

**Review Report**

**To the Board of Directors of Commercial International Bank (Egypt)**

**Introduction**

We have performed a limited review of the accompanying consolidated balance sheet of Commercial International (Egypt) S.A.E as of 31 March 2011 and the related consolidated statements of income, cash flows and changes in equity for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim unconsolidated financial statements in accordance with the Central Bank of Egypt's rules issued on 16 December 2008. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

**Scope of Limited Review**

We conducted our limited review in accordance with Egyptian Standard on Review Engagements No. 2410, "Limited Review of Interim Financial Statements of an Entity Performed by its Independent Auditor." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

**Conclusion**

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Commercial International Bank- Egypt (S.A.E) as at 31 March 2011 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Central Bank of Egypt's rules issued on 16 December 2008 and in the light of the prevailing Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

*Auditors*

  
Emad Hafez Ragheb  
Egyptian Financial Supervisory Authority  
Register Number "42"  
**Allied For Accountaning & Auditing E & Y**  
**Public Accountants & Consultants**

  
Ehab Fawzy Akl  
Egyptian Financial Supervisory Authority  
Register Number "9"  
**KPMG Hazem Hassan**  
**Public Accountants & Consultants**

cairo, 11 May 2011

**Consolidated Balance Sheet In**  
**Mar. 31, 2011**

	Note No.	<u>Mar. 31, 2011</u> EGP	<u>Dec. 31, 2010</u> EGP
<b><u>Assets:-</u></b>			
- Cash and Due From Central Bank	(15)	5,168,990,444	5,675,241,791
- Due From Banks	(16)	10,037,292,508	7,054,682,826
- Treasury Bills and other Governmental Notes	(17)	9,309,050,446	8,821,003,566
- Trading Financial Assets	(18)	630,345,157	1,585,747,835
- Loans and Overdrafts for Banks (Net After Provision)	(19)	138,686,508	128,527,576
- Loans and Overdrafts for Customers (Net After Provision)	(20)	36,246,869,496	35,046,013,357
- Financial Derivatives	(21)	148,427,287	139,263,948
- <b>Financial Investments:-</b>			
- Available for Sale	(22)	14,243,960,275	13,613,839,805
- Held to Maturity	(22)	270,497,653	299,250,313
- Financial Investments in Associated Co.	(23)	108,617,093	96,827,733
- Brokers - Debit Balances		175,953,364	180,368,320
- Reconciliation Accounts- Debit Balances		-	8,185,474
- Real estate investments	(24)	28,334,464	28,695,664
- Debit Balances and Other Assets	(25)	1,266,833,674	1,384,657,474
- Goodwill		150,350,421	160,373,782
- Intangible Assets	(41)	359,953,534	376,820,344
- Deferred Tax	(33)	127,007,564	117,602,829
- Fixed Assets (Net)	(26)	667,882,987	708,330,987
<b>Total Assets</b>		<b>79,079,052,875</b>	<b>75,425,433,625</b>
<b><u>Liabilities and Shareholder's Equity:-</u></b>			
<b><u>Liabilities:-</u></b>			
- Due to Banks	(27)	3,163,307,305	1,322,279,909
- Customers Deposits	(28)	65,263,741,771	63,364,177,278
- Brokers- Credit Balances		256,778,006	393,321,036
- Reconciliation Accounts - Credit Balances		33,472,116	-
- Financial Derivatives	(21)	86,751,315	113,551,039
- Dividends Payable		590,144,360	-
- Credit Balances and Other Liabilities	(30)	1,276,576,449	1,165,163,338
- Long Term Loans	(29)	264,950,901	129,113,426
- Other Provisions	(31)	325,579,032	318,889,536
<b>Total Liabilities</b>		<b>71,261,301,255</b>	<b>66,806,495,563</b>
<b><u>Shareholders' Equity:-</u></b>			
- Issued and Paid in Capital	(32)	5,901,443,600	5,901,443,600
- Reserves	(32)	1,737,951,762	719,067,070
- Reserve for employee stock ownership plan (ESOP)		170,224,597	149,520,858
- Retained Earning		(346,599,897)	(203,604,610)
<b>Total Shareholders' Equity</b>		<b>7,463,020,062</b>	<b>6,566,426,917</b>
- Net Profit of the Period /Year After Tax		307,944,024	2,005,545,505
<b>Total Shareholders' Equity and Net Profit for Period / Year</b>		<b>7,770,964,086</b>	<b>8,571,972,423</b>
- Minority Interest		46,787,534	46,965,639
<b>Total Minority Interest and Shareholders' Equity</b>		<b>7,817,751,620</b>	<b>8,618,938,062</b>
<b>Total Liabilities , Shareholders' Equity and Minority Interest</b>		<b>79,079,052,875</b>	<b>75,425,433,625</b>
<b><u>Contingent Liabilities and Commitments</u></b>			
- letters of Credit, Guarantees and Other Commitments	(37)	12,084,540,939	11,879,698,713

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

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

**Consolidated Income Statement For The Period Ended**  
Mar. 31, 2011

	Note No.	<u>Mar. 31, 2011</u>	<u>Mar. 31, 2010</u>
		<u>EGP</u>	<u>EGP</u>
- Interest and similar income	(6)	1,286,398,794	1,035,830,917
- Interest expense and similar charges	(6)	(653,625,132)	(516,009,902)
<b><u>Net Interest Income</u></b>		<b><u>632,773,662</u></b>	<b><u>519,821,015</u></b>
- Fees & Commissions Income	(7)	209,255,454	231,363,496
- Fees & Commissions Expense	(7)	(18,812,529)	(17,151,477)
<b><u>Net Fees and Commissions Income</u></b>		<b><u>190,442,925</u></b>	<b><u>214,212,019</u></b>
- Dividends Income	(8)	574,700	64,123,657
- Net Trading Income	(9)	114,044,932	83,597,485
- Profit from Financial Investments	(22)	44,252,888	58,397,638
- Goodwill Amortization		(10,023,361)	(10,023,361)
- Administrative Expenses	(10)	(383,154,802)	(320,782,046)
- Other Operating (Expenses) Income	(11)	(72,839,804)	23,157,996
- Losses Of Impairment From Loans	(12)	(122,800,880)	(1,911,080)
- Intangible Assets Amortization	(41)	(16,866,810)	(16,866,810)
- Bank's share in the profits of associates		12,280,486	12,073,718
<b><u>Net Profit Before Tax</u></b>		<b><u>388,683,936</u></b>	<b><u>625,800,230</u></b>
- Income Tax	(13)	(90,219,908)	(103,405,138)
- Deferred Tax	(13) & (33)	9,404,735	6,448,333
<b><u>Net Profit After Tax</u></b>		<b><u>307,868,763</u></b>	<b><u>528,843,425</u></b>
- Minority Interest		(75,261)	462,579
<b><u>Bank Shareholders</u></b>		<b><u>307,944,024</u></b>	<b><u>528,380,846</u></b>
<b><u>Earning Per Share</u></b>			
- Basic	(14)	0.59	0.91
- Diluted	(14)	0.57	0.89

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

**Consolidated Cash Flow For The Period Ended**  
**Mar. 31, 2011**

	<u>Mar. 31, 2011</u> <u>EGP</u>	<u>Mar. 31, 2010</u> <u>EGP</u>
<b><u>Cash Flow From Operating Activities:-</u></b>		
- Net Income Before Tax	388,683,936	625,800,230
<b><u>Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities</u></b>		
- Depreciation	57,879,734	46,300,528
- Provisions (Formed During The Period)	129,239,762	33,833,418
- Trading Financial Investments Evaluation Differences	41,629,180	(14,065,167)
- Intangible Assets Amortization	(16,866,810)	(16,866,810)
- Goodwill Amortization	(10,023,361)	(10,023,361)
- Impairment of Assets	(48,065,735)	(2,242,959)
- Utilization of Provisions (Except Provision For Doubtful Debts)	(2,939,853)	(1,361,150)
- Provisions No Longer Used (Except Provision For Doubtful Debts)	(656,595)	(37,914,910)
- FCY Revaluation Differences of Provisions Balances (Except Doubtful Debts)	3,969,911	409,559
- Profits from Selling Fixed Assets	(942,513)	(1,833,430)
- Profits from Selling Financial Investments	(48,401,288)	(62,495,543)
- Profits from Selling an Investment in Associated	(1,873,813)	-
- FCY Revaluation Diff.of Long Term Loans	5,076,685	(886,352)
- Shares Based Payments	20,703,739	18,922,217
- Investments in Subsidiary and Associated Co. Evaluation Differences	10,259,779	(12,112,913)
Impairment of Real estate investments	361,200	-
<b><u>Operating Profits Before Changes in Operating Assets and Liabilities</u></b>	<b><u>528,033,958</u></b>	<b><u>565,463,355</u></b>
<b><u>Net Decrease (Increase) in Assets and Liabilities</u></b>		
- Due From Banks	(3,279,200,104)	24,633,442
- Treasury Bills and Other Governmental Notes	2,022,306,742	1,454,263,087
- Trading Financial Assets	913,773,498	(60,599,634)
- Financial Derivatives (Net)	(35,963,064)	23,862,901
- Loans and Overdrafts	(1,333,938,801)	(2,087,309,696)
- Debit Balances and Other Assets	132,257,746	(247,822,932)
- Due to Banks	1,841,027,396	603,415,124
- Customers Deposits	1,899,564,493	3,514,294,047
- Credit Balances and Other Liabilities	(44,880,016)	244,539,821
<b><u>Net Cash Provided from Operating Activities</u></b>	<b><u>2,642,981,848</u></b>	<b><u>4,034,739,515</u></b>

**Consolidated Cash Flow For The Period Ended**  
**Mar. 31, 2011**

	<u>Mar. 31, 2011</u>	<u>Mar. 31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
<b><u>Cash Flow from Investing Activities:-</u></b>		
- Incoming from Selling Subsidiary and Associated Co.	1,529,580	-
- Purchase of Fixed Assets , Premises and Fitting- Out of Branches	(26,508,211)	(5,707,103)
- Redemption of Held to Maturity Financial Investments	34,617,947	33,318,731
- Held To Maturity Financial Investment Purchases	-	(9,997,507)
- Purchase of Available for Sale Financial Investment	(822,951,271)	(1,477,911,433)
	<b><u>(813,311,955)</u></b>	<b><u>(1,460,297,312)</u></b>
<b><u>Cash Flow from Financing Activities:-</u></b>		
- Increase (Decrease) in Long - Term Loans	130,760,790	(3,120,639)
- Dividends Paid	(252,918,831)	(661,806,331)
	<b><u>(122,158,041)</u></b>	<b><u>(664,926,970)</u></b>
Net Cash and Cash Equivalent Changes	1,707,511,853	1,909,515,233
Beginning Balance of Cash and Cash Equivalent	8,058,126,497	10,230,779,568
	<b><u>9,765,638,350</u></b>	<b><u>12,140,294,802</u></b>
<b><u>Cash and Cash Equivalent are Represented as Follows:-</u></b>		
- Cash and Due from Central Bank	5,168,990,444	4,098,896,337
- Due from Banks	10,037,292,508	8,080,344,588
- Treasury Bills and Other Governmental Notes	9,309,050,446	13,575,742,969
- Due from Banks (Time Deposits) More Than Three Months	(9,679,888,708)	(7,484,826,893)
- Treasury Bills with Maturity More Than Three Months	(5,069,806,341)	(6,129,862,198)
	<b><u>9,765,638,350</u></b>	<b><u>12,140,294,802</u></b>

Consolidated Statement of Changes in Shareholders' Equity as of  
Mar. 31, 2011

	Capital EGP	Legal Reserve EGP	General Reserve EGP	Intangible Assets Value For Bank Share Before Acquisition EGP	Retained Earning EGP	Special Reserve EGP	Reserve For A.F.S Investments Revaluation Diff. EGP	Banking Risks Reserve EGP	Profits Of The Period EGP	Reserve For Employee Stock Ownership Plan (ESOP) EGP	Total Shareholders Equity EGP	Minority Interest EGP	Total EGP
<u>Mar. 31, 2010</u>													
- 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	1,708,238,924	161,728,984	7,024,643,899	45,607,323	7,070,251,222
- Transferred To Reserves	-	87,847,835	1,010,739,284	-	-	-	-	-	(1,098,587,119)	-	-	-	-
- Transferred To Retained Earning	-	-	-	-	(37,980,544)	(22,173,982)	-	-	52,154,526	-	(8,000,000)	-	(8,000,000)
- Dividends Paid	-	-	-	-	-	-	-	-	(661,806,331)	-	(661,806,331)	-	(661,806,331)
- Net Profit Of The Period	-	-	-	-	-	-	-	-	528,380,846	-	528,380,846	462,579	528,843,425
- Change during the Period	-	-	-	-	1,594,467	-	-	-	-	-	1,594,467	-	1,594,467
- Addition from Financial Investment Revaluation	-	-	-	-	-	-	84,127,558	-	-	-	84,127,558	-	84,127,558
- Transferred to Bank Risk Reserve	-	-	-	-	-	-	-	44,378,643	(44,378,643)	-	-	-	-
- Reserve For Employees Stock Ownership Plan (ESOP)	-	-	-	-	-	-	-	-	-	18,922,217	18,922,217	-	18,922,217
<b>Balance At The End Of The Period</b>	<b>2,925,000,000</b>	<b>601,454,369</b>	<b>2,474,243,584</b>	<b>302,794,421</b>	<b>(212,673,915)</b>	<b>184,356,569</b>	<b>(22,997,208)</b>	<b>71,031,433</b>	<b>484,002,203</b>	<b>180,651,201</b>	<b>6,987,862,656</b>	<b>46,069,902</b>	<b>7,033,932,558</b>

	Capital EGP	Legal Reserve EGP	General Reserve EGP	Intangible Assets Value For Bank Share Before Acquisition EGP	Retained Earning EGP	Special Reserve EGP	Reserve For A.F.S Investments Revaluation Diff. EGP	Banking Risks Reserve EGP	Profits Of The Period EGP	Reserve For Employee Stock Ownership Plan (ESOP) EGP	Total Shareholders Equity EGP	Minority Interest EGP	Total EGP
<u>Mar. 31, 2011</u>													
- Beginning Balance	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	8,618,938,061
- Transferred To Reserves	-	106,216,559	1,066,083,988	-	-	1,574,746	-	-	(1,173,875,293)	-	-	-	-
- Transferred To Retained Earning	-	-	-	-	(121,501,406)	-	-	-	121,501,406	-	-	-	-
- Dividends Paid	-	-	-	-	(20,231,298)	-	-	-	(822,831,893)	-	(843,063,191)	-	(843,063,191)
- Net Profit Of The Period	-	-	-	-	-	-	-	-	307,944,024	-	307,944,024	(75,261)	307,868,763
- Change During the Period	-	-	-	-	(1,262,583)	-	-	-	-	-	(1,262,583)	(102,844)	(1,365,427)
- Addition from Financial Investment Revaluation	-	-	-	-	-	-	(285,330,326)	-	-	-	(285,330,326)	-	(285,330,326)
- Transferred to Bank Risk Reserve	-	-	-	-	-	-	-	(2,648,019)	2,648,019	-	-	-	-
- Reserve For Employees Stock Ownership Plan (ESOP)	-	-	-	-	-	-	-	-	-	20,703,739	20,703,739	-	20,703,739
<b>Balance At The End Of The Period</b>	<b>5,901,443,600</b>	<b>231,344,896</b>	<b>1,144,496,449</b>	<b>302,794,421</b>	<b>(346,599,897)</b>	<b>185,931,315</b>	<b>(283,607,835)</b>	<b>154,344,496</b>	<b>310,592,042</b>	<b>170,224,597</b>	<b>7,770,964,085</b>	<b>46,787,534</b>	<b>7,817,751,619</b>

**Commercial International Bank (Egypt) S.A.E.**  
**Notes on the Consolidated Financial Statements**  
**For the Financial Period**  
**from January 1, 2011 to March 31 ,2011**

**1. General information**

**Commercial International Bank (Egypt)** provides retail, corporate banking and investment banking services in various parts of Egypt through one hundred & six branches, in addition to forty four units and employs over 4351 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 is listed in the 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 March 31 ,2011 the bank directly owns 54,988,000 shares representing 99.98% of CI Capital Holding Company's capital and on March 31 ,2011 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 full Consolidation 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 . Control is achieved through the bank's ability to control the financial and operational policies of the investments in order to obtain benefits from its activities . The basis of the consolidation is as 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 for 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 amendments and added some new clarifications on these parties.
- Collecting all institutions controlled by the bank directly or indirectly, irrespective of the activity of these institutions. Previously, there were no collection for institutions 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 March 31 ,2011, 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. Note (38) shows the impact of recognizing taxes changes on the compared numbers.
- 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 2009.
- The Bank has applied the new accounting requirements for payment shown on the shares of such regulations in force on or after the first of January 2011. As a result, the income statement for the fiscal year ended March 31 ,2011 added by amount of EGP 20.703.739 is the cost of stock options granted to employees.
- Purchase accounting was applied to all acquisitions made on or after the first of January 2009in accordance with the new requirements of accounting, and there was no effect on the bank unconsolidated or consolidated financial statements.
- The Bank has conducted Assets Acquired as Settlement of Debts for the purpose of ascertaining the applicability of rules classified as non-current assets held for sale under other assets and they did not result in a difference in the classification or value measured.

## **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 or not.

### **(b) Associates**

- Associates are all entities over which the Bank has significant influence but do not reach to the extent of control, generally accompanying a shareholding 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 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 other operating income (expense) item.
- 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, deducting any impairment losses in value, and recording 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 Gains and losses list 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.
- Other operating income (expense) for the rest of the items.

The analysis of changes in fair value of financial instruments with monetary foreign currency classified as 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 other operating income (expense), and are recognized in equity differential change in fair value (fair value reserve / financial investments available for sale). Include differences arising on the non-monetary gains and losses items 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 senior management on that basis. Here we can classify these investments with 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 can't be reclassified Through profit and loss during the retention or force period. Also there is no re-classification for 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 debts***

Loans and debts 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 investments***

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 investments***

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.

Financial assets follow what's below:

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 when the Bank transfers 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 debts 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 date of re-tabbing, and not process any profits or losses on those assets that have been recognized previously in equity and this is 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 impairment of the value of the financial asset is later recognized 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 it's disposal, 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 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 such loans will be withdrawn 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 recognized by the amended 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 and Loan syndication fees are recognised as revenue when the syndication has been completed also 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 in the income statement.

Other management advisory and service fees are recognised based on the applicable service contracts, usually on a relative time distribution basis. Financial planning 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 ('revers 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).
- Violation of the conditions of the loan agreement such as non payment.
- 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.
- Deterioration of the credit situation.

The objective evidence of impairment loss for a group of financial assets is a clear data indicate to a decline which can be measured in future cash flows expected from this group since its initial recognition, although it's impossible 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 indicative factors 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, calculators & 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 depreciated 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 that 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 also 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 minimize 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 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 facilities 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') are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee) and 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).

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

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 instruments and treasury and other bills*

For debt instruments and 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 minimize 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 authorizing 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 authorizations 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, facilities and the associated impairment provision for each of the Bank's internal rating categories:

#### Bank's Rating

	Mar.31, 2011		Dec.31, 2010	
	Loans and Facilities (%)	Impairment Provision (%)	Loans and Facilities (%)	Impairment Provision (%)
1-Performing loans	88.97	50.23	90.91	54.65
2-Regular watching	7.11	6.87	5.37	5.24
3-Watch list	1.04	2.57	0.99	2.56
4-Non Performing Loans	2.88	40.34	2.73	37.55
	<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 or debtor
- 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 Debts	100%	4	Non Performing Loans

### 3.1.5 Maximum Exposure to Credit Risk Before Collateral Held

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
<b>In Balance Sheet Items Exposed to Credit Risk</b>		
Treasury Bills and Other Governmental Notes	9,636,075,000	9,616,491,239
Trading Financial Assets		
– Debt Instruments	372,491,564	1,043,933,881
Loans and Overdrafts for Banks	138,686,508	128,527,576
<b>Loans and Facilities to Customers:</b>		
<b>Individual:</b>		
- Overdrafts	759,649,202	695,995,810
- Credit Cards	507,796,358	530,877,533
- Personal Loans	1,951,391,497	1,960,327,857
- Real Estate Loans	439,785,713	432,348,843
- Other Loans	167,267,763	84,424,581
<b>Corporate:</b>		
- Overdrafts	3,618,800,580	3,331,087,693
- Direct Loans	22,628,423,678	21,584,681,502
- Syndicated Loans	7,774,248,391	7,758,798,180
- Other Loans	102,277,346	209,582,685
Financial Derivatives	148,427,287	139,263,948
Financial Investments (Debt Instruments)	13,943,956,057	13,365,885,003
Financial Investments in Associated Co.	108,617,093	96,827,733
<b>Total</b>	<b><u>62,297,894,035</u></b>	<b><u>60,979,054,064</u></b>
<b>Off Balance Sheet Items Exposed to Credit Risk</b>		
Financial Guarantees	641,267,796	931,471,000
Customers Acceptances	534,981,055	469,403,911
Letter of Credit	868,664,052	820,272,115
Letter of Guarantee	10,680,895,832	11,348,196,542
<b>Total</b>	<b><u>12,725,808,735</u></b>	<b><u>13,569,343,568</u></b>

The above table represents the Maximum bank exposure to credit risk at 31 March 2011, without taking account of any collateral held. For in balance sheet items, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 61.01% of the total maximum exposure is derived from loans and Facilities to banks and customers; 22.55% 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 Facilities portfolio and debt Instruments based on the following:

- 96.08% of the loans and Facilities portfolio is categorized in the top two grades of the internal rating system.
- 97.11% of the loans and Facilities portfolio are considered to be neither past due nor impaired.
- loans and Facilities assessed on an individual basis valued EGP 1,097,524,756
- The bank has implemented more prudent processes when granting loans and Facilities during the financial Period ended in March.31.2011.
- 81.28% of the investments in debt Instruments are represented in governmental instruments.

### 3.1.6 Loans and Facilities

Loans and Facilities are Summarized as Follows:

	<u>Mar.31, 2011</u>		<u>Dec.31, 2010</u>	
	<u>Loans and Facilities to Customers</u>	<u>Loans and Facilities to Banks</u>	<u>Loans and Facilities to Customers</u>	<u>Loans and Facilities to Banks</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Neither Past Due nor Impaired	36,457,568,398	138,686,508	35,222,569,885	128,527,576
Past Due but not Impaired	394,547,373	-	362,587,175	-
Individually Impaired	1,097,524,756	-	1,002,967,623	-
<b>Gross</b>	<b><u>37,949,640,527</u></b>	<b><u>138,686,508</u></b>	<b><u>36,588,124,684</u></b>	<b><u>128,527,576</u></b>
Less: Impairment Provision	1,396,999,549	-	1,257,882,426	-
<b>Net</b>	<b><u>36,552,640,978</u></b>	<b><u>138,686,508</u></b>	<b><u>35,330,242,258</u></b>	<b><u>128,527,576</u></b>

- Impairment losses for loans and Facilities has reached EGP 1,396,999,549 and for more details about impairment provisions and loans for customers and banks see note 19 and 20

- During the period ended 31 March 2011, the bank's total loans and Facilities increased by 3.74% 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 Facilities to Customers and Banks:**

EGP

<u>Mar.31, 2011</u>	<u>Individual</u>				<u>Corporate</u>			<u>Total Loans and Facilities to Customers</u>	<u>Total Loans and Facilities to Banks</u>
	<u>Overdrafts</u>	<u>Credit Cards</u>	<u>Personal Loans</u>	<u>Mortgages</u>	<u>Overdraft</u>	<u>Direct Loans</u>	<u>Syndicated Loans</u>		
<b>Grades:</b>									
1-Performing Loans	968,751,566	452,728,898	1,859,954,027	429,428,602	3,041,702,429	19,125,307,247	7,168,914,979	<b>33,046,787,749</b>	<b>138,686,508</b>
2-Regular Watching	11,825,931	14,654,486	41,756,038	852,331	72,628,894	2,386,375,862	85,069,068	<b>2,613,162,610</b>	-
3-Watch List	1,174,906	2,245,301	4,376,593	-	28,275,869	186,069,169	136,512,336	<b>358,654,176</b>	-
4-Non Performing Loans	2,855,190	455,461	2,099,732	-	55,691,540	281,219,215	191,715,305	<b>534,036,444</b>	-
<b>Total</b>	<b>984,607,593</b>	<b>470,084,146</b>	<b>1,908,186,391</b>	<b>430,280,933</b>	<b>3,198,298,733</b>	<b>21,978,971,493</b>	<b>7,582,211,689</b>	<b>36,552,640,978</b>	<b>138,686,508</b>

<u>Dec.31, 2010</u>	<u>Individual</u>				<u>Corporate</u>			<u>Total Loans and Facilities to Customers</u>	<u>Total Loans and Facilities to Banks</u>
	<u>Overdrafts</u>	<u>Credit Cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Overdraft</u>	<u>Direct Loans</u>	<u>Syndicated Loans</u>		
<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>

**- Loans and Facilities Past Due but not Impaired:**

Loans and Facilities less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

EGP

<u>Mar.31, 2011</u>	<u>Individual</u>					<u>Corporate</u>			
	<u>Overdrafts</u>	<u>Credit Cards</u>	<u>Personal Loans</u>	<u>Mortgages</u>	<u>Total</u>	<u>Overdraft</u>	<u>Direct Loans</u>	<u>Syndicated Loans</u>	<u>Total</u>
Past due up to 30 days	312,592,924	96,051,287	6,357,858	1,891,391	<b>416,893,459</b>	27,395,310	458,616,531	32,315,526	<b>518,327,367</b>
Past due 30 - 60 days	11,894,203	14,274,354	2,858,962	331,352	<b>29,358,871</b>	5,611,102	22,777,982	1,416,690	<b>29,805,774</b>
Past due 60-90 days	19,789,354	27,382,899	67,948,110	424,114	<b>115,544,477</b>	94,170,369	104,419,483	1,110,897	<b>199,700,749</b>
<b>Total</b>	<b>344,276,481</b>	<b>137,708,540</b>	<b>77,164,929</b>	<b>2,646,857</b>	<b>561,796,807</b>	<b>127,176,781</b>	<b>585,813,996</b>	<b>34,843,113</b>	<b>747,833,890</b>

<u>Dec.31, 2010</u>	<u>Individual</u>					<u>Corporate</u>			
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Total</u>	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Total</u>
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>

**- Individually Impaired Loans.**

Loans and Facilities assessed on an individual basis before cash flows from guarantees are totaled EGP 1,097,524,756

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

	Individual				Corporate			Total
<u>Mar.31, 2011</u>	<u>Overdraft</u>	<u>Credit Cards</u>	<u>Personal Loans</u>	<u>Mortgages</u>	<u>Overdraft</u>	<u>Direct Loans</u>	<u>Syndicated Loans</u>	
Individually Impaired Loans	18,520,292	19,752,664	64,970,935	5,870,406	159,449,087	532,298,203	296,663,169	<b>1,097,524,756</b>
<u>Dec.31, 2010</u>	<u>Overdraft</u>	<u>Credit Cards</u>	<u>Personal Loans</u>	<u>Mortgages</u>	<u>Overdraft</u>	<u>Direct Loans</u>	<u>Syndicated Loans</u>	Total
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>

**- Loans and Facilities 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 2,599,997,000

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
Loans and Facilities to Customers – Individuals:		
– Direct Loans	2,599,997,000	2,421,912,000
<b>Total</b>	<b>2,599,997,000</b>	<b>2,421,912,000</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 end of financial period, based on Standard & Poor’s ratings or their equivalent:

	<u>Treasury Bills and Other Gov. Notes</u>	<u>Trading Financial Instruments</u>	<u>Financial Investments</u>	<u>Designated at Fair Value</u>	<u>Total</u>
<u>Mar.31, 2011</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
AAA	-	-	1,324,079,697	-	<b>1,324,079,697</b>
AA- to AA+	-	22,105,345	730,469,133	-	<b>752,574,478</b>
A- to A+	-	17,410,103	223,772,870	-	<b>241,182,973</b>
Lower than A-	9,309,050,446	354,799,527	11,378,144,227	-	<b>21,041,994,200</b>
Unrated	-	236,030,182	966,609,093	-	<b>1,202,639,275</b>
<b>Total</b>	<b>9,309,050,446</b>	<b>630,345,157</b>	<b>14,623,075,020</b>	<b>-</b>	<b>24,562,470,623</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 Period. For this table, the bank has allocated exposures to regions based on the country of domicile of its counterparties.

	EGYPT			
<u>Mar.31, 2011</u>	Cairo	Alex. Delta & Sinai	Upper Egypt	Total
- Treasury Bills and Other Governmental Notes	9,636,075,000	-	-	9,636,075,000
- <b>Trading Financial Assets</b>				
- Debt Instruments	372,491,564	-	-	372,491,564
- Loans and Facilities to Banks	138,686,508	-	-	138,686,508
- <b>Loans and Facilities to Customers:</b>				
- <b>Individual:</b>				
- Overdraft	443,914,984	278,582,570	37,151,647	759,649,202
- Credit Cards	507,796,358	-	-	507,796,358
- Personal Loans	1,280,859,960	620,213,641	50,317,896	1,951,391,497
- Mortgages	356,339,802	77,948,305	5,497,605	439,785,713
- Other Loans	132,840,306	34,427,456	-	167,267,763
- <b>Corporate:</b>				
- Overdraft	3,029,339,835	586,465,052	2,995,693	3,618,800,580
- Direct Loans	16,470,958,368	6,130,308,389	27,156,921	22,628,423,678
- Syndicated Loans	7,215,286,696	558,961,695	-	7,774,248,391
- Other Loans	67,153,667	35,123,679	-	102,277,346
- Financial Derivatives	148,427,287	-	-	148,427,287
- Financial Investments (Debt Instruments)	13,943,956,057	-	-	13,943,956,057
- Financial Investments in Associated Co.	108,617,093	-	-	108,617,093
	<u>53,852,743,485</u>	<u>8,322,030,788</u>	<u>123,119,763</u>	<u>62,297,894,035</u>

#### (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.

<u>Mar.31, 2011</u>	Financial Institutions	Manufacturing	Real Estate	Wholesale and Retail Trade	Government Sector	Other industries	Individual	Total
Treasury Bills and Other Governmental Bills	9,636,075,000	-	-	-	-	-	-	9,636,075,000
Financial Assets for Trading								
- Debt Instruments	372,491,564	-	-	-	-	-	-	372,491,564
Loans and Facilities to Banks	138,686,508	-	-	-	-	-	-	138,686,508
- <b>Individual:</b>								
- Overdraft	-	-	-	-	-	-	759,649,202	759,649,202
- Credit Cards	-	-	-	-	-	-	507,796,358	507,796,358
- Personal Loans	-	-	-	-	-	-	1,951,391,497	1,951,391,497
- Mortgages	-	-	-	-	-	-	439,785,713	439,785,713
- Other Loans	-	-	-	-	-	-	167,267,763	167,267,763
- <b>Corporate:</b>								
- Overdraft	18,799,352	1,217,666,567	1,221,451,261	182,749,527	3,314,995	974,818,879	-	3,618,800,580
- Direct Loans	737,898,389	9,060,206,182	394,894,959	452,073,218	1,358,064,872	10,625,286,057	-	22,628,423,678
- Syndicated Loans	41,961,633	3,686,705,167	393,951,377	-	-	3,651,630,214	-	7,774,248,391
- Other Loans	-	80,341,724	-	3,000,000	-	18,935,622	-	102,277,346
Derivative Financial Instruments	148,427,287	-	-	-	-	-	-	148,427,287
Investment Securities – Debt Instrument	13,943,956,057	-	-	-	-	-	-	13,943,956,057
Financial Investments in Associated Co.	108,617,093	-	-	-	-	-	-	108,617,093
	<u>25,146,912,882</u>	<u>14,044,919,640</u>	<u>2,010,297,597</u>	<u>637,822,745</u>	<u>1,361,379,867</u>	<u>15,270,670,772</u>	<u>3,825,890,532</u>	<u>62,297,894,035</u>

### 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

	Mar.31, 2011			Dec.31, 2010		
	Medium	High	Low	Medium	High	Low
1- Foreign Exchange Risk	426,874	2,436,954	47,077	335,428	1,021,367	47,251
<b>2- Interest Rate Risk</b>	<b>85,099,771</b>	<b>94,825,673</b>	<b>77,270,413</b>	<b>64,862,911</b>	<b>81,655,436</b>	<b>53,996,397</b>
- For Non Trading Purposes	68,757,238	72,332,817	62,845,994	48,257,686	63,983,903	38,055,532
- For Trading Purposes	19,142,841	26,415,317	10,176,900	13,970,809	17,970,757	4,319,514
3- Equities Risk	2,509,577	3,443,174	1,795,604	6,140,352	6,714,030	3,478,929
4- Investment Fund	1,578,097	2,113,138	1,146,524	1,218,674	1,617,940	1,080,322
<b>Total VAR</b>	<b>85,590,664</b>	<b>95,193,532</b>	<b>77,800,042</b>	<b>66,470,692</b>	<b>83,020,106</b>	<b>55,788,545</b>

##### - Trading Portfolio VAR by Risk Type

	Mar.31, 2011			Dec.31, 2010		
	Medium	High	Low	Medium	High	Low
1- Foreign Exchange Risk	426,874	2,436,954	47,077	335,428	1,021,367	47,251
<b>2- Interest Rate Risk</b>						
- For Trading Purposes	19,142,841	26,415,317	10,176,900	13,970,809	17,970,757	4,319,514
3- Equities Risk	2,509,577	3,443,174	1,795,604	6,140,352	6,714,030	3,478,929
4- Investment Fund	1,578,097	2,113,138	1,146,524	1,218,674	1,617,940	1,080,322
<b>Total VAR</b>	<b>20,179,778</b>	<b>24,176,132</b>	<b>15,765,724</b>	<b>16,670,238</b>	<b>18,818,850</b>	<b>12,881,880</b>

##### - Non Trading Portfolio VAR by Risk Type

	Mar.31, 2011			Dec.31, 2010		
	Medium	High	Low	Medium	High	Low
<b>Interest Rate Risk</b>						
- For Non Trading Purposes	68,757,238	72,332,817	62,845,994	48,257,686	63,983,903	38,055,532
<b>Total VAR</b>	<b>68,757,238</b>	<b>72,332,817</b>	<b>62,845,994</b>	<b>48,257,686</b>	<b>63,983,903</b>	<b>38,055,532</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>EUR</u>	<u>GBP</u>	<u>Other</u>	<u>Equivalent EGP Total</u>
<b><u>Mar.31, 2011</u></b>						
<b><u>Assets</u></b>						
Cash and Due from Central Bank	4,772,314,492	259,938,824	104,459,718	14,682,487	17,594,922	<b>5,168,990,444</b>
Due from Banks	245,682,642	6,242,073,382	3,014,160,284	352,197,058	183,179,143	<b>10,037,292,508</b>
Treasury Bills and Other Governmental Notes	9,636,075,000	-	-	-	-	<b>9,636,075,000</b>
Trading Financial Assets	461,256,201	139,360,696	8,374,263	-	21,353,997	<b>630,345,157</b>
Loans and Overdrafts for Banks	-	118,251,576	20,434,931	-	-	<b>138,686,508</b>
Loans and Overdrafts for Customers	20,125,802,678	16,664,649,651	1,142,374,875	16,808,359	4,964	<b>37,949,640,527</b>
Financial Derivatives	122,840,050	24,970,766	616,471	-	-	<b>148,427,287</b>
<b><u>Financial Investments:-</u></b>						
- Available for Sale	12,519,167,354	1,681,242,344	43,550,577	-	-	<b>14,243,960,275</b>
- Held to Maturity	74,434,094	196,063,559	-	-	-	<b>270,497,653</b>
Financial Investments in Associated Co.	100,404,380	8,212,713	-	-	-	<b>108,617,093</b>
<b>Total Financial Assets</b>	<b>48,057,976,892</b>	<b>25,334,763,510</b>	<b>4,333,971,119</b>	<b>383,687,904</b>	<b>222,133,026</b>	<b>78,332,532,450</b>
<b><u>Liabilities</u></b>						
Due to Banks	2,261,580,264	877,522,491	24,162,771	41,779	-	<b>3,163,307,305</b>
Customers Deposits	37,084,506,829	22,683,153,877	4,813,584,378	465,425,413	217,071,274	<b>65,263,741,771</b>
Financial Derivatives	41,614,884	38,763,375	6,373,056	-	-	<b>86,751,315</b>
Other Loans	99,903,864	156,350,010	8,697,027	-	-	<b>264,950,901</b>
<b>Total Financial Liabilities</b>	<b>39,487,605,840</b>	<b>23,755,789,753</b>	<b>4,852,817,233</b>	<b>465,467,192</b>	<b>217,071,274</b>	<b>68,778,751,292</b>
<b>Net on-Balance Sheet Financial Position</b>	<b>8,570,371,052</b>	<b>1,578,973,757</b>	<b>(518,846,114)</b>	<b>(81,779,288)</b>	<b>5,061,752</b>	<b>9,553,781,158</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 decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by bank's Risk Management Department.

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 repricing 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>Mar.31, 2011</b>							
<b>Assets</b>							
Cash and Due From Central Bank	-	-	-	-	-	5,168,990,444	<b>5,168,990,444</b>
Due from Banks	6,989,752,746	2,913,810,742	-	-	-	133,729,019	<b>10,037,292,508</b>
Treasury Bills and Other Governmental Notes (Face Value)	495,325,000	3,802,900,000	5,337,850,000	-	-	-	<b>9,636,075,000</b>
Trading Financial Assets	431,376,855	-	50,868,457	49,971,173	75,528,024	22,600,648	<b>630,345,157</b>
Loans and Overdraft to Banks	18,306,955	64,375,270	53,928,103	2,076,179	-	-	<b>138,686,508</b>
Loans and Overdraft to Customers	18,735,137,255	9,330,457,262	6,436,217,481	3,045,660,369	402,168,160	-	<b>37,949,640,527</b>
Financial Derivatives (including IRS notional amount)	605,979,807	329,744,179	565,546,395	2,481,804,470	56,547,028	114,443,847	<b>4,154,065,726</b>
<b>Financial Investments:-</b>							
– Available for Sale	721,729,264	1,260,694,088	3,641,708,912	7,462,459,089	652,487,787	504,881,137	<b>14,243,960,275</b>
– Held to Maturity	-	136,383,561	100,166,249	33,947,843	-	-	<b>270,497,653</b>
Financial Investments in Associated Co.	-	-	-	-	-	108,617,093	<b>108,617,093</b>
<b>Total Financial Assets</b>	<b>27,997,607,882</b>	<b>17,838,365,102</b>	<b>16,186,285,596</b>	<b>13,075,919,123</b>	<b>1,186,730,998</b>	<b>6,053,262,188</b>	<b>82,338,170,890</b>
<b>Liabilities</b>							
Due to Banks	2,354,486,777	447,599,999	-	-	-	361,220,528	<b>3,163,307,305</b>
Customers Deposits	29,201,256,605	7,071,133,255	5,620,788,021	12,461,913,283	490,058,700	10,418,591,907	<b>65,263,741,771</b>
Financial Derivatives (including IRS notional amount)	1,347,878,113	1,599,096,456	94,196,491	398,009,652	519,215,999	49,068,920	<b>4,007,465,632</b>
Other Loans	13,200,008	6,085,011	207,804,126	29,241,471	8,620,285	-	<b>264,950,901</b>
<b>Total Financial Liabilities</b>	<b>32,916,821,504</b>	<b>9,123,914,721</b>	<b>5,922,788,638</b>	<b>12,889,164,406</b>	<b>1,017,894,984</b>	<b>10,828,881,355</b>	<b>72,699,465,610</b>
<b>Total Interest Re-pricing Gap</b>	<b>(4,919,213,622)</b>	<b>8,714,450,381</b>	<b>10,263,496,958</b>	<b>186,754,717</b>	<b>168,836,014</b>	<b>(4,775,619,167)</b>	<b>9,638,705,280</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, is carried out within the bank by the Assets and Liabilities Management Department and monitored independently by the Risk Management Department, which 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 takes 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. Bank's Risk Management Department also monitors unmatched medium-term assets

#### 3.3.2 Funding Approach

Sources of liquidity are regularly reviewed jointly by the bank's Assets & Liabilities Management Department and Consumer Banking 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 and the maturities assumption for non contractual products on the basis of there behavior studies, at balance sheet date.

<b>Mar.31, 2011</b>	<b>Up to 1 Month</b>	<b>One to Three Months</b>	<b>Three to Twelve Months</b>	<b>Twelve Months to One Year</b>	<b>Over Five Years</b>	<b>Total</b>
<b>Liabilities</b>						
Due to Banks	2,715,707,305	447,600,000	-	-	-	3,163,307,305
Customers Deposits	11,796,059,718	9,428,735,418	16,005,555,749	26,918,837,783	1,114,553,103	65,263,741,771
Other loans	13,200,008	6,085,011	207,804,126	29,241,471	8,620,285	264,950,901
Financial Derivatives (Foreign Exchange Derivatives)	17,522,260	10,584,379	9,385,241	190,528	-	37,682,408
<b>Total Liabilities (contractual &amp; non contractual maturity dates)</b>	<b>14,542,489,291</b>	<b>9,893,004,808</b>	<b>16,222,745,116</b>	<b>26,948,269,782</b>	<b>1,123,173,388</b>	<b>68,729,682,385</b>
<b>Total Financial Assets (contractual&amp;non contractual maturity dates)</b>	<b>14,356,567,503</b>	<b>11,887,886,638</b>	<b>17,210,792,027</b>	<b>24,181,093,584</b>	<b>11,177,353,325</b>	<b>78,813,693,077</b>
<b>Dec.31, 2010</b>	<b>Up to 1 Month</b>	<b>One to Three Months</b>	<b>Three to Twelve Months</b>	<b>Twelve Months to One Year</b>	<b>Over Five Years</b>	<b>Total</b>
<b>Liabilities</b>						
Due to Banks	837,570,759	49,341,650	435,367,500	-	-	1,322,279,909
Customers Deposits	17,701,209,201	9,151,941,806	8,604,334,536	19,192,725,470	8,713,966,264	63,364,177,278
Other Loans	12,114,271	19,773,441	69,568,298	27,657,416	-	129,113,426
Financial Derivatives (Foreign Currency Derivatives)	46,109,376	10,090,483	8,806,258	163,196	-	65,169,313
<b>Total Liabilities (contractual &amp; non contractual maturity dates)</b>	<b>18,597,003,608</b>	<b>9,231,147,380</b>	<b>9,118,076,592</b>	<b>19,220,546,082</b>	<b>8,713,966,264</b>	<b>64,880,739,925</b>
<b>Total Financial Assets (contractual&amp;non contractual maturity dates)</b>	<b>11,299,649,630</b>	<b>5,289,093,053</b>	<b>16,798,436,292</b>	<b>28,143,692,012</b>	<b>13,446,756,522</b>	<b>74,977,627,508</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.

<u>Mar.31.2011</u> <u>Liabilities</u>	<u>Up to</u> <u>1 Month</u>	<u>One to Three</u> <u>Months</u>	<u>Three to Twelve</u> <u>Months</u>	<u>Twelve Months to One</u> <u>Year</u>	<u>Over Five</u> <u>Years</u>	<u>Total</u>
<b>Financial Derivatives</b>						
- Foreign Exchange Derivatives	17,522,259	10,584,379	9,385,241	190,528.44	-	37,682,408
- Interest Rate Derivatives	-	98,198.00	397,305	21,276,848	17,968,889	39,741,240
<b>Total</b>	<b>17,522,259</b>	<b>10,682,577</b>	<b>9,782,546</b>	<b>21,467,376</b>	<b>17,968,889</b>	<b>77,423,648</b>

#### OFF Balance sheet items

<u>Mar.31.2011</u>	<u>Up to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial Guarantees , Bills and Other Facilities	9,557,650,804	2,122,094,781	404,795,354	12,084,540,939
<b>Total</b>	<b>9,557,650,804</b>	<b>2,122,094,781</b>	<b>404,795,354</b>	<b>12,084,540,939</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 March 31, 2011 EGP 38,348,734,112 and EGP 37,005,804,005 in December 31, 2010

#### (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.

	<u>Book value</u>		<u>Fair value</u>	
	<u>Mar.31.2011</u>	<u>Dec.31.2010</u>	<u>Mar.31.2011</u>	<u>Dec.31.2010</u>
<b>Financial Assets</b>				
Due from Banks	10,037,292,508	7,054,682,826	-	-
Loans and Overdraft to Banks	-	-	138,686,508	128,527,576
<b>Loans and Overdraft to Customers:</b>				
- Individual	-	-	3,825,890,532	3,703,974,624
- Corporate	-	-	34,123,749,995	32,884,150,060
<b>Financial Investments:</b>				
Available For Sale	-	-	-	-
Held to Maturity	-	-	260,407,077	289,151,745
<b>Total Financial Assets</b>	<b>10,037,292,508</b>	<b>7,054,682,826</b>	<b>38,348,734,112</b>	<b>37,005,804,005</b>
<b>Financial Liabilities</b>				
Due to Banks	3,163,307,305	1,322,279,909	-	-
Customers Deposits	65,263,741,771	63,364,177,278	-	-
Other Loans	264,950,901	129,113,426	-	-
<b>Total Financial Liabilities</b>	<b>68,691,999,977</b>	<b>64,815,570,613</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 Facilities are net of provisions for impairment. The estimated fair value of loans and Facilities 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>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
<b>Tier 1 Capital</b>		
Share Capital (net of the treasury shares)	5,901,443,600	5,901,443,600
General Reserves	1,144,648,633	78,564,646
Legal Reserve	231,344,896	125,128,337
Other Reserve	52,215,679	267,520,908
Retained Earnings	-	20,231,298
<b>Total Qualifying Tier 1 Capital</b>	<b>7,329,652,808</b>	<b>6,392,888,789</b>
<b>Tier 2 Capital</b>		
Redeemable Preference Shares (general risk provision)	633,210,140	607,483,178
Loans/Deposits		
<u>45% of the Increase in Fair Value than the Book Value for A.F.S Investments:-</u>	-	956,968
<b>Total Qualifying Tier 2 Capital</b>	<b>633,210,140</b>	<b>608,440,147</b>
<b>Total Capital 1+2</b>	<b>7,962,862,948</b>	<b>7,001,328,935</b>
<b>Risk-Weighted Assets:</b>		
In-Balance Sheet	45,579,352,941	43,626,939,621
Off-Balance Sheet	5,077,458,256	4,971,714,657
<b>Total Risk-Weighted Assets</b>	<b>50,656,811,197</b>	<b>48,598,654,278</b>
<b>Capital Adequacy Ratio (%)</b>	<b>15.72%</b>	<b>14.41%</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:

- 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.
- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- 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>Mar.31, 2011</b>	<b>Corporate Banking</b>	<b>SME's</b>	<b>Investment Banking</b>	<b>Retail Banking</b>	<b>Total</b>
Revenue According to Business Segment					
	537,099,486	22,028,876	(36,869,143)	378,708,603	<b>900,967,822</b>
Expenses According to Business Segment					
	(252,826,340)	(20,238,604)	(6,650,474)	(232,493,208)	<b>(512,208,625)</b>
<b>Activities Results by Sector</b>	<b>284,273,146</b>	<b>1,790,272</b>	<b>(43,519,617)</b>	<b>146,215,395</b>	<b>388,759,197</b>
Profit Before Tax	284,273,146	1,790,272	(43,519,617)	146,215,395	<b>388,759,197</b>
Tax	(54,921,444)	(313,209)	-	(25,580,520)	<b>(80,815,173)</b>
<b>Profit for the Year</b>	<b>229,351,702</b>	<b>1,477,063</b>	<b>(43,519,617)</b>	<b>120,634,875</b>	<b>307,944,024</b>
Assets and Liabilities According to Business Segment					
Total Assets	71,341,399,266	3,008,372,609	1,556,252,536	3,173,028,463	<b>79,079,052,875</b>
<b>Total Assets</b>	<b>71,341,399,266</b>	<b>3,008,372,609</b>	<b>1,556,252,536</b>	<b>3,173,028,463</b>	<b>79,079,052,875</b>
<b>Dec.31, 2010</b>	<b>Corporate Banking</b>	<b>SME's</b>	<b>Investment Banking</b>	<b>Retail 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>
Expenses According to Business Segment	(532,445,813)	(64,483,675)	(20,267,205)	(794,068,260)	<b>(1,411,264,952)</b>
<b>Activities Results by Sector</b>	<b>1,709,327,733</b>	<b>417,001</b>	<b>(34,980,009)</b>	<b>687,848,690</b>	<b>2,362,613,415</b>
Profit Before Tax	1,709,327,733	417,001	(34,980,009)	687,848,690	<b>2,362,613,415</b>
Tax	(252,563,794)	(63,316)	-	(104,440,799)	<b>(357,067,910)</b>
<b>Profit for the year</b>	<b>1,456,763,938</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					
Total assets	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) By Geographical Segment

<b>Mar.31, 2011</b>	<b>Egypt</b>			
	<b>Cairo</b>	<b>Alex, Delta &amp; Sinai</b>	<b>Upper Egypt</b>	<b>Total</b>
Revenue According to Business Segment	675,092,543	196,251,879	29,623,400	<b>900,967,822</b>
Expenses According to Business Segment	(376,332,908)	(114,220,541)	(21,655,176)	<b>(512,208,625)</b>
<b>Activities Results by Sector</b>	<b>298,759,635</b>	<b>82,031,338</b>	<b>7,968,224</b>	<b>388,759,197</b>
<b>Unallocated Costs</b>				
Profit Before Tax	298,759,635	82,031,338	7,968,224	<b>388,759,197</b>
Tax	(63,407,519)	(15,866,446)	(1,541,208)	<b>(80,815,173)</b>
<b>Profit for the Year</b>	<b>235,352,116</b>	<b>66,164,892</b>	<b>6,427,016</b>	<b>307,944,024</b>
Geographical Segments Assets	62,369,768,638	15,661,335,986	1,047,948,251	<b>79,079,052,875</b>
<b>Total Assets</b>	<b>62,369,768,638</b>	<b>15,661,335,986</b>	<b>1,047,948,251</b>	<b>79,079,052,875</b>
<b>Dec.31, 2010</b>	<b>Cairo</b>	<b>Alex, Delta &amp; Sinai</b>	<b>Upper Egypt</b>	<b>Total</b>
Revenue According to Business Segment	2,880,411,601	775,199,795	118,266,971	<b>3,773,878,367</b>
Expenses According to Business Segment	(997,889,633)	(329,539,165)	(83,836,154)	<b>(1,411,264,952)</b>
<b>Activities Results by Sector</b>	<b>1,882,521,968</b>	<b>445,660,630</b>	<b>34,430,817</b>	<b>2,362,613,415</b>
Profit Before Tax	1,882,521,968	445,660,630	34,430,817	<b>2,362,613,415</b>
Tax	(283,157,540)	(68,609,725)	(5,300,645)	<b>(357,067,910)</b>
<b>Profit for the Year</b>	<b>1,599,364,428</b>	<b>377,050,905</b>	<b>29,130,172</b>	<b>2,005,545,505</b>
Geographical Segments Assets	58,826,872,029	15,582,459,610	1,016,101,986	<b>75,425,433,625</b>
<b>Total Assets</b>	<b>58,826,872,029</b>	<b>15,582,459,610</b>	<b>1,016,101,986</b>	<b>75,425,433,625</b>

## **(6) Net Interest Income**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
- Interest Received from Loans and similar items:-		
- Banks	28,482,601	20,362,909
- Clients	662,727,400	500,353,138
	<u>691,210,001</u>	<u>520,716,047</u>
- Treasury Bills and Bonds	548,562,484	328,671,993
- Reverse Repos	-	240,209
- Financial Investment In Held to Maturity and Available for Sale Debt Instruments	46,673,393	186,201,041
- Other	(47,084)	1,627
<b>Total</b>	<b><u>1,286,398,794</u></b>	<b><u>1,035,830,917</u></b>
- Interest Paid on deposits and similar items:-		
- Banks	54,182,104	15,414,399
- Clients	598,245,316	500,398,594
	<u>652,427,420</u>	<u>515,812,993</u>
- Financial Instruments Purchased with a Commitment to Re-Sale (Repos)	556,565	-
- Other	641,147	196,909
<b>Total</b>	<b><u>653,625,132</u></b>	<b><u>516,009,902</u></b>
<b>Net</b>	<b><u>632,773,662</u></b>	<b><u>519,821,015</u></b>

## **(7) Net Income From Fees & Commissions**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
<b>Fees &amp; Commissions Income :</b>		
Fees & Commissions Related to Credit	117,439,286	124,662,435
Custody Fees	31,605,471	40,301,663
Other Fees	60,210,697	66,399,398
<b>Total</b>	<b><u>209,255,454</u></b>	<b><u>231,363,496</u></b>
<b>Fees &amp; Commissions Expense :</b>		
Other Fees Paid	(18,812,529)	(17,151,477)
<b>Total</b>	<b><u>(18,812,529)</u></b>	<b><u>(17,151,477)</u></b>
<b>Net Fees &amp; Commissions</b>	<b><u>190,442,925</u></b>	<b><u>214,212,019</u></b>

## **(8) Dividends**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
Trading Securities	437,993	-
Available for Sale Securities	136,707	60,651,357
Subsidiaries and Associated	-	3,472,300
<b>Total</b>	<b><u>574,700</u></b>	<b><u>64,123,657</u></b>

## **(9) Net Trading Income**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
- Profit From Foreign Exchange	74,981,592	75,053,936
- Profit (Losses) From Revaluations of Trading Assets and Liabilities in Foreign Currencies	6,248,872	(392,746)
- Profit (Losses) From Forward Foreign Exchange Deals Revaluation	5,607,338	(4,192,906)
- Profit (Losses) From Interest Rate Swaps Revaluation	2,295,775	(10,479,717)
- Profit (Losses) From Swap Deals Revaluation	147,955	(1,926,175)
- Trading Debt Instruments	22,490,260	11,125,580
- Trading Equity Instruments	2,273,140	14,409,513
<b>Total</b>	<b><u>114,044,932</u></b>	<b><u>83,597,485</u></b>

**(10) Administrative Expenses**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
<b><u>Staff Costs</u></b>		
- Wages & Salaries	178,097,499	145,548,381
- Social Insurance	7,855,413	6,437,041
- Other Benefits	10,272,866	4,454,437
- <u>Other Administrative Expenses</u>	186,929,025	164,342,187
<b>Total</b>	<b><u>383,154,802</u></b>	<b><u>320,782,046</u></b>

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

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
- (Losses) Profits From Assets & Liabilities Revaluation Except Trading	(55,452,029)	(1,567,464)
- Profits From Selling Equipments And Fixed Assets	942,513	1,833,430
- Return (Losses) Of Other Provision	(7,484,721)	35,848,354
- Others	(10,845,567)	(12,956,324)
<b>Total</b>	<b><u>(72,839,804)</u></b>	<b><u>23,157,996</u></b>

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

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
Loans And Overdrafts For Customers	(122,923,729)	(2,014,936)
Held to Maturity Financial Investments	122,849	103,856
<b>Total</b>	<b><u>(122,800,880)</u></b>	<b><u>(1,911,080)</u></b>

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

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
- Profit Before Tax	388,683,936	625,800,230
- Tax Rate	20%	20%
<b><u>Income Tax Based On Accounting Profit</u></b>	<b><u>77,736,787</u></b>	<b><u>125,160,046</u></b>
<b><u>Add / (Deduct)</u></b>		
- Non-Deductible Expenses	220,415	33,310
- Tax Exemptions	(10,145,502)	(23,643,297)
- Effect Of Provisions	13,108,345	(4,584,020)
	(104,872)	(9,234)
<b><u>Income Tax</u></b>	<b><u>80,815,173</u></b>	<b><u>96,956,805</u></b>
<b>Effective Tax Rate</b>	<b>20.79%</b>	<b>15.49%</b>

**(14) Earning Per Share**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Mar.31, 2010</u> <u>EGP</u>
- Net Profit For The Period Available for Distribution	310,592,042	484,002,203
- Board Member's Bonus	4,658,881	7,260,033
- Staff Profit Sharing	31,059,204	48,400,220
<b><u>Shareholders' Share In Profits</u></b>	<b><u>346,310,127</u></b>	<b><u>539,662,456</u></b>
- Number Of Shares	590,144,360	590,144,360
<b><u>Basic Earning Per Share</u></b>	<b><u>0.59</u></b>	<b><u>0.91</u></b>
- By Issuance Of ESOP Earning Per Share Will Be:-		
Number Of Shares Including ESOP Shares	606,488,393	606,488,393
<b><u>Diluted Earning Per Share</u></b>	<b><u>0.57</u></b>	<b><u>0.89</u></b>

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

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
- Cash	1,840,303,738	1,399,250,089
- Reserve Balance With CBE:-		
- Current Accounts	3,328,686,706	4,275,991,702
<b>Total Cash &amp; Due From Central Bank</b>	<b><u>5,168,990,444</u></b>	<b><u>5,675,241,791</u></b>
<b>Balances without Interest</b>	<b><u>5,168,990,444</u></b>	<b><u>5,675,241,791</u></b>

**(16) Due From Banks**

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
- Current Accounts	357,403,800	653,994,222
- Deposits	9,679,888,708	6,400,688,604
<b>Total Due From Banks</b>	<b><u>10,037,292,508</u></b>	<b><u>7,054,682,826</u></b>
- Central Banks (Except Obligatory Reserve)	2,551,784,030	2,539,019,714
- Local Banks	433,076,450	825,623,131
- Foreign Banks	7,052,432,028	3,690,039,981
<b>Total Due From Banks</b>	<b><u>10,037,292,508</u></b>	<b><u>7,054,682,826</u></b>
- Non Bearing Interest Balances	133,729,019	289,402,609
- Fixed Bearing Interest Balances	9,903,563,489	6,765,280,217
<b>Total Due From Banks</b>	<b><u>10,037,292,508</u></b>	<b><u>7,054,682,826</u></b>
- Current Balances	10,037,292,508	7,054,682,826
<b>Total Due From Banks</b>	<b><u>10,037,292,508</u></b>	<b><u>7,054,682,826</u></b>

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

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
- 91 Days Maturity	4,298,225,000	2,126,041,239
- 182 Days Maturity	3,226,500,000	3,830,900,000
- 364 Days Maturity	2,111,350,000	3,659,550,000
	<b><u>9,636,075,000</u></b>	<b><u>9,616,491,239</u></b>
- Unearned Income	(327,024,554)	(416,346,434)
<b>Total Treasury Bills</b>	<b><u>9,309,050,446</u></b>	<b><u>9,200,144,805</u></b>
- Repos	0	(379,141,239)
<b>Total Treasury Bills And Other Governmental Notes</b>	<b><u>9,309,050,446</u></b>	<b><u>8,821,003,566</u></b>

**(18) Financial Assets For Trading**

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
- <b>Debt Instruments:-</b>		
- Government Bonds	176,367,654	861,157,325
- Other Debt Instruments	196,123,910	182,776,556
<b>Total Debt Instruments</b>	<b><u>372,491,564</u></b>	<b><u>1,043,933,881</u></b>
- <b>Equity Instruments:-</b>		
- Foreign Company Shares	22,600,648	74,031,984
- Mutual Fund	235,252,945	467,781,970
<b>Total Equity Instruments</b>	<b><u>257,853,593</u></b>	<b><u>541,813,953</u></b>
<b>Total Financial Assets For Trading</b>	<b><u>630,345,157</u></b>	<b><u>1,585,747,835</u></b>

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

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
- Time and Term Loans	138,686,508	128,527,576
<b><u>Total Loans and Overdrafts For Banks</u></b>	<b>138,686,508</b>	<b>128,527,576</b>
<b>Distributed To:-</b>		
- Non-Current Balances	138,686,508	128,527,576
<b><u>Net Loans And Overdrafts For Banks</u></b>	<b>138,686,508</b>	<b>128,527,576</b>

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

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
<b><u>Individual</u></b>		
- Overdrafts	759,649,202	695,995,810
- Credit Cards	507,796,358	530,877,533
- Personal Loans	1,951,391,497	1,960,327,857
- Real Estate Loans	439,785,713	432,348,843
- Other Loans	167,267,763	84,424,581
<b><u>Total (1)</u></b>	<b>3,825,890,532</b>	<b>3,703,974,624</b>
<b><u>Corporate</u></b>		
- Overdrafts	3,618,800,580	3,331,087,693
- Direct Loans	22,628,423,678	21,584,681,502
- Syndicated Loans	7,774,248,391	7,758,798,180
- Other Loans	102,277,346	209,582,685
<b><u>Total (2)</u></b>	<b>34,123,749,995</b>	<b>32,884,150,060</b>
<b><u>Loans And Overdrafts For Customers (1+2)</u></b>	<b>37,949,640,527</b>	<b>36,588,124,684</b>
- Unearned Bills Discount	(56,446,666)	(59,528,351)
- Impairment Provision	(1,396,999,549)	(1,257,882,426)
- Interest In Suspense	(249,324,815)	(224,700,550)
<b><u>Net Loans And Overdrafts For Customers</u></b>	<b>36,246,869,497</b>	<b>35,046,013,357</b>
<b><u>Distributed To:-</u></b>		
Current Balances	14,536,423,243	13,176,145,651
Non-Current Balances	21,710,446,253	21,869,867,706
<b><u>Net Loans And Overdrafts For Customers</u></b>	<b>36,246,869,496</b>	<b>35,046,013,357</b>

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

- Analysis Of The Doubtful Debts Provision For Customers

Mar.31, 2011

Individual

	<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	8,001,963	42,119,826	81,498,499	8,888,164	140,508,452
- Formed During The Period	9,439,063	(3,937,541)	(2,473,023)	616,613	3,645,112
- Write Off During The Period	-	(1,134,716)	-	-	(1,134,716)
- Recoveries From Written Off Debts	-	664,642	658,500	-	1,323,142
<b>Balance At The End Of The Period</b>	<b>17,441,026</b>	<b>37,712,211</b>	<b>79,683,976</b>	<b>9,504,777</b>	<b>144,341,990</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	186,889,818	453,722,723	472,657,512	4,103,921	1,117,373,974
- Formed During The Period	10,818,571	79,737,755	28,483,734	238,557	119,278,617
- Write Off During The Period	-	-	-	-	-
- Recoveries From Written Off Debts	-	2,857,935	-	-	2,857,935
- Foreign Currency Revaluation Diff.	-	13,147,033	-	-	13,147,033
<b>Balance At The End Of The Period</b>	<b>197,708,389</b>	<b>549,465,446</b>	<b>501,141,246</b>	<b>4,342,478</b>	<b>1,252,657,559</b>

Dec.31, 2010

Individual

	<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	6,217,574	63,472,214	123,755,953	6,607,506	200,053,247
Formed During The Year	1,784,389	(2,677,769)	(41,751,067)	2,280,658	(40,363,789)
Write Off During The Year	-	(21,890,799)	(762,282)	-	(22,653,081)
Recoveries From Written Off Debts	-	3,216,180	255,895	-	3,472,075
<b>Balance At The End Of The Year</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 Year	182,615,379	456,119,614	461,400,856	4,005,349	1,104,141,198
Formed During The Year	4,274,439	31,517,879	11,256,656	98,572	47,147,546
Write Off During The Year	-	(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 Year</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>

## (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	Mar.31, 2011		Notional Amount	Dec.31, 2010	
		Assets	Liabilities		Assets	Liabilities
<b>- Foreign Derivatives:-</b>						
- Forward Foreign exchange contracts	3,027,222,747	34,694,287	15,941,830	3,072,183,403	10,189,895	17,784,952
- Currency swap	4,111,124,961	84,081,172	21,608,463	5,252,345,990	95,810,458	46,796,806
- Options	23,173,386	132,115	132,115	129,589,977	587,555	587,555
<b>Total Derivatives (1)</b>		<b>118,907,574</b>	<b>37,682,408</b>		<b>106,587,908</b>	<b>65,169,313</b>
<b>- Interest rate derivatives:-</b>						
- Interest rate Swaps	1,951,211,768	13,767,889	26,664,186	2,116,390,500	18,033,720	32,936,778
<b>Total Derivatives (2)</b>		<b>13,767,889</b>	<b>26,664,186</b>		<b>18,033,720</b>	<b>32,936,778</b>
- Commodity	386,999,030	9,327,667	9,327,667	37,459,113	7,229,086	7,229,086
<b>Total Derivatives (3)</b>		<b>9,327,667</b>	<b>9,327,667</b>		<b>7,229,086</b>	<b>7,229,086</b>
<b>Total Assets ( liability) For Trading Derivatives ( 1+2+3)</b>		<b>142,003,130</b>	<b>73,674,261</b>		<b>131,850,714</b>	<b>105,335,177</b>

#### B- For Hedging Derivatives

	Notional Amount	Mar.31, 2011		Notional Amount	Dec.31, 2010	
		Assets	Liabilities		Assets	Liabilities
Interest rate Swaps	1,969,502,550	6,424,157	13,077,054	1,159,112,554	7,413,234	8,215,863
<b>Total Assets ( liability) For Hedging Derivatives ( 1+2+3+4)</b>		<b>6,424,157</b>	<b>13,077,054</b>		<b>7,413,234</b>	<b>8,215,863</b>
<b>Total Financial Derivatives ( 1+2+3+4)</b>		<b>148,427,287</b>	<b>86,751,315</b>		<b>139,263,948</b>	<b>113,551,039</b>

**(22) Financial Investment**

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</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	12,805,240,412	12,182,202,264
- Equity Instruments Listed - Fair Value	90,106,799	88,634,556
- Unlisted Instruments	1,348,613,064	1,343,002,985
<b><u>Total Available For Sale Financial Investment</u></b>	<b><u>14,243,960,275</u></b>	<b><u>13,613,839,805</u></b>
<b><u>- Held To Maturity Financial Investment:-</u></b>		
- Listed Debt Instruments	51,921,592	64,181,945
- Unlisted Instruments	218,576,061	235,068,368
<b><u>Total Held To Maturity Financial Investment</u></b>	<b><u>270,497,653</u></b>	<b><u>299,250,313</u></b>
<b><u>Total Financial Investment</u></b>	<b><u>14,514,457,928</u></b>	<b><u>13,913,090,118</u></b>
- Listed Balances	12,657,704,012	12,002,427,357
- Unlisted Balances	1,856,753,916	1,910,662,761
	<b><u>14,514,457,928</u></b>	<b><u>13,913,090,118</u></b>
- Fixed Interest Debt Instruments	11,822,842,619	11,515,986,699
- Variable Interest Debt Instruments	2,121,113,437	1,849,898,303
	<b><u>13,943,956,057</u></b>	<b><u>13,365,885,003</u></b>

	<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 1/1/2010</b>	<b>2,774,965,250</b>	<b>579,926,673</b>	<b>3,354,891,923</b>
- Addition	9,474,625,202	10,098,568	9,484,723,770
- Deduction ( Selling - Recovery )	(3,469,862,718)	(311,446,590)	(3,781,309,308)
- Differences In Revaluation Of The Cash Assets In Foreign Currencies	68,054,023	15,659,162	83,713,185
- Profit (Losses)From Fair Value Difference	108,716,196	-	108,716,196
<b><u>Balance At The End Of Year</u></b>	<b><u>8,956,497,953</u></b>	<b><u>294,237,813</u></b>	<b><u>9,250,735,766</u></b>
<b>- Opening Balance 1/1/2011</b>	<b>8,956,497,953</b>	<b>294,237,813</b>	<b>9,250,735,766</b>
- Addition	1,899,829,040	-	1,899,829,040
- Deduction ( Selling - Recovery )	(1,030,565,937)	(34,740,796)	(1,065,306,733)
- Differences In Revaluation Of The Cash Assets In Foreign Currencies	43,064,435	5,841,311	48,905,746
- Profit (Losses)From Fair Value Difference	(285,363,091)	-	(285,363,091)
- (Deduct) Return - Impairment Losses	(962,861)	122,849	(840,012)
<b><u>Balance At The End Of Period</u></b>	<b><u>9,582,499,539</u></b>	<b><u>265,461,176</u></b>	<b><u>9,847,960,716</u></b>

	<u>Mar.31, 2011</u>	<u>Mar.31, 2010</u>
<b><u>- Profit (Losses) From Financial Investment</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Profit From Selling Available For Sale Financial Instruments	407,528	57,206,665
(Losses) From Impairment Of Equity Instruments Available For Sale	(962,861)	-
Return Of Impairment From Available For Sale Debt Instruments	43,064,435	1,192,597
Profits From Selling Investments In Subsidiaries And Associates.	1,873,813	-
Profit (Losses) Of Selling Held to Maturity Debt Investments	(130,027)	(1,624)
	<b><u>44,252,888</u></b>	<b><u>58,397,638</u></b>

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

<u>Mar.31, 2011</u>	Company's Country	EGP				Share percentage %	
		Company's Assets	Company's Liabilities (without equity)	Company's Revenues	Company's Net Profit		
- Commercial International life insurance co.	Egypt	1,574,689,695	1,513,288,532	315,799,848	1,607,052	27,630,523	45
- Corplease co.	Egypt	1,101,906,781	953,133,083	303,976,886	40,167,947	59,509,479	40
- Haykala for Investment	Egypt	3,516,268	280,107	1,830,715	423,142	1,781,426	40
- Egypt Factors	Egypt	208,653,317	187,595,080	21,574,839	(6,976,001)	8,212,713	39
- International Co. for Security and Services ( Falcon )	Egypt	51,657,387	26,879,258	79,903,248	8,128,090	11,482,951	40
<b>Total Financial Investments in Associated Companies</b>		<b>2,940,423,448</b>	<b>2,681,176,060</b>	<b>723,085,536</b>	<b>43,350,230</b>	<b>108,617,093</b>	

<u>Dec.31, 2010</u>	Company's Country	EGP				Share percentage %	
		Company's Assets	Company's Liabilities (without equity)	Company's Revenues	Company's Net Profit		
- Commercial International life insurance co.	Egypt	1,597,541,347	1,539,900,007	223,889,211	3,147,882	25,938,603	45
- Corplease co.	Egypt	1,162,538,842	1,045,472,389	186,387,640	8,460,701	46,826,581	40
- Haykala for Investment	Egypt	3,388,431	257,349	1,590,695	328,789	1,743,685	40
- Egypt Factors	Egypt	189,004,746	164,773,230	14,896,877	(3,036,572)	9,450,291	39
- International. Co. for Appraisal and Collection.	Egypt	6,986,318	621,534	8,176,394	3,553,173	2,529,580	40
- International Co. for Security and Services ( Falcon )	Egypt	46,349,141	19,757,202	55,280,073	11,620,683	10,338,993	40
<b>Total Financial Investments in Associated Companies</b>		<b>3,005,808,825</b>	<b>2,770,781,711</b>	<b>490,220,890</b>	<b>24,074,655</b>	<b>96,827,733</b>	

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

<u>Assets</u>	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	EGP	EGP
	<u>Book value</u>	<u>Book value</u>
- Building number 17 tiba st. Eldokki next to shooting club	7,600,000	7,600,000
- Commercial unit number f 35 in arkadia mall (14 elbahr st. Boulak kornish el Nile )	-	361,200
- Apartment in the first floor 230 meters elmadina tower elgomhoria st. Port said	750,000	750,000
- 338.32 meters on a land and building the property number 16 elmakrizi st. Heliopolis	1,000,000	1,000,000
- Villa number 113 royal hills 6th of october	2,000,000	2,000,000
- A land area with 1468.85 meters elsaidi basin -markaz nabrouh eldakahlia	1,121,965	1,121,965
- Land and a bulding in elmansoura elnahda street 766.3 meters	3,463,000	3,463,000
- Agricultural area 1 feddan 14t and 17.25 shares near el azazi fakous elsharkia	222,000	222,000
- Land number 16 mit khamis elmansoura (3 carats, 15 share)which equals 645 meters	1,935,000	1,935,000
- Agricultural area 47 feddans 11 carats markaz shebin eldakahlia	10,242,499	10,242,499
<b>Total</b>	<b>28,334,464</b>	<b>28,695,664</b>

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

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	EGP	EGP
- Accrued Revenues	713,284,705	797,806,076
- Prepaid Expenses	84,434,584	75,174,383
- Advances for Purchase of Fixed Assets	63,962,052	53,943,062
- Accounts receivable and Other Assets **	398,809,980	453,103,600
- Assets Acquired as Settlement of Debts	6,342,353	4,630,353
<b>Total</b>	<b>1,266,833,674</b>	<b>1,384,657,474</b>

\* This Include The Value Of Premises That Was Not Recorded Under The Bank's Name By EGP 20,734,464 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****Mar.31, 2011**

	Land	Premises	IT	Vehicles	Fitting -Out	Machines & Equipment	Furniture & Furnishing	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Opening Balance (3)	60,575,261	386,747,041	711,666,472	41,294,565	249,926,926	245,285,808	115,547,453	<b>1,811,043,526</b>
Additions (Deductions) During The Period	-	(724,800)	9,359,795	4,609,800	1,382,770	2,116,752	687,417	<b>17,431,734</b>
<b>Closing Balance (1)</b>	<b>60,575,261</b>	<b>386,022,241</b>	<b>721,026,267</b>	<b>45,904,365</b>	<b>251,309,696</b>	<b>247,402,560</b>	<b>116,234,870</b>	<b>1,828,475,260</b>
Accu.Depreciation at Beginning of The Year (4)	-	141,165,205	501,268,563	24,306,999	207,345,143	161,359,118	67,267,511	<b>1,102,712,539</b>
Current Period Depreciation	-	6,363,178	26,086,831	1,186,328	10,855,410	9,034,268	4,353,719	<b>57,879,734</b>
<b>Accu.Depreciation at End of The Year (2)</b>	<b>-</b>	<b>147,528,383</b>	<b>527,355,394</b>	<b>25,493,327</b>	<b>218,200,553</b>	<b>170,393,386</b>	<b>71,621,230</b>	<b>1,160,592,273</b>
End of Period Net Assets (1-2)	60,575,261	238,493,858	193,670,873	20,411,038	33,109,143	77,009,174	44,613,640	<b>667,882,987</b>
<b>Beginning of Period Net Assets (3-4)</b>	<b>60,575,261</b>	<b>245,581,836</b>	<b>210,397,909</b>	<b>16,987,566</b>	<b>42,581,783</b>	<b>83,926,690</b>	<b>48,279,942</b>	<b>708,330,987</b>

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

- Net Fixed Assets Value On The Balance Sheet Date Includes EGP 53.846.847 Non Registered Assets While Their Registrations Procedures Are In Process.

**(27) Due To Banks**

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
- Current Accounts	467,707,305	628,594,359
- Deposits	2,695,600,000	693,685,550
	<u>3,163,307,305</u>	<u>1,322,279,909</u>
- Central Banks	49,572,239	67,074,769
- Local Banks	2,296,629,290	110,476,364
- Foreign Banks	817,105,776	1,144,728,776
	<u>3,163,307,305</u>	<u>1,322,279,909</u>
- Non Bearing Interest Balances	361,220,528	528,398,567
- Fixed Bearing Interest Balances	2,802,086,777	793,881,342
	<u>3,163,307,305</u>	<u>1,322,279,909</u>
- Current Balances	467,707,305	628,594,359
- Non-Current Balances	2,695,600,000	693,685,550
	<u>3,163,307,305</u>	<u>1,322,279,909</u>

**(28) Customers Deposits**

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
- Demand Deposits	17,697,256,011	16,663,118,908
- Time Deposits	21,954,761,508	21,893,614,059
- Certificates of Deposit	15,528,011,261	15,205,693,671
- Saving Deposits	9,053,946,941	8,321,204,407
- Other Deposits	1,029,766,050	1,280,546,233
	<u>65,263,741,771</u>	<u>63,364,177,278</u>
- Corporate Deposits	35,047,031,476	34,044,137,028
- Individual Deposits	30,216,710,295	29,320,040,250
	<u>65,263,741,771</u>	<u>63,364,177,278</u>
- Non Bearing Interest Balances	18,727,022,061	17,943,665,141
- Fixed Bearing Interest Balances	46,536,719,710	45,420,512,137
	<u>65,263,741,771</u>	<u>63,364,177,278</u>
- Current Balances	47,663,669,352	47,852,478,276
- Non-Current Balances	17,600,072,419	15,511,699,002
	<u>65,263,741,771</u>	<u>63,364,177,278</u>

**(29) Long Term Loans**

	<u>Rate</u>	<u>Maturity Date</u>	<u>Maturing Through</u>	<u>Balance as of</u>	<u>Balance as of</u>
	<u>%</u>		<u>Next Year</u>	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
			<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
- F.I.S.C.	3.5 - 5.5 depends on maturity date	3-5 years	16,665,283	30,363,003	34,363,003
- KFW Private Sector Industry (Phase II)	9 - 10.5	2012	5,800,051	8,664,285	8,966,582
- UNIDO	1	2011	32,742	32,742	60,014
- Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	54,866,111	69,186,111	78,352,222
- Arab Trade Financing Program	1.215	2011	149,200,000	149,200,000	-
- Social Fund	3 months T/D or 9% which more	2010	249,000	354,750	417,000
- Spanish Microfinance Loan	0.5	2012	3,575,004	7,150,010	6,954,604
<b><u>Total</u></b>			<u>230,388,191</u>	<u>264,950,901</u>	<u>129,113,426</u>

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

	<u>Mar.31, 2011</u>	<u>Dec.31, 2010</u>
	<u>EGP</u>	<u>EGP</u>
- Accrued Interest Payable	215,115,047	203,493,541
- Accrued Expenses	161,034,624	124,551,148
- Accounts Payable	360,934,403	389,798,419
- Income Tax	515,540,171	426,695,912
- Other Credit balances	23,952,204	20,624,318
<b><u>Total</u></b>	<u>1,276,576,449</u>	<u>1,165,163,338</u>

**(31) Other Provisions****Mar.31, 2011****EGP**

	<u>Opening Balance</u>	<u>Formed During the Period</u>	<u>FCY Balance Reval. Difference</u>	<u>Usage During the Period</u>	<u>Balance No Longer Required</u>	<u>Closing Balance</u>
- Provision For Income Tax Claims	17,210,280	-	-	-	(656,595)	<b>16,553,685</b>
- Provision For Legal Claims	34,719,567	375,116	-	-	-	<b>35,094,683</b>
- Provision For Contingent	256,708,900	5,694,622	3,961,989	-	-	<b>266,365,511</b>
- Provision For Other Claim	10,001,799	232,929	7,922	(2,939,853)	-	<b>7,302,797</b>
- Provision For End Of Service	248,991	13,366	-	-	-	<b>262,357</b>
<b>Total</b>	<b>318,889,536</b>	<b>6,316,033</b>	<b>3,969,911</b>	<b>(2,939,853)</b>	<b>(656,595)</b>	<b>325,579,032</b>

**Dec.31, 2010****EGP**

	<u>Opening Balance</u>	<u>Formed During the year</u>	<u>FCY Balance Reval. Difference</u>	<u>Usage During the year</u>	<u>Balance No Longer Required</u>	<u>Closing 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>

**(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 status 5% of net profit is to increase legal reserve until it reaches 50% of the bank's issued and paid in capital

- Concurrence of central bank of Egypt for usage of special reserve is required.

(33) Deferred Tax Assets and Liabilities

	<u>Assets (liabilities)</u> <u>Mar.31, 2011</u>	<u>Assets (liabilities)</u> <u>Dec.31, 2010</u>
Deferred tax assets and liabilities are attributable to the following:	<u>EGP</u>	<u>EGP</u>
- Fixed Assets (Depreciation)	(18,862,291)	(24,416,110)
- Other Provisions(Excluded Loan Loss, Contingent Liabilities And Income Tax Provisions)	8,841,664	9,324,068
- Other Items(Other Investments Revaluation Difference)	102,983,276	102,790,700
- Reserve For Employee Stock Ownership Plan (ESOP)	34,044,915	29,904,171
<b><u>Total</u></b>	<b><u>127,007,564</u></b>	<b><u>117,602,829</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	10,550,825
- Granted During The period	5,793,208
- Forfeited During The period	-
- Exercised During The period	-
<b>- Outstanding At The End Of The period</b>	<b><u>16,344,033</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 .

- The estimated fair value of the equity instrument granted to the fifth tranche is EGP21.25 .

**(35) Reserves and Retained Earnings**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
- Legal Reserve	231,344,896	125,128,337
- General Reserve	1,144,496,449	78,412,462
- Retained Earning	(346,599,897)	(203,604,610)
- Special Reserve	185,931,315	184,356,569
- Reserve For A.F.S Investments Revaluation Diff.	(283,607,835)	1,722,491
- Banking Risks Reserve	154,344,496	156,992,515
- 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 Year</b>	<b><u><u>1,388,703,846</u></u></b>	<b><u><u>645,802,184</u></u></b>

**A- Banking Risks Reserve**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
- Opening Balance	156,992,515	26,652,790
- Transferred from (to) retained earnings	(2,648,019)	130,339,725
<b>Ending Balance</b>	<b><u><u>154,344,496</u></u></b>	<b><u><u>156,992,515</u></u></b>

**B- Legal Reserve**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
- Opening Balance	125,128,337	513,606,534
- Used During The Year	-	(476,326,032)
- Transferred from Profits	106,216,559	87,847,835
<b>Ending Balance</b>	<b><u><u>231,344,896</u></u></b>	<b><u><u>125,128,337</u></u></b>

**C- Reserve For A.F.S Investments Revaluation Diff.**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
- Opening Balance	1,722,491	(107,124,766)
- Gains (Losses) from A.F.S Investment Revaluation	(285,330,326)	108,847,257
<b>Ending Balance</b>	<b><u><u>(283,607,835)</u></u></b>	<b><u><u>1,722,491</u></u></b>

**D- Retained Earning**

	<u>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
- Opening Balance	(203,604,610)	(176,287,838)
- Dividends of the previous Period	(20,231,298)	-
- Change During the Period	(1,262,583)	1,587,135
- Transferred To ( From ) Retained Earning	(121,501,406)	(28,903,907)
<b>Ending Balance</b>	<b><u><u>(346,599,897)</u></u></b>	<b><u><u>(203,604,610)</u></u></b>

**(36) Cash And Cash Equivalent**

	<u>Mar. 31, 2011</u> <u>EGP</u>	<u>Dec. 31, 2010</u> <u>EGP</u>
- Cash and Due from Central Bank	5,168,990,444	5,675,241,791
- Due from Banks	10,037,292,508	7,054,682,826
- Treasury Bills and Other Governmental Notes	9,309,050,446	8,821,003,566
- Due from Banks (Time Deposits) More Than Three Months	(9,679,888,708)	(6,400,688,604)
- Treasury Bills with Maturity More Than Three Months	(5,069,806,341)	(7,092,113,082)
<b>Total Cash and Cash Equivalent</b>	<b><u><u>9,765,638,350</u></u></b>	<b><u><u>8,058,126,497</u></u></b>

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

There are a number of existing cases filed against the bank in 31/03/2011 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 250,660,969 as follows:-

	<u>Investments value</u> <u>EGP</u>	<u>Paid</u> <u>EGP</u>	<u>Remaining</u> <u>EGP</u>
- Available for Sale Financial Investments	569,490,872	353,722,543	215,768,329
- Financial Investments in associates Co.	96,112,800	61,220,160	34,892,640

**- 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>Mar.31, 2011</u> <u>EGP</u>	<u>Dec.31, 2010</u> <u>EGP</u>
- Letters Of Guarantee	10,680,895,832	10,300,701,367
- Letters Of Credit ( Import And Export )	868,664,052	989,910,137
- Customers Acceptances	534,981,055	589,087,209
<b>Total</b>	<b><u><u>12,084,540,939</u></u></b>	<b><u><u>11,879,698,713</u></u></b>

**(38) Comparative Figures**

- The Comparative Figures Are Amended To Confirm With The Reclassification Of The Current Year And General Assembly Held on 21th Of March, 2011, Decisions, For Ratifying The Appropriation Account Of Year 2010.

### (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 54,756,856 with redeemed value EGP 8,942,342,153.
- The market value per certificate reached EGP 163.31 on 31/3/2011.
- The Bank portion got 1,334,399 certificates with redeemed value EGP 217,920,701.

#### - 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 2,763,068 with redeemed value EGP 168,049,496.
- The market value per certificate reached EGP 60.82 on 31/3/2011.
- The bank portion got 194,744 certificates with redeemed value EGP 11,844,330.

#### - 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 863,507 with redeemed value EGP 39,194,583.
- The market value per certificate reached EGP 45.39 on 31/3/2011.
- The bank portion got 55,134 certificates with redeemed value EGP 2,502,532.

#### - 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 2,638,068 with redeemed value EGP 265,706,209.
- The market value per certificate reached EGP 100.72 on 31/3/2011.
- The bank portion got 236,017 certificates with redeemed value EGP 23,771,632.

### (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	656,565,546	
- Customer Deposits	270,565,401	
- Contingent Accounts	302,304	
	<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	257,928	11,388,297
- Corplease Co.	13,832,068	300,243
- Commercial International Life Insurance Co.	36,382	393,424

#### **(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 Year2011

- Amortization Amount have been riched EGP 10,023,361

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 March 2011	(314,718,872)
<b>Net Intangible Assets</b>	<b><u>359,953,534</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>Mar. 31, 2011</u></b>	<b><u>Dec. 31, 2010</u></b>
	<b><u>in thousand EGP</u></b>	<b><u>in thousand EGP</u></b>
- Egyptian Pound	(35,504)	11,966
- US Dollar	39,571	(6,602)
- Sterling Pound	10,456	(400)
- Japanese Yen	(218)	(433)
- Swiss Franc	61	130
- Euro	40,872	8,218