

**Consolidated Balance Sheet In**

**Dec. 31, 2010**

|  | Note No. | <b><u>Dec. 31, 2010</u></b><br><b><u>EGP</u></b> | <b><u>Dec. 31, 2009</u></b><br><b><u>EGP</u></b><br><b><u>(Restated)</u></b> |
|--|----------|--|--|
| <b><u>Assets:-</u></b>   |          |  |  |
| - Cash and Due From Central Bank   | (15)     | 5,675,241,791                                    | 4,179,256,489  |
| - Due From Banks   | (16)     | 7,054,682,826                                    | 7,946,147,786  |
| - Treasury Bills and other Governmental Notes                                | (17)     | 8,821,003,566                                    | 13,198,960,913   |
| - Trading Financial Assets   | (18)     | 1,585,747,835                                    | 491,138,956  |
| - Loans and Overdrafts for Banks (Net After Provision)                       | (19)     | 128,527,576                                      | 200,765,433  |
| - Loans and Overdrafts for Customers (Net After Provision)                   | (20)     | 35,046,013,357                                   | 27,242,306,896   |
| - Financial Derivatives  | (21)     | 139,263,948                                      | 225,347,220  |
| <b><u>Financial Investments:-</u></b>  |          |  |  |
| - Available for Sale   | (22)     | 13,613,839,805                                   | 7,429,977,151  |
| - Held to Maturity   | (22)     | 299,250,313                                      | 590,057,209  |
| - Financial Investments in Associated Co.                                    | (23)     | 96,827,733                                       | 83,827,281   |
| - Brokers - Debit Balances   |          | 180,368,320                                      | 80,154,770   |
| - Reconciliation Accounts- Debit Balances                                    |          | 8,185,474  | 20,302,650   |
| - Real estate investments  | (24)     | 28,695,664                                       | 42,485,364   |
| - Debit Balances and Other Assets  | (25)     | 1,384,657,474                                    | 963,058,418  |
| - Goodwill   |          | 160,373,782                                      | 200,467,228  |
| - Intangible Assets  |          | 376,820,344                                      | 573,471,546  |
| - Deferred Tax   | (33)     | 117,602,829                                      | 37,232,586   |
| - Fixed Assets (Net)   | (26)     | 708,330,987                                      | 749,602,993  |
| <b><u>Total Assets</u></b>   |          | <b><u>75,425,433,625</u></b>                     | <b><u>64,254,560,889</u></b>   |
| <b><u>Liabilities and Shareholder's Equity:-</u></b>                         |          |  |  |
| <b><u>Liabilities:-</u></b>  |          |  |  |
| - Due to Banks   | (27)     | 1,322,279,909                                    | 458,145,229  |
| - Customers Deposits   | (28)     | 63,364,177,278                                   | 54,648,654,522   |
| - Brokers- Credit Balances   |          | 393,321,036                                      | 212,593,347  |
| - Financial Derivatives  | (21)     | 113,551,039                                      | 150,526,830  |
| - Credit Balances and Other Liabilities                                      | (30)     | 1,165,163,338                                    | 1,162,019,568  |
| - Long Term Loans  | (29)     | 129,113,426                                      | 93,237,042   |
| - Other Provisions   | (31)     | 318,889,536                                      | 450,056,493  |
| <b><u>Total Liabilities</u></b>  |          | <b><u>66,806,495,563</u></b>                     | <b><u>57,175,233,031</u></b>   |
| <b><u>Shareholders' Equity:-</u></b>   |          |  |  |
| - Issued and Paid in Capital   | (32)     | 5,901,443,600                                    | 2,925,000,000  |
| - Reserves   | (32)     | 719,067,070                                      | 2,379,311,040  |
| - Reserve for employee stock ownership plan (ESOP)                           |          | 149,520,858                                      | 161,728,984  |
| - Retained Earning   |          | (203,604,610)                                    | (176,287,838)  |
| <b><u>Total Shareholders' Equity</u></b>                                     |          | <b><u>6,566,426,917</u></b>                      | <b><u>5,289,752,186</u></b>  |
| - Net Profit of the Period / Year  |          | 2,005,545,505                                    | 1,743,968,350  |
| <b><u>Total Shareholders' Equity and Net Profit</u></b>                      |          | <b><u>8,571,972,422</u></b>                      | <b><u>7,033,720,535</u></b>  |
| - Minority Interest  |          | 46,965,639                                       | 45,607,323   |
| <b><u>Total Minority Interest and Shareholders' Equity</u></b>               |          | <b><u>8,618,938,062</u></b>                      | <b><u>7,079,327,858</u></b>  |
| <b><u>Total Liabilities , Shareholders' Equity and Minority Interest</u></b> |          | <b><u>75,425,433,625</u></b>                     | <b><u>64,254,560,889</u></b>   |
| <b><u>Contingent Liabilities and Commitments</u></b>                         |          |  |  |
| - letters of Credit, Guarantees and Other Commitments                        | (37)     | 11,879,698,713                                   | 12,637,872,568   |

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

  
**Hisham Ezz El-Arab**  
Chairman  
& Managing Director

**Consolidated Income Statement For The Period Ended**  
**Dec. 31, 2010**

|   | Note No.    | <b><u>Dec. 31, 2010</u></b> | <b><u>Dec. 31, 2009</u></b> |
|---|-------------|-----------------------------|-----------------------------|
|   |             | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
|   |             |                             | <b><u>(Restated)</u></b>    |
| - Interest and similar income                 | (6)         | 4,525,477,709               | 4,032,638,862               |
| - Interest expense and similar charges        | (6)         | (2,267,786,715)             | (2,002,606,660)             |
|   |             | <hr/>                       | <hr/>                       |
| <b><u>Net Interest Income</u></b>             |             | <b><u>2,257,690,995</u></b> | <b><u>2,030,032,202</u></b> |
| - Fees & Commissions Income                   | (7)         | 939,363,185                 | 830,270,817                 |
| - Fees & Commissions Expense                  | (7)         | (85,056,559)                | (64,831,578)                |
|   |             | <hr/>                       | <hr/>                       |
| <b><u>Net Fees and Commissions Income</u></b> |             | <b><u>854,306,626</u></b>   | <b><u>765,439,239</u></b>   |
| - Dividends Income                            | (8)         | 165,539,152                 | 133,473,178                 |
| - Net Trading Income                          | (9)         | 427,402,497                 | 419,294,504                 |
| - Profit from Financial Investments           | (22)        | 261,754,102                 | 65,796,382                  |
| - Goodwill Amortization                       |             | (40,093,445)                | -                           |
| - Administrative Expenses                     | (10)        | (1,324,853,724)             | (1,170,802,794)             |
| - Other Operating (Expenses) Income           | (11)        | (30,594,217)                | (80,311,607)                |
| - Return (Losses) Of Impairment From Loans    | (12)        | (6,163,496)                 | (9,184,858)                 |
| - Intangible Assets Amortization              | (41)        | (196,651,202)               | (67,467,240)                |
| - Bank's share in the profits of associates   |             | (4,365,556)                 | 9,076,636                   |
|   |             | <hr/>                       | <hr/>                       |
| <b><u>Net Profit Before Tax</u></b>           |             | <b><u>2,363,971,731</u></b> | <b><u>2,095,345,642</u></b> |
| - Income Tax                                  | (13)        | (435,838,152)               | (366,109,247)               |
| - Deferred Tax                                | (13) & (33) | 78,770,242                  | 16,259,820                  |
|   |             | <hr/>                       | <hr/>                       |
| <b><u>Net Profit After Tax</u></b>            |             | <b><u>2,006,903,821</u></b> | <b><u>1,745,496,216</u></b> |
| - Minority Interest                           |             | 1,358,316                   | 1,527,866                   |
|   |             | <hr/>                       | <hr/>                       |
| <b><u>Bank Shareholders</u></b>               |             | <b><u>2,005,545,505</u></b> | <b><u>1,743,968,350</u></b> |
| <b><u>Earning Per Share</u></b>               |             |                             |                             |
| - Basic                                       | (14)        | 2.79                        | 2.61                        |
| - Diluted                                     | (14)        | 2.74                        | 2.57                        |

  
**Hisham Ezz El-Arab**  
Chairman  
& Managing Director

**Consolidated Cash Flow For The Period Ended**
**Dec. 31, 2010**

|  | <u>Dec. 31, 2010</u>        | <u>Dec. 31, 2009</u>        |
|--|-----------------------------|-----------------------------|
|  | <u>EGP</u>                  | <u>EGP</u>                  |
| <b><u>Cash Flow From Operating Activities:-</u></b>  |                             | <b><u>(Restated)</u></b>    |
| - Net Income Before Tax  | 2,363,971,731               | 2,095,345,642               |
| <b><u>Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities</u></b> |                             |                             |
| - Depreciation   | 184,081,368                 | 193,535,184                 |
| - Provisions (Formed During The Period)  | 87,221,739                  | 60,259,903                  |
| - Trading Financial Investments Evaluation Differences   | (76,970,503)                | (11,988,038)                |
| - Intangible Assets Amortization   | (196,651,202)               | (67,467,240)                |
| - Goodwill Amortization  | (40,093,445)                | -                           |
| - Impairment Of Assets   | 100,496,321                 | 22,423,516                  |
| - Utilization Of Provisions (Except Provision For Doubtful Debts)                              | (1,990,637)                 | (6,767,109)                 |
| - Provisions No Longer Used  | (178,520,239)               | (4,016,965)                 |
| - Fcy Revaluation Differences Of Provisions Balances (Except Doubtful Debts)                   | 7,340,620                   | (724,579)                   |
| - Profits From Selling Fixed Assets  | (1,574,746)                 | 15,797,710                  |
| - Profits From Selling Financial Investments   | (209,478,369)               | (113,051,948)               |
| - Losses From Selling An Investment In Subsidiary  | 96                          | -                           |
| - Fcy Revaluation Diff.Of Long Term Loans  | 141,768                     | 310,424                     |
| - Share Based Payments   | 66,356,519                  | 75,001,081                  |
|  | <b><u>2,104,331,021</u></b> | <b><u>2,258,657,581</u></b> |
| <b><u>Net Decrease (Increase ) In Assets and Liabilities</u></b>                               |                             |                             |
| - Due From Banks   | 1,108,771,731               | (1,780,463,063)             |
| - Treasury Bills And Other Governmental Notes  | 492,012,203                 | 1,410,950,308               |
| - Trading Financial Assets   | (1,017,638,376)             | 162,476,513                 |
| - Financial Derivatives (Net)  | 49,107,482                  | (6,844,342)                 |
| - Loans And Overdrafts   | (7,776,687,046)             | (1,047,276,956)             |
| - Debit Balances And Other Assets  | (171,969,013)               | (20,764,886)                |
| - Due To Banks   | 864,134,680                 | 229,151,007                 |
| - Customers Deposits   | 8,715,522,756               | 5,858,624,713               |
| - Credit Balances And Other Liabilities  | (159,334,210)               | (377,288,176)               |
| <b><u>Net Cash Provided From Operating Activities</u></b>                                      | <b><u>4,208,251,228</u></b> | <b><u>6,687,222,699</u></b> |


**البنك التجاري الدولي**  
**Commercial International Bank**  
 S.A.E  
Consolidated Cash Flow For The Period Ended  
Dec. 31, 2010

|   | <u>Dec. 31, 2010</u>          | <u>Dec. 31, 2009</u>            |
|---|-------------------------------|---------------------------------|
|   | <u>EGP</u>                    | <u>EGP</u><br><u>(Restated)</u> |
| <b><u>Cash Flow From Investing Activities:-</u></b>                     |                               |                                 |
| - (Payments) Incomings form (Purchase) selling Associated Co.           | (13,000,452)                  | (95,645,157)                    |
| - Purchase Of Fixed Assets , Premises And Fitting- Out Of Branches      | (106,117,083)                 | (176,827,213)                   |
| - Redemption Of Held To Maturity Financial Investments                  | 311,478,559                   | 100,347,555                     |
| - Held To Maturity Financial Investment Purchases                       | (20,671,662)                  | (9,141,490)                     |
| - Purchase Of Available For Sale Financial Investment                   | (5,966,033,445)               | (4,564,383,469)                 |
| - Real estate investments   | 13,789,700                    | 5,049,941                       |
| <b><u>Net Cash (Used In) Provided From Investing Activities</u></b>     | <b><u>(5,780,554,384)</u></b> | <b><u>(4,740,599,833)</u></b>   |
| <b><u>Cash Flow From Financing Activities:-</u></b>                     |                               |                                 |
| - Increase (Decrease) In Long - Term Loans                              | 35,734,616                    | (16,347,315)                    |
| - Dividends Paid  | (661,806,331)                 | (478,236,553)                   |
| - Capital Increase  | 25,721,800                    | -                               |
| <b><u>Net Cash (Used In) Financing Activities</u></b>                   | <b><u>(600,349,915)</u></b>   | <b><u>(494,583,868)</u></b>     |
| Net Cash And Cash Equivalent Changes                                    | (2,172,653,071)               | 1,452,038,998                   |
| Beginning Balance Of Cash And Cash Equivalent                           | 10,230,779,568                | 8,778,740,569                   |
| <b><u>Cash And Cash Equivalent Balance At The End Of The Period</u></b> | <b><u>8,058,126,497</u></b>   | <b><u>10,230,779,567</u></b>    |
| <b><u>Cash And Cash Equivalent Are Represented As Follows:-</u></b>     |                               |                                 |
| - Cash And Due From Central Bank  | 5,675,241,791                 | 4,179,256,489                   |
| - Due From Banks  | 7,054,682,826                 | 7,946,147,786                   |
| - Treasury Bills And Other Governmental Notes                           | 8,821,003,566                 | 13,198,960,913                  |
| - Due From Banks (Time Deposits) More Than Three Months                 | (6,400,688,604)               | (7,509,460,335)                 |
| - Treasury Bills With Maturity More Than Three Months                   | (7,092,113,082)               | (7,584,125,286)                 |
| <b><u>Total Cash And Cash Equivalent</u></b>                            | <b><u>8,058,126,497</u></b>   | <b><u>10,230,779,567</u></b>    |



Consolidated Statement of Changes in Shareholders' Equity as of  
Dec. 31, 2010

|   | Capital EGP   |               | Legal Reserve EGP |             | Intangible Assets Value For Bank Share |              | Retained Earning EGP |             | Special Reserve EGP |             | Reserve For A.F.S. Investments EGP |            | Banking Risks Reserve EGP |   | Profits Of The Year EGP |   | Reserve For Employee Stock Ownership Plan (ESOP) EGP |   | Total Shareholders Equity EGP |               | Total EGP     |               |               |
|---|---------------|---------------|-------------------|-------------|--|--------------|----------------------|-------------|---------------------|-------------|------------------------------------|------------|---------------------------|---|-------------------------|---|--|---|-------------------------------|---------------|---------------|---------------|---------------|
|   |               |               |                   |             |  |              |                      |             |                     |             |                                    |            |                           |   |                         |   |  |   |                               |               |               |               |               |
| - Beginning Balance                                 | 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  | 5,778,868,609                      | 46,280,877 | -                         | - | -                       | - | -  | - | -                             | 5,778,868,609 | 46,280,877    | 5,845,186,252 | 5,845,186,252 |
| - Effect Of Adjusting Accounting Standards          | -             | -             | -                 | -           | -                                      | 20,536,766   | -                    | -           | -                   | -           | 20,536,766                         | -          | -                         | - | -                       | - | -  | - | -                             | 20,536,766    | -             | 20,536,766    | -             |
| - Beginning Balance 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                      | 46,280,877 | -                         | - | -                       | - | -  | - | -                             | 5,798,905,375 | 46,280,877    | 5,845,186,252 | 5,845,186,252 |
| - 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) | -             | -             | (478,236,553) |
| - Net Profits Of The Year                           | -             | -             | -                 | -           | -                                      | -            | -                    | -           | 1,743,968,350       | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 1,743,968,350 | -             | -             | 1,743,968,350 |
| - Change During The Year                            | -             | -             | (152,185)         | -           | (1,023,965)                            | -            | -                    | -           | 1,743,968,350       | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 1,743,968,350 | -             | -             | 1,743,968,350 |
| - Addition From Financial Investment Revaluation    | -             | -             | -                 | -           | -                                      | -            | -                    | -           | -                   | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | (1,176,150)   | -             | -             | (1,176,150)   |
| - Reserve For Employees Stock Ownership Plan (ESOP) | -             | -             | -                 | -           | -                                      | -            | -                    | -           | -                   | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | (86,139,721)  | -             | -             | (86,139,721)  |
| - Effect Of Adjusting Accounting Standards          | -             | -             | -                 | -           | (18,601,847)                           | -            | -                    | -           | (26,652,790)        | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 75,001,081    | -             | -             | 75,001,081    |
| - 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  | 1,717,315,559       | 161,728,984 | 7,033,720,535                      | 45,607,323 | -                         | - | -                       | - | -  | - | 7,033,720,535                 | 45,607,323    | 7,079,327,858 | 7,079,327,858 |               |
| - Beginning Balance                                 | 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  | 1,717,315,559       | 161,728,984 | 7,033,720,535                      | 45,607,323 | -                         | - | -                       | - | -  | - | 7,033,720,535                 | 45,607,323    | 7,079,327,858 | 7,079,327,858 |               |
| - Capital Increase                                  | 2,976,443,600 | (476,326,032) | (2,474,395,768)   | -           | -                                      | -            | -                    | -           | (1,098,587,119)     | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 25,721,800    | -             | -             | 25,721,800    |
| - Transferred To Reserves                           | -             | 87,847,835    | 1,010,739,284     | -           | -                                      | -            | -                    | -           | 43,077,890          | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | (7,999,999)   | -             | -             | (7,999,999)   |
| - Transferred To Retained Earning                   | -             | -             | -                 | -           | (28,903,907)                           | (22,173,982) | -                    | -           | (661,806,331)       | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | (661,806,331) | -             | -             | (661,806,331) |
| - Dividends Paid                                    | -             | -             | -                 | -           | -                                      | -            | -                    | -           | 2,005,545,505       | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 2,005,545,505 | -             | -             | 2,005,545,505 |
| - Net Profit Of The Year                            | -             | -             | -                 | -           | -                                      | -            | -                    | -           | 1,587,135           | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 1,587,135     | -             | -             | 1,587,135     |
| - Change During The Year                            | -             | -             | -                 | -           | 1,587,135                              | (22,173,982) | -                    | -           | 1,587,135           | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 1,587,135     | -             | -             | 1,587,135     |
| - Addition From Financial Investment Revaluation    | -             | -             | -                 | -           | -                                      | -            | -                    | -           | -                   | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 108,847,257   | -             | -             | 108,847,257   |
| - Transferred to Bank Risk Reserve                  | -             | -             | -                 | -           | -                                      | -            | -                    | 130,339,725 | (130,339,725)       | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 108,847,257   | -             | -             | 108,847,257   |
| - Reserve For Employees Stock Ownership Plan (ESOP) | -             | -             | -                 | -           | -                                      | -            | -                    | -           | -                   | -           | -                                  | -          | -                         | - | -                       | - | -  | - | -                             | 66,356,519    | -             | -             | 66,356,519    |
| - Balance At The End Of The Year                    | 5,901,443,600 | 125,128,337   | 78,412,462        | 302,794,421 | (203,604,610)                          | 184,356,569  | 1,722,491            | 156,992,515 | 1,875,205,780       | 149,520,858 | 8,571,972,422                      | 46,965,639 | -                         | - | -                       | - | -  | - | 8,571,972,422                 | 46,965,639    | 8,618,938,061 | 8,618,938,061 |               |

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

**1. General information**

Commercial International Bank (Egypt) provide retail, corporate banking and investment banking services in various parts of Egypt through one hundred & eight branches, in addition to forty five units and employs over 4327 employees in the balance sheet date.

Commercial International Bank (Egypt) S.A.E was formed as a commercial Bank 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 in Egyptian Stock Exchange.

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

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

| <b><u>Company Name</u></b>     | <b><u>No. of Shares</u></b> | <b><u>Ownership%</u></b> | <b><u>Indirectly Share%</u></b> |
|--------------------------------|-----------------------------|--------------------------|---------------------------------|
| ▪ CIBC Co.                     | 579,570                     | 96.60                    | 96.58                           |
| ▪ CI Assets Management         | 478,577                     | 95.72                    | 95.70                           |
| ▪ CI Investment Banking Co.    | 481,578                     | 96.30                    | 96.28                           |
| ▪ CI For Research Co.          | 448,500                     | 96.32                    | 96.30                           |
| ▪ Dynamic Brokerage Co.        | 3,393,500                   | 99.97                    | 99.95                           |
| ▪ 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 consolidated financial statements have been prepared in accordance with Egyptian Financial Reporting Standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors as of December 16, 2008 consistent with the principles referred to. 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

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

- 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 for facilities that do not work in banking or finance. The users of these independent financial statements, reading consolidated financial statements of the Bank, as and for the period ended December 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.
- The Bank's in consolidated financial statements use the equity method in associates companies instead of the cost method.  
And For the purpose of applying the equity method The bank compares the cost of acquisition with the fair value of net assets of the investee company at the date of acquisition and to determine the difference as goodwill.  
And In those cases where the fair value of net assets of the investee company is not available at the date of acquisition The book values of net assets regarded as equal to the fair value and identify Goodwill on this basis. And after that changes in equity of the associate company subsequent to the date of acquisition was taken to adjust the book value in the financial statement As a result of an amendment to retained earnings in first of January 2009 by the amount of (18,601,847) Egyptian Pound represent The net losses resulting from applying the equity method until this date  
And The Bank continued to use the cost method of accounting for associates in these unconsolidated financial statements
- 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.
- The method of measuring loans and facilities impairment and other debt instruments, which are measured at amortized cost has changed, 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 1<sup>st</sup> 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 2010.
- 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 December 31, 2010 added by amount of EGP 66,356,519 is the cost of stock options granted to employees.
- Purchase accounting was applied to all acquisitions made on or after the first of January 2010 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 or/and, equity instruments issued or/and liabilities incurred or/and 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 bank right to collect it.

### **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 in foreign currencies***

The bank hold accounts in Egyptian pounds and prove transactions in other currencies during the financial year on the basis of prevailing exchange rates at the date of the transaction, and re-evaluation of balances of assets and liabilities of other monetary currencies at the end of the financial period on the basis of prevailing exchange rates at that date, and is recognized in the list Gains and losses resulting from the settlement of such transactions and the differences resulting from the assessment within the following items

- Net trading income or net income from financial instruments classified at fair value through profit and loss of assets / liabilities held for trading or those classified at fair value through profit and loss according to type .
- Income (expense) Other operating for the rest of the items

the analysis of changes in fair value of financial instruments with monetary foreign currency seed available for sale investments (debt instruments) between the valuation differences resulting from changes in amortized cost of the tool and the differences resulted from changing the prevailing exchange rates and the differences resulted from changing the fair value of the tool, and is recognized in the income differentials in the evaluation of changes in the cost of expendable income loans and similar income and differences related to changing the exchange rate in income (expense) Other operating, and are recognized in equity differential change in fair value (fair value reserve / financial investments available for sale). Include differences arising on the items non-monetary gains and losses resulting from the change in fair value, such as equity instruments held at fair value through profit and loss are recognized differences assessment resulting from equity instruments classified as financial investments available for sale within 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 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.
- 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.

Any financial derivative Of a valued financial instruments at fair value Not be reclassified Through profit and loss during the retention period or force It also does not re-classification any financial instrument, quoting from a range of financial instruments at fair value Through profit and loss if this tool has been customized by the bank at initial recognition As assessed at fair value through profit and loss.

according to the financial assets for trading which are reclassified in the periods that begin form or after first of Jan 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, or no current demand prices available 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. If the bank had been unable to estimate the fair value of equity instruments classified available for sale, value is measured at cost less any impairment in value.

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.

And the clauses of agreements to buy treasury bills with a commitment to re-sale agreements and sale of treasury bills with a commitment to re-purchase on a net basis within the balance sheet item, treasury bills and other government papers.

## **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 re-measured 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.

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) Where it is recorded in the records of marginal outside the financial statements, And are recognized as income in accordance with cash basis Income is recognized when revenue and according to item (2 / i) for fees that represent an integral part of the effective yield of the financial asset are generally treated as an amendment to the actual rate of return.

And postponement of fees is the link on the loans if there is a possibility that he will likely be the withdrawal of such loans and the fees on the grounds that the link obtained by the Bank are considered compensation for the constant intervention for the acquisition of a financial instrument, Then be recognized by the amend the effective interest rate on the loan In the case of the end of the link without issuing bank for the loan fees are recognized as income at the end of the period of validity of the link.

Fees are recognized on the debt instruments that are measured at fair value within the income on initial recognition&

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.

### **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.
- 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 deducted from treasury bills balance. Securities purchased subject to resell agreements ('reverse repos') are reclassified in the financial statements added to treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

## 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:

- 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;
- The Bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the Bank granted in normal circumstances;

- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The objective evidence of impairment loss for group of financial assets is the clear data indicate to a decline can be measured in future cash flows expected from this group since its initial recognition, although not possible to determine the decrease of each asset separately, for example increasing the number of failures in payment for One of the banking products.

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.

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 and in this field the following are considered. 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.

*(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 Real Estate Investments**

The real estate investments represent lands and buildings owned by the Bank in order to obtain rental returns or capital gains and therefore does not include real estate assets which the bank exercised its work through or those that have owned by the bank as settlement of debts.

**2.14 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, or over the period of the lease if less |
| - Furniture and safes                       | 5 years.   |
| - Typewriters, Collocutors & air-conditions | 8 years  |
| - Transportations                           | 5 years  |
| - Computers and Core Systems                | 3/10 years                                       |
| - Fixtures and fittings                     | 3 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.

#### **2.15 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation -except goodwill- 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 or 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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **15/1 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.

#### **15/2 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

#### **2.16 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 Balance sheet 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 balance sheet 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 balance sheet 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.

### **2.17 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.

### **2.18 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.

### **2.19 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.

### **2.20 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 balance sheet 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 balance sheet.

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.

### **2.21 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.

### **2.22 Dividends**

Dividends deducted form 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 Board of Directors.

### **2.23 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 risk department 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. 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

| 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, and inventory .
- 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 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 recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. 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 CBE regulation purposes.

The impairment provision shown in the balance sheet at the year-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom two grades. The table below shows the percentage of the Bank's in 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

|                        | Dec.31, 2010           |                          | Dec.31, 2009           |                          |
|------------------------|------------------------|--------------------------|------------------------|--------------------------|
|                        | Loans and advances (%) | Impairment provision (%) | Loans and advances (%) | Impairment provision (%) |
| 1-Performing loans     | 90.91                  | 54.65                    | 90.97                  | 42.93                    |
| 2-Regular watching     | 5.37                   | 5.24                     | 4.73                   | 4.71                     |
| 3-Watch list           | 0.99                   | 2.56                     | 1.33                   | 2.47                     |
| 4-Non performing loans | 2.73                   | 37.55                    | 2.97                   | 49.89                    |
|                        | <b>100.00</b>          | <b>100.00</b>            | <b>100.00</b>          | <b>100.00</b>            |

The internal rating tools assists management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set out by the Bank:

- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Bank granted concessions may not be approved under normal circumstances, for economic, legal reasons, or financial difficulties facing the borrower
- Deterioration in the value of collateral
- Deterioration in the credit situation

The Bank's policy requires the review of all 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 portfolios of homogenous assets by using the available historical experience, experienced judgment and statistical techniques.

#### Pattern of measuring the general banking risk

In addition to the four categories of measuring credit worthiness discussed in disclosure 3.1.1.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 determined by 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 EAS, the general banking risk 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 are categories of institutional worthiness according to internal ratings compared with CBE ratings and rates of provisions needed for assets impairment related to credit risk :

| CBE RATING | Categorization             | PROVISION% | INTERNAL RATING | Categorization       |
|------------|----------------------------|------------|-----------------|----------------------|
| 1          | Low Risk                   | 0%         | 1               | Performing loans     |
| 2          | Average Risk               | 1%         | 1               | Performing loans     |
| 3          | Satisfactory Risk          | 1%         | 1               | Performing loans     |
| 4          | Reasonable Risk            | 2%         | 1               | Performing loans     |
| 5          | Acceptable Risk            | 2%         | 1               | Performing loans     |
| 6          | Marginally Acceptable risk | 3%         | 2               | Regular watching     |
| 7          | Watch list                 | 5%         | 3               | Watch list           |
| 8          | Substandard                | 20%        | 4               | Non performing loans |
| 9          | Doubtful                   | 50%        | 4               | Non performing loans |
| 10         | Bad Debt                   | 100%       | 4               | Non performing loans |

### 3.1.5 Maximum exposure to credit risk before collateral held

|   | <u>Dec.31, 2010</u>          | <u>Dec.31, 2009</u>          |
|---|------------------------------|------------------------------|
| <b>In Balance sheet items exposed to credit risk</b>  |                              |                              |
| Treasury Bills and other Governmental Notes           | 9,616,491,239                | 13,645,711,592               |
| Trading Financial Assets                              |                              |                              |
| – Debt Instruments                                    | 1,043,933,881                | 221,852,634                  |
| Loans and Overdrafts for Banks                        | 128,527,576                  | 200,765,433                  |
| <b>Loans and advances to customers:</b>               |                              |                              |
| <b>Retail:</b>  |                              |                              |
| - Overdrafts  | 1,007,205,364                | 852,902,695                  |
| - Credit Cards  | 518,583,403                  | 451,907,954                  |
| - Personal Loans                                      | 1,914,229,597                | 1,005,586,641                |
| - Real state Loans                                    | 430,897,165                  | 292,518,318                  |
| - Other Loans   | 43,390,803                   | 67,037,522                   |
| <b>Corporate:</b>                                     |                              |                              |
| - Overdrafts  | 3,019,878,138                | 3,434,116,195                |
| - Direct Loans  | 21,750,548,380               | 15,918,861,867               |
| - Syndicated loans                                    | 7,751,645,734                | 6,663,779,140                |
| - Other Loans   | 151,746,100                  | 93,713,728                   |
| Financial Derivatives                                 | 139,263,948                  | 225,347,220                  |
| Financial Investments (Debt Instruments)              | 13,365,885,003               | 7,303,718,748                |
| Financial Investments in Associated Co.               | 96,827,733                   | 83,827,281                   |
| <b>Total</b>  | <b><u>60,979,054,064</u></b> | <b><u>50,461,646,968</u></b> |
| <b>Off Balance sheet items exposed to credit risk</b> |                              |                              |
| Financial guarantees                                  | 631,466,319                  | 931,471,000                  |
| Customers Acceptances                                 | 589,087,209                  | 469,403,911                  |
| Letter of Credit                                      | 989,910,137                  | 820,272,115                  |
| Letter of guarantee                                   | 10,300,701,367               | 11,348,196,542               |
| <b>Total</b>  | <b><u>12,511,165,032</u></b> | <b><u>13,569,343,568</u></b> |

The above table represents the Maximum bank exposure to credit risk at 31 December 2010, without taking account of any collateral held. For in balance sheet items, the exposures set out above based on net carrying amounts as reported in the balance sheet.

As shown above, 60.35% of the total maximum exposure is derived from loans and advances to banks and customers; 23.31% represents investments in debt Instruments.

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 Instruments based on the following:

- 96.28% of the loans and advances portfolio is categorized in the top two grades of the internal rating system.
- 97.26% of the loans and advances portfolio are considered to be neither past due nor impaired.
- loans and advances assessed on an individual basis valued EGP 1,002,967,623
- The bank has implemented more prudent processes when granting loans and advances during the financial year ended in Dec.31.2010.
- 83.62% of the investments in debt Instruments are represented in governmental instruments.

### 3.1.6 Loans and advances

Loans and advances are summarized as follows:

|                               | <u>Dec.31, 2010</u>                        |  | <u>Dec.31, 2009</u>                        |  |
|-------------------------------|--|--|--|--|
|                               | <u>Loans and advances<br/>to customers</u> | <u>Loans and advances<br/>to banks</u> | <u>Loans and advances<br/>to customers</u> | <u>Loans and advances<br/>to banks</u> |
|                               | <u>EGP</u>                                 | <u>EGP</u>                             | <u>EGP</u>                                 | <u>EGP</u>                             |
| Neither past due nor impaired | 35,222,569,885                             | 128,527,576                            | 27,533,698,826                             | 200,765,433                            |
| Past due but not impaired     | 362,587,175                                | -                                      | 384,723,397                                | -                                      |
| Individually impaired         | 1,002,967,623                              | -                                      | 862,001,836                                | -                                      |
| <b>Gross</b>                  | <b><u>36,588,124,684</u></b>               | <b><u>128,527,576</u></b>              | <b><u>28,780,424,059</u></b>               | <b><u>200,765,433</u></b>              |
| Less: impairment provision    | 1,257,882,426                              | -                                      | 1,304,194,445                              | -                                      |
| <b>Net</b>                    | <b><u>35,330,242,258</u></b>               | <b><u>128,527,576</u></b>              | <b><u>27,476,229,614</u></b>               | <b><u>200,765,433</u></b>              |

- Impairment losses for loans and advances has reached EGP 1,257,882,426 and for more details about impairment provisions and loans for customers and banks see note 19 and 20

- During the year ended 31 December 2010, the bank's total loans and advances increased by 22.26% as a result of the expansion of the lending business in Egypt. When entering into new markets or new industries, to decrease the credit risk exposure, the bank focused more on the business with large corporate enterprises or banks with good credit rating or retail customers providing sufficient collateral.

- Net Loans and advances to customers and banks:

EGP

| Dec.31, 2010           | Retail             |                    |                      |                    | Corporate            |                       |                      | Total Loans and advances to customers | Total Loans and advances to banks |
|------------------------|--------------------|--------------------|----------------------|--------------------|----------------------|-----------------------|----------------------|---------------------------------------|-----------------------------------|
|                        | Overdrafts         | Credit cards       | Personal loans       | Mortgages          | Overdraft            | Direct loans          | Syndicated loans     |                                       |                                   |
| <b>Grades:</b>         |                    |                    |                      |                    |                      |                       |                      |                                       |                                   |
| 1-Performing loans     | 983,169,252        | 472,507,944        | 1,792,657,101        | 420,773,533        | 2,728,730,820        | 19,003,864,489        | 7,161,788,723        | <b>32,563,491,861</b>                 | <b>128,527,576</b>                |
| 2-Regular watching     | 14,014,956         | 14,691,771         | 31,515,198           | 137,891            | 64,245,481           | 1,696,217,879         | 84,905,117           | <b>1,905,728,292</b>                  | -                                 |
| 3-Watch list           | 910,235            | 1,264,587          | 2,370,366            | 304,044            | 19,897,402           | 93,982,758            | 211,620,140          | <b>330,349,531</b>                    | -                                 |
| 4-Non performing loans | 1,109,226          | 293,405            | 6,188,446            | 793,528            | 62,533,215           | 279,427,412           | 180,327,341          | <b>530,672,573</b>                    | -                                 |
| <b>Total</b>           | <b>999,203,668</b> | <b>488,757,706</b> | <b>1,832,731,111</b> | <b>422,008,996</b> | <b>2,875,406,918</b> | <b>21,073,492,537</b> | <b>7,638,641,321</b> | <b>35,330,242,258</b>                 | <b>128,527,576</b>                |

EGP

| Dec.31, 2009           | Retail             |                    |                    |                    | Corporate            |                       |                      | Total Loans and advances to customers | Total Loans and advances to banks |
|------------------------|--------------------|--------------------|--------------------|--------------------|----------------------|-----------------------|----------------------|---------------------------------------|-----------------------------------|
|                        | Overdrafts         | Credit cards       | Personal loans     | Mortgages          | Overdraft            | Direct loans          | Syndicated loans     |                                       |                                   |
| <b>Grades:</b>         |                    |                    |                    |                    |                      |                       |                      |                                       |                                   |
| 1-Performing loans     | 890,676,721        | 384,637,875        | 903,863,918        | 290,596,009        | 3,136,943,440        | 13,739,152,260        | 6,257,182,856        | <b>25,603,053,079</b>                 | <b>200,765,433</b>                |
| 2-Regular watching     | 12,820,602         | 3,957,706          | 8,073,382          | 357,919            | 43,390,654           | 1,093,427,248         | 147,333,950          | <b>1,309,361,461</b>                  | -                                 |
| 3-Watch list           | 1,324,269          | -                  | 8,603              | 140,599            | 50,802,089           | 197,825,470           | 102,414,317          | <b>352,515,347</b>                    | -                                 |
| 4-Non performing loans | -                  | -                  | -                  | -                  | 55,277,044           | 156,022,682           | -                    | <b>211,299,726</b>                    | -                                 |
| <b>Total</b>           | <b>904,821,592</b> | <b>388,595,581</b> | <b>911,945,903</b> | <b>291,094,527</b> | <b>3,286,413,227</b> | <b>15,186,427,660</b> | <b>6,506,931,123</b> | <b>27,476,229,613</b>                 | <b>200,765,433</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.

EGP

| Dec.31, 2010           | Retail             |                    |                   |                  |                    | Corporate         |                   |                   |                    |
|------------------------|--------------------|--------------------|-------------------|------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
|                        | Overdrafts         | Credit cards       | Personal loans    | Mortgages        | Total              | Overdraft         | Direct loans      | Syndicated loans  | Total              |
| Past due up to 30 days | 295,014,498        | 100,541,608        | 1,897,568         | 287,824          | <b>397,741,498</b> | -                 | 31,138,040        | 31,432,373        | <b>62,570,412</b>  |
| Past due 30 - 60 days  | 13,209,540         | 11,914,183         | 2,280,478         | 67,046           | <b>27,471,247</b>  | 3,980,230         | 6,189,824         | -                 | <b>10,170,054</b>  |
| Past due 60-90 days    | 9,394,615          | 33,905,987         | 63,218,015        | 1,284,568        | <b>107,803,185</b> | 71,364,194        | 55,508,529        | -                 | <b>126,872,723</b> |
| <b>Total</b>           | <b>317,618,653</b> | <b>146,361,778</b> | <b>67,396,061</b> | <b>1,639,438</b> | <b>533,015,929</b> | <b>75,344,424</b> | <b>92,836,393</b> | <b>31,432,373</b> | <b>199,613,190</b> |

| Dec.31, 2009           | Retail             |                   |                  |                |                    | Corporate          |                    |                  |                    |
|------------------------|--------------------|-------------------|------------------|----------------|--------------------|--------------------|--------------------|------------------|--------------------|
|                        | Overdrafts         | Credit cards      | Personal loans   | Mortgages      | Total              | Overdraft          | Direct loans       | Syndicated loans | Total              |
| Past due up to 30 days | 135,042,604        | 24,262,417        | 1,137,995        | 587,951        | <b>161,030,967</b> | -                  | 38,372,513         | -                | <b>38,372,513</b>  |
| Past due 30-60 days    | 11,669,707         | 3,789,215         | 6,274,817        | 120,991        | <b>21,854,730</b>  | 83,594,723         | 28,072,549         | -                | <b>111,667,272</b> |
| Past due 60-90 days    | 1,310,615          | 1,428,700         | 549,114          | 8,149          | <b>3,296,578</b>   | 64,026,688         | 235,371,149        | 159,348          | <b>299,557,185</b> |
| <b>Total</b>           | <b>148,022,926</b> | <b>29,480,332</b> | <b>7,961,926</b> | <b>717,091</b> | <b>186,182,275</b> | <b>147,621,411</b> | <b>301,816,211</b> | <b>159,348</b>   | <b>449,596,970</b> |

### - Individually impaired loans.

Loans and advances assessed on an individual basis before cash flows from guarantees are totaled EGP 1,002,967,623

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:

|                             | Retail     |              |                |           | Corporate   |              |                  | Total                |
|-----------------------------|------------|--------------|----------------|-----------|-------------|--------------|------------------|----------------------|
|                             | Overdrafts | Credit cards | Personal loans | Mortgages | overdraft   | Direct loans | Syndicated loans |                      |
| <b>Dec.31, 2010</b>         |            |              |                |           |             |              |                  |                      |
| Individually impaired loans | 7,394,303  | 26,646,934   | 75,338,998     | 5,834,947 | 150,193,541 | 533,870,638  | 203,688,263      | <b>1,002,967,623</b> |

  

|                             | Retail     |              |                |           | Corporate   |              |                  | Total              |
|-----------------------------|------------|--------------|----------------|-----------|-------------|--------------|------------------|--------------------|
|                             | Overdrafts | Credit cards | Personal loans | Mortgages | overdraft   | Direct loans | Syndicated loans |                    |
| <b>Dec.31, 2009</b>         |            |              |                |           |             |              |                  |                    |
| Individually impaired loans | 4,978,512  | 39,136,769   | 72,300,784     | 2,540,770 | 170,916,226 | 522,861,775  | 49,267,000       | <b>862,001,836</b> |

### - Loans and advances Restructured

Restructuring activities include extended payment arrangements, execute obligatory management programs, modification and deferral of payments. 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 totaled at the of the financial year EGP 2,421,912,000

|  | <u>Dec.31, 2010</u>  | <u>Dec.31, 2009</u>  |
|--|----------------------|----------------------|
| Loans and advances to customers – individuals: |                      |                      |
| – Direct loans                                 | 2,421,912,000        | 2,511,008,801        |
| <b>Total</b>                                   | <b>2,421,912,000</b> | <b>2,511,008,801</b> |

### 3.1.7 Debt instruments, treasury bills and other governmental notes

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

| <u>Dec.31, 2010</u> | <u>Treasury bills and other Gov. notes</u> | <u>Trading Financial Assets</u> | <u>Financial Investments</u> | <u>Designated at fair value</u> | <u>Total</u>          |
|---------------------|--|---------------------------------|------------------------------|---------------------------------|-----------------------|
| AAA                 | -  | -                               | 1,348,515,298                | -                               | <b>1,348,515,298</b>  |
| AA- to AA+          | -  | 37,648,537                      | 383,075,610                  | -                               | <b>420,724,147</b>    |
| A- to A+            | -  | 49,169,280                      | 264,572,353                  | -                               | <b>313,741,632</b>    |
| Lower than A-       | 8,821,003,566                              | 1,029,495,813                   | 11,124,145,389               | -                               | <b>20,974,644,769</b> |
| Unrated             | -  | 469,434,205                     | 889,609,201                  | -                               | <b>1,359,043,406</b>  |
| <b>Total</b>        | <b>8,821,003,566</b>                       | <b>1,585,747,835</b>            | <b>14,009,917,851</b>        | -                               | <b>24,416,669,253</b> |

### 3.1.8 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 book values categorized by geographical region at the end of financial year. For this table, the bank has allocated exposures to regions based on the country of domicile of its counterparties.

| Dec.31, 2010                                  | EGYPT                 |                      |                    |                       | Gulf Countries   | Total                 |
|---|-----------------------|----------------------|--------------------|-----------------------|------------------|-----------------------|
|   | Cairo                 | Alex, Delta & Sinai  | Upper Egypt        | Total                 |                  |                       |
| - Treasury bills and other governmental notes | 9,616,491,239         | -                    | -                  | 9,616,491,239         | -                | 9,616,491,239         |
| - <b>Trading Financial Assets</b>             |                       |                      |                    |                       |                  |                       |
| - Debt instruments                            | 1,043,933,881         | -                    | -                  | 1,043,933,881         | -                | 1,043,933,881         |
| - Loans and advances to banks                 | 128,527,576           | -                    | -                  | 128,527,576           | -                | 128,527,576           |
| - <b>Loans and advances to customers:</b>     |                       |                      |                    |                       |                  |                       |
| - <b>Retail:</b>                              |                       |                      |                    |                       |                  |                       |
| - Overdrafts                                  | 432,704,022           | 486,194,487          | 85,998,199         | 1,004,896,708         | 2,308,656        | 1,007,205,364         |
| - Credit cards                                | 383,747,840           | 111,127,993          | 23,263,631         | 518,139,464           | 443,939          | 518,583,403           |
| - Personal loans                              | 1,269,773,113         | 513,307,313          | 130,846,100        | 1,913,926,526         | 303,071          | 1,914,229,596         |
| - Mortgages                                   | 350,289,921           | 71,943,416           | 8,663,827          | 430,897,165           | -                | 430,897,165           |
| - Other loans                                 | 13,052,586            | 30,338,217           | -                  | 43,390,803            | -                | 43,390,803            |
| - <b>Corporate:</b>                           |                       |                      |                    |                       |                  |                       |
| - Overdrafts                                  | 2,511,833,720         | 497,684,059          | 10,360,359         | 3,019,878,138         | -                | 3,019,878,138         |
| - Direct Loans                                | 15,763,316,160        | 5,427,094,766        | 560,137,453        | 21,750,548,379        | -                | 21,750,548,379        |
| - Syndicated loans                            | 7,192,378,694         | 559,267,040          | -                  | 7,751,645,734         | -                | 7,751,645,734         |
| - Other loans                                 | 139,084,252           | 12,147,596           | 514,253            | 151,746,100           | -                | 151,746,100           |
| - Financial Derivatives                       | 139,263,948           | -                    | -                  | 139,263,948           | -                | 139,263,948           |
| - Financial Investments (Debt Instruments)    | 13,365,885,003        | -                    | -                  | 13,365,885,003        | -                | 13,365,885,003        |
| - Financial Investments in Associated Co.     | 96,827,733            | -                    | -                  | 96,827,733            | -                | 96,827,733            |
|   | <b>52,447,109,687</b> | <b>7,709,104,887</b> | <b>819,783,823</b> | <b>60,975,998,397</b> | <b>3,055,667</b> | <b>60,979,054,064</b> |

#### (b) Industry sectors

The following table breaks down the Group's main credit exposure at their book value categorized by the industry sectors of our counterparties.

| Dec.31, 2010                                | Financial institutions | Manufacturing | Other industries | Wholesale and retail trade | Total                 |
|---|------------------------|---------------|------------------|----------------------------|-----------------------|
| Treasury bills and other governmental bills | 9,616,491,239          | -             | -                | -                          | 9,616,491,239         |
| Financial Assets for trading                |                        |               |                  |                            |                       |
| - Debt Instruments                          | 1,043,933,881          | -             | -                | -                          | 1,043,933,881         |
| Loans and advances to banks                 | 128,527,576            | -             | -                | -                          | 128,527,576           |
| <b>Retail:</b>                              |                        |               |                  |                            |                       |
| - Overdrafts                                | -                      | -             | -                | 1,007,205,364              | 1,007,205,364         |
| - Credit cards                              | -                      | -             | -                | 518,583,403                | 518,583,403           |
| - Term loans                                | -                      | -             | -                | 1,914,229,596              | 1,914,229,596         |
| - Mortgages                                 | -                      | -             | -                | 430,897,165                | 430,897,165           |
| - Other loans                               | -                      | -             | -                | 43,390,803                 | 43,390,803            |
| <b>Corporate:</b>                           |                        |               |                  |                            |                       |
| - Overdrafts                                | 3,019,878,138          | -             | -                | -                          | 3,019,878,138         |
| - Direct loans                              | 21,750,548,379         | -             | -                | -                          | 21,750,548,379        |
| - Syndicated loans                          | 7,751,645,734          | -             | -                | -                          | 7,751,645,734         |
| - Other loans                               | 151,746,100            | -             | -                | -                          | 151,746,100           |
| Derivative financial instruments            | 139,263,948            | -             | -                | -                          | 139,263,948           |
| Investment securities – debt instrument     | 13,365,885,003         | -             | -                | -                          | 13,365,885,003        |
| Financial Investments in Associated Co.     | 96,827,733             | -             | -                | -                          | 96,827,733            |
|   | <b>57,064,747,731</b>  | <b>-</b>      | <b>-</b>         | <b>3,914,306,332</b>       | <b>60,979,054,064</b> |

### 3.2 Market risk

Market Risk is defined as the risk that the value of the Bank's on- and off-balance sheet positions will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital. The Bank segregates the exposure to the market risk into either trading or non-trading portfolios.

Market risks are measured, monitored and controlled by the Market Risk Management Department. In addition, regular reports are submitted to the ALCO, Board Risk Committee and the heads of each business unit.

Trading portfolios include those positions that are revalued at the market prices (Mark to Market), arising from market-making transactions where the Bank acts as principal with clients or with the market. Non-trading portfolios include those positions primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities.

#### 3.2.1 Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies. 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.

##### (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 under normal market conditions, based upon a number of assumptions for various changes in market conditions.

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 (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (1 month). The Bank is assessing the historical movements in the market prices based on volatilities and correlations data for the past five years. 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, the Market Risk Management set Soft VAR limits, which have been approved by the ALCO, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the ALCO.

##### (b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise under extreme market conditions. Therefore, bank computes on a daily basis Stress VaR, combined with Normal Board Risk Committee on a quarterly basis.

#### 3.2.2 Value at Risk (VAR) Summary

Total VAR by risk type

|                              | Dec.31, 2010      |                   |                   | Dec.31, 2009      |                   |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                              | Medium            | High              | Low               | Medium            | High              | Low               |
| 1- Foreign exchange risk     | 335,428           | 1,021,367         | 47,251            | 307,823           | 883,615           | 116,378           |
| <b>2- Interest rate risk</b> | <b>64,862,911</b> | <b>81,655,436</b> | <b>53,996,397</b> | <b>42,269,890</b> | <b>58,591,001</b> | <b>32,865,596</b> |
| - For non trading purposes   | 48,257,686        | 63,983,903        | 38,055,532        | 45,989,917        | 67,921,405        | 29,653,822        |
| - For trading purposes       | 13,970,809        | 17,970,757        | 4,319,514         | 6,769,105         | 11,457,200        | 3,229,241         |
| 3- Equities risk             | 6,140,352         | 6,714,030         | 3,478,929         | 5,899,644         | 7,221,488         | 4,866,168         |
| 4- Investment fund           | 1,218,674         | 1,617,940         | 1,080,322         | 1,480,875         | 1,704,370         | 1,265,702         |
| <b>Total VAR</b>             | <b>66,470,692</b> | <b>83,020,106</b> | <b>55,788,545</b> | <b>44,101,339</b> | <b>60,067,638</b> | <b>35,133,019</b> |

- Trading portfolio VAR by risk type

|                              | Dec.31, 2010      |                   |                   | Dec.31, 2009      |                   |                  |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
|                              | Medium            | High              | Low               | Medium            | High              | Low              |
| 1- Foreign exchange risk     | 335,428           | 1,021,367         | 47,251            | 307,823           | 883,615           | 116,378          |
| <b>2- Interest rate risk</b> | -                 | -                 | -                 | -                 | -                 | -                |
| - For non trading purposes   | -                 | -                 | -                 | -                 | -                 | -                |
| - For trading purposes       | 13,970,809        | 17,970,757        | 4,319,514         | 6,769,105         | 11,457,200        | 3,229,241        |
| 3- Equities risk             | 6,140,352         | 6,714,030         | 3,478,929         | 5,899,644         | 7,221,488         | 4,866,168        |
| 4- investment fund           | 1,218,674         | 1,617,940         | 1,080,322         | 1,480,875         | 1,704,370         | 1,265,702        |
| <b>Total VAR</b>             | <b>16,670,238</b> | <b>18,818,850</b> | <b>12,881,880</b> | <b>10,728,264</b> | <b>11,758,526</b> | <b>9,767,308</b> |

- Non Trading portfolio VAR by risk type

|                            | Dec.31, 2010      |                   |                   | Dec.31, 2009      |                   |                   |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                            | Medium            | High              | Low               | Medium            | High              | Low               |
| - For non trading purposes | 48,257,686        | 63,983,903        | 38,055,532        | 45,989,917        | 67,921,405        | 29,653,822        |
| <b>Total VAR</b>           | <b>48,257,686</b> | <b>63,983,903</b> | <b>38,055,532</b> | <b>45,989,917</b> | <b>67,921,405</b> | <b>29,653,822</b> |

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 summarizes the Bank's exposure to foreign currency exchange rate risk and Bank's financial instruments at carrying amounts, categorized by currency.

|  | <u>EGP</u>            | <u>USD</u>            | <u>EURO</u>          | <u>GBP</u>           | <u>Other</u>         | <u>Equivalent EGP Total</u> |
|--|-----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------------|
| <b><u>Dec.31, 2010</u></b>                     |                       |                       |                      |                      |                      |                             |
| <b><u>Assets</u></b>                           |                       |                       |                      |                      |                      |                             |
| Cash and Due From Central Bank                 | 5,340,511,293         | 216,752,383           | 76,246,307           | 11,565,455           | 30,166,353           | <b>5,675,241,791</b>        |
| Due from banks                                 | 354,038,580           | 4,061,199,055         | 2,276,564,976        | 294,350,174          | 68,530,040           | <b>7,054,682,826</b>        |
| Treasury Bills and other Governmental Notes    | 9,237,350,000         | -                     | -                    | -                    | -                    | <b>9,237,350,000</b>        |
| Trading Financial Assets                       | 1,408,783,095         | 112,817,471           | 7,584,147            | -                    | 56,563,122           | <b>1,585,747,835</b>        |
| Loans and Overdrafts for Banks                 | -                     | 109,981,246           | 18,546,329           | -                    | -                    | <b>128,527,576</b>          |
| Loans and Overdrafts for Customers             | 18,983,625,965        | 16,496,008,965        | 1,107,426,206        | 1,062,908            | 639                  | <b>36,588,124,684</b>       |
| Financial Derivatives                          | 113,816,994           | 23,767,459            | 1,679,495            | -                    | -                    | <b>139,263,948</b>          |
| <b><u>Financial Investments:-</u></b>          |                       |                       |                      |                      |                      |                             |
| - Available for Sale                           | 12,371,142,819        | 1,207,924,447         | 34,772,539           | -                    | -                    | <b>13,613,839,805</b>       |
| - Held to Maturity                             | 86,694,444            | 212,555,870           | -                    | -                    | -                    | <b>299,250,313</b>          |
| Financial Investments in Associated Co.        | 87,377,442            | 9,450,291             | -                    | -                    | -                    | <b>96,827,733</b>           |
| <b>Total Financial Assets</b>                  | <b>47,983,340,632</b> | <b>22,450,457,187</b> | <b>3,522,820,000</b> | <b>306,978,537</b>   | <b>155,260,155</b>   | <b>74,418,856,511</b>       |
| <b><u>Liabilities</u></b>                      |                       |                       |                      |                      |                      |                             |
| Due to Banks                                   | 25,950,480            | 1,269,111,131         | 24,987,158           | 39,006               | 2,192,134            | <b>1,322,279,909</b>        |
| Customers Deposits                             | 38,832,224,883        | 19,520,385,330        | 4,242,251,199        | 418,313,269          | 351,002,597          | <b>63,364,177,278</b>       |
| Financial Derivatives                          | 72,398,399            | 35,856,183            | 5,296,458            | -                    | -                    | <b>113,551,040</b>          |
| Other loans                                    | 113,132,222           | 6,954,607             | 9,026,597            | -                    | -                    | <b>129,113,426</b>          |
| <b>Total Financial Liabilities</b>             | <b>39,043,705,984</b> | <b>20,832,307,250</b> | <b>4,281,561,413</b> | <b>418,352,276</b>   | <b>353,194,730</b>   | <b>64,929,121,653</b>       |
| <b>Net on-Balance Sheet Financial Position</b> | <b>8,939,634,648</b>  | <b>1,618,149,937</b>  | <b>(758,741,413)</b> | <b>(111,373,738)</b> | <b>(197,934,576)</b> | <b>9,489,734,858</b>        |



### 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 reprising that may be undertaken, which is monitored daily by Assets & Liabilities Management Dept.

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

|  | <u>Up to 1 Month</u>   | <u>1-3 Months</u>     | <u>3-12 Months</u>    | <u>1-5 years</u>      | <u>Over 5 years</u>  | <u>Non- interest bearing</u> | <u>Total</u>          |
|--|------------------------|-----------------------|-----------------------|-----------------------|----------------------|------------------------------|-----------------------|
| <b>Dec.31, 2010</b>                                      |                        |                       |                       |                       |                      |                              |                       |
| <b>Assets</b>  |                        |                       |                       |                       |                      |                              |                       |
| Cash and Due From Central Bank                           | -                      | -                     | -                     | -                     | -                    | 5,675,241,791                | <b>5,675,241,791</b>  |
| Due from banks   | 3,829,170,615          | 2,625,547,452         | 310,562,150           | -                     | -                    | 289,402,609                  | <b>7,054,682,826</b>  |
| Treasury Bills and other Governmental Notes (Face Value) | 882,825,000            | 864,075,000           | 7,490,450,000         | -                     | -                    | -                            | <b>9,237,350,000</b>  |
| Trading Financial Assets                                 | 650,414,402            | 25,023,555            | 50,820,797            | 752,412,704           | 33,044,393           | 74,031,983                   | <b>1,585,747,835</b>  |
| Loans and overdraft to banks                             | 14,689,065             | 95,292,181            | 13,763,999            | 4,782,331             | -                    | -                            | <b>128,527,576</b>    |
| Loans and overdraft to customers                         | 19,244,274,971         | 9,248,598,618         | 4,490,011,516         | 3,126,233,619         | 479,005,960          | -                            | <b>36,588,124,684</b> |
| Financial Derivatives (including IRS notional amount)    | 601,075,895            | 634,147,582           | 399,970,527           | 1,706,094,810         | 40,802,149           | 114,443,847                  | <b>3,496,534,809</b>  |
| <b>Financial Investments:-</b>                           |                        |                       |                       |                       |                      |                              |                       |
| – Available for sale                                     | 650,559,648            | 130,541,793           | 1,676,885,635         | 9,914,066,570         | 741,658,471          | 500,127,687                  | <b>13,613,839,805</b> |
| – Held to maturity                                       | 58,049,000             | 12,126,923            | 195,125,071           | 33,949,319            | -                    | -                            | <b>299,250,313</b>    |
| Financial Investments in Associated Co.                  | -                      | -                     | -                     | -                     | -                    | 96,827,733                   | <b>96,827,733</b>     |
| <b>Total Financial Assets</b>                            | <b>25,931,058,596</b>  | <b>13,635,353,103</b> | <b>14,627,589,694</b> | <b>15,537,539,353</b> | <b>1,294,510,973</b> | <b>6,750,075,651</b>         | <b>77,776,127,372</b> |
| <b>Liabilities</b>                                       |                        |                       |                       |                       |                      |                              |                       |
| Due to banks   | 309,172,192            | 49,341,650            | 435,367,500           | -                     | -                    | 528,398,567                  | <b>1,322,279,909</b>  |
| Customers Deposits                                       | 28,480,351,084         | 7,668,185,243         | 4,808,527,430         | 12,002,841,827        | 468,641,746          | 9,935,629,948                | <b>63,364,177,278</b> |
| Financial Derivatives (including IRS notional amount)    | 719,459,775            | 1,595,449,411         | 66,038,415            | 454,698,465           | 505,026,300          | 48,381,727                   | <b>3,389,054,094</b>  |
| Other Loans  | 12,114,271             | 19,773,441            | 69,568,298            | 27,657,416            | -                    | -                            | <b>129,113,426</b>    |
| <b>Total financial liabilities</b>                       | <b>29,521,097,322</b>  | <b>9,332,749,745</b>  | <b>5,379,501,644</b>  | <b>12,485,197,708</b> | <b>973,668,047</b>   | <b>10,512,410,242</b>        | <b>68,204,624,707</b> |
| <b>Total interest re-pricing gap</b>                     | <b>(3,590,038,726)</b> | <b>4,302,603,358</b>  | <b>9,248,088,051</b>  | <b>3,052,341,645</b>  | <b>320,842,926</b>   | <b>(3,762,334,591)</b>       | <b>9,571,502,665</b>  |

### **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 fulfill 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 Assets & Liabilities Management Dept, 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. Assets & Liabilities Management Dept. also monitors unmatched medium-term assets, the level and type of un drawn 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, 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 behavior 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.

| <b><u>Dec.31, 2010</u></b>                                 | <b><u>Up to<br/>1 Month</u></b> | <b><u>One to Three<br/>Months</u></b> | <b><u>Three to Twelve<br/>Months</u></b> | <b><u>Twelve Months to One<br/>Year</u></b> | <b><u>Over Five<br/>Years</u></b> | <b><u>Total</u></b>   |
|--|---------------------------------|---------------------------------------|--|---|-----------------------------------|-----------------------|
| <b>Liabilities</b>   |                                 |                                       |  |   |                                   |                       |
| Due to Banks   | 837,570,759                     | 49,341,650                            | 435,367,500                              | -   | -                                 | <b>1,322,279,909</b>  |
| Customers Deposits   | 17,701,209,201                  | 9,151,941,806                         | 8,604,334,536                            | 19,192,725,470                              | 8,713,966,264                     | <b>63,364,177,278</b> |
| Other loans  | 12,114,271                      | 19,773,441                            | 69,568,298                               | 27,657,416                                  | -                                 | <b>129,113,426</b>    |
| Financial Derivatives (Foreign Exchange Derivatives)       | 46,109,376                      | 10,090,483                            | 8,806,258                                | 163,196                                     | -                                 | <b>65,169,313</b>     |
| <b>Total liabilities (contractual maturity dates)</b>      | <b>18,597,003,608</b>           | <b>9,231,147,381</b>                  | <b>9,118,076,592</b>                     | <b>19,220,546,082</b>                       | <b>8,713,966,264</b>              | <b>64,880,739,926</b> |
| <b>Total financial assets (contractual maturity dates)</b> | <b>10,157,510,410</b>           | <b>10,277,629,891</b>                 | <b>10,709,626,276</b>                    | <b>26,017,873,700</b>                       | <b>12,604,512,707</b>             | <b>69,767,152,985</b> |
| <b><u>Dec.31, 2009</u></b>                                 | <b><u>Up to<br/>1 Month</u></b> | <b><u>One to Three<br/>Months</u></b> | <b><u>Three to Twelve<br/>Months</u></b> | <b><u>Twelve Months to One<br/>Year</u></b> | <b><u>Over Five<br/>Years</u></b> | <b><u>Total</u></b>   |
| <b>Liabilities</b>   |                                 |                                       |  |   |                                   |                       |
| Due to Banks   | 409,579,156                     | 4,049,703                             | 8,099,405                                | 16,393,099                                  | 20,023,867                        | <b>458,145,229</b>    |
| Customers Deposits   | 17,436,889,071                  | 8,479,674,960                         | 7,333,919,085                            | 13,692,437,981                              | 7,705,733,424                     | <b>54,648,654,522</b> |
| Other loans  | 3,967,682                       | 14,002,441                            | 27,740,623                               | 47,526,296                                  | -                                 | <b>93,237,042</b>     |
| Financial Derivatives (Foreign Exchange Derivatives)       | 8,864,618                       | 8,069,253                             | 4,877,954                                | -   | -                                 | <b>21,811,825</b>     |
| <b>Total liabilities (contractual maturity dates)</b>      | <b>17,859,300,527</b>           | <b>8,505,796,357</b>                  | <b>7,374,637,067</b>                     | <b>13,756,357,377</b>                       | <b>7,725,757,291</b>              | <b>55,221,848,618</b> |
| <b>Total financial assets (contractual maturity dates)</b> | <b>13,715,802,876</b>           | <b>5,921,889,859</b>                  | <b>14,273,219,862</b>                    | <b>19,288,837,927</b>                       | <b>11,253,257,091</b>             | <b>64,453,007,614</b> |

### 3.3.4 Derivative cash flows

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
  - 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.

| <b>Dec.31, 2010</b>            | <b>Up to</b>      | <b>One to Three</b> | <b>Three to Twelve</b> | <b>Twelve Months to One</b> | <b>Over Five</b>  | <b>Total</b>       |
|--------------------------------|-------------------|---------------------|------------------------|-----------------------------|-------------------|--------------------|
| <b>liabilities</b>             | <b>1 Month</b>    | <b>Months</b>       | <b>Months</b>          | <b>Year</b>                 | <b>Years</b>      |                    |
| <b>Financial Derivatives</b>   |                   |                     |                        |                             |                   |                    |
| - Foreign exchange derivatives | 46,109,376        | 10,090,483          | 8,806,258              | 163,195.72                  | -                 | 65,169,313         |
| - Interest rate derivatives    | -                 | 547,406.66          | 311,210                | 19,972,049                  | 20,321,976        | 41,152,641         |
| <b>Total</b>                   | <b>46,109,376</b> | <b>10,637,890</b>   | <b>9,117,468</b>       | <b>20,135,244</b>           | <b>20,321,976</b> | <b>106,321,954</b> |

OFF Balance sheet items

| <b>Dec.31, 2010</b>                               | <b>Up to 1 year</b>  | <b>1-5 years</b>     | <b>Over 5 years</b> | <b>Total</b>          |
|---|----------------------|----------------------|---------------------|-----------------------|
| Financial Guarantees , Bills and other facilities | 9,481,467,644        | 2,214,095,031        | 184,136,038         | 11,879,698,713        |
| <b>Total</b>                                      | <b>9,481,467,644</b> | <b>2,214,095,031</b> | <b>184,136,038</b>  | <b>11,879,698,713</b> |

### 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 recognized in profit or loss during December 31, 2010 EGP 37,005,804,005 and EGP 29,676,669,820 in December 31, 2009

#### (b) Financial instruments not measured at fair value

The table below summarizes the book value and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

|  | <b>Book value</b>     |                       | <b>Fair value</b>     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>Dec.31, 2010</b>   | <b>Dec.31, 2009</b>   | <b>Dec.31, 2010</b>   | <b>Dec.31, 2009</b>   |
| <b>Financial Assets</b>                  |                       |                       |                       |                       |
| Due from banks                           | 7,054,682,826         | 7,946,147,786         | -                     | -                     |
| Loans and overdraft to banks             | -                     | -                     | 128,527,576           | 200,765,433           |
| <b>Loans and overdraft to customers:</b> |                       |                       |                       |                       |
| - Retail                                 | -                     | -                     | 3,914,306,332         | 2,669,953,130         |
| - Corporate                              | -                     | -                     | 32,673,818,352        | 26,110,470,930        |
| <b>Financial Investments:</b>            |                       |                       |                       |                       |
| Available For Sale                       | -                     | -                     | -                     | 115,553,654           |
| Held to maturity                         | -                     | -                     | 289,151,745           | 579,926,673           |
| <b>Total Financial Assets</b>            | <b>7,054,682,826</b>  | <b>7,946,147,786</b>  | <b>37,005,804,005</b> | <b>29,676,669,820</b> |
| <b>Financial liabilities</b>             |                       |                       |                       |                       |
| Due to banks                             | 1,322,279,909         | 458,145,229           | -                     | -                     |
| Customers Deposits                       | 63,364,177,278        | 54,648,654,522        | -                     | -                     |
| Other loans                              | 129,113,426           | 93,237,042            | -                     | -                     |
| <b>Total Financial Liabilities</b>       | <b>64,815,570,613</b> | <b>55,200,036,793</b> | <b>-</b>              | <b>-</b>              |

#### Due from banks

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.

#### 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.

#### 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.

#### Financial Investments

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.

#### 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.

### 3.5 Capital management

The Bank's objectives when managing capital, which consists of another items in addition of owner's equity stated in balance sheet are:

- To comply with the capital requirements in Egypt.
  - To safeguard the Bank's ability to continue as a on going concern so that it can continue to provide returns for shareholders and stakeholders.
  - 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 as implemented by the Central bank Of Egypt, for supervisory purposes. The required information is filed with the Authority on a quarterly basis.
- Central bank Of Egypt requires the following:
- Hold the minimum level of the issued and paid up capital of EGP500 Million
  - Maintain a ratio of total regulatory capital to the risk weighted asset or above the agreed minimum of 10%.

#### - Tier One:

Tier one, consisting of paid-in capital (after deducting the book value of treasury shares), and retained earnings and reserves resulting from the distribution of profits with the exception of banking risk reserve and deducting there from previously recognized goodwill and any transferred loss

#### - Tier Two:

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 summarizes the composition of regulatory capital and the ratios of the Bank at the end of financial year and the bank has complied with all Capital adequacy requirements as following :

|   | <u>Dec.31, 2010</u>   | <u>Dec.31, 2009</u>   |
|---|-----------------------|-----------------------|
| <b>Tier 1 capital</b>   |                       |                       |
| Share capital (net of the treasury shares)                                    | 5,901,443,600         | 2,925,000,000         |
| General reserves  | 78,564,646            | 2,474,395,768         |
| Legal reserve   | 125,128,337           | 601,454,369           |
| Other reserve   | 267,520,908           | 241,133,169           |
| Retained earnings   | 20,231,298            | (1,942,684)           |
| <b>Total qualifying Tier 1 capital</b>  | <b>6,392,888,789</b>  | <b>6,240,040,622</b>  |
| <b>Tier 2 capital</b>   |                       |                       |
| Redeemable preference shares (general risk provision)                         | 607,483,178           | 510,442,970           |
| Loans/deposits  |                       |                       |
| 45% of the increase in fair value than the book value for A.F.S Investments:- | 956,968               | -                     |
| <b>Total qualifying Tier 2 capital</b>  | <b>608,440,147</b>    | <b>510,442,970</b>    |
| Less investments in associates  |                       |                       |
| <b>Total capital 1+2</b>  | <b>7,001,328,935</b>  | <b>6,750,483,592</b>  |
| <b>Risk-weighted assets:</b>  |                       |                       |
| In-balance sheet  | 43,626,939,621        | 36,143,068,815        |
| Off-balance sheet   | 4,971,714,657         | 4,692,368,750         |
| <b>Total risk-weighted assets</b>   | <b>48,598,654,278</b> | <b>40,835,437,565</b> |
| <b>Capital Adequacy ratio (%)</b>   | <b>14.41%</b>         | <b>16.53%</b>         |

### 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%

#### (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..

#### (d) 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 amortized 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

\* 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.

| <b>Dec.31, 2010</b>                                  | <b>Corporate<br/>Banking</b> | <b>SME's</b>         | <b>Investment<br/>Banking</b> | <b>Retail<br/>Banking</b> | <b>Total</b>           |
|--|------------------------------|----------------------|-------------------------------|---------------------------|------------------------|
| Revenue according to business segment                | 2,241,773,545                | 64,900,676           | (14,712,804)                  | 1,481,916,949             | <b>3,773,878,367</b>   |
| Activity gains                                       |                              |                      |                               |                           |                        |
| Expenses according to business segment               | (532,445,813)                | (64,483,675)         | (20,267,205)                  | (794,068,260)             | <b>(1,411,264,953)</b> |
| <b>Activities results by sector</b>                  | <b>1,709,327,733</b>         | <b>417,001</b>       | <b>(34,980,009)</b>           | <b>687,848,689</b>        | <b>2,362,613,414</b>   |
| Profit before tax                                    | 1,709,327,733                | 417,001              | (34,980,009)                  | 687,848,689               | <b>2,362,613,414</b>   |
| Tax  | (252,563,793)                | (63,316)             | -                             | (104,440,799)             | <b>(357,067,909)</b>   |
| <b>Profit for the Year</b>                           | <b>1,456,763,939</b>         | <b>353,685</b>       | <b>(34,980,009)</b>           | <b>583,407,890</b>        | <b>2,005,545,505</b>   |
| Assets and liabilities according to business segment | 67,757,904,022               | 1,014,671,790        | 1,613,413,684                 | 5,039,444,129             | <b>75,425,433,625</b>  |
| <b>Total Assets</b>                                  | <b>67,757,904,022</b>        | <b>1,014,671,790</b> | <b>1,613,413,684</b>          | <b>5,039,444,129</b>      | <b>75,425,433,625</b>  |

| <b>Dec.31, 2009</b>                                  | <b>Corporate<br/>Banking</b> | <b>SME's</b>       | <b>Investment<br/>banking</b> | <b>Retail<br/>Banking</b> | <b>Total</b>           |
|--|------------------------------|--------------------|-------------------------------|---------------------------|------------------------|
| Revenue according to business segment                | 2,093,762,098                | 1,233,264,123      | 35,755,000                    | 40,989,074                | <b>3,403,770,295</b>   |
| Expenses according to business segment               | (499,571,860)                | (763,045,467)      | (28,445,000)                  | (18,890,191)              | <b>(1,309,952,518)</b> |
| <b>Activities results by sector</b>                  | <b>1,594,190,238</b>         | <b>470,218,656</b> | <b>7,310,000</b>              | <b>22,098,883</b>         | <b>2,093,817,777</b>   |
| Profit before tax                                    | 1,594,190,238                | 470,218,656        | 7,310,000                     | 22,098,883                | <b>2,093,817,777</b>   |
| tax  | (273,682,354)                | (73,899,941)       | (1,150,000)                   | (1,117,132)               | <b>(349,849,427)</b>   |
| <b>Profit for the year</b>                           | <b>1,320,507,884</b>         | <b>396,318,715</b> | <b>6,160,000</b>              | <b>20,981,751</b>         | <b>1,743,968,350</b>   |
| Assets and liabilities according to business segment | 61,099,114,582               | 220,223,300        | 15,311,000                    | 2,919,912,007             | <b>64,254,560,889</b>  |
| <b>Total assets</b>                                  | <b>61,099,114,582</b>        | <b>220,223,300</b> | <b>15,311,000</b>             | <b>2,919,912,007</b>      | <b>64,254,560,889</b>  |

### (b) By Geographical segment

| <b>Dec.31, 2010</b>                    | <b>Egypt</b>          |                                |                    |                        | <b>Other Countries</b> | <b>Total</b>           |
|--|-----------------------|--------------------------------|--------------------|------------------------|------------------------|------------------------|
|  | <b>Cairo</b>          | <b>Alex, Delta &amp; Sinai</b> | <b>Upper Egypt</b> | <b>Total</b>           |                        |                        |
| Revenue according to business segment  | 2,871,682,814         | 775,199,795                    | 118,266,971        | <b>3,765,149,580</b>   | 8,728,787              | <b>3,773,878,367</b>   |
| Expenses according to business segment | (996,860,718)         | (329,539,165)                  | (83,836,154)       | <b>(1,410,236,037)</b> | (1,028,915)            | <b>(1,411,264,952)</b> |
| <b>Activities results by sector</b>    | <b>1,874,822,096</b>  | <b>445,660,630</b>             | <b>34,430,817</b>  | <b>2,354,913,543</b>   | <b>7,699,872</b>       | <b>2,362,613,415</b>   |
| <b>Unallocated costs</b>               |                       |                                |                    |                        |                        |                        |
| Profit before tax                      | 1,874,822,096         | 445,660,630                    | 34,430,817         | <b>2,354,913,543</b>   | 7,699,872              | <b>2,362,613,415</b>   |
| Tax                                    | (281,972,140)         | (68,609,725)                   | (5,300,645)        | <b>(355,882,510)</b>   | (1,185,400)            | <b>(357,067,910)</b>   |
| <b>Profit for the Year</b>             | <b>1,592,849,956</b>  | <b>377,050,905</b>             | <b>29,130,172</b>  | <b>1,999,031,033</b>   | <b>6,514,472</b>       | <b>2,005,545,505</b>   |
| Geographical segments Assets           | 66,291,467,335        | 8,492,570,016                  | 638,319,867        | <b>75,422,357,218</b>  | 3,076,406              | <b>75,425,433,624</b>  |
| <b>Total Assets</b>                    | <b>66,291,467,335</b> | <b>8,492,570,016</b>           | <b>638,319,867</b> | <b>75,422,357,218</b>  | <b>3,076,406</b>       | <b>75,425,433,624</b>  |

| <b>Dec.31, 2009</b>                    | <b>Egypt</b>          |                                |                    |                        | <b>Other Countries</b> | <b>Total</b>           |
|--|-----------------------|--------------------------------|--------------------|------------------------|------------------------|------------------------|
|  | <b>Cairo</b>          | <b>Alex, Delta &amp; Sinai</b> | <b>Upper Egypt</b> | <b>Total</b>           |                        |                        |
| Revenue according to business segment  | 2,702,961,576         | 604,289,656                    | 90,005,198         | <b>3,397,256,430</b>   | 6,513,865              | <b>3,403,770,295</b>   |
| Expenses according to business segment | (887,737,726)         | (331,898,850)                  | (80,523,392)       | <b>(1,300,159,968)</b> | (9,792,550)            | <b>(1,309,952,518)</b> |
| <b>Activities results by sector</b>    | <b>1,815,223,850</b>  | <b>272,390,806</b>             | <b>9,481,806</b>   | <b>2,097,096,462</b>   | <b>(3,278,685)</b>     | <b>2,093,817,777</b>   |
| Profit before tax                      | 1,815,223,850         | 272,390,806                    | 9,481,806          | <b>2,097,096,462</b>   | (3,278,685)            | <b>2,093,817,777</b>   |
| tax                                    | (287,880,647)         | (57,301,417)                   | (4,577,700)        | <b>(349,759,764)</b>   | (89,664)               | <b>(349,849,428)</b>   |
| <b>Profit for the year</b>             | <b>1,527,343,204</b>  | <b>215,089,389</b>             | <b>4,904,106</b>   | <b>1,747,336,699</b>   | <b>(3,368,349)</b>     | <b>1,743,968,350</b>   |
| Geographical Segments Assets           | 58,870,799,609        | 5,220,836,561                  | 159,979,784        | <b>64,251,615,954</b>  | 2,944,935              | <b>64,254,560,889</b>  |
| <b>Total Assets</b>                    | <b>58,870,799,609</b> | <b>5,220,836,561</b>           | <b>159,979,784</b> | <b>64,251,615,954</b>  | <b>2,944,935</b>       | <b>64,254,560,889</b>  |

## (6) Net Interest Income

|  | <u>Dec.31, 2010</u><br><u>EGP</u> | <u>Dec.31, 2009</u><br><u>EGP</u> |
|--|-----------------------------------|-----------------------------------|
| - Interest Received from Loans and similar items:-                                 |                                   |                                   |
| - Banks  | 113,507,031                       | 128,013,500                       |
| - Clients  | 2,306,925,726                     | 2,136,658,036                     |
|  | <u>2,420,432,757</u>              | <u>2,264,671,536</u>              |
| - Treasury Bills and Bonds   | 1,930,851,872                     | 1,127,200,403                     |
| - Reverse Repos  | 16,639,271                        | 74,641,951                        |
| - Financial Investment In Held to Maturity and Available for Sale Debt Instruments | 157,566,326                       | 566,009,583                       |
| - Other  | (12,517)                          | 115,389                           |
| <b><u>Total</u></b>  | <b><u>4,525,477,709</u></b>       | <b><u>4,032,638,862</u></b>       |
| - Interest Paid on deposits and similar items:-                                    |                                   |                                   |
| - Banks  | 70,469,233                        | 164,842,855                       |
| - Clients  | 2,194,974,802                     | 1,836,192,188                     |
|  | <u>2,265,444,035</u>              | <u>2,001,035,043</u>              |
| - Financial Instruments Purchased with a Commitment to Re-Sale (Repos)             | 219,881                           | -                                 |
| - Other  | 2,122,799                         | 1,571,617                         |
| <b><u>Total</u></b>  | <b><u>2,267,786,715</u></b>       | <b><u>2,002,606,660</u></b>       |
| <b><u>Net</u></b>  | <b><u>2,257,690,995</u></b>       | <b><u>2,030,032,202</u></b>       |

## (7) Net Income From Fees & Commissions

|  | <u>Dec.31, 2010</u><br><u>EGP</u> | <u>Dec.31, 2009</u><br><u>EGP</u> |
|--|-----------------------------------|-----------------------------------|
| <b><u>Fees &amp; Commissions Income :</u></b>  |                                   |                                   |
| Fees & Commissions Related to Credit           | 518,885,060                       | 461,475,536                       |
| Custody Fees                                   | 146,052,441                       | 157,507,039                       |
| Other Fees                                     | 274,425,684                       | 211,288,242                       |
| <b><u>Total</u></b>                            | <b><u>939,363,185</u></b>         | <b><u>830,270,817</u></b>         |
| <b><u>Fees &amp; Commissions Expense :</u></b> |                                   |                                   |
| Other Fees Paid                                | (85,056,559)                      | (64,831,578)                      |
| <b><u>Total</u></b>                            | <b><u>(85,056,559)</u></b>        | <b><u>(64,831,578)</u></b>        |
| <b><u>Net Fees &amp; Commissions</u></b>       | <b><u>854,306,626</u></b>         | <b><u>765,439,239</u></b>         |

## (8) Dividends

|                               | <u>Dec.31, 2010</u><br><u>EGP</u> | <u>Dec.31, 2009</u><br><u>EGP</u> |
|-------------------------------|-----------------------------------|-----------------------------------|
| Trading Securities            | 1,330,647                         | 1,763,898                         |
| Available for Sale Securities | 152,755,829                       | 126,226,234                       |
| Subsidiaries and Associated   | 11,452,676                        | 5,483,046                         |
| <b><u>Total</u></b>           | <b><u>165,539,152</u></b>         | <b><u>133,473,178</u></b>         |

## (9) Net Trading Income

|   | <u>Dec.31, 2010</u><br><u>EGP</u> | <u>Dec.31, 2009</u><br><u>EGP</u> |
|---|-----------------------------------|-----------------------------------|
| - Profit From Foreign exchange  | 334,230,240                       | 291,327,008                       |
| - Profit (Losses) From Revaluations of Trading Assets and Liabilities in Foreign Currencies | 10,006,998                        | (1,429,285)                       |
| - (Losses)Profit From Forward Foreign exchange Deals Revaluation                            | (12,297,737)                      | 3,460,009                         |
| - (Losses) Profit From Interest Rate Swaps Revaluation                                      | (33,053,612)                      | (41,255,686)                      |
| - (Losses) Profit From Swap Deals Revaluation   | (17,643,454)                      | (307,591)                         |
| - Trading Debt Instruments  | 107,408,262                       | 156,564,981                       |
| - Trading Equity Instruments  | 38,751,800                        | 10,935,068                        |
| <b><u>Total</u></b>   | <b><u>427,402,497</u></b>         | <b><u>419,294,504</u></b>         |

**(10) Administrative Expenses**

|  | <u>Dec.31, 2010</u>         | <u>Dec.31, 2009</u>         |
|--|-----------------------------|-----------------------------|
|  | <u>EGP</u>                  | <u>EGP</u>                  |
| <b><u>Staff Costs</u></b>              |                             |                             |
| - Wages & Salaries                     | 569,710,670                 | 497,321,623                 |
| - Social Insurance                     | 21,713,306                  | 19,575,658                  |
| - Other Benefits                       | 29,636,810                  | 14,428,628                  |
| - <u>Other Administrative Expenses</u> | 703,792,937                 | 639,476,885                 |
| <b>Total</b>                           | <b><u>1,324,853,724</u></b> | <b><u>1,170,802,794</u></b> |

**(11) Other Operating (Expenses) Income**

|   | <u>Dec.31, 2010</u>        | <u>Dec.31, 2009</u>        |
|---|----------------------------|----------------------------|
|   | <u>EGP</u>                 | <u>EGP</u>                 |
| - (Losses) Profits From Assets & Liabilities Revaluation Except Trading | (90,859,875)               | 6,036,985                  |
| - Profits From Selling Equipments And Fixed Assets                      | 1,574,746                  | 15,797,710                 |
| - Return (Losses) Of other Provision                                    | 106,238,765                | (46,428,105)               |
| - Others  | (47,547,853)               | (55,718,197)               |
| <b>Total</b>  | <b><u>(30,594,217)</u></b> | <b><u>(80,311,607)</u></b> |

**(12) Return (Losses) Of Impairment From Loans**

|  | <u>Dec.31, 2010</u>       | <u>Dec.31, 2009</u>       |
|--|---------------------------|---------------------------|
|  | <u>EGP</u>                | <u>EGP</u>                |
| Loans And Overdrafts For Customers     | (6,783,757)               | (9,715,311)               |
| Held to Maturity Financial Investments | 620,261                   | 530,453                   |
| <b>Total</b>                           | <b><u>(6,163,496)</u></b> | <b><u>(9,184,858)</u></b> |

**(13) Adjustments to Calculate the Effective Tax Rate**

|   | <u>Dec.31, 2010</u>       | <u>Dec.31, 2009</u>       |
|---|---------------------------|---------------------------|
|   | <u>EGP</u>                | <u>EGP</u>                |
| - Profit Before Tax                                 | 2,363,971,731             | 2,095,345,642             |
| - Tax Rate  | 20%                       | 20%                       |
| <b><u>Income Tax Based On Accounting Profit</u></b> | <b><u>472,794,346</u></b> | <b><u>419,069,128</u></b> |
| <b><u>Add / (Deduct)</u></b>                        |                           |                           |
| - Non-Deductible Expenses                           | 7,887,154                 | 5,686,791                 |
| - Tax Exemptions                                    | (113,810,215)             | (83,123,598)              |
| - Effect Of Provisions                              | (9,639,280)               | 8,223,215                 |
|   | (164,095)                 | (6,110)                   |
| <b><u>Income Tax</u></b>                            | <b><u>357,067,910</u></b> | <b><u>349,849,426</u></b> |
| <b>Effective Tax Rate</b>                           | <b>15.10%</b>             | <b>16.70%</b>             |

**(14) Earning Per Share**

|  | <u>Dec.31, 2010</u>         | <u>Dec.31, 2009</u>         |
|--|-----------------------------|-----------------------------|
|  | <u>EGP</u>                  | <u>EGP</u>                  |
| - Net Profit For The Period Available for Distribution | 1,875,205,780               | 1,743,968,350               |
| - Board Member's Bonus                                 | (30,213,341)                | (26,354,351)                |
| - Staff Profit Sharing                                 | (201,422,275)               | (175,695,671)               |
| <b><u>Shareholders' Share In Profits</u></b>           | <b><u>1,643,570,163</u></b> | <b><u>1,541,918,328</u></b> |
| - Number Of Shares                                     | 590,144,360                 | 590,144,360                 |
| <b><u>Basic Earning Per Share</u></b>                  | <b><u>2.79</u></b>          | <b><u>2.61</u></b>          |
| - By Issuance Of ESOP Earning Per Share Will Be:-      |                             |                             |
| Number Of Shares Including ESOP Shares                 | 600,695,185                 | 600,695,185                 |
| <b><u>Diluted Earning Per Share</u></b>                | <b><u>2.74</u></b>          | <b><u>2.57</u></b>          |

**(15) Cash And Due From Central Bank**

|   | <u>Dec.31, 2010</u>         | <u>Dec.31, 2009</u>         |
|---|-----------------------------|-----------------------------|
|   | <u>EGP</u>                  | <u>EGP</u>                  |
| - Cash  | 1,399,250,089               | 911,195,861                 |
| - Reserve Balance With CBE:-                  |                             |                             |
| - Current Accounts                            | 4,275,991,702               | 3,268,060,628               |
| <b>Total Cash &amp; Due From Central Bank</b> | <b><u>5,675,241,791</u></b> | <b><u>4,179,256,489</u></b> |
| <b>Balances without Interest</b>              | <b><u>5,675,241,791</u></b> | <b><u>4,179,256,489</u></b> |

**(16) Due From Banks**

|   | <u>Dec.31, 2010</u>         | <u>Dec.31, 2009</u>         |
|---|-----------------------------|-----------------------------|
|   | <u>EGP</u>                  | <u>EGP</u>                  |
| - Current Accounts                          | 653,994,222                 | 436,687,451                 |
| - Deposits                                  | 6,400,688,604               | 7,509,460,335               |
| <b>Total Due From Banks</b>                 | <b><u>7,054,682,826</u></b> | <b><u>7,946,147,786</u></b> |
| - Central Banks (Except Obligatory Reserve) | 2,539,019,714               | 2,121,116,884               |
| - Local Banks                               | 825,623,131                 | 974,205,982                 |
| - Foreign Banks                             | 3,690,039,981               | 4,850,824,920               |
| <b>Total Due From Banks</b>                 | <b><u>7,054,682,826</u></b> | <b><u>7,946,147,786</u></b> |
| - Non Bearing Interest Balances             | 289,402,609                 | 436,687,451                 |
| - Fixed Bearing Interest Balances           | 6,765,280,217               | 7,509,460,335               |
| <b>Total Due From Banks</b>                 | <b><u>7,054,682,826</u></b> | <b><u>7,946,147,786</u></b> |
| - Current Balances                          | 7,054,682,826               | 7,946,147,786               |
| <b>Total Due From Banks</b>                 | <b><u>7,054,682,826</u></b> | <b><u>7,946,147,786</u></b> |

**(17) Treasury Bills And Other Governmental Notes**

|  | <u>Dec.31, 2010</u>         | <u>Dec.31, 2009</u>          |
|--|-----------------------------|------------------------------|
|  | <u>EGP</u>                  | <u>EGP</u>                   |
| - 91 Days Maturity                                       | 2,126,041,239               | 5,654,811,592                |
| - 182 Days Maturity                                      | 3,830,900,000               | 4,539,175,000                |
| - 364 Days Maturity                                      | 3,659,550,000               | 3,451,725,000                |
|  | <b><u>9,616,491,239</u></b> | <b><u>13,645,711,592</u></b> |
| - Unearned Income  | (416,346,434)               | (446,750,679)                |
| <b>Total Treasury Bills</b>                              | <b><u>9,200,144,805</u></b> | <b><u>13,198,960,913</u></b> |
| - Repos  | (379,141,239)               | -                            |
| <b>Total Treasury Bills And Other Governmental Notes</b> | <b><u>8,821,003,566</u></b> | <b><u>13,198,960,913</u></b> |

- Available for sale debt instruments with an amount of EGP 379,141,239 have been reclassified under treasury bills and other governmental notes which have been pledged according to Repo agreement.

**(18) Financial Assets For Trading**

|   | <u>Dec.31, 2010</u>         | <u>Dec.31, 2009</u>       |
|---|-----------------------------|---------------------------|
|   | <u>EGP</u>                  | <u>EGP</u>                |
| - <b>Debt Instruments:-</b>               |                             |                           |
| - Government Bonds                        | 861,157,325                 | 75,348,284                |
| - Other Debt Instruments                  | 182,776,556                 | 110,518,274               |
| <b>Total Debt Instruments</b>             | <b><u>1,043,933,881</u></b> | <b><u>185,866,558</u></b> |
| - <b>Equity Instruments:-</b>             |                             |                           |
| - Foreign Company Shares                  | 74,031,984                  | 57,624,532                |
| - Mutual Fund                             | 467,781,970                 | 211,661,790               |
| <b>Total Equity Instruments</b>           | <b><u>541,813,953</u></b>   | <b><u>269,286,322</u></b> |
| Funds Managed By Others                   | -                           | 35,986,076                |
| <b>Total Financial Assets For Trading</b> | <b><u>1,585,747,835</u></b> | <b><u>491,138,956</u></b> |



**(19) Loans And Overdrafts For Banks**

|  | <u>Dec.31, 2010</u><br><u>EGP</u> | <u>Dec.31, 2009</u><br><u>EGP</u> |
|--|-----------------------------------|-----------------------------------|
| - Time and Term Loans                              | 128,527,576                       | 200,765,433                       |
| <b><u>Total Loans and Overdrafts For Banks</u></b> | <b>128,527,576</b>                | <b>200,765,433</b>                |
| <b>Distributed To:-</b>                            |                                   |                                   |
| - Non-Current Balances                             | 128,527,576                       | 200,765,433                       |
| <b><u>Net Loans And Overdrafts For Banks</u></b>   | <b>128,527,576</b>                | <b>200,765,433</b>                |

**(20) Loans And Overdrafts For Customers**

|  | <u>Dec.31, 2010</u><br><u>EGP</u> | <u>Dec.31, 2009</u><br><u>EGP</u> |
|--|-----------------------------------|-----------------------------------|
| <b><u>Retail</u></b>                                   |                                   |                                   |
| - Overdrafts   | 1,007,205,364                     | 852,902,695                       |
| - Credit Cards   | 518,583,403                       | 451,907,954                       |
| - Personal Loans                                       | 1,914,229,597                     | 1,005,586,641                     |
| - Real state Loans                                     | 430,897,165                       | 292,518,318                       |
| - Other Loans  | 43,390,803                        | 67,037,522                        |
| <b><u>Total (1)</u></b>                                | <b>3,914,306,332</b>              | <b>2,669,953,130</b>              |
| <b><u>Corporate</u></b>                                |                                   |                                   |
| - Overdrafts   | 3,019,878,138                     | 3,434,116,195                     |
| - Direct Loans   | 21,750,548,380                    | 15,918,861,867                    |
| - Syndicated loans                                     | 7,751,645,734                     | 6,663,779,140                     |
| - Other Loans  | 151,746,100                       | 93,713,728                        |
| <b><u>Total (2)</u></b>                                | <b>32,673,818,352</b>             | <b>26,110,470,930</b>             |
| <b><u>Loans And Overdrafts For Customers (1+2)</u></b> | <b>36,588,124,684</b>             | <b>28,780,424,060</b>             |
| - Unearned Bills Discount                              | (59,528,351)                      | (92,637,396)                      |
| - Provision For Doubtful Debts                         | (1,257,882,426)                   | (1,304,194,446)                   |
| - Interest In Suspense                                 | (224,700,550)                     | (141,285,321)                     |
| <b><u>Net Loans And Overdrafts For Customers</u></b>   | <b>35,046,013,357</b>             | <b>27,242,306,897</b>             |
| <b><u>Distributed To:-</u></b>                         |                                   |                                   |
| Current Balances                                       | 13,176,145,651                    | 10,362,261,423                    |
| Non-Current Balances                                   | 21,869,867,706                    | 16,880,045,473                    |
| <b><u>Net Loans And Overdrafts For Customers</u></b>   | <b>35,046,013,357</b>             | <b>27,242,306,896</b>             |

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

- Analysis Of The Doubtful Debts Provision For Customers

Dec.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              | 1,784,389         | (2,677,769)         | (41,751,067)          | 2,280,658               | (40,363,789)       |
| - Write Off During The Period           | -                 | (21,890,799)        | (762,282)             | -                       | (22,653,081)       |
| - Recoveries From Written Off Debts     | -                 | 3,216,180           | 255,895               | -                       | 3,472,075          |
| - Foreign Currency Revaluation Diff.    | -                 | -                   | -                     | -                       | -                  |
| <b>Balance At The End Of The Period</b> | <b>8,001,963</b>  | <b>42,119,826</b>   | <b>81,498,499</b>     | <b>8,888,164</b>        | <b>140,508,452</b> |

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              | 4,274,439          | 31,517,879          | 11,256,656              | 98,572             | 47,147,546           |
| - Write Off During The Period           | -                  | (83,201,595)        | -                       | -                  | (83,201,595)         |
| - Recoveries From Written Off Debts     | -                  | 25,694,981          | -                       | -                  | 25,694,981           |
| - Foreign Currency Revaluation Diff.    | -                  | 23,591,844          | -                       | -                  | 23,591,844           |
| <b>Balance At The End Of The Period</b> | <b>186,889,818</b> | <b>453,722,723</b>  | <b>472,657,512</b>      | <b>4,103,921</b>   | <b>1,117,373,974</b> |

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.    | -                 | -                   | -                     | -                       | -                  |
| <b>Balance At The End Of The Year</b> | <b>6,217,574</b>  | <b>63,472,214</b>   | <b>123,755,953</b>    | <b>6,607,506</b>        | <b>200,053,247</b> |

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)          |
| <b>Balance At The End Of The Year</b> | <b>182,615,379</b> | <b>456,119,614</b>  | <b>461,400,856</b>      | <b>4,005,349</b>   | <b>1,104,141,198</b> |

## (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.

### A- For Trading Derivatives

|   | Notional Amount | Dec.31, 2010       |                    | Notional Amount | Dec.31, 2009       |                    |
|---|-----------------|--------------------|--------------------|-----------------|--------------------|--------------------|
|   |                 | Assets             | Liabilities        |                 | Assets             | Liabilities        |
| <b>- Foreign Derivatives:-</b>                                    |                 |                    |                    |                 |                    |                    |
| - Forward Foreign exchange contracts                              | 3,072,183,403   | 10,189,895         | 17,784,952         | 2,216,238,458   | 11,313,445         | 6,610,765          |
| - Currency swap   | 5,252,345,990   | 95,810,458         | 46,796,806         | 2,282,456,175   | 59,700,304         | 8,520,349          |
| - Options   | 129,589,977     | 587,555            | 587,555            | 1,115,741,508   | 6,680,711          | 6,680,711          |
| <b>Total Derivatives (1)</b>                                      |                 | <b>106,587,908</b> | <b>65,169,313</b>  |                 | <b>77,694,460</b>  | <b>21,811,825</b>  |
| <b>- Interest rate derivatives:-</b>                              |                 |                    |                    |                 |                    |                    |
| - Interest rate Swaps   | 2,116,390,500   | 18,033,720         | 32,936,778         | 1,468,824,580   | 25,635,166         | 6,697,411          |
| <b>Total Derivatives (2)</b>                                      |                 | <b>18,033,720</b>  | <b>32,936,778</b>  |                 | <b>25,635,166</b>  | <b>6,697,411</b>   |
| - Commodity   | 37,459,113      | 7,229,086          | 7,229,086          | 219,509,800     | 122,017,594        | 122,017,594        |
| <b>Total Derivatives (3)</b>                                      |                 | <b>7,229,086</b>   | <b>7,229,086</b>   |                 | <b>122,017,594</b> | <b>122,017,594</b> |
| <b>Total Assets ( liability) For Trading Derivatives ( 1+2+3)</b> |                 | <b>131,850,714</b> | <b>105,335,177</b> |                 | <b>225,347,220</b> | <b>150,526,830</b> |

### B- For Hedging Derivatives

|   | Notional Amount | Dec.31, 2010       |                    | Notional Amount | Dec.31, 2009       |                    |
|---|-----------------|--------------------|--------------------|-----------------|--------------------|--------------------|
|   |                 | Assets             | Liabilities        |                 | Assets             | Liabilities        |
| Interest rate Swaps   | 1,159,112,554   | 7,413,234          | 8,215,863          | -               | -                  | -                  |
| <b>Total Assets ( liability) For Hedging Derivatives ( 1+2+3+4)</b> |                 | <b>7,413,234</b>   | <b>8,215,863</b>   |                 | <b>-</b>           | <b>-</b>           |
| <b>Total Financial Derivatives ( 1+2+3+4)</b>                       |                 | <b>139,263,948</b> | <b>113,551,039</b> |                 | <b>225,347,220</b> | <b>150,526,830</b> |

**(22) Financial Investment**

|   | <u>Dec.31, 2010</u>          | <u>Dec.31, 2009</u>         |
|---|------------------------------|-----------------------------|
| <b><u>- Available For Sale Financial Investment:-</u></b>   | <b><u>EGP</u></b>            | <b><u>EGP</u></b>           |
| - Debt Instruments Listed - Fair Value                      | 12,182,202,264               | 6,756,292,076               |
| - Equity Instruments Listed - Fair Value                    | 88,634,556                   | 115,553,654                 |
| - Unlisted Instruments                                      | 1,343,002,985                | 558,131,421                 |
| <b><u>Total Available For Sale Financial Investment</u></b> | <b><u>13,613,839,805</u></b> | <b><u>7,429,977,151</u></b> |
| <b><u>- Held To Maturity Financial Investment:-</u></b>     |                              |                             |
| - Listed Debt Instruments                                   | 64,181,945                   | 272,889,366                 |
| - Unlisted Instruments                                      | 235,068,368                  | 317,167,843                 |
| <b><u>Total Held To Maturity Financial Investment</u></b>   | <b><u>299,250,313</u></b>    | <b><u>590,057,209</u></b>   |
| <b><u>Total Financial Investment</u></b>                    | <b><u>13,913,090,118</u></b> | <b><u>8,020,034,360</u></b> |
| - Listed Balances   | 12,002,427,357               | 7,154,182,641               |
| - Unlisted Balances   | 1,910,662,761                | 865,851,719                 |
|   | <b><u>13,913,090,118</u></b> | <b><u>8,020,034,360</u></b> |
| - Fixed Interest Debt Instruments                           | 11,515,986,698               | 5,701,939,359               |
| - Variable Interest Debt Instruments                        | 1,849,898,303                | 1,601,779,389               |
|   | <b><u>13,365,885,003</u></b> | <b><u>7,303,718,748</u></b> |

- Available for sale debt instruments with an amount of EGP 379,141,239 have been reclassified under treasury bills and other governmental notes which have been pledged according to Repo agreement.

|   | <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>         |                              |
| <b>- Opening Balance 1/1/2009</b>                                     | <b>2,774,965,250</b>         | <b>681,263,274</b>        | <b>3,456,228,524</b>         |
| - 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 (Losses)From Fair Value Deference                            | (86,277,201)                 | -                         | (86,277,201)                 |
| - Return (Deduct) - Impairment Losses                                 | (14,918,896)                 | -                         | (14,918,896)                 |
| <b><u>Balance At The End Of Year</u></b>                              | <b><u>7,429,977,151</u></b>  | <b><u>590,057,209</u></b> | <b><u>8,020,034,360</u></b>  |
| <b>- Opening Balance 1/1/2010</b>                                     | <b>7,429,977,151</b>         | <b>590,057,209</b>        | <b>8,020,034,360</b>         |
| - Addition  | 9,474,625,202                | 5,012,500                 | 9,479,637,702                |
| - Deduction ( Selling - Recovery )                                    | (3,467,532,768)              | (311,478,559)             | (3,779,011,327)              |
| - Differences In Revaluation Of The Cash Assets In Foreign Currencies | 68,054,023                   | 15,659,162                | 83,713,185                   |
| - Profit (Losses)From Fair Value Deference                            | 108,716,196                  | -                         | 108,716,196                  |
| <b><u>Balance At The End Of Year</u></b>                              | <b><u>13,613,839,804</u></b> | <b><u>299,250,313</u></b> | <b><u>13,913,090,117</u></b> |

|  | <u>Dec.31, 2010</u>       | <u>Dec.31, 2009</u>      |
|--|---------------------------|--------------------------|
| <b><u>- Profit (Losses) From Financial Investment</u></b>              | <b><u>EGP</u></b>         | <b><u>EGP</u></b>        |
| Profit (Losses) From Financial Investment                              | 203,689,153               | 88,764,201               |
| Profit From Selling Available For Sale Financial Instruments           | (9,844,647)               | (14,918,896)             |
| (Losses) From Impairment Of Equity Instruments Available For Sale      | 68,054,023                | (8,035,072)              |
| Return (Losses) Of Impairment From Available For Sale Debt Instruments | (96)                      | -                        |
| (Losses) From Impairment Of Subsidiaries And Associates.               | (144,331)                 | (13,851)                 |
|  | <b><u>261,754,102</u></b> | <b><u>65,796,382</u></b> |

**(23) Financial Investments in Associated Companies**

|  | <u>Dec.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.            | 25,938,603          | 45       | 25,938,603          | 45       |
| - Corplease co.  | 46,826,581          | 40       | 41,212,117          | 40       |
| - Haykala for Investment                                 | 1,743,685           | 40       | 2,478,619           | 40       |
| - Egypt Factors  | 9,450,291           | 39       | 4,144,721           | 39       |
| - International. Co. for Appraisal and Collection.       | 2,529,580           | 40       | 1,759,714           | 40       |
| - International Co. for Security and Services ( Falcon ) | 10,338,993          | 40       | 8,293,507           | 40       |
| <b>Total</b>   | <b>96,827,733</b>   |          | <b>83,827,281</b>   |          |

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

|  |                   |                   |
|--|-------------------|-------------------|
| - Financial Investments Unlisted in Stock Exchange | 96,827,733        | 83,827,281        |
| <b>Total</b>                                       | <b>96,827,733</b> | <b>83,827,281</b> |

**(24) Real estate investments \***

| <u>Assets</u>  | <u>Dec.31, 2010</u> |                   | <u>Dec.31, 2009</u> |                   |
|--|---------------------|-------------------|---------------------|-------------------|
|  | <u>EGP</u>          | <u>Book value</u> | <u>EGP</u>          | <u>Book value</u> |
| - Building number 17 tiba st. Eldokki next to shooting club                            | 7,600,000           | 7,600,000         | 7,600,000           | 7,600,000         |
| - Commercial unit number f 35 in arkadia mall (14 elbahr st. Boulak kormish el Nile )  | 361,200             | 361,200           | 361,200             | 361,200           |
| - Floor 3 building number 131 eltahriri st. Eldokki + part of the garage               | -                   | -                 | 3,239,200           | 3,239,200         |
| - Apartment in the first floor 230 meters elmadina tower elgomhoria st. Port said      | 750,000             | 750,000           | 1,000,000           | 1,000,000         |
| - 338.32 meters on a land and building the property number 16 elmakrizi st. Heliopolis | 1,000,000           | 1,000,000         | 1,650,000           | 1,650,000         |
| - Villa number 27/291 elgamil portsaid   | -                   | -                 | 225,000             | 225,000           |
| - Villa number 113 royal hills 6th of october  | 2,000,000           | 2,000,000         | 2,500,000           | 2,500,000         |
| - A land area with 1468.85 meters elsaidi basin -markaz nabrouh eldakahlia             | 1,121,965           | 1,121,965         | 1,321,965           | 1,321,965         |
| - Land and a bulding in elmansoura elnahda street 766.3 meters                         | 3,463,000           | 3,463,000         | 7,663,000           | 7,663,000         |
| - Agricultural area 1 feddan 14t and 17.25 shares near el azazi fakous elsharkia       | 222,000             | 222,000           | 322,000             | 322,000           |
| - Land number 16 mit khamis elmansoura (3 carats, 15 share)which equals 645 meters     | 1,935,000           | 1,935,000         | 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 47 feddans 11 carats markaz shebin eldakahlia                       | 10,242,499          | 10,242,499        | 12,142,499          | 12,142,499        |
| <b>Total</b>   | <b>28,695,664</b>   | <b>28,695,664</b> | <b>42,485,364</b>   | <b>42,485,364</b> |

**(25) Debit Balances and Other Assets**

|   | <u>Dec.31, 2010</u>  |                      | <u>Dec.31, 2009</u> |                    |
|---|----------------------|----------------------|---------------------|--------------------|
|   | <u>EGP</u>           | <u>EGP</u>           | <u>EGP</u>          | <u>EGP</u>         |
| - Accrued Revenues                        | 797,806,076          | 797,806,076          | 451,247,581         | 451,247,581        |
| - Prepaid Expenses                        | 75,174,383           | 75,174,383           | 71,046,513          | 71,046,513         |
| - Advances for Purchase of Fixed Assets   | 53,943,062           | 53,943,062           | 89,060,595          | 89,060,595         |
| - Accounts receivable and Other Assets ** | 453,103,600          | 453,103,600          | 347,073,376         | 347,073,376        |
| - Assets Acquired as Settlement of Debts  | 4,630,353            | 4,630,353            | 4,630,353           | 4,630,353          |
|   | <b>1,384,657,474</b> | <b>1,384,657,474</b> | <b>963,058,418</b>  | <b>963,058,418</b> |

\* This Include The Value Of Premises That Was Not Recorded Under The Bank's Name By EGP 21,095,664 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 6,331,048 as Assets Held For Sale.

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

|   | Land              | Premises           | IT                 | Vehicles          | Fitting -Out       | Machines &<br>Equipment | Furniture &<br>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               | <b>1,668,234,164</b> |
| Additions (Deductions) During The Period        | (17,367,919)      | 52,815,447         | 60,526,001         | 16,387,800        | 14,314,071         | 7,261,607               | 8,872,355                 | <b>142,809,362</b>   |
| <b>Closing Balance (1)</b>                      | <b>60,575,261</b> | <b>386,747,041</b> | <b>711,666,472</b> | <b>41,294,565</b> | <b>249,926,926</b> | <b>245,285,808</b>      | <b>115,547,453</b>        | <b>1,811,043,526</b> |
| 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                | <b>918,631,171</b>   |
| Current Period Depreciation                     | -                 | 18,619,628         | 86,210,111         | 1,486,385         | 39,588,379         | 26,591,329              | 11,585,536                | <b>184,081,368</b>   |
| <b>Accu.Depreciation at End of The Year (2)</b> | <b>-</b>          | <b>141,165,205</b> | <b>501,268,563</b> | <b>24,306,999</b> | <b>207,345,143</b> | <b>161,359,118</b>      | <b>67,267,511</b>         | <b>1,102,712,539</b> |
| End of Period Net Assets (1-2)                  | 60,575,261        | 245,581,836        | 210,397,909        | 16,987,566        | 42,581,783         | 83,926,690              | 48,279,942                | <b>708,330,987</b>   |
| <b>Beginning of Period Net Assets (3-4)</b>     | <b>77,943,180</b> | <b>211,386,017</b> | <b>236,082,019</b> | <b>2,086,151</b>  | <b>67,856,091</b>  | <b>103,256,412</b>      | <b>50,993,123</b>         | <b>749,602,993</b>   |

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

- Net Fixed Assets Value On The Balance Sheet Date Includes EGP 60,763,220 Non Registered Assets While Their Registrations Procedures Are In Process.

**(27) Due To Banks**

|                                   | <u>Dec.31, 2010</u>  | <u>Dec.31, 2009</u> |
|-----------------------------------|----------------------|---------------------|
|                                   | <u>EGP</u>           | <u>EGP</u>          |
| - Current Accounts                | 628,594,359          | 258,145,229         |
| - Deposits                        | 693,685,550          | 200,000,000         |
|                                   | <u>1,322,279,909</u> | <u>458,145,229</u>  |
| - Central Banks                   | 67,074,769           | 33,070,672          |
| - Local Banks                     | 110,476,364          | 215,963,990         |
| - Foreign Banks                   | 1,144,728,776        | 209,110,567         |
|                                   | <u>1,322,279,909</u> | <u>458,145,229</u>  |
| - Non Bearing Interest Balances   | 528,398,567          | 258,145,229         |
| - Fixed Bearing Interest Balances | 793,881,342          | 200,000,000         |
|                                   | <u>1,322,279,909</u> | <u>458,145,229</u>  |
| - Current Balances                | 628,594,359          | 258,145,229         |
| - Non-Current Balances            | 693,685,550          | 200,000,000         |
|                                   | <u>1,322,279,909</u> | <u>458,145,229</u>  |

**(28) Customers Deposits**

|                                      | <u>Dec.31, 2010</u>   | <u>Dec.31, 2009</u>   |
|--------------------------------------|-----------------------|-----------------------|
|                                      | <u>EGP</u>            | <u>EGP</u>            |
| - Demand Deposits                    | 16,663,118,908        | 14,296,409,936        |
| - Time Deposits                      | 21,893,614,059        | 21,669,911,514        |
| - Certificates of Deposit            | 15,205,693,671        | 9,805,872,397         |
| - Saving Deposits                    | 8,321,204,407         | 8,024,613,798         |
| - Other Deposits                     | 1,280,546,233         | 851,846,877           |
|                                      | <u>63,364,177,278</u> | <u>54,648,654,522</u> |
| - Corporate Deposits                 | 21,208,169,704        | 18,518,700,820        |
| - Retail Deposits                    | 42,156,007,574        | 36,129,953,702        |
|                                      | <u>63,364,177,278</u> | <u>54,648,654,522</u> |
| - Non Bearing Interest Balances      | 17,943,665,141        | 15,148,256,813        |
| - Floating Bearing Interest Balances | -                     | 10,746,100            |
| - Fixed Bearing Interest Balances    | 45,420,512,137        | 39,489,651,609        |
|                                      | <u>63,364,177,278</u> | <u>54,648,654,522</u> |
| - Current Balances                   | 47,852,478,276        | 44,757,686,685        |
| - Non-Current Balances               | 15,511,699,002        | 9,890,967,837         |
|                                      | <u>63,364,177,278</u> | <u>54,648,654,522</u> |

**(29) Long Term Loans**

|   | <u>Rate</u><br><u>%</u>               | <u>Maturity Date</u> | <u>Maturing Through</u><br><u>Next Year</u><br><u>EGP</u> | <u>Balance as of</u><br><u>Dec.31, 2010</u><br><u>EGP</u> | <u>Balance as of</u><br><u>Dec.31, 2009</u><br><u>EGP</u> |
|---|---------------------------------------|----------------------|---|---|---|
| - F.I.S.C.  | 7                                     | 3-5 years            | 16,665,283  | 34,363,003  | 36,314,000  |
| - KFW Private Sector Industry (Phase II)            | 9 - 10.5                              | 10 YEARS             | 5,487,166   | 8,966,582   | 9,581,678   |
| - UNIDO   | 1                                     | 2011                 | 29,716  | 60,014  | 2,249,926   |
| - Agricultural Research and Development Fund (ARDF) | 3.5 - 5.5 depends<br>on maturity date | 3-5 years            | 74,802,222  | 78,352,222  | 33,687,857  |
| - Ministry of Agriculture (V.S.P)                   | 3.5 - 5.5 depends<br>on maturity date | 3-5 years            | -   | -   | 60,000  |
| - Social Fund                                       | 3 months T/D or<br>9% which more      | 2010                 | 249,000   | 417,000   | 1,485,844   |
| - Spanish Microfinance Loan                         | 0.5                                   | 2012                 | 3,477,302   | 6,954,604   | 9,857,737   |
| <b>Total</b>  |                                       |                      | <u>100,710,688</u>  | <u>129,113,426</u>  | <u>93,237,042</u>   |

**(30) Credit Balances and Other Liabilities**

|                            | <u>Dec.31, 2010</u>  | <u>Dec.31, 2009</u>  |
|----------------------------|----------------------|----------------------|
|                            | <u>EGP</u>           | <u>EGP</u>           |
| - Accrued Interest Payable | 203,493,541          | 168,854,663          |
| - Accrued Expenses         | 124,551,148          | 95,935,714           |
| - Accounts Payable         | 389,798,419          | 461,958,941          |
| - Income Tax               | 426,695,912          | 306,398,840          |
| - Other Credit balances    | 20,624,318           | 128,871,410          |
| <b>Total</b>               | <u>1,165,163,338</u> | <u>1,162,019,568</u> |

**(31) Other Provisions****Dec.31, 2010****EGP**

|                                   | <u>Opening<br/>Balance</u> | <u>Formed<br/>During the Year</u> | <u>FCY Balance<br/>Reval. Difference</u> | <u>Usage<br/>During the Year</u> | <u>Balance<br/>No Longer Required</u> | <u>Closing<br/>Balance</u> |
|-----------------------------------|----------------------------|-----------------------------------|--|----------------------------------|---------------------------------------|----------------------------|
| - Provision For Income Tax Claims | 155,953,095                | 1,257,185                         | -  | -                                | (140,000,000)                         | <b>17,210,280</b>          |
| - Provision For Legal Claims      | 3,862,273                  | 33,948,485                        | -  | (5,000)                          | (3,086,191)                           | <b>34,719,567</b>          |
| - Provision For Contingent        | 281,592,486                | 3,094,612                         | 7,334,078                                | -                                | (35,312,276)                          | <b>256,708,900</b>         |
| - Provision For Other Claim       | 8,356,874                  | 3,624,020                         | 6,542                                    | (1,985,637)                      | -                                     | <b>10,001,799</b>          |
| - Provision For End Of Service    | 291,765                    | 78,998                            | -  | -                                | (121,772)                             | <b>248,991</b>             |
| <b>Total</b>                      | <b>450,056,493</b>         | <b>42,003,300</b>                 | <b>7,340,620</b>                         | <b>(1,990,637)</b>               | <b>(178,520,239)</b>                  | <b>318,889,536</b>         |

**Dec.31, 2009****EGP**

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

**(32) Shareholders Equity****(A) Capital:-**

- The authorized capital reached EGP 20 billion according to the extraordinary general assembly decision on 17 Mar,2010

- Issued and Paid in Capital reached EGP 5,901,443,600 to be divided on 590,144,360 shares with EGP 10 par value for each share based on

1- Increase Issued and Paid up Capital by amount EGP 25,721,800 in April 21, 2010 in according to Board of Directors decision on November 11,2009 by issuance of first tranche for E.S.O.P program

2- Increase Issued and Paid up Capital by amount EGP 2,950,721,800 in July 15, 2010 according to Board of Directors decision on May 12 ,2010 by distribution of one share for every outstanding share by capitalizing on the General Reserve and part of the Legal Reserve.

- 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 Year 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><br><u>Dec.31, 2010</u> | <u>Assets (liabilities)</u><br><u>Dec.31, 2009</u> |
|--|--|--|
| Deferred tax assets and liabilities are attributable to the following:                   | <u>EGP</u>   | <u>EGP</u>   |
| - Fixed Assets (Depreciation)  | (24,416,110)                                       | (29,676,018)                                       |
| - Other Provisions(Excluded Loan Loss, Contingent Liabilities And Income Tax Provisions) | 9,324,068  | 3,045,281  |
| - Other Items(Other Investments Revaluation Difference)                                  | 102,790,700  | 31,517,523   |
| - Reserve For Employee Stock Ownership Plan (ESOP)                                       | 29,904,171   | 32,345,800   |
| <b><u>Total</u></b>  | <b><u>117,602,829</u></b>                          | <b><u>37,232,586</u></b>                           |

**(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  | 10,322,024               |
| - Granted During The Year                   | 3,388,366                |
| - Forfeited During The Year                 | (587,385)                |
| - Exercised During The Year                 | (2,572,180)              |
| - Expired During The Year                   | -                        |
| <b>- Outstanding At The End Of The Year</b> | <b><u>10,550,825</u></b> |

- The estimated fair value of the equity instrument granted to the second tranche is EGP 27.06 .
- The estimated fair value of the equity instrument granted to the third tranche is EGP 13.70 .
- The estimated fair value of the equity instrument granted to the fourth tranche is EGP21.70 .

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- The equity instrument fair value for the second, third and fourth tranches have been adjusted to reflect the dilution effect of the Stock dividend that took place in 2010.

**(35) Reserves and Retained Earnings**

|  | <u>Dec.31, 2010</u>         | <u>Dec.31, 2009</u>         |
|--|-----------------------------|-----------------------------|
|  | <u>EGP</u>                  | <u>EGP</u>                  |
| - Legal Reserve  | 125,128,337                 | 513,606,534                 |
| - General Reserve  | 78,412,462                  | 1,463,504,300               |
| - Retained Earning   | (203,604,610)               | (176,287,838)               |
| - Special Reserve  | 184,356,569                 | 206,530,551                 |
| - Reserve For A.F.S Investments Revaluation Diff.                    | 1,722,491                   | (107,124,766)               |
| - Banking Risks Reserve  | 156,992,515                 | 26,652,790                  |
| - Intangible Assets Value For Bank Share Before Acquisition          | 302,794,421                 | 302,794,421                 |
| <b>Total Reserves and Retained Earnings at the End of the period</b> | <b><u>645,802,184</u></b>   | <b><u>2,229,675,991</u></b> |
| <br>   |                             |                             |
| <b>A- Banking Risks Reserve</b>                                      | <b><u>Dec.31, 2010</u></b>  | <b><u>Dec.31, 2009</u></b>  |
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| - Opening Balance  | 26,652,790                  | -                           |
| - Effect Of Adjusting Accounting Standards                           | 130,339,725                 | 26,652,790                  |
| <b>Ending Balance</b>  | <b><u>156,992,515</u></b>   | <b><u>26,652,790</u></b>    |
| <br>   |                             |                             |
| <b>B- Legal Reserve</b>  | <b><u>Dec.31, 2010</u></b>  | <b><u>Dec.31, 2009</u></b>  |
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| - Opening Balance  | 513,606,534                 | 432,851,511                 |
| - Used During The Year   | (476,326,032)               | -                           |
| - Transferd from Profits   | 87,847,835                  | 80,755,023                  |
| <b>Ending Balance</b>  | <b><u>125,128,337</u></b>   | <b><u>513,606,534</u></b>   |
| <br>   |                             |                             |
| <b>C- Reserve For A.F.S Investments Revaluation Diff.</b>            | <b><u>Dec.31, 2010</u></b>  | <b><u>Dec.31, 2009</u></b>  |
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| - Opening Balance  | (107,124,766)               | (20,985,045)                |
| - Gains (Losses) from A.F.S Investment Revaluation                   | 108,847,257                 | (86,139,721)                |
| <b>Ending Balance</b>  | <b><u>1,722,491</u></b>     | <b><u>(107,124,766)</u></b> |
| <br>   |                             |                             |
| <b>D- Retained Earning</b>   | <b><u>Dec.31, 2010</u></b>  | <b><u>Dec.31, 2009</u></b>  |
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| - Opening Balance  | (176,287,838)               | 87,845,690                  |
| - Dividends of the previous Period                                   | (51,077,889)                | (244,507,717)               |
| - Change During the Period   | 1,587,135                   | (1,023,965)                 |
| - Transferred To Special Reserve                                     | 22,173,982                  | -                           |
| - Effect Of Adjusting Accounting Standards                           |                             | (18,601,847)                |
| <b>Ending Balance</b>  | <b><u>(203,604,610)</u></b> | <b><u>(176,287,838)</u></b> |

**(36) Cash And Cash Equivalent**

|   | <u>Dec. 31, 2010</u><br><u>EGP</u> | <u>Dec. 31, 2009</u><br><u>EGP</u> |
|---|------------------------------------|------------------------------------|
| - Cash And Due From Central Bank                        | 5,675,241,791                      | 4,179,256,489                      |
| - Due From Banks  | 7,054,682,826                      | 7,946,147,786                      |
| - Treasury Bills And Other Governmental Notes           | 8,821,003,566                      | 13,198,960,913                     |
| - Due From Banks (Time Deposits) More Than Three Months | (6,400,688,604)                    | (7,509,460,335)                    |
| - Treasury Bills With Maturity More Than Three Months   | (7,092,113,082)                    | (7,584,125,285)                    |
| <b>Total Cash And Cash Equivalent</b>                   | <b><u>8,058,126,497</u></b>        | <b><u>10,230,779,568</u></b>       |

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

There are a number of existing cases filed against the bank in 31/12/2010 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 142,855,749 as follows:-

|  | <u>Investments value</u><br><u>EGP</u> | <u>Paid</u><br><u>EGP</u> | <u>Remaining</u><br><u>EGP</u> |
|--|--|---------------------------|--------------------------------|
| - Available for Sale Financial Investments | 477,436,529                            | 335,180,780               | 142,255,749                    |
| - 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 2,028,164

**(C) Loans, Facilities and Gurantees Commitments**

|   | <u>Dec.31, 2010</u><br><u>EGP</u> | <u>Dec.31, 2009</u><br><u>EGP</u> |
|---|-----------------------------------|-----------------------------------|
| - Letters Of Guarantee                    | 10,300,701,367                    | 11,348,196,542                    |
| - Letters Of Credit ( Import And Export ) | 989,910,137                       | 820,272,115                       |
| - Customers Acceptances                   | 589,087,209                       | 469,403,911                       |
| - Loans Commitments                       | -                                 | -                                 |
| <b>Total</b>                              | <b><u>11,879,698,713</u></b>      | <b><u>12,637,872,568</u></b>      |

**(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><br><u>Adjustments Year</u><br><u>2009</u> | <u>Balance After</u><br><u>Adjustments Year</u><br><u>2009</u> |
|--|--|--|
| - Loans and Overdrafts for Customers (Net After Provision) | 27,102,918,752   | 27,242,306,896   |
| - Reconciliation Accounts - Credit Balances                | 1,106,662,383  | 1,128,964,485  |
| - Other Provisions   | 373,832,092  | 443,728,578  |
| - Special Reserve  | 185,993,785  | 206,530,551  |
| - Banking Risks Reserve                                    | -  | 26,652,790   |
| - Provisions (Income Statement)                            | (96,243,322)   | -  |
| - Other Operating (Expenses) Income                        | (36,084,926)   | (84,879,302)   |
| - Return (Losses) Of Impairment From Loans                 | -  | (9,184,858)  |
| - Income Tax   | (346,610,611)  | (357,691,456)  |

### (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 60,588,285 with redeemed value EGP 9,703,819,726.
- The market value per certificate reached EGP 160.16 on 31/12/2010.
- The Bank portion got 2,702,313 certificates with redeemed value EGP 432,802,450.

#### - 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 3,037,171 with redeemed value EGP 242,669,963.
- The market value per certificate reached EGP 79.90 on 31/12/2010.
- The bank portion got 194,744 certificates with redeemed value EGP 15,560,046.

#### - 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 760,909 with redeemed value EGP 45,616,495.
- The market value per certificate reached EGP 59.95 on 31/12/2010.
- The bank portion got 45,434 certificates with redeemed value EGP 2,723,768.

#### - Hemaya Fund

- CIB bank established an accumulated return mutual fund under license no.585 issued from capital market authority on 23/06/2010. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 2,964,421 with redeemed value EGP 302,993,470.
- The market value per certificate reached EGP 102.21 on 31/12/2010.
- The bank portion got 347,627 certificates with redeemed value EGP 35,530,956.

### (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.

|   |                      |                        |
|---|----------------------|------------------------|
|   | <b><u>EGP</u></b>    |                        |
| - Loans & Overdrafts                          | 828,308,607          |                        |
| - Customer Deposits                           | 695,818,754          |                        |
| - Contingent Accounts                         | 383,754              |                        |
|   | <b><u>Income</u></b> | <b><u>Expenses</u></b> |
|   | <b><u>EGP</u></b>    | <b><u>EGP</u></b>      |
| - International Co. for Security & Services   | 684,391              | 50,347                 |
| - Corplease Co.                               | 66,245,071           | 954,343                |
| - Commercial International Life Insurance Co. | 171,309              | 1,925,320              |

#### **(41) 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 40,093,445

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

|                                   | <b>EGP</b>                |
|-----------------------------------|---------------------------|
| - Brand                           | 336,790,272               |
| - Licenses                        | 20,000,000                |
| - Contracts                       | 119,694,389               |
| - Customer Relationships          | 198,187,745               |
| <b>Total</b>                      | <b><u>674,672,406</u></b> |
| - Amortization Till December 2010 | (297,852,062)             |
| <b>Net Intangible Assets</b>      | <b><u>376,820,344</u></b> |

#### **(42) Tax Status**

##### **1- Bank**

- The bank's corporate income tax position has been examined and settled with the tax authority from the start up of operations up to the end of year 1984.
- Corporate income tax for the years from 1985 up to 2000 were paid according to the tax appeal committee decision and the disputes are under discussion in the court of law.
- The bank's corporate income tax position has been examined and settled with the tax authority from 2001 up to 2004.
- Corporate income tax for the years 2005-2006 has been examined from the tax authority and paid.
- The bank pays salary tax according to concerning domestic regulations and laws, and the disputes are under discussion in the court of law.
- The bank pay stamp duty tax according to concerning domestic regulations and laws, and the disputes are under discussion in the court of law .

##### **2- CICH**

- The company has been inspected from the beginning of its operation 1999 till 2000  
The company has made an objection over the tax declaration & the re-inspection has been approved but till now no date has been determined for inspection (no inspection made from year 2001 till 2004)
- The tax deceleration has been represented for the years 2005/2007 according to the income tax rule no. 91 year 2005
- The salary tax has been inspected from the beginning of operation till 2004 & has been settled
- no tax inspection has been made from 2005 till now
- The company has been inspected from the beginning of its operation 1999 till 2000  
The company made an objection on the legal time & no date has been determined for internal committee to discuss the issue
- No tax inspection has been made from 2001 till the cancellation of stamp duty rule on 31/07/2006
- Sales tax is not applied for the company's operation

#### **(43) Main Currencies Positions**

|                  | <b><u>Dec. 31, 2010</u></b>   | <b><u>Dec. 31, 2009</u></b>   |
|------------------|-------------------------------|-------------------------------|
|                  | <b><u>in thousand EGP</u></b> | <b><u>in thousand EGP</u></b> |
| - Egyptian Pound | 11,966                        | 60,421                        |
| - US Dollar      | (6,602)                       | (29,077)                      |
| - Sterling Pound | (400)                         | 279                           |
| - Japanese Yen   | (433)                         | 599                           |
| - Swiss Franc    | 130                           | 1,081                         |
| - Euro           | 8,218                         | 15,912                        |

#### **(44) Subsequent Events**

- The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors, in gene a matter which may lead to a substantial decline in the economic activities in the foreseeable future. Therefore, there a possibility that the above mentioned events will have a significant impact on the assets, liabilities, its recoverable/ settlen amounts and the results of operations in the foreseeable future
- At the present time, it is not possible to quantify the effect on the assets and the liabilities included in the company's financ statements, since quantifying the effect of these events relies on the expected range and the time when these events, and i consequences, are expected to be finished
- The Bank will continue to assess the situation and will quantify any effect on assets and liabilities once the assessmer is complete.