,652,790
- Provisions (Income Statement)	(42,898,811)	-
- Other Operating (Expenses) Income	(28,322,424)	(54,123,142)
- Return (Losses) Of Impairment From Loans	-	(11,765,527)
- Income Tax	(82,106,651)	(86,848,070)

(39) Mutual Funds

- Osoul Fund

- The Bank established an accumulated return mutual fund under license no.331 issued from capital market authority on 22/02/2005. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 55,552,484 with redeemed value EGP 8,397,869,006.
- The market value per certificate reached EGP 151.17 on 31/03/2010.
- The Bank portion got 1,592,725 certificates with redeemed value EGP 240,772,238.

- Istethmar Fund

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on 26/02/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 3,958,432 with redeemed value EGP 329,974,892.
- The market value per certificate reached EGP 83.36 on 31/03/2010.
- The bank portion got 194,744 certificates with redeemed value EGP 16,233,860.

- Aman Fund (CIB and Faisal Islamic Bank Mutual Fund)

- The bank and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on 30/07/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 986,633 with redeemed value EGP 64,062,081 .
- The market value per certificate reached EGP 64.93 on 31/03/2010.
- The bank portion got 38,504 certificates with redeemed value EGP 2,500,065.

(40) Transactions With Related Parties

All Banking Transactions With Related Parties Are Conducted In Accordance With The Normal Banking Practices And Regulations Applied To All Other Customers Without Any Discrimination.

	<u>EGP</u>	
- Loans & Overdrafts	696,186,378	
- Investment in Subsidiary Companies	86,863,558	
- Available For Sale Mutual Fund Managed by Subsidiary	43,909,577	
Customer Deposits	91,336,684	
Contingent Accounts	58,987,412	
	<u>Income</u>	<u>Expenses</u>
	<u>EGP</u>	<u>EGP</u>
- International Co. for Security & Services	834,938	48,690,613
- Corplease Co.	48,586,200	1,166,134
- Commercial International Life Insurance Co.	8,942,224	3,319,179

(40) Good Will & Intangible Assets

- According to Central Bank Of Egypt Regulation Issued in 16/12/2008, an amortization of of 20% annually has been applied on Goodwill starting Year 2010.
- Amortization Amount have been riched EGP 10,023,361.

Intangible Assets which has been acquired at the acquisition date are determined as follows:-

	<u>EGP</u>
- Brand	336,790,272
- Licenses	20,000,000
- Contracts	119,694,389
- Customer Relationships	198,187,745
Total	<u><u>674,672,406</u></u>
- Amortization Till March 2010	(118,067,670)
Net Intangible Assets	<u><u>556,604,736</u></u>