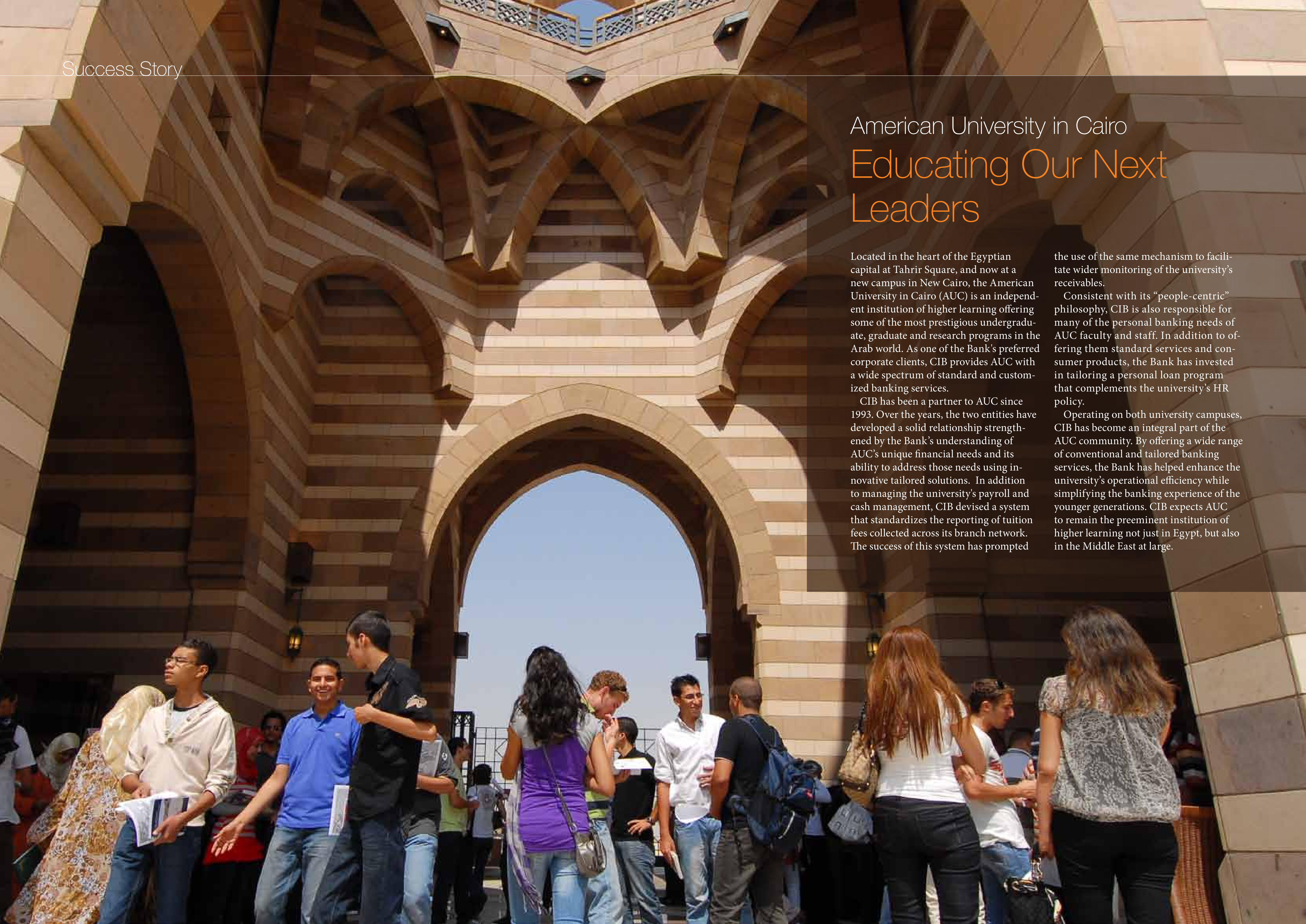
ANNUAL REPORT 2010


# A Year To Remember

Facilitating growth in every sector...



Commercial International Bank



## American University in Cairo

# Educating Our Next Leaders

Located in the heart of the Egyptian capital at Tahrir Square, and now at a new campus in New Cairo, the American University in Cairo (AUC) is an independent institution of higher learning offering some of the most prestigious undergraduate, graduate and research programs in the Arab world. As one of the Bank's preferred corporate clients, CIB provides AUC with a wide spectrum of standard and customized banking services.

CIB has been a partner to AUC since 1993. Over the years, the two entities have developed a solid relationship strengthened by the Bank's understanding of AUC's unique financial needs and its ability to address those needs using innovative tailored solutions. In addition to managing the university's payroll and cash management, CIB devised a system that standardizes the reporting of tuition fees collected across its branch network. The success of this system has prompted the use of the same mechanism to facilitate wider monitoring of the university's receivables.

Consistent with its "people-centric" philosophy, CIB is also responsible for many of the personal banking needs of AUC faculty and staff. In addition to offering them standard services and consumer products, the Bank has invested in tailoring a personal loan program that complements the university's HR policy.

Operating on both university campuses, CIB has become an integral part of the AUC community. By offering a wide range of conventional and tailored banking services, the Bank has helped enhance the university's operational efficiency while simplifying the banking experience of the younger generations. CIB expects AUC to remain the preeminent institution of higher learning not just in Egypt, but also in the Middle East at large.


# What We Do

Commercial International Bank (CIB) is the leading private sector bank in Egypt, offering a broad range of financial products and services to its customers which include enterprises of all sizes, institutions, households and high net worth (HNW) individuals. In addition to traditional asset and liability products, CIB offers wealth management, securitization, direct investment and treasury services, all delivered through client-centric teams. The Bank also owns a number of subsidiaries, including CI Capital, which offers asset management, investment banking, brokerage and research services, in addition to the Commercial International Life Insurance Company, the Falcon Group, and Egypt Factors.

CIB continuously strives to provide clients with superior financial solutions to meet all of their financial needs. Management believes this enables the Group to maintain its leadership position in the market, while providing a stimulating work environment for staff and delivering strong financial performance for investors.

## Our History

CIB was established in 1975 as Chase National Bank, a joint venture between Chase Manhattan and National Bank of Egypt (NBE). In 1987, Chase divested its ownership stake due to a shift in international strategy, and the stake was acquired by NBE at which point the Bank adopted the name "Commercial International Bank" (CIB).

Over time, NBE decreased its participation in CIB, which eventually reached 19% in 2006, at which point a consortium led by Ripplewood Holdings acquired NBE's remaining stake. In July 2009, Actis, an emerging market private equity specialist, acquired 50% of the stake held by the Ripplewood Consortium. Five months later, Actis became the single largest shareholder in CIB with a 9.3% stake after Ripplewood sold its remaining share of 4.7% on the open market in December 2009. The emergence of Actis as the predominant shareholder signalled a successful transition in the Bank's strategic partnership.

> "*CIB is a leading provider of financial services to Egyptian households, institutions, enterprises of all sizes, and high net worth individuals.*

## A Snapshot Of Our Businesses

### Corporate Banking
CIB is widely recognized as the best corporate bank in Egypt and is committed to being recognized as one of the best banks in the region, serving industry-leading corporate clients as well as small- and medium-sized businesses.

### Debt Capital Markets
CIB's global product knowledge, local expertise and capital resources make the Bank an industry leader in project finance, syndicated loans and structured finance in Egypt. CIB's project finance and syndicated loans teams provide large borrowers with better market access and greater ease and speed of execution.

### Consumer Banking
CIB registered considerable progress in 2010 as it continues to build a full-service, world-class consumer bank. We offer a wide array of consumer banking products, including:

- Personal Loans focuses on employees of our Corporate Banking clients and offers fully-secured Overdrafts and Trade Products.
- Auto Loans is positioned to actively support this growing market in the coming years.
- Deposit Accounts offers numerous account types to address our clients' deposit and savings needs, such as Minor, Youth, Senior Citizen, Certificate of Deposits, and Care Accounts as well as Current, Savings and Time Deposit Accounts.
- Residential Property Finance provides loans to finance home purchases, as well as residential construction, refurbishment and finishing.
- Credit and Debit Cards offers a broad range of credit, debit and prepaid cards.

### Wealth Management
CIB offers a wide array of investment products and services to the largest base of affluent clients in Egypt.

### Global Transactional Services (GTS)
The Global Transactional Services (GTS) Group serves as a key product group within CIB, and oversees the product areas of Cash Management, Trade, and Global Securities Services.

### Mid-Cap Banking
Through a dedicated team of certified officers who are highly specialized in providing advice and assistance in every aspect of entrepreneurial business requirements, this division caters to medium-sized companies. The department's role is to help these businesses grow to become large corporations in the future.

### Treasury and Capital Markets Services
CIB delivers high quality services in cash and liquidity management, capital markets, foreign exchange and derivatives.

### Investment Banking Services
Through CI Capital, CIB offers existing and prospective clients a full suite of investment banking products and services, including investment banking advisory and execution, asset management, brokerage and equity research, providing deep and broad market knowledge and expertise. CI Capital is consistently ranked as the leading brokerage house serving local and international clients in Egypt.

### Direct Investment
CIB also actively participates in select direct investment opportunities in Egypt and across the region.

## Key Financial Highlights

| | FY 10 Consolidated | FY 09 Consolidated | FY 10 | FY 09 | FY 08 | FY 07 | FY 06 | FY 05 |
|---|---|---|---|---|---|---|---|---|
| **Common Share Information** | | | | | | | | |
| **Per Share** | | | | | | | | |
| Earning per share (EPS) | | | 3.60 | 6.10 | 4.84 | 3.71 | 3.64 | 2.77 |
| Dividends (DPS) | | | 1.00 | 1.50 | 1.00 | 1.00 | 1.00 | 1.00 |
| Book Value (BV/No of Share) | | | 14.60 | 21.55 | 17.62 | 20.93 | 17.06 | 13.99 |
| **Share Price *** | | | | | | | | |
| High | | | 79.49 | 59.70 | 93.40 | 95.00 | 79.00 | 63.50 |
| Low | | | 33.75 | 29.50 | 27.87 | 53.61 | 42.11 | 39.91 |
| Closing | | | 42.62 | 54.68 | 37.20 | 91.77 | 57.87 | 58.68 |
| Shares Outstanding (millions) | | | 590.1 | 292.5 | 292.5 | 195 | 195 | 130 |
| Market Capitalization (millions) | | | 27,973 | 15,994 | 10,881 | 17,895 | 11,285 | 7,628 |
| **Value Measures** | | | | | | | | |
| Price to Earnings Multiple (P/E) | | | 13.2 | 9.0 | 7.69 | 24.7 | 14.1 | 12.5 |
| Dividend Yield (Based on closing share price) | | | 2.11% | 2.74% | 2.69% | 1.09% | 1.73% | 2.6% |
| Dividend Payout ratio | | | 29.3% | 25.0% | 18.1% | 15.8% | 27.5% | 21.3% |
| Market value to book value ratio | | | 2.92 | 2.54 | 2.11 | 4.39 | 3.39 | 1.86 |
| **Financial Results (millions)** | | | | | | | | |
| Net Operating Income | 3,932 | 3,343 | 3,707 | 3,173 | 3,326 | 2,313 | 1,741 | 1,450 |
| Provision for Credit Losses-Specific | 6 | 9 | 6 | 9 | 346 | 193 | 176 | 197 |
| General | | | | | 49 | 57 | 17 | 43 |
| Total | 6 | 9 | 6 | 9 | 395 | 250 | 193 | 240 |
| Non Interest Expense | 1,562 | 1,238 | 1,188 | 1,041 | 1,076 | 714 | 668 | 474 |
| Net Profits | 2,006 | 1,744 | 2,126 | 1,784 | 1,615 | 1,233 | 802 | 610 |
| **Financial Measures** | | | | | | | | |
| Cost : Income | 39.36% | 36.92% | 34.87% | 35.97% | 32.36% | 30.19% | 38.38% | 32.72% |
| Return on Average Common Equity | 25.70% | 27.23% | 28.50% | 29.42% | 34.98% | 33.95% | 26.49% | 23.76% |
| Net Interest Margin (NII /average interest earning Assets) | | | 3.62% | 3.81% | 3.54% | 3.12% | 3.06% | 3.50% |
| Return on Average Assets | 2.87% | 2.87% | 3.06% | 2.94% | 3.08% | 2.90% | 2.37% | 2.09% |
| Regular Workforce Headcount (exclude non clerk) | 4,523 | 4,335 | 4,190 | 3,983 | 3,792 | 3,132 | 2,477 | 2,301 |
| **Balance Sheet and Off Balance Sheet Information (millions)** | | | | | | | | |
| Cash Resources and Securities (Non. Governmental) | 28,326 | 20,720 | 28,758 | 21,484 | 15,964 | 22,481 | 14,539 | 11,718 |
| Net Loans and Acceptances | 35,175 | 27,443 | 35,175 | 27,443 | 26,330 | 20,479 | 17,465 | 14,039 |
| Assets | 75,425 | 64,255 | 75,093 | 64,063 | 57,128 | 47,664 | 37,422 | 30,390 |
| Deposits | 54,649 | 63,364 | 63,480 | 54,843 | 48,938 | 39,515 | 31,600 | 24,870 |
| Common Shareholders Equity | 8,572 | 7,034 | 8,614 | 6,946 | 5,631 | 4,081 | 3,327 | 2,727 |
| Average Assets | 69,840 | 60,858 | 69,578 | 60,595 | 52,396 | 42,472 | 33,906 | 29,183 |
| Average Interest Earning Assets | 62,007 | 53,743 | 61,624 | 53,431 | 44,602 | 36,603 | 29,277 | 25,619 |
| Average Common Shareholders Equity | 7,803 | 6,405 | 7,780 | 6,288 | 4,876 | 3,813 | 3,027 | 2,568 |
| **Balance Sheet Quality Measures** | | | | | | | | |
| Equity to Risk-Weighted Assets | 17.64% | 17.22% | 17.72% | 17.01% | 14.82% | 13.60% | 14.14% | 13.83% |
| Risk-Weighted Assets (billions) | 49 | 41 | 49 | 41 | 38 | 30 | 26 | 22 |
| Tier 1 Capital Ratio | 13.15% | 15.28% | 13.15% | 15.28% | 13.74% | 10.17% | 9.59% | 9.78% |
| Adjusted Capital Adequacy Ratio | 14.41% | 16.53% | 14.41% | 16.53% | 14.99% | 14.70% | 13.60% | 13.10% |

* Unadjusted to stock dividends



# #1 Bank in terms of:

**Profitability,** achieving EGP 2.006 billion in net income.

**Net-worth** among all Egyptian private sector banks.

**Market capitalization** in the Egyptian banking sector.

**Loan book and deposit base** among all Egyptian private sector banks.

Our 4,750 employees serve around 557,145 customers.

EGP 75.4 billion in total assets.

More than 87,486 electronic banking service users.

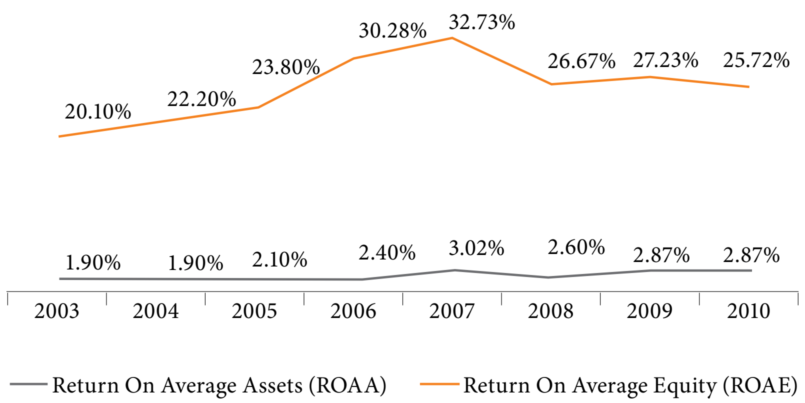
We serve over 100 "Fortune 500" companies.

Over 500 of Egypt's largest corporations bank with CIB.


## A Strategy that Delivers

At CIB, our customers are our top priority and our continued success depends on our ability to satisfy their evolving needs. CIB's outstanding financial performance in 2010 demonstrates the unique value proposition we offer our clients. Our unwavering commitment to them is the basis upon which we will continue to provide our shareholders with consistent, high-quality returns.

A key component of our success is our talented staff. CIB's ability to offer employees an attractive work environment, myriad career opportunities and comprehensive training and feedback allows us to attract and retain the strongest banking professionals in Egypt. Our employees reciprocate with dedication to our customers and the wider CIB community.




## Our Vision

To be the best financial institution in the Middle East and Africa by 2020.

## Our Mission

To provide the best financial solutions for our clients and create more value for our employees, shareholders and community.

## Our Objective

To grow and help others grow.

## Our Values

A number of core values underpin the manner in which CIB employees work together to deliver effective results for our customers and community:

Integrity:

- Exemplify the highest standards of personal and professional ethics in all aspects of our business.
- Be honest and transparent at all times.
- Stand behind our convictions and accept responsibility for mistakes if they occur.
- Comply fully with the letter and spirit of the laws, rules and practices that govern CIB's business in Egypt and abroad.

Client Focus:

- Total client satisfaction is our number one priority.
- To help our clients achieve their goals, we offer some of the best standard products and services in addition to tailored solutions.

Innovation:

- Since our inception as the first joint venture bank in Egypt, CIB has been a pioneer in the financial services industry. We believe innovation is a key competitive advantage and promote it accordingly.
- We strive to lead the Egyptian financial services industry in expanding its scope to include the millions of Egyptians who remain underserved.

Hard Work:

- Discipline and professionalism help us to achieve outstanding results for our clients and outstanding returns for our shareholders.
- We work with our clients both to realize their short-term objectives and help them strategise in the long-run.

Teamwork:

- We collaborate openly within CIB and with our various partners, clients and shareholders.
- We work hard to ensure that each team member consistently represents CIB's overall corporate image, so that there is only one CIB in the eyes of our clients.
- We value and respect one another's cultural backgrounds and unique perspectives.

Respect for the Individual:

- We respect the individual whether an employee, a client, a shareholder, or a member of the communities in which we live and operate.
- We treat one another with dignity and respect and take time to answer questions and respond to concerns.
- We firmly believe each individual must feel free to make suggestions and offer constructive criticism.
- CIB is a meritocracy, where all employees have equal opportunity for development and advancement based solely on their merits.

## Al-Hokair Group

# Building Africa's Largest Mall

One of our largest partners in commercial real estate, Al-Hokair Group is a leading shopping centre operator in Saudi Arabia and one of the region's fastest growing property developers. With a span of operations including ownership and management of fashion retail outlets, restaurant chains, furniture stores, shopping malls and other related investments, Al-Hokair provides access to valuable retail space in prime locations across the Gulf as well as the wider Middle East and North African region.

Our corporate banking division has provided financing and advisory services to Al-Hokair Group since its entry into the Egyptian market with the launch of "Mall of Arabia", which will be the largest shopping mall in Africa once completed. Operated by Egyptian Centres, Al-Hokair's main subsidiary in Egypt, this 441,000-square-meter piece of property located in Sixth of October City will be developed over the next few years at a total investment cost of approximately US$ 294 million. Since the project's launch in 2008, CIB has played a key facilitating role, beginning with the provision of payment security through a letter of guarantee followed by the extension of a time loan facility to partially finance the investment cost.

Through the capacities of its Debt Capital Markets Team, CIB has since emerged as the primary financial advisor of Egyptian Centres, acting as lead arranger for Mall of Arabia's eight year syndicated loan. CIB views its partnership with Al-Hokair Group, currently underpinned by the Mall of Arabia debt facility, as a promising vehicle through which to capitalize on the enormous growth potential in the Egyptian real estate sector.

Dear Shareholders,

As financial institutions around the world continued to weather the aftereffects of the global financial crisis, Commercial International Bank (CIB) proudly reported outstanding financial results for 2010 as Egypt sustained robust economic growth and maintained a leading share of Africa's foreign direct investment inflows. A testament to the strength of CIB's business model, we attribute much of the Bank's recent success to a number of initiatives taken over the past year. In addition to launching new products and services across the client spectrum, we have also sought to improve CIB's corporate culture from within by focusing more on clients, by increasing inter-departmental synergy, and by expanding our CSR activities. But before delivering an overview of our accomplishments for the year just past and outlining our vision for the future, a brief word about the circumstances currently facing Egypt is in order.

As I write this, Egypt finds itself face-to-face with an opportunity of historic dimensions. Following almost a month of protests, the people of this great nation discovered that building a better future for our children did not have to be just a dream. While the situation in Egypt continues to unfold and pose short-term economic uncertainties, we at CIB believe that the emergence of a more democratic and transparent political system will encourage higher levels of investment in Egypt in the long-run and contribute to even more sustainable economic growth. We serve end-consumers and corporate clients alike, and in the current context, CIB will continue to expand our products and services across our broad client spectrum as we seek to help these individuals and companies grow and contribute to the continued economic success of Egypt.

*The Bank's increasing profitability over the past decade reflects the strength of both our business model and the long-term growth potential of the Egyptian economy.*

Notwithstanding the short-term uncertainties facing the Egyptian economy, CIB's performance in 2010 added yet another outstanding year to our institution's long history of success. We ended the year just past with consolidated net profits of EGP 2,006 million, a 15% increase over 2009 reflecting a return on average equity of 25.72% and a return on average assets of 2.87%. Notably, the Bank outpaced market growth in several

areas, growing its loan book by over 26% while increasing its market share in the cards business, particularly with POS and other acceptance points. While correlated to a robust domestic consumer market, our increasing profitability can be attributed to a number of initiatives taken across all business segments.

As part of our commitment to implementing a more "client-centric" approach in our businesses, we expanded our scope of services to all customers while devoting special attention to those still in the process of rebounding from the economic downturn of the past few years.

Building on the infrastructure we established for our Consumer Banking segment in 2009, CIB followed through by improving existing services and launching new ones. Our firm belief in the need for Egyptian retail customers to do more to maximize the value of their assets led us to expand the reach of our wealth management services. This project saw CIB add wealth management desks to 30 different branches throughout the country in 2010, significantly increasing the geographic scope of this service. CIB also registered outstanding growth in personal and auto loans, as net growth in retail lending exceeded 46%. Finally, CIB also launched a number of new services under the umbrella of Consumer Banking, including a payroll program for companies as well as the Hemaya Fund, a new capital protected asset management vehicle.

Applying the same strategy of expanding and deepening client coverage, CIB made significant leaps in the institutional banking segment. As 2010 presented certain challenges to members of the business community, we worked especially hard to support our corporate clients to raise and re-finance their debt in light of insufficient foreign currency sourcing. At the same time, we also re-organized our corporate banking group along industry lines in order to enhance our ability to focus on each client's specific needs. In addition to re-structuring and re-organizing the existing departments of Institutional Banking, CIB developed new operational areas, notably by launching global transactional services (GTS) as well as non-funded solutions for foreign currency transactions.

CIB made enormous leaps in 2010 partly thanks to organisational reform leading to greater internal efficiency, but I also attribute our success to a wider shift in our collective mentality. In this respect, we do not seek simply to maintain decorum, enforce the highest standards of mutual respect between staff, and uphold best practices in corporate governance; here at CIB, we also strive to make every employee and customer a stakeholder not only in the Bank, but in Egyptian society as a whole. Beyond our pursuit of solid financial performance, our mission here has been to channel our success to benefit the country on a more global level. It is thus my pleasure to say that CIB has been a pioneer in effecting significant social change throughout this nation by expanding our non-banking corporate social responsibility initiatives.

CIB has a legacy of promoting social solidarity in Egypt, targeting disadvantaged segments of society through a number of outlets including its finance program and international donors fund division. One of the leading partners of Egyptian SME's, the Bank uses development funds to create job opportunities and establish income generating projects in rural communities while emphasizing the needs of women and small farmers. Adding to our efforts to reduce poverty and increase national income, CIB has also engaged in microfinance, having disbursed 86,000 micro-loans to date since 2007.

In addition to targeting SME's, the biggest drivers of economic growth, CIB has also sought to launch other sustainable initiatives, and in May 2010 established the CIB Foundation, a non-profit organization dedicated to enhancing health and nutritional services for underprivileged children in Egypt. Endowed with a donation equivalent to a fixed percentage of the Bank's annual profits, the CIB Foundation partners with some of the country's foremost community leaders and development specialists in order to deliver change to local communities. The Foundation has already made major contributions in child healthcare, most notably in partnership with the Magdi Yacoub Foundation in Aswan and Abou El Reesh Children's Hospital in Mounira, Cairo. In addition to financing the cost of surgical procedures and hospital expansions, the CIB Foundation engages in community awareness initiatives, a testament to the organization's multi-dimensional approach in advancing its CSR agenda.

Looking forward, CIB embraces the myriad challenges facing Egypt as we embark on a new chapter in our nation's history. We will continue to grow our institutional and consumer banking segments, and lobby for reform on issues which affect our customers, such as the area of mortgage finance, critical to the retail segment and key to greater social stability in Egypt. In philanthropy, we will build on the successes of the CIB Foundation while initiating action on social problems which remain endemic, such as human trafficking, as we aim to become one of Egypt's most responsible corporate citizens.

The international community has long called for greater democracy and social justice in Egypt, and the transformation that began at the beginning of 2011 presents us with a window of opportunity to accelerate the forces of modernization and economic liberalization already set in motion.

With the continued support of our global partners and sustained efforts of our local offices, I am confident that CIB will continue to play a crucial role in harnessing Egypt's growth potential as we ensure that the society we leave for our children is not only a richer one, but also a healthier one.

*CIB has a legacy of promoting social solidarity in Egypt, targeting disadvantaged segments of society through a variety of institutions and initiatives.*


## Juhayna

# Providing Healthy, Affordable Food Products

One of CIB's valued partners in the food and beverage industry, the Juhayna Group has played a pre-eminent role in the revival of Egypt's market for packaged juice and dairy products. Established in 1983, Juhayna has since diversified its product offering and expanded its geographic reach, now exporting to markets as varied as the Arabian Gulf, Europe and the United States. CIB facilitated this growth at many pivotal moments in the company's history by providing it with crucial financial services, helping Juhayna grow into one of MENA's top listed consumer foods companies.

Initially geared towards supplying the Egyptian market with staple products such as milk, plain yogurt and a range of juices, Juhayna began targeting export markets and launching new brands as early as 1988. These developments culminated in 2001 when the company increased its paid-in capital by EGP 60 million to double its production capacity and capture a share of the growing Middle East and African export markets. CIB assisted Juhayna in arranging the credit facilities needed to fuel these expansions, and also helped finance the company's acquisition of assets belonging to The Egyptian Company for Dairy Products, owned by local rival Domty in 2005.

This long history of cooperation with Juhayna led CIB most recently to arrange a credit facility to finance the reconstruction of one of the group's factories after it burned down in April 2010, while the Bank has also periodically advised Juhayna on the restructuring of its debt.

Producers such as Juhayna are rapidly bolstering Egypt's position as a regional leader in the export of fruit juices and dairy products, and this is one of the many reasons why CIB sees Juhayna not only as a valuable business partner, but also as a champion of Egyptian industry.

# Board of Directors' Report

*For many years, CIB has been viewed as a local model for international standards. In 2010, CIB once again delivered record profits and consistent operational results, reinforcing its leadership within the Egyptian banking sector.*

CIB has been working for the past two years to change the culture of the institution, to break the "silo mentality", to develop a corporate culture that is receptive to change and to become an internationally-renowned institution. We have spent these years preparing for this change and studying opportunities in the local and international markets. Today, our country has undergone a fundamental transformation and has the opportunity to become the Egypt we hoped it could be. CIB is uniquely positioned to grow and help our country achieve its potential going forward. For many years, CIB has been viewed as a local model for international standards. We have worked hard to earn this reputation. In 2010, CIB once again delivered record profits and consistent operational results, reinforcing its leadership within the Egyptian banking sector. The following is a review of our results as well as the significant events and changes that took place over the past year.

## 2010 Macroeconomic Overview

Throughout the global economic turmoil of recent years, emerging market economies have proven to be better positioned than developed economies both structurally and fundamentally to withstand crises and deliver growth.

In fact, the Middle East and North Africa (MENA) region is in a substantially stronger position to face a global crisis and deliver growth than it was at the beginning of the decade. Across the region, economic reform programs adopted over the past five years have resulted in structurally stronger economies and allowed greater flexibility in policy responses to support growth.

Egypt is no exception, with among the most potential for sustainable growth in the region, backed by solid fundamentals and growth drivers. Egypt had posted real GDP growth of 5.5% as of July/September of FY 2010/2011, up from 5.4% in Q4 of FY 2009/2010. Growth drivers include Suez Canal revenues surging by 14.7% as of July/September 2010 compared to the same period last year, in addition to signs of recovery in receipts, where the volume of non-oil exports increased by 12% during Q1 of 2011 compared to Q1 of 2010. This performance is attributable to a number of factors including Egypt's attractive demographic profile, monetary stability, under-penetrated and under-leveraged economy, the sizeable contribution of domestic consumption to GDP, and relatively low-cost factors of production. Moreover, inflation has slid on a declining trend, recording 10.3% as of December 2010. These positive results have proceeded from a backdrop of broad structural and economic reforms, an improved business environment and appropriate crisis management.

The year 2011 began with ambiguity; Egypt has experienced significant political unrest which will invariably impact the lives of all Egyptians. While the speed and extent of the recovery of economic activity will be determined by the length of time required for the current situation to be resolved, the fundamentals of the Egyptian economy are strong, and the economy will be able to weather the crisis.

## 2010 Highlights

Both the domestic and international investment communities have for the past 10 years viewed CIB as a reflection of Egypt's economic potential. Our performance and strategy throughout that time has turned our institution into a benchmark for the country and the region's financial spectrum. This reputation was earned through the dedication and hard work of all of our staff.

In 2010, CIB once again retained its position as a leader in the Egyptian banking sector and stood out for its dynamic and successful business model based on the following key pillars:

1. Effective Risk Management
   CIB's Risk Management policies have retained the confidence and trust of all stakeholders.

2. Robust Capital Structure and High Capital Adequacy Ratio (CAR)
   The recent developments in the world economy have shown the importance of robust equity capital. At EGP 5.9 billion, CIB boasts the highest paid-in capital of any bank in Egypt. And while the Central Bank of Egypt stipulates a minimum CAR of 10%, CIB has a CAR of 14.41%.

3. A Reliable and Diversified Deposit Base
   CIB enjoys a robust deposit structure, capitalizing on an extensive branch network. In 2010, CIB achieved a 16% growth in deposits, increasing its market share from 6.33% in December 2009 to 6.64% in November 2010. Individual deposits constitute 66% of total deposits.

4. Loans to Deposits Ratio (LDR)
   Our strong focus on customer satisfaction and growing our share of the loan market, while at the same time preserving sound risk management policies, enabled us to increase our market share in lending to 7.77% as of November 2010 from 6.66% in December 2009. CIB recorded an LDR of 57.84%.

5. Asset Quality
   Preserving asset quality constitutes an integral part of effective risk management. To that end, CIB favours growth with a high quality portfolio. Identifying and capitalizing on market opportunities as they arise has always been a key tenet of CIB's strategy. We provide loan facilities to companies from most industry sectors only after conducting a thorough review of the management. Applying stringent risk assessment measures ensures positive transaction outcomes, especially in sectors that are vulnerable to international trade and have a high obsolescence risk. CIB recorded a 2.73% Non-Performing Loan (NPL) ratio in 2010.

6. Strong and Longstanding Customer Relationships
   Maintaining and building on our relationships with clients has always been an integral focus of our business model, and over the years, we have established long-term relationships with our customers. As such, we have constantly managed to adjust our strategy to the prevailing economic circumstances and continuous changes in market demands.

7. Customer Oriented and Innovative Financial Solutions
   In addition to being the bank of choice for over 700 of Egypt's largest corporations, CIB is constantly expanding its product range to cover all its clients' financial needs, as our primary objective is to be the best provider of conventional banking services to corporate clients, retail customers and mid-cap companies in Egypt. Accordingly, we have emphasized and heavily invested in the quality and breadth of products and services that would allow the Bank to penetrate new segments and target various customers.

On the institutional side, CIB undertook a number of initiatives to enhance product offerings, including the launch of GTS (Global Transaction Services) as well as greater focus on mid-cap and GCR (Global Customer Relations).

On the consumer banking front, CIB has built a robust consumer risk infrastructure including Specialized and Centralized Underwriting, Collections and Portfolio Monitoring units to effectively manage Consumer Credit Cycle and support aggressive growth plans on the anvil. Throughout the course of the year several product offerings were launched. Offerings such as the Hemaya Fund (a capital-protected fund launched in July 2010), Bancassurance, and Business banking will further deepen CIB's footprint on the Consumer Banking map and help the Bank realize its mission of achieving the highest customer satisfaction in the market and creating a one-stop-shop for banking services.

Competing with a tough market and a challenging global environment, the COO Area has also been proactive in key initiatives and worked with the business to enhance the revenues of the Bank. Efficient use of head count in the COO Area, better vendor management, and sustained progress on T24 implementation as well as implementation of key bank projects such as online banking and trade portal, a well-defined HR strategy, centralization of operational activities, implementation of MIS, and implementation of International Financial Reporting Standards (IFRS) have been some of the tasks completed in 2010. At the same time, several initiatives were undertaken in CI Capital Holding (CICH), a fully-owned subsidiary, on the business plans and integration of support areas, in addition to revising business models and go-to-market strategy.

On the Human Resources level, a number of steps were taken in 2010 to enhance the quality of our professional services. Throughout the past year, efforts have been made on all aspects of Human Resources including recruitment, organisational development, training and compensation and benefits. New internal standards were set to enable us to continue to attract, develop and retain a talented, motivated and diverse workforce. We strive to maintain a supportive work environment while ensuring the successful achievement of CIB's business strategy. The Bank continues to offer its employees the best training programs in Egypt, with updated and tailored courses to enhance operability, service quality and product knowledge. In fact, for decades, CIB has invested heavily in its training and development programs, where our Corporate Credit Training Program became a key competitive advantage for the Bank. Recently, we launched our Consumer Leadership Training Program, which will build the technical and leadership skill sets of our employees as we strive to become the prime consumer bank in Egypt.

Through a reliable deposit base, a robust balance sheet, with customer-oriented and innovative approaches, high liquidity, prudent risk management and transparency, we are confident that CIB is structurally and financially well-positioned to maintain our lead as the number one bank in the country.

Throughout the Bank's history, international publications have consistently recognized CIB for its quality products and services, sound financial position and profitability. In 2010, CIB was named "Best Bank in Egypt" by both Euromoney and Global Finance in addition to "Best Local Bank" from emeaFinance.

This is the 14th year that CIB has been recognized by Global Finance as the "Best Bank in Egypt." Moreover, CIB received many accolades throughout 2010. Such awards include "Best Sub-Custodian Bank in Egypt," "'Best Trade Finance Bank in Egypt," and "Best Foreign Exchange Provider" from Global Finance as well as "Best PPP Deal in Africa," "Best Securitization Deal in EMEA," "Best Structured Finance Deal in Africa," "Best FX Provider" and "Best Asset Manager of the Year" from emeaFinance.

## 2010 Financial Position

CIB's 2010 financial performance owes largely to the strength of its business model, risk management culture, market position and strategy.

On a consolidated basis, CIB achieved a net profit after tax (NPAT) of EGP 2,006 million in 2010, an increase of 15% over 2009. Excluding the effect of a Goodwill Amortization charge of EGP 40 million and an Intangible Assets Amortization charge of EGP 129 million, the Bank's profits on a consolidated basis reflect 24.7% growth over 2009. These non-cash deductions are related to accounting for the acquisition of CICH in mid-2008. CIB evaluates its investments in CICH on an annual basis; in 2010, based on the evaluation, CIB has impaired its investment in CICH from EGP 1,045 million to EGP 886 million. Despite this impairment, the Bank has exceeded EGP 2 billion in NPAT on a standalone basis for the first time in its history.

The success of CIB's strategy is most evident in the Return on Average Equity (RoAE), which was 25.72% in 2010, as well as the Return on Average Assets (RoAA) of 2.87%. Diluted Earnings per Share rose by 8.17% to reach EGP 2.78.

The Bank's loan book increased by 26.69%, almost 17 percentage points more than the total market growth of 9.73%, during the first eleven months of the year. This out performance was achieved by an increase in corporate loans of 24.67% and net growth in the retail loan portfolio of 46.61%. At the same time, deposits increased 15.75%, leading to a rise in CIB's LDR to 57.84%, five percentage points higher than 52.84% in December 2009.

Local currency (LCY) loans grew 32.37% over December 2009, while foreign currency (FCY) loans grew by 21.13%. This growth reflects the return of market confidence, with corporate Egypt seeking to benefit from the sustained favourable growth momentum of the economy.

Moreover, CIB's conservative risk management culture enabled the Bank to maintain its asset quality, with no observable deterioration. The Bank's NPLs/Loans ratio declined to reach 2.73% compared to 2.97% in December 2009.

In response to instructions received from the Central Bank of Egypt in December 2008, Egypt's Banking sector began implementing International Financial Reporting Standards (IFRS). The first phase of implementation was completed in December 2008 and related primarily to treasury instruments. In 2010, CIB completed implementation of all CBE requirements for IFRS. Accordingly (and attributed to the implementation of these new accounting standards), CIB's total provisions declined by 32.89%, reflecting the quality of the Bank's portfolio. The Bank's Coverage Ratio of 145.57% reflects CIB's ability to absorb any unforeseen rise in NPLs.

In addition, CIB maintained its strong equity base with a conservative Capital Adequacy Ratio (CAR) of 14.41%, providing a solid cushion for adverse market movements. The year-end CAR, after adjusting to include 2010 attributable profits, reached 16.91%.

During 2010, consolidated revenues increased by 17.50%, with an 11.21% rise in net interest income and a 27.32% increase in non-interest income. The contribution of non-interest income to total revenues has increased Y-o-Y and now stands at 42.5% of total operating revenues, demonstrating management's commitment to diversifying income streams to sustain growth momentum moving forward.

On a stand-alone basis, Net Interest Margin (NIM) remained healthy at 3.62% in 2010. The Bank's NIM for the fourth quarter of 2010 recorded 3.82% as compared to 3.50% in the third quarter thanks to its dynamic Asset and Liability Management, proactive market approach and effective pricing of loans and deposits. In fact, CIB was able to maintain its NIM despite a market environment characterized by basis risk where the Corridor Rate remains stagnant, T-Bill rates are volatile, and loan and deposits pricing remains competitive.

On a consolidated basis, the Bank's Cost to Income ratio stood at 39.68%, recording a 7.11% increase over the same period last year, attributed to the performance of CI Capital due to current market conditions. It is worth mentioning that December 2010 figures include Goodwill impairment and intangible assets amortization,. When normalized for those charges the cost to income ratio would be 35.38%.

Moreover on a standalone basis CIB's cost to income ratio reached 35.19% which reflects the continuous focus on strategic cost management in CIB.

## 2010 Activities

By and large, 2010 was a year that unlocked opportunities for CIB and witnessed the foundations of growth. As CIB continues to enhance customer and shareholder value, we wanted to highlight some of CIB's many accomplishments over the past year.

### Institutional Banking Activities

With a diverse offering of products and services, adherence to the highest international standards, strong corporate culture, profound understanding of the local market and capital resources, the Institutional Banking Group (IB) in CIB is a market leader in Egypt.

Continuing our main objective of supporting all the banking needs of our valued corporate customers, IB was able to further capitalize on its well established and long-standing corporate relationships in 2010. It was a priority during 2010 to work closely with our corporate customers, supporting them throughout the economic downturn, as well as assisting them in raising and refinancing their debt. We continued to meet the financial needs of corporate customers, while also expanding our focus to include the mid-cap customer segment.

Furthermore, in accordance with our risk management principles, we lowered our appetite for certain high-risk sectors, and maintained our appetite for specific transactions mainly in connection with mega projects aimed at developing the country's infrastructure base.

The impact of the economic downturn on some industries and foreign currency (FCY) sourcing represented the primary challenges for IB in 2010. To meet these challenges, IB implemented several internal organisational changes, such as the reorganization of the Corporate Banking Group along industry lines to allow more focus on enhancing

*"Through a reliable deposit base, a robust balance sheet, customer-oriented approaches, high liquidity, prudent risk management and transparency, we are confident that CIB is well-positioned to maintain our lead as the number one bank in the country.*

client coverage; the Financial Institutions Group was partially restructured to improve synergies within the group; Mid-Cap's mode of operations was redefined to enhance efficiency and synergies; and finally, the Global Transaction Services (GTS) group was established to provide value-added transactional banking services to our clients.

By addressing these challenges, IB achieved growth momentum in the Corporate, Mid-Cap and Debt Capital Market segments, while at the same time maintaining CIB's high-quality standards in the portfolio's composition. Additionally, IB developed non-funded solutions for FCY transactions, and, with the GTS, commenced implementing cash management solutions for our major prime customers. The division provides special focus on institutional customers' transactional services, cash management and operational needs.

## Consumer Banking Activities

The past three years have seen the achievement of a number of important milestones in CIB's efforts towards the building of a world-class Consumer Banking Franchise. In 2009, we focused on establishing a strong Consumer Banking Organization, the internal infrastructure to support products, new business initiatives and a comprehensive product menu. In 2010, initiatives focused on aggressively growing profitability. CIB maintained its leadership position in the market for new products, launching new initiatives planned for the year.

- In line with economic trends, CIB maintained its robust Risk Management department, and moved to risk-based pricing on asset products.
- 2010 saw further progress in the Business Banking Segment. CIB launched the Platinum Debit Card, the first of its kind on the Egyptian market. Additionally, to further enhance the Bank's relationship with Premium customers, CIB customized offerings and launched the Hemaya Fund, a capital-protected fund with its Asset Management arm CIAM.
- The Bank also launched the Payroll Program for Companies, as part of the strategy to expand the customer base and diversify customer segmentation.
- 2010 saw rationalization of the distribution network, to ensure profitable growth and realign infrastructure to meet the changing needs of the market. Growth was carefully strategised, based on the experience, and some branches and ATMs were moved, while others were closed.
- CIB grew market share for almost all product areas and was the distinct market leader in the following:
  - Cards Business: CIB grew new acquisitions by 37% and the growth in total portfolio, including Diner's Club, was 16%. The Bank also launched a Platinum Debit Card. CIB's market share of POS and other acceptance points grew to 28% and POS efficiency outpaced the market growth.
  - Wealth Management: This new segment was launched with a range of products and offers, and in 2010 CIB grew this service significantly, expanding to 30 wealth centres.
  - Auto Loans: The Bank captured a leadership position, outstripping market growth.
  - Personal Loans: This program was an overnight success, helping CIB create a new benchmark, growing by 124% compared to the previous year.
  - Residential Property Finance: CIB continued to grow in this business, but with a prudent approach, keeping in mind the trends across the region.

## Synergy Realization

The initiatives CIB has undertaken over the past three years, such as wealth management, consumer banking, global customer relations, Business Banking, Global Transaction Services (GTS) and CI Capital all offer tremendous opportunities for CIB. There remains great potential to increase product penetration, enhance our share of wallet, i.e., our share of the clients' business with all banks, and generate incremental value through cross-selling.

Through its affiliation with CIB, CI Capital Investment Banking is the only local investment bank in the Egyptian market that enjoys the full backing of a large commercial bank's balance sheet. This backing allows CI Capital to capitalize on the unparalleled industry expertise and CIB's close relationships with its corporate clients. In addition, CI Capital Brokerage achieved impressive volumes despite severe market contractions and turbulence, continuing to rank among the top five brokerage houses in Egypt with a market share of 5.98%.

## Appropriation of income

The Board of Directors has proposed the distribution of a dividend per share of EGP 1. In addition, CIB is increasing its Legal Reserve by EGP 106.2 million, to reach EGP 231.3 million, and its General Reserve by EGP 1,066.0 million, to reach EGP 1,144.6 million, thus reinforcing the Bank's solid financial position as evidenced by a Capital Adequacy Ratio of 14.41% and an Adjusted CAR (including profits attributable to shareholders) reaching 16.91%

## Corporate Governance

CIB's commitment to maintaining the highest standards of corporate governance is supported by several achievements, including:

1. Segregation of Executive Management and Board of Directors roles.
2. Formation of a highly skilled Investor Relations Team.
3. Established internal policies and manuals covering all business aspects, for example: credit and investment, operational procedures, staff hiring and promotion.
4. Formation of Board's sub-committees: Audit Committee, Corporate Governance and Compensation Committee, Risk Committee, Management Committee, High Lending and Investment Committee.

The Board and its committees are governed by well-defined charters, and are tasked with assisting directors in fulfilling their responsibilities and obligations with respect to their decision-making roles. CIB's Board consists of two Executive and seven Non-Executive members (the majority of whom are independent) with a range of industry expertise. In the event of a vacant Board seat, the Compensation and Governance Committee is responsible for nominating a new member. Among its defined set of responsibilities, CIB's Board constantly monitors the Bank's adherence to well-defined, stringently enforced, fully transparent corporate governance standards. The Board fulfils its commitment in the following manner:

- Ensures that Board Members have a clear understanding of their roles in corporate governance. Annually reviews the size and overall composition of the Board and ensures it respects its independence criteria.
- Through its Governance and Compensation Committee, the Board ensures that an appropriate review and selection process for new nominees to the Board is in place.
- Establishes the strategic objectives and ethical standards that will direct the ongoing activities of the bank, taking into account the interests of all stakeholders.
- Establishes an internal control environment which comprises systems, policies, procedures and processes that are in compliance with the regulatory requirements. These control measures safeguard bank assets and limit or control risks as the Board, management and other employees work to achieve the Bank's objectives.
- Ensures that senior management implements policies to identify, prevent or manage, and disclose potential conflicts of interest. Oversees the performance of the Bank, its Managing Director, Chief Executive Officers and senior management to ensure that the affairs of the Bank are conducted in an ethical and moral manner and in consistency with Board policies.
- Reviews and approves material relating to disclosure and transparency documents as may be required in conformity with the regulatory requirements or as determined by the Board from time to time.
- Oversees a code of business conduct for the Bank that governs the behaviour of directors, officers and employees through a Compliance department. The Compliance Function in its broad scope was set up in March 2007. The department's scope covers Anti Money Laundering, Policies and Procedures, Corporate Governance, and Code of Conduct. The code sets CIB's core values as Integrity, Client Focus, Innovation, Hard Work and Respect for the Individual. These values encompass CIB's commitment to create a culture that adopts ethical business practices, good corporate citizenship, and an equal and fair working environment. In the meantime, it encourages a culture of transparency to encourage employees to draw attention to any concerns, unfair or unethical practices they may see taking place. It is an independent function monitoring a sound Compliance program governed by international as well as local rules and regulations.

The Central Bank of Egypt's auditors and controllers conduct regular audit missions and review reports submitted to them periodically. During CBE audit missions,

> *"Among its defined set of responsibilities, CIB's Board constantly monitors the Bank's adherence to well-defined, stringently enforced, fully transparent corporate governance standards.*

*"Committed to the communities in which we live and work, CIB contributes to Egypt's economic dynamism by supporting development funds, environmental projects, as well as initiatives relating to poverty alleviation and child healthcare.*

CIB's management ensures that they are provided with all necessary documents to fully observe their selected audit universe. CIB's Internal Audit team closely follows up Bank's management in taking all corrective measures with regards to CBE's comments.

### Corporate Social Responsibility

CIB is committed to the communities in which we live and work, and CSR is an integral part of our corporate culture. Under the slogan "To grow and help others grow," contributing to and supporting Egypt's economic growth is one of CIB's top priorities.

### 2010 Social Involvement

Through its finance program and international donors fund division, CIB is the apex bank for the largest developmental funds in the country. These funds are known for their preferential and concessional terms and conditions, designed to create new job opportunities and increase income among Egypt's rural population, emphasizing opportunities for women and small farmers. These developmental funds supplied the market with approximately EGP 2.12 billion to 90,000 beneficiaries. These standardized loans were available across the country through a network of 11 participating banks, enhancing the accessibility of these developmental funds to small and medium scale businesses.

CIB also participated in several environmental projects that provide grants to clients adopting green technology. During 2010, the division signed an agreement under KFW (PSI-II) to provide grants for Pollution Abatement Projects. The percentage of each grant varies from 20-30% of the industrial sub-project investment cost.

Finally, in an effort to alleviate poverty, CIB became involved in microfinance through a service company in 2007. To date, the Bank has disbursed 86,000 microfinance loans with total outstanding portfolio EGP 80.9 million. CIB believes that microfinance is capable of generating employment opportunities, which contributes positively to the national economy of Egypt.

### CIB Foundation

Seeking to enhance the quality of health and nutritional services in Egypt, CIB has made donations on a stand-alone basis over the past ten years. Observing the positive impact these donations have had on the lives of children in Egypt, the Bank recently moved towards more effective, sustainable initiatives and in May 2010, established the CIB Foundation as a non-profit organization dedicated to enhancing health and nutritional services to underprivileged children in Egypt. The CIB Foundation seeks to make valuable contributions to children's health and nutrition through multi-faceted initiatives. Additionally, the Foundation seeks to assist school feeding programs, support children with special needs, and raise community awareness on health and nutrition-related issues.

The CIB Foundation is also dedicated to following up on and comprehensively monitoring past CIB child health-related donations made by the Bank. Through the Magdi Yacoub Foundation in Aswan, CIB covered the costs associated with 50 children's open heart surgeries.

The Bank also funded the purchase of 56 electric dental chair-sets for the Paediatric Ward of the Faculty of Oral and Dental Medicine at Cairo University. Prior to receiving the CIB donation, the ward was only meeting 20% of the demand for their services. The ward, as the only provider of low-cost, specialized paediatric dental services, is now expected to open in the first quarter of 2011 at full capacity.

CIB also made a donation to the Paediatric Surgery Unit at Ain Shams University Hospital for a multi-million Egyptian pound renovation which included the upgrade of infrastructure, equipment, medical and non-medical furniture. The unit now includes two operating theaters, an intensive care room and an immediate care ward, allowing it to perform 3,600 critical operations a year.

A donation was also made to the Breast Cancer Foundation of Egypt to cover the costs associated with surgery, prostheses and lymph edema treatment for 15 breast cancer patients.

In November 2010, the CIB Foundation signed a protocol of cooperation with the Friends of Abou El Reesh Children's Hospitals Organization for the establishment of a Paediatric Intensive Care Unit (ICU) at the Abou El Reesh El Mounira Children's Hospital. The 14-month project will see the development of a ten-bed unit, doubling the number of critical patients the hospital is able to serve. Once completed, the unit will operate alongside the existing ICU, and will provide quality service and care to patients from across the country.



# Key Figures from 2010

The following is a brief overview of key financial indicators on both a consolidated and a stand-alone basis for the year ended 31/12/2010:

## I. Balance Sheet (in EGP billions):

### a. CIB Stand-Alone

| | Balance as of 31/12/2010 | Balance as of 31/12/2009 | % Change |
|---|---|---|---|
| Total Footings | 75.1 | 64.1 | 17.2 |
| Contingent Liabilities | 11.9 | 12.6 | (6) |
| Net Loan Book | 35.2 | 27.4 | 28.2 |
| Investments | 16.3 | 9.5 | 71.4 |
| Treasury Bills and Other Sovereign Securities | 8.8 | 13.2 | (33.1) |
| Total Deposits | 63.5 | 54.8 | 15.7 |
| Other Provisions | 0.3 | 0.4 | (30.1) |
| Total Shareholders' Equity & Net Profit for the Period | 8.6 | 6.9 | 24.0 |

### b. Consolidated CIB and CI-CH

| | Balance as of 31/12/2010 | Balance as of 31/12/2009 | % Change |
|---|---|---|---|
| Total Footings | 75.4 | 64.3 | 17.4 |
| Contingent Liabilities | 11.9 | 12.6 | (6) |
| Net Loan Book | 35.2 | 27.4 | 28.2 |
| Investments | 15.6 | 8.5 | 82.9 |
| Treasury Bills and Other Sovereign Securities | 8.8 | 13.2 | (33.2) |
| Total Deposits | 63.4 | 54.6 | 15.9 |
| Other Provisions | 0.3 | 0.4 | (29.1) |
| Total Shareholders' Equity & Net Profit for the Period | 8.6 | 7.0 | 21.7 |

## II. Income Statement (in EGP millions):

### a. CIB Stand-alone

| | Balance as of 31/12/2010 | Balance as of 31/12/2009 | % Change |
|---|---|---|---|
| Interest Income | 4,521.4 | 4,026.3 | 12.3 |
| Interest Expense | (2,266.6) | (2,000.9) | 13.4 |
| Total Fees & Commissions | 750.3 | 637.2 | 17.8 |
| Net Profit after Tax | 2,125.9 | 1,783.6 | 19.2 |

### b. Consolidated CIB and CI-CH

| | Balance as of 31/12/2010 | Balance as of 31/12/2009 | % Change |
|---|---|---|---|
| Interest Income | 4,252.5 | 4,032.6 | 12.2 |
| Interest Expense | (2,267.8) | (2,002.6) | 13.2 |
| Total Fees & Commissions | 854.3 | 765.4 | 11.6 |
| Net Profit after Tax | 2,006.9 | 1,745.5 | 15 |
| Net Profit After Tax and Minority Interest | 2,005.5 | 1,743.96 | 15 |

## Al Kharafi Group

# Creating A Culture of Casual Dining in Egypt

If you've ever eaten at Pizza Hut, KFC or Hardees, then you might consider yourself a client of CIB. Established in 1974 as a subsidiary of Kuwait Food Company (Americana), which is part of Al-Kharafi Group, the Egyptian Company for International Touristic Projects (ECITP) leads the Egyptian market in operating fast food franchises.

CIB has been a partner to both Al-Kharafi and its subsidiaries since their earliest business ventures in Egypt, where they operate a long list of casual dining institutions including Pizza Hut, KFC, Hardees, Tikka, Grand Café, Costa Café, TGI Friday's and Fusion. Since 1978, ECITP has worked with Americana to expand the number of fast food outlets, reaching a total of 300 units as of December 2010.

Among the fruits of this partnership has been greater vertical integration across all business lines; vertical integration has allowed Americana and its partners to reduce the cost of raw materials and increase efficiency, ultimately improving the Group's profitability.

Through this intricate web of cooperation between Americana, Al-Kharafi and CIB, the fast food industry in Egypt has achieved higher returns for its owners, greater efficiency for the market, and better prices for the end-consumer.

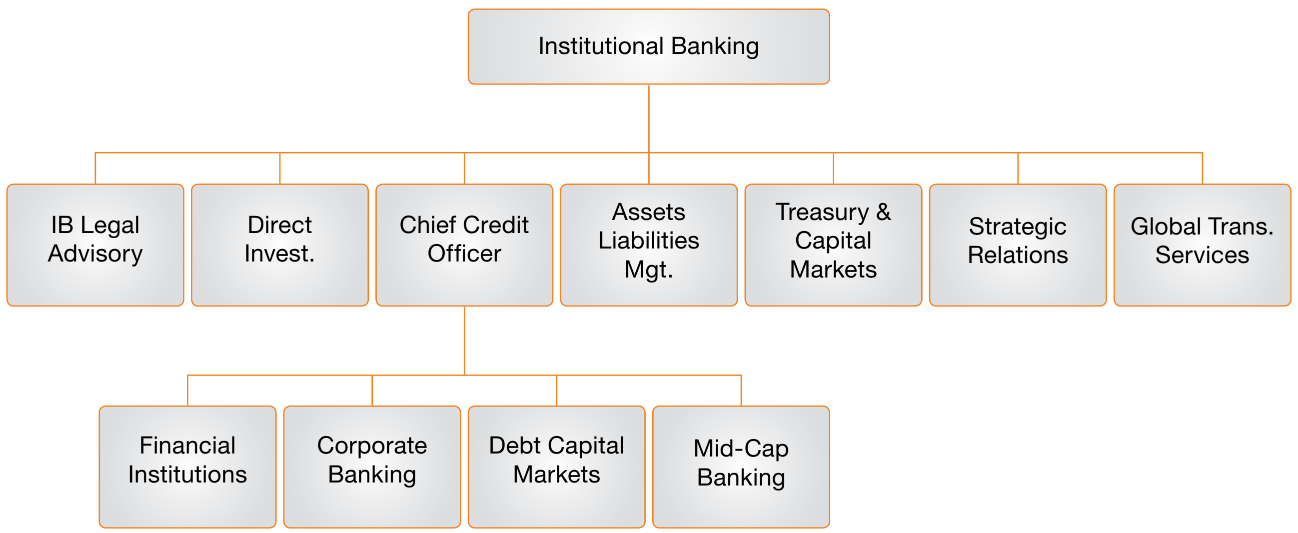
# Institutional Banking

Continuing our main objective of supporting our valued corporate customers with all their banking needs, Institutional Banking (IB) was able to further capitalize on its long-standing corporate relationships in 2010. In particular, we made it a priority to work closely with our clients, assisting them in raising and refinancing their debt in the wake of the economic downturn. In addition to meeting the financial needs of major corporate customers, IB also expanded its focus to include the Mid-Cap customer segment.

Furthermore, as part of our strength in risk management we lowered our appetite for certain high-risk sectors and maintained our appetite for specific transactions mainly in connection with mega-projects aiming to develop the country's infrastructure base.

The impact of the economic downturn on certain industries along with the issue of foreign currency sourcing presented IB with some of its main challenges. To meet these challenges IB implemented several internal organisational changes, such as the reorganization of the Corporate Banking Group along industry lines to further enhance client coverage, in addition to the partial restructuring of the Financial Institutions Group to improve synergies within the group. Additionally, the management redefined MidCap's mode of operations to improve efficiency; while the Global Transaction Services (GTS) group was established to provide value added transactional banking services to our clients.

By addressing these challenges, IB managed to achieve growth momentum in the Corporate, MidCap and Debt Capital Markets, while at the same time maintaining high standards in the investment portfolio, developing non-funded solutions for foreign currency transactions and with the GTS involvement, commenced implementing cash management solutions for our major prime customers. The following is IB redefined organisational structure:




## Corporate Banking Group

Known for its strong credit culture across the Egyptian market, Corporate Banking Group is the bank's financing and underwriting arm and provides best in class financing structures and advisory services as a result of its extensive expertise in various sectors of the economy while promoting CI group products and services catering to high quality customers.

The group's foremost target aims to advance the nation's economic development. Accordingly, it is committed to closely monitoring the performance of projects and economic entities, with the purpose of ensuring their viability. Efforts exerted are based on the belief that economic viability on the micro level is certain to contribute and promote macroeconomic welfare.

It is the mission of the corporate banking group to enhance its current position as a top corporate and structured finance bank in the Egyptian market, with strong emphasis on the quality of our loan portfolio and maximizing shareholder value.

The Corporate Banking Group's competitive advantage include:

- Strong corporate business model
- Highly experienced staff reinforced by continuous training to keep pace with latest industry and technical know-how.
- Strong clientele with a healthy and diversified portfolio that is well positioned in the main growth industries including power, building materials, petrochemicals, infrastructure, oil and gas, tourism, real estate, shipping and ports.
- Ability to provide a wide and innovative array of financing schemes

### 2010 Accomplishments

- Aggressive penetration of local market which resulted in a significant increase in the lending market share
- Captured major deals resulting in a healthy growth of portfolio
- Presented non-conventional financial solutions such as structured discounts and securitization transactions.
- Attracted foreign currency (FCY) deposits to improve Loan/Deposit ratio in FCY.
- Promoted cash management techniques in collaboration with the GTS unit such as payment and receivables solutions, score, swift and ACH.
- Continued to efficiently manage the loan and liability book with an improved NIM.
- Maintained a healthy portfolio, in addition to sustaining efforts both to recover exposures under such loans and turn around counter parties.
- On the organisational level, Corporate Banking went through two major restructures aiming at focusing efforts towards growth and enhancing customer satisfaction. The broad outline of the restructure included:
  - Establishment of new support areas to enhance customer satisfaction and utilization of facilities.
  - Moved some areas to other lines of business for the sake of greater efficiency.

In 2011, CIB's Corporate Banking unit will look to build on the accomplishments of the year just past and pursue the following general objectives:

- Continue to selectively expand our portfolio to achieve high quality growth in assets under management through intensified marketing efforts, enhanced customer relations and regular industry monitoring.
- Increase product offering, tailored facilities and penetration rate to meet increasing customer needs.
- Further ameliorate office structure and upgrade the system to optimise workflow and enhance customer satisfaction.

## Debt Capital Markets Division

The Debt Capital Markets Division has an unprecedented track record and unparalleled experience in underwriting, structuring and arranging large scale Project Finance, Syndicated Loans, Bond Issuances and Securitization transactions, supported in many respects by a dedicated security agency desk.

Total deals closed during 2010 doubled

*"By addressing the challenges presented by the economic downturn head on, Institutional Banking managed to achieve growth momentum across all segments while maintaining high standards in the investment portfolio.*

> *Launched this year, the GTS Group offers CIB clients a comprehensive range of transactional banking products and services, with a focus on superior customer service and efficient transaction processing capabilities.*

over the year 2009. The Debt Capital Markets team contributed to the execution of major deals by playing the critical roles of Initial Mandated Lead Arranger, Egyptian Facility Agent, Underwriter, Account Bank, Book-Runner and Security Agent, to cite but a few examples. The key sectors that the Debt Capital Markets team covered during 2010 were mainly infrastructure, commercial real estate, petrochemicals and, telecommunications.

Building on its reputation of excellence in the field of structuring and arranging deals, CIB won three Deal of the Year awards in 2010 from Euromoney Project Finance Magazine:

New Cairo Wastewater – African PPP Deal of the Year, where CIB acted as Senior Mandated Lead Arranger, Egyptian Security Agent and Technical Bank

ERC – African Downstream Oil and Gas Deal of the Year, where CIB acted as onshore account bank, Egyptian Security Agent and Egyptian Pathfinder

EHC – African Petrochemicals Deal of the Year, where CIB acted as Initial Mandated Lead Arranger, Facility Agent and Account Bank.

Furthermore, CIB was awarded the Best Securitization Deal in 2010 by emeaFinance magazine for the Corplease receivables securitization transaction.

The Debt Capital Markets team has also played a unique role in the local market by structuring and placing complex securitization structures, and in 2010 the division structured and placed four local securitization deals for non-bank financial institutions including the first quasi-sovereign entity issuance.

As an ongoing strategy Debt Capital Markets aims to:

- Continue playing a vital role in economic development by mobilizing funds for large ticket project finance deals and syndication transactions
- Raise the required debt to fund Egypt's substantial infrastructure investments under the PPP program
- Introduce new financial tools to lead the development of capital markets in Egypt.
- Continue to support client needs for diversified funding sources through innovation in asset backed securities.
- Further invest in the enhancement of our intellectual capital.

## Mid-Cap Group

The Mid-Cap group caters to the financing needs of mid-sized companies, for whom we create growth opportunities. The group's highly trained officers also seek to instil an understanding of corporate governance in their customers and encourage the application of high reporting standards and fiduciary protocols.

By virtue of its mandate, the Mid-Cap Group has a wide developmental role, given the Egyptian economy's reliance on medium sized enterprises. As such it is considered a cradle for future business players in the market.

### 2010 Highlights and Accomplishments:

- Continued focus on providing guidance to pave the way to convert our clients into large corporate customers with strong growth potentials.
- Managed to attract and retain a significant number of new clients
- Aggressive growth resulting in the doubling of the overall lending portfolio

The Mid-Cap group's strategy for 2011 and beyond will be to continue capturing high quality clients, grow their businesses and institutionalize their performance.

## Financial Institutions Group

Encompassing diversified lines of business, the Financial Institutions (FI) group plays a major role as a direct contributor to revenue. Our long standing relationships are part of a deep network which bolsters the group's growth and further supports the bank's main lines of business.

The Group's main avenues for loan growth and revenue generation include discounting drafts and commercial paper, and lending to non-bank financial institutions (NBFI), which are typically companies specialized in trade finance or operating in the leasing, insurance, brokerage and investment industries.

Our Finance Programs and International Donor Funds Division constitutes a unique area of specialization in Egypt. Organized under the FI group, the division extends exclusive and integrated management solutions and advisory services to international donors and local and regional agencies. The division manages funds and creates self sustainable credit systems by offering a bundle of services including but not limited to investment, monitoring and tailored operational mechanisms.

The Finance Programs and International Donor Funds division supports the Egyptian economy's growth through its encouragement of the microfinance industry as it also manages CIB's direct lending portfolio in that sector.

### 2010 Highlights and Accomplishments

In 2010, the FI Group not only improved the quality of products and services provided to NBFI customers but also achieved remarkable growth rates in the total loan portfolio. This year also witnessed the NBFI Division launch its "Clearing Bank System" services for Brokerage companies to manage their daily trading settlement with MCDR (Misr for Central Clearing, Depository and Registry).

Additionally, the Finance Programs and International Donor Funds Division also signed an agreement under KFW (PSI-II) to provide grants for Pollution Abatement Projects. The percentage of grant varies from 20% to 30% of the industrial sub-project investment cost.

In the area of microfinance, launched in late 2007, the Finance Programs and International Donor Funds division has to date managed to disburse 86,000 loans totalling EGP 368 million while retaining 27,500 small to medium size entrepreneurs as active clients, totalling EGP 81 million as of December 2010 which is partially financed with US$ 1.19 million from the Spanish Agency for International Cooperation through the Spanish Microfinance Fund.

### 2011 Strategy

The strategy for the FI Group for 2011 will continue to focus on sustaining growth and delivering profitable results. We aim to achieve our growth and bottom line targets through the following:

- Applying a customer-centric approach to existing and prospective clients;
- Expanding an already diversified set of innovative products and services suiting the needs of various client segments;
- Maintaining our leading position as No.1 Apex Bank within the country;
- Supporting the Microfinance Market in Egypt by expanding through the introduction of Microfinance Wholesale financing for MFIs (Banks, NGOs and Microfinance companies).

## Direct Investment Group

Direct Investment Group (DIG) represents CIB's investment arm when introducing equity finance as an additional solution to existing or potential clients. DIG's main focus is to identify, evaluate, acquire, monitor, administer and exit minority equity investments in privately owned companies that possess commercial value for CIB. Invested funds are sourced from CIB's own balance sheet. The investment process is governed by a clear and strict set of parameters and guidelines.

Our primary objectives encompass generating attractive risk-adjusted financial returns for CIB through dividend income and capital appreciation as well as enabling CIB to offer a broader spectrum of funding alternatives to support client growth.

We commit to excellence by adopting industry best practices and creating a "win-win" situation for all stakeholders, this is supported by our unique value proposition and wealth of experienced human capital.

Going forward, DIG will continue its balanced course of successfully off-loading matured investments while growing the portfolio through a number of new selective investments.

> *Known for its strong credit culture across the Egyptian market, the Corporate Banking Group draws on the extensive expertise of its team members to deliver best in class financing structures and advisory services to high profile clients.*

> *This year saw Corporate Banking undergo several major structural changes aiming to focus efforts on greater growth and customer satisfaction.*

2010 Highlights and Accomplishments:

- DIG has continued its healthy contribution to CIB's bottom line profitability, mainly through dividends income.
- A detailed marketing and deal sourcing strategy was prepared and implemented in order to promote the DIG brand for the ultimate aim of soliciting proprietary investment deals.

## Strategic Relations Group

CIB's Strategic Relations Group (SRG) is proud to be branded as the sole bank operating in Egypt with such a unique "focus group" dedicated to servicing its prime institutional depositors. SRG focuses on a market segment that includes over 70 strategic entities, representing the world's most renowned and prestigious donor and development agencies, as well as the vast majority of their sovereign diplomatic missions.

SRG's edge is in working closely with each client individually, designing innovative tailor-made services to suit the unique nature of the various business and operational needs of the clients under its jurisdiction. In doing so, SRG works towards building and sustaining a substantial portion of CIB stable funding base.

Over the years, and with the testimony of its clients, the SRG function has proven to be a great success. As a result, CIB is committed to fostering these relationships by continuing to sponsor and support the SRG to ensure client satisfaction as well as shareholder value.

## Treasury and Capital Markets

Our Treasury and Capital Markets desk offers a large range of products available to various types of businesses across numerous regions and distribution channels. Its responsibilities include foreign exchange (FX) and money market trading activities, primary and secondary government debt trading, management of interest rate gaps with the associated hedging, and pricing of preferential deposits.

The Foreign Exchange and Interest Rate operations cover investment and hedging styles spread across all major traditional and alternative asset classes including forwards, swaps, options, (plain vanilla and exotic over the counter products alike), cash export and import, structured products, FX-linked yield enhancement products, limit orders, round the clock FX execution (including Fridays and local national holidays), complementary daily market commentary, weekly technical review and regular mobile SMS alerts according to CIB client requests. All capabilities can also be combined in multi-asset strategies.

Through superior risk management, high operating standards, and premier training programs, CIB maintained its position as market leader in Foreign Exchange profit for full-year 2010. Furthermore, CIB's Primary Dealers desk managed to achieve a secondary market share of 25% in treasury bonds.

The currency market experienced huge fluctuations during the crisis and the department accordingly expanded its advisory role to minimize the companies' balance sheet and revaluation losses related to both foreign exchange and interest rates exposures.

For the ninth consecutive year, CIB won the Global Finance Award for the Best Foreign Exchange Bank in Egypt. The award acknowledged the market's appreciation of CIB's pioneer role in providing tight and competitive quotes for banks, corporations and retail clients. Moreover, Euro Money Institutional Investor PLC -Global Investor Magazine Middle East Awards 2010- has recognized CIB as the best FX provider of the year in the Middle East.

## Asset and Liability Management

The Asset and Liability Management (ALM) Group's main functions are the management of liquidity and interest rate-related risk with external and internal parameters, and setting the pricing of deposits and loans. Objectives are organized generally as follows, in order of priority:

- Liquidity
- Profitability
- Product Development

Additional tasks include managing the propriety book, managing the Asset and Liability Committee (ALCO) administration, and maintaining all policies and procedures related to balance sheet management.

In 2010, despite volatility in international and local markets, ALM successfully preserved sound liquidity management through its pro-active strategy, an accomplishment confirmed by regulatory ratios as well as internal and Basel III measures. In addition, interest rate management remains prudent, underpinned by effective duration management.

Also in 2010, the group commenced the oversight of the bank's Basel II project, which is well on track to meet the CBE target date in 2012.

Looking forward in 2011, strategic initiatives will always continue to include maintaining sound liquidity and interest rate management through diversification of funding options, as well as assisting in the launch of new products. The ALM Group will also seek to enhance the performance and capital management framework of the bank.

## Global Transaction Services (GTS)

The Global Transaction Services (GTS) Group serves as a key product group within CIB, and oversees product areas including Cash Management, Trade, and Global Securities Services.

The objective of the GTS Group is to provide transparency, efficiency and value-added services to CIB clients by offering a comprehensive range of transactional banking products and services, with a focus on superior customer service and efficient transaction processing capabilities.

Through the existing sales channels of Corporate, Mid-Cap, Business and Retail Banking, the GTS Group develops and sells products associated with the businesses of cash management and payments, trade services, and custody and securities clearing services.

### Cash Management

CIB is a provider of standardized and tailored cash management products and solutions aimed at improving the management of incoming and outgoing payments, streamlining reconciliation and information management, and enhancing working capital efficiency for our clients. We offer a number of unique and innovative products related to payments and payables, collections and accounts receivables, in

> *A leading partner of medium sized enterprises in Egypt, the Mid-Cap Group plays an enormous developmental role as the cradle for future business players.*


addition to standard and tailored information reporting delivered via a variety of channels, including CIB's new and innovative online banking solution called CIB Cash Online.

### Trade Services

CIB is a market leader in trade services and provides its clients with both standardized trade services products, such as Letters of Credit, Documentary Collections and Letters of Guarantee, as well as non-conventional trade finance solutions, including forfeiting, structured trade finance, etc. In addition, CIB offers a number of different channels through which the client can submit applications and associated documents, including an innovative online trade platform called CIB Trade Online.

### Global Securities Services (GSS)

The Global Securities Services (GSS) unit is a market leading custodian bank offering a broad range of securities products and services since 2000 to a diverse client base composed of institutions, individuals and government entities. CIB is the sole sub-custodian for all Egyptian Depository Receipt programs and the leading provider of trustee services in the market. The offering includes local and international custody services, local sub-custody services for GDR programs and trustee services for securitization transactions.

### 2010 Achievements

As the GTS Group was founded in 2010, the beginning of the year was spent establishing and staffing the group and designing the business and operating model. 2010 saw the following key achievements:

- Global Securities Services was named 'Best Sub Custodian in Egypt' by Global Finance magazine for the second consecutive year.
- Launched a new and innovative online banking channel for 'business' clients, called CIB Cash Online
- Launched a new and unique online trade platform called CIB Trade Online
- Implemented SWIFT Net for a number of key corporate clients
- Introduced Transactional Servicing Hubs, a new servicing and processing concept, into the branch network
- Introduced Corporate Desks, a new sales and service channel, in key branches
- Achieved double-digit growth in CIB's Cash Management and Global Security Services businesses
- Maintained market leading custody position with a market share of over 32%:
- Awarded the local sub-custodianship for two new GDR programs – resulting in CIB acting as sub-custodian for all 13 GDR's in Egypt
- Played a significant role as the major trustee of several large securitization transactions and has been awarded the trustee role in 11 out of the 12 securitization transactions in the Egyptian market

> *In 2010, the Financial Institutions Group not only improved the quality of products and services, but also achieved remarkable growth rates in the total loan portfolio.*

Moving forward in 2011, CIB's GTS Group intends to further build out the transaction banking product suite and service offering to all its key client segments.

## Institutional Banking Legal Advisor & Asset Protection Group

The Institutional Banking Legal Advisor's Department was established in May 2006 due to the need for an in-house Legal Counsel to deal directly with technical and complicated legal issues and for the purpose of enhancing our business area without resorting to outsider Legal Counsellors.

Escrow Accounts Agreements and various business Agreements, Legal Due Diligence, Legal opinions, Syndicated Loans and Project Finance are exclusively provided by the IB Legal Advisor to the Institutional Banking Departments as well as the Bank Subsidiaries, in order to facilitate local and international commerce in an interdependent world by providing targeted legal advice for local and cross-border transactions with a high level of professional legal service.

The Asset Protection Department was established in Jan. 2003 and its main target was to manage the completion of the documentation and supports covering the Corporate Banking Group clients documentation (CBG I & CBG II). Since May 2007 it was associated with The Institutional Banking Legal Advisor's Department while maintaining its own separate workflow procedures. Since then, the Asset Protection was extended to include another team for handling Port Said and Canal Zone corporate client documentation (2008), and in light of Asset Protection's plan to extend its scope of work, another new team was successfully established to handle documentation for clients in Alexandria and the Delta zone (2009). Finally in 2010, the Asset Protection Mid-Cap was successfully launched to become the Asset Protection responsible for handling and maintaining enforceable documentation for corporate and mid-cap clients.

### 2010 Highlights and Accomplishments

- Skilfully finalized numerous important and complicated transactions for the bank in record time, in addition to working on supporting the group's business departments in all required legal issues.
- By providing professional and specialized legal services the IB Legal Advisor Group contributed significantly to the closure of several major transactions.
- Supported several subsidiaries (CI Capital Holding, CIBC, IACC, IIBC,) by providing all required legal services and effectively contributing to the generation of income for those companies.
- Effectively absorbed an increase in the number of credit and Mid Cap customer accounts received by Asset Protection, while a more systematic work-flow was implemented in order to manage the documentation more smoothly and efficiently.

> *Total deals closed by our Debt Capital Markets Division in 2010 doubled over 2009, reaching approximately EGP 25 billion.*

# Global Customer Relations

Introducing the concept of Relationship Management (RM) to the Egyptian market, our GCR team caters its services to select corporate clients of CIB and other financial institutions.

The general objectives our RM officers include:

- Maximizing customer satisfaction to ensure consistent client retention.
- Increasing the Bank's share of wallet and penetration rate.

To accomplish goals, CIB RM officers employ strategies which include the following:

- Developing innovative ideas for clients.
- Delivering quality service through persistent engagement with clients and immediate follow up on their issues.
- Applying deep understanding and anticipation of client needs.
- Ensuring flawless execution across product lines.

### 2010 Business Priorities and Achievements

- Conducted visits to assess client needs while generating EGP 1.4 billion worth of new corporate deals.
- Developed relationships externally and internally by engaging in heavy clean-ups and adjusting strategies in some areas to better adapt to clients' needs.
- Generated new ideas for clients.
- Initiated periodical forum with product group to assess and plan business strategy.
- Delivered flawless execution and remained responsive to client needs.
- Implemented tracking to monitor key performance indicators.
- Implemented hard and soft dollar tracking.
- Developed financial and operating models for expansion of the GCR unit.
- Developed 2011 Budget.
- Initiated several innovative solutions for the purpose of facilitating work flow and expediting execution process.
- Introduced Strategic moves and new concepts.

### Goals for 2011

- To roll out expanded GCR coverage to corporate customers and new clients.
- To continue the ongoing assessment of key performance indicators to ensure incremental economic value creation.
- To assess client feedback periodically
- To expand product mix and create new products based on client needs.
- To focus aggressively on new client acquisition and uphold deliver life cycle-based financial solutions and advisory service.

> *Through our proactive approach to Relationship Management, CIB becomes a one-stop-shop financial solutions provider rather than a product provider.*

# Consumer Banking

In our mission to build a truly world-class consumer banking franchise, management at CIB has made huge leaps over the last three years, including:

### Solidification of Bank Organization

In 2009, we focused on establishing a strong consumer banking organization, including a complete backbone to support existing products, new business initiatives as well as a comprehensive product menu. Following these accomplishments, 2010 saw us launch new initiatives to aggressively grow profitability, and we expect to observe the real impact of these recent activities in 2011 and beyond.

### Cultivation of Future Consumer Bankers

To further re-enforce the Consumer Banking business and pave the way for the next line of leadership, CIB launched a Leadership Program for Consumer Bankers with the objective of creating a pool of future leaders within the company.

### New Progress in Relationship Management

Our transition into Relationship Management by focusing on Customer Segments yielded tremendous results with particularly aggressive growth in the Wealth segment.

### Sustained Market Leadership

CIB continued to maintain a market–leading position by launching new products, and initiatives during 2010. Keeping pace with economic indicators, CIB continued to demonstrate robust performance in risk management, further ensuring a high quality of business. This line also saw us move to risk-based pricing on asset products.

### Constant Improvement Of Customer Relations

Our concern with customer experience also remained a key priority for 2010 and onwards, leading us to make additional investments in IT and operational infrastructure.

## New Initiatives

CIB continued to expand its service and product menu by introducing best in class products to the market.

After the launch of "CIB Wealth" for the affluent segment in 2009, 2010 saw further progress in the Business Banking Segment. Our key objective was to provide not only the best service, but also further deepen the bank's relationship with the Premium segment. In order to tailor its offerings to the needs of affluent customers, CIB launched projects such as the Hemaya fund, a capital protected fund with its Asset Management arm CIAM. CIB also launched the Platinum debit card, a unique product in the Egyptian market.

In line with the new acquisition strategy, CIB also launched a payroll program for companies to acquire new customers, an initiative in line with the segmentation of CIB customers.

> *CIB continued to maintain a market-leading position as we continued to demonstrate robust performance in risk management.*

## Reaching Out, Rationalizing Distribution

Among the many developments of 2010, CIB focused on the rationalization of distribution, an initiative seeking not to expand but to ensure profitable growth and re-align infrastructure to meet growing demand in the market. The growth proceeded according to experience as we moved certain branches and ATMs while closing others.

This year also saw CIB focus on raising profitability by increasing productivity across all channels. The quality of our customer relations continued to play a key role, and we bolstered our performance in this regard by reaching out to clients rather than waiting for them to reach us through our branches. This necessitated the following actions:

- Upgrade the Direct Sales Unit for certain key Asset products.
- Build further support through the outbound Telesales unit.
- Set up a separate well-trained CIB Wealth Team to cater to new clients within the Premium segment.
- Expand the ATM network to 502 ATM's, now the largest in the private sector.
- CIB also progressed in offering state-of-the-art ATM's which include a full range of functionalities such as bill payment, cash deposits and 3rd party transfers.
- Establishing 15 new wealth lounges in 2010.
- Renovating 5 Branches.

CIB also enjoys the largest private sector branch network now standing at 153 outlets, in addition to an exemplary reputation for its service quality which ensures improved customer experience and fully supports all channels of distribution.

Together these developments have led to aggressive new customer acquisitions as well as further improvement in customer service.

### 2010 Accomplishments:

CIB continued to report significant growth across all product lines. The deposits book grew by 17%, while CIB established itself as a leader on the asset side of the business. Our loan portfolio book also registered impressive growth of 43% as CIB solidifies its reputation as a preferred bank for personal and auto loans.

CIB's investment product offerings continue to benefit from the support of its subsidiary CIAM through funds such as Osool, Aman, Hemaya and Estethmar targeting varying risk profiles. Assets under Management meanwhile reached EGP 8.7 billion, an increase of 43%.

As for CIB's sister company CIL, the subsidiary launched Elite Premium, a product specifically tailored for the Wealth segment and part of a comprehensive product menu of customized savings and insurance schemes.

This year's achievements can generally be summarized as follows:

#### Considerable Growth in Market Share

CIB continued to expand its product menu and improve the infrastructure related to Relationship Management, leading to an increase in market share on almost all products areas. CIB even became a distinct Market leader in some of the newest initiatives.

#### Excellent Performance in the Cards Business

CIB grew new acquisitions by 43% while the growth in portfolio including Dinner cards reached 16%. The Bank also launched a platinum debit card, which will uphold the highest standards in the market. On the cards acquisition side, CIB's market share grew to 17% while Point of Sale efficiency outpaced market growth.

#### Expansions in Wealth Management

CIB expanded this service to encompass 30 Wealth centres and lounges while launching a range of new products and offers. A new well trained set of Wealth Managers were also appointed to service the affluent customers.

#### Growth in Auto Loans

CIB captured a leadership position outstripping market growth.

#### Growth in Personal Loans

CIB Personal Loans have been extremely successful, helping CIB to register a new benchmark as the program grew by 101% over last year.


*"Representing a 43% increase over 2009, Assets Under Management at CIAM reached EGP 8.7 billion in 2010.*

#### Strong Performance in Residential Property Finance

CIB continued to grow in this segment, but maintained a prudent approach following economic indicators across the region.

## Ongoing Consumer Banking Strategy

The ongoing Consumer Banking strategy consists of the following objectives:

- To Increase Profitability
- Improve Product Penetration
- Reduce Cost to Income Ratio
- Expand Relationship Management

In addition to increasing productivity across all consumer banking channels in 2011, CIB also plans to launch a business banking segment as well as expand the wealth management business.

Over the coming years, insurance will be one of the key drivers of fee income as we seek to improve the penetration of insurance products among our customers.

As customer service remains the key concern at CIB, the bank introduces new services every year in order to position itself as a market leader. Notably, CIB plans to invest further in cutting edge technology and create a robust e-banking platform.

In our consumer banking section, which is focused on business orientation and geared toward optimum earnings, the focal point remains our customers, with whom we provide a broad range of value added products and services. CIB continues to uphold service quality as maximum customer satisfaction is its overriding objective. The creation of Service quality has helped increase the number of satisfied customers, generating greater penetration and loyalty while creating a base to drive higher revenues per customer.

With all the building blocks in place, CIB is now clearly poised to position itself as a market leader.

# COO Area

In the face of tough market competition and a challenging global environment, the COO Area has been proactive in driving key initiatives to enhance the revenues of the bank. The COO Area departments are committed to providing the Bank with the information and support it needs to make the best decisions for the business.

COO Area completed several crucial projects in 2010. Internally, the area undertook a head count rationalization and worked to improve vendor management procedures and to make progress on planned T24 implementation. The area departments also successfully completed key bank projects including an online banking and trade portal, centralization of operational activities, implementation of a Management Information System (MIS) and International Financial Reporting Standards (IFRS), as well as the creation of a well-defined Human Resources (HR) strategy.

## Finance

The role of the Finance Group has shifted gradually from an emphasis on reporting functions to an increased involvement in performance management and the strategic agenda of the Bank. The Group's functions are now focused primarily on working continuously with key stakeholders to address opportunities and challenges, and identifying and explaining the impact of new regulations such as IFRS and Basel II on the business.

The Performance Management and Strategic Decision Support department adopted CIB's value-based management approach in which managers are provided with tools and techniques to support the development and implementation of strategies that create value. This approach also offers incentives for managers to create value. The Group uses a uniform, value-oriented management concept that links goal setting, planning, operational management, and performance monitoring and measurement to remuneration.

Relationship Management (RM) was implemented across CIB's business lines last year, and as an initiative RM has proven to be successful throughout 2010. Relationship Managers across the Bank's support functions from Finance to IT and HR work closely with front line managers to process information requests, identify risks and opportunities for the business, flag early warning signals, and address other issues from the finance perspective.

> *"We believe that the restructured Finance Group has provided CIB with a strong foundation to face a challenging market and regulatory environment.*

> *2010 was a key year in IT at CIB, as we invested in new technologies to improve our servers, IP telephony equipment as well as our overall networking capabilities.*

A new Cost Control Unit was also established to implement cost control guidelines which ensure that contracts and invoices are negotiated and payment processed in a timely manner while achieving cost synergies for the Bank.

CIB's Tax Unit continues to furnish timely and accurate information to internal and external stakeholders in accordance with the applicable laws and regulations in Egypt.

We believe that the restructured Finance Group has provided CIB with a strong foundation from which to face the challenging market and regulatory environment while maintaining its competitive edge and delivering outstanding value to its shareholders.

## Information Technology

In 2010, CIB's IT Department focused on three areas with a view to providing enhanced services to our clients:

### IT Operations

The key focus for IT operations has been to improve service availability across the Bank. In this regard, a number of initiatives were completed to bring IT operations in line with the strategic aims of CIB. These included significant improvements in availability of key systems, a centralized full-service help desk, and the definition and implementation of improved processes for managing all IT services.

One of the key initiatives kicked off during 2010 was the implementation of a Control Centre aimed at measuring, monitoring and automating IT services across all functional areas. This system will be the core of CIB IT and is an important aspect of the Bank's IT strategy, which is slated for completion by the end of 2011.

### IT Projects

A number of critical projects were completed in 2010, advancing the IT dimension of the Bank's business plan. 2010 IT accomplishments include major progress in the overhaul of CIB's core systems to bring them up to the latest capabilities, implementation of the first part of the Enterprise Data Warehouse strategy aimed at providing enhanced information for our Retail business areas, and new systems for our branches as well as other delivery channels such as ATMs, Internet Banking and Phone Banking. The IT department has also completed key projects in the Institutional Banking area aimed at improving existing capabilities as well as offering new products for our customers including a Trade Finance and Cash Management portal. The Department is also creating new packages for the treasury front and middle office, providing state-of-the-art systems focusing on new capabilities for these areas. In line with the larger goal of centralizing key operational activities, further projects aimed at enhancing workflow and document management were also completed.

### IT Infrastructure

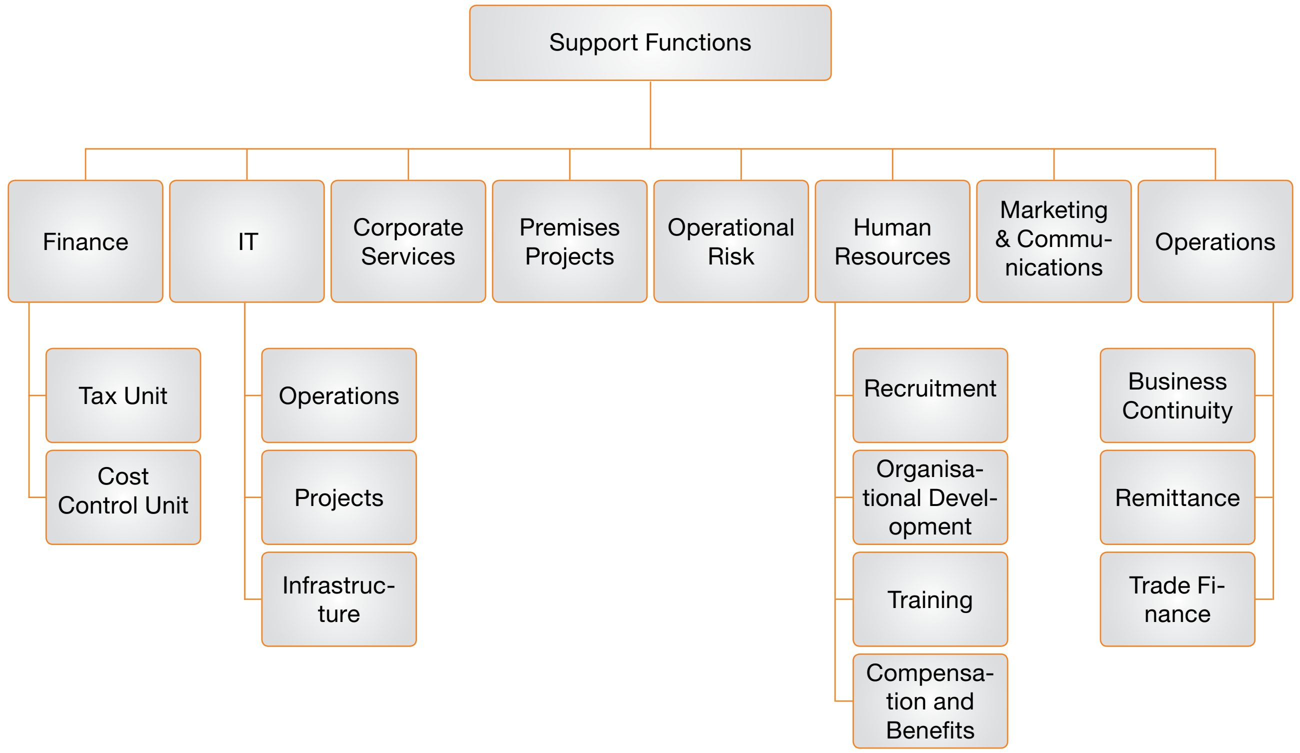
A number of key initiatives were also completed in 2010 to enhance the overall technology infrastructure of the bank. CIB has continued its investments in networks and infrastructure, implementing a highly available, managed and resilient infrastructure through investments in state of the art equipment.

As part of its ongoing strategy, CIB is also investing in new technologies to improve our servers, IP telephony equipment as well as our overall networking capabilities. CIB is also in the process of upgrading its middleware systems to provide the Bank with future-proof growth capabilities.

Overall, 2010 was a key year in IT at CIB, which saw a move to the next level of maturity in the services that we provide, as well as the establishment of a strong technical foundation to help the business move towards its strategic objectives in the future.

## Operations Group

The Operations Group witnessed major restructuring in 2010, during which we successfully managed to shift the reach of Operations Departments to encompass Bank-wide support and control function for all business lines and channels, a process overseen by a talented and highly knowledgeable team. In 2010, the Group focused on setting standards which are now used as a basis for measuring the productivity of each and every staff member within the group.




The Group has worked on enhancing efficiency of execution and reducing turn around time (TAT) to provide better and more efficient services for CIB customers. Several initiatives have also been undertaken to enhance the Bank's control culture and ensure that business expansion is measured with risk potential. These projects include the consolidation of both Internal Control units under one department, Consumer Operations and Central Operations, and the establishment of the Treasury Middle Office Unit, which is responsible for monitoring and controlling all functions related to Assets and Liability management independently to ensure all required controls are in place.

On the customer experience side, several projects began in 2010 and will continue into the second quarter of 2011, including improvement of CIB's ATM network performance, distribution and functionality. The Group is also in the process of conducting a structured customer opinion survey for CIB customers to better understand the services that add value to different segments of the Bank's customer base in order to address them directly in future efforts.

On another note, a Business Continuity Unit has been established under the Operations Group to forward the Bank's strategy of implementing and sustaining comprehensive business continuity capability. The Unit has a clear mandate to identify critical areas of the business, develop business continuity policies, procedures and guidelines, create a plan for implementing business recovery plans for all business lines, prepare a disaster recovery site for CIB critical operations, and conduct training and awareness sessions in different departments to embed business continuity concepts within staff members.

Finally, the Remittance and Trade Finance departments have successfully managed to sustain their annual Excellence Awards, which are awarded by well-known international financial institutions for exceptional quality in performance of execution and transactions processing.

## Human Resources

CIB's staff has always been our most important asset and the development of a premier team is a key pillar in the strategy of the Bank. The Bank has identified an aggressive agenda for the Human Resources Department for the coming years in accordance with the Bank's strategic aspirations which will require an increased emphasis on hiring, development and career progression. Throughout 2010, efforts have been made in all areas of Human Resources including Recruitment, Organisational Development, Training, and Compensation and Benefits. Projects included staff coaching sessions on performance management, job evaluation through an external agency, leadership training in Consumer Banking, salary surveys and process re-engineering to improve services offered to staff.

CIB recognizes that achievement of its goals is dependent on the recruitment and the retention of a skilled and committed workforce. In 2010, the Recruitment Department was able to re-work several key hiring steps that had a direct impact on the hiring life cycle. The Department successfully partnered with a number of hiring agencies to identify skill scarcity within the Firm and effectively build a strong database of candidates for critical company roles. CIB hired 670 staff in various areas and at different levels in 2010.

At CIB we are proud to have one of the best training systems in the banking sector. Our training structure consists of different training programs offered to 3,112 employees, varying from in-house programs to local and overseas courses. These programs cover all areas of development from technical to soft skills. In 2010, CIB pursued its training strategy by implementing courses for changing attitudes, upgrading skills and building the knowledge of its human capital to prepare them to meet today's rapidly changing business climate.

In 2010 further efforts were made in performance management. This included a review of the Bank's smart objectives formulation process and performance management cycle. Additionally, an exercise has been initiated by the Bank on job evaluation to rank positions in CIB on the basis of the duties and responsibilities assigned to each in order to ensure internal equity at the Bank.

In the area of Compensation and Benefits, a salary survey was conducted to gauge the remuneration in the market and align our compensation structure to ensure that CIB remains competitive in hiring and retaining staff. Work was also done on policies and procedures to improve the service standards for staff.


## Corporate services

The Corporate Services Department was restructured at the beginning of the year and given the major challenge of enhancing the Bank's services. Corporate Services has embarked on a mission to help vendors enhance their performance, seek continuous feedback from staff and customers to improve services, and optimise costs through various initiatives.

This proactive partnership has resulted in enhancement of printing solutions at the Bank, the reorganization of fleet management strategy, consolidation of warehouses and other activities such as insurance and a travel desk. For facility management, new maintenance contracts and a cleaning strategy have been put in place in order to enhance the facility services across the bank.

A new help desk was established early in 2010 to receive and register complaints and requests for improved services from our internal and external customers. This has resulted in continuous feedback on our services, which has helped in improving the performance of the Corporate Services Department.

> *"With one of the best training systems in the Egyptian banking sector, CIB offers everything from in-house programs to local and overseas courses.*

## Premises Projects

The main mission of the Premises Projects department is to optimise our space utilization in the most cost efficient manner, while maintaining the standards of CIB's brand image.

This year a number of projects have been completed for the head office and the branch network.

Around 15,000 square meters of the Head Office premises have been renovated, upgraded or re-arranged.

In addition to opening a new Tanta branch, extensive renovation of branches and upgrade of wealth lounges was completed this year.

Lastly, a comprehensive road map has been developed by the Premises Department for Head Office and Branch network enhancement in the coming years.

## Marketing and Communications

2010 saw major efforts devoted to positioning CIB as the brand that delivers the best financial services. Marketing and Communications capitalized on CIB's strong market position, as well as the Bank's recognition by Euromoney, Global Finance, Global Investor and emeaFinance, in both internal and external communications to increase CIB's brand equity in the market.

In Consumer Banking, our efforts focused on sustaining the products and services launched last year though the development of innovative market campaigns promoting each product, as well as a series of events held throughout the year to build awareness and welcome CIB Wealth customers.

In line with the Bank's Corporate Social Responsibility (CSR) strategy, CIB established the CIB Foundation to forward the Bank's efforts in this area. The Foundation's brand identity was developed and a website launched.

> *"In light of requirements by the Central Bank of Egypt's implementation of Basel II, Operational Risk has become one of the key pillars of CIB's operations.*

# Risk Management

At CIB, we seek to achieve an appropriate risk-reward balance, and continue to build and enhance Risk Management capabilities that will assist in achieving our business objectives.

Risk Management stands as a core pillar in the bank's organisational structure, as it is an important catalyst in value creation to our shareholders. This is achieved through identification, assessment, and prioritisation of risks followed by coordination and application of resources to minimize, monitor and control the probability and/or impact of such risks and to maximize the realization of opportunities. In our efforts to address uncertainties, our Risk Management decisions are taken in a systematic and structured manner based on the best available information while maintaining our ability to respond dynamically to changes. We seek to achieve continual improvement and enhancement in our Risk Management processes.

To support the processes associated with Risk Management, CIB has invested in state-of-the-art solutions, covering Basel II compliance (standardized and advanced approaches), portfolio management and risk analytics. These solutions enforce best practices in the Risk Management Department (RMD) and cover the areas of Credit, Market and Operational risk.

## Credit and Investment Exposure Management:

### Institutional and Investment Banking Risk

Our Credit and Investment Risk Management teams consist of credit-certified members with experience at the senior level, in addition to an average of 10-20 years of experience in the field of risk. The primary objective of this team is to establish a framework of controls to ensure that the Credit and Investment Risks being taken are based on sound fundamentals, whereby they continually review, monitor and analyse Corporate, Midcap, Correspondent Banks' and Investment portfolios using strict standards to ensure the quality of CIB's portfolio as well as adherence to all internal policies and regulatory directives.

> *An important catalyst in value creation for our shareholders, Risk Management stands as a cornerstone of CIB's organisational structure.*

In 2010, Corporate and Midcap were poised to grow as the Egyptian economy partially rebounded from some of the effects of the global economic crisis. Credit Risk Management played a pivotal role in supporting such growth by continuing to adopt a prudent strategy based on risk mitigation.

The measures taken to achieve these goals included managing credit ceilings, setting industry limits, tightening country limits, limiting cross border exposure in high-risk products, close monitoring of past dues, conducting regular stress tests to assess portfolio resilience and focusing on exposures within moderate risk industries with stable cash flows. As a result, non-performing loans ratio decreased in 2010 compared to 2009 despite the 26.7% Y-o-Y growth of our loans portfolio during the same period demonstrating CIB's ability to achieve healthy growth without sacrificing its asset quality. This is further enhanced by a coverage ratio of 145.1% in 2010 confirming our prudent policy in maintaining adequate impairment charges to cover existing non-performing exposure.

On the Correspondent Banking side, 2010 presented certain challenges as international markets were shaken by the financial turbulence in Europe initially in Greece but then followed by the rest of the PIIGS countries by the last quarter of 2010. Thorough analysis and review concluded that CIB's exposure to counterparties in such countries remains minimal and confined to financially strong and stable financial institutions that were able to emerge safely from this crisis.

### Consumer Banking Risk.

The Consumer Risk Management Unit (CRMU) is an integral pillar of the consumer banking framework and has been actively supporting business growth while ensuring the quality of our portfolio. While 2009 was predominately a year of laying the foundation for the Consumer Banking business as well as the Risk Management framework, the year just past has been primarily a year of consolidation and facilitation.

Consumer Risk has partnered in the launch of new products, such as revolving overdrafts, and secured overdrafts secured against capital protected funds, and savings accounts, in addition to that of many other programs. Segment expansion propositions have been launched across the more stable and long standing products that revolve around surrogate acquisitions, line management, countering attrition and balance-build-up initiatives.

All these growth-facilitating initiatives have been made possible primarily through enhanced levels of Portfolio Monitoring and Analytics coupled with the controls that have been institutionalized across all the Risk Units. Some of the key initiatives that have added to the bank's Portfolio Monitoring capabilities and Segment Differentiations have been the institutionalization of early warning dashboards and tripwires. In addition, Consumer Risk has also effectively transitioned to the widely accepted IFRS loss recognition and provisioning methodology.

The Consumer Risk Unit has also worked closely with the Operations Department to centralize and standardize many processes that will ensure consistency in performance standards and strengthen quality controls. This initiative has also been instrumental in facilitating off-loading front-end employees from operational activities so that their time is dedicated predominantly to sales and service. There have also been continuous re-engineering initiatives in

> *As the Egyptian economy rebounded from some of the effects of the global economic crisis, Credit Risk Management played a pivotal role in supporting growth in the Corporate and Mid-Cap segments by adopting a prudent strategy based on risk mitigation.*

Credit Underwriting and Collections to enhance service delivery and turnaround times. The year ahead will be a challenging year considering the objective of Consumer Banking to grow against a backdrop of increased competition in the market. The focus will be to leverage the expertise, skill-sets and standardized processes cultivated over the last two years in order to drive quality and efficiency given the aggressive acquisition volumes and asset portfolio. While we continue to aggressively grow consumer assets, the guiding principle is to optimise portfolio quality and manage the risk-reward balance.

| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Gross Loans (000's of EGP) | 21,465,494 | 27,738,625 | 28,981,189 | 36,716,652 |
| NPL (% of loans) | 3.0% | 3.0% | 2.97% | 2.73% |
| Charge-offs to Date (000's of EGP) | 1,447,577 | 1,543,638 | 1,609,105 | 1,714,960 |
| Recoveries to Date (000's of EGP) | 251,214 | 314,974 | 338,928 | 368,095 |
| General Ratio (Direct Exposure only) | N/A | N/A | 2.32% | 2.19% |
| Recoveries to Date / Charge-offs to Date | 17.4% | 20.4% | 21.0% | 21.5% |

### Aggregate Portfolio Quality And Impairment Charges

Total IFRS based Impairment Charges reached EGP 1.26 billion in December 2010, compared to EGP 1.30 billion in 2009, and despite the write off of EGP 105.6 million in 2010, compared to EGP 65.5 million in 2009.

The Bank's General Ratio for Direct Exposure decreased from 2.32% as of December 2009 to 2.19% in 2010. Institutional Banking Recoveries recorded a total of EGP 25.7 million in 2010 compared to EGP 22.7 million in 2009.

The Consumer Banking Unit continues to make valuable contributions to the Bank's performance with aggregate recoveries of 3.5 million as of December 2010, up from EGP 1.2 million in 2009.

## Basel II Implementation:

### Credit Risk

In accordance with the Central Bank of Egypt's (CBE) recommendation for Basel II compliance, CIB will adopt the Standardized Approach for Credit Risk across all the asset classes starting 31 December, 2011. The bank is currently fully engaged in the implementation of this approach with the help of the acquired technology solution.

CIB has a corporate rating model based on statistical methodology developed in 2006 and which is being used to rate all corporate customers on an annual basis. It enables the bank to estimate the PD (Probability of Default), a key risk component for the Internal Rating Based (IRB) approach of the Basel II Accord. CIB is currently working to validate this rating model in order to implement the Foundation IRB Approach as and when permitted by CBE.

### Market Risk

The Market Risk Management Department (MRM) is responsible for the measurement, management and reporting of Market Risk Exposures within the bank. MRM uses various techniques and methodologies for quantifying and modelling the potential losses that may arise from adverse changes in market rates and prices including foreign exchange, equities and interest rates in both the trading and banking books. These measurements include Value-at-Risk (VaR), stress testing, scenario analysis and Economic Value of Equity (EVE).

Regular Market Risk reports are generated and reported to management and stakeholders to ensure that limits are not breached and that appropriate action is initiated.

In terms of Basel II Compliance, the bank is currently implementing a solution to be in line with the CBE Guidelines.

### Operational Risk

Operational Risk Management (ORM) is a newly-formed department that aims to manage and control operational risk in an effective manner, within levels that are consistent with the bank's risk appetite. The Bank intends to develop and implement an Operational Risk process that brings consistency (risk identification/measurement/reporting) and standardization within CIB through a common framework of policies and tools.

In 2010, an Operational Risk Committee was established, and the framework was formalized, with relevant policies implemented. In terms of Basel II Compliance, the bank is currently implementing a solution to be in line with the CBE Guidelines.





# Compliance

The Compliance Department is divided into four divisions: Compliance with Policies and Procedures; Compliance with Anti Money Laundering; Compliance with Corporate Governance and Code of Conduct; and Complaint Investigation.

In general terms, Compliance continues to guard the bank against potential losses and reputation damage. Specifically, the Department acts as a shield against regulatory sanctions, legal or material financial losses a bank may suffer as a result of its failure to comply with the law, regulations, and other related self-regulatory organization standards.

The Compliance Department takes particular care to protect the Bank against activities such as money laundering and terrorism financing, and in these respects works closely with the MLCU (Money Laundering Combating Unit) in CBE. Meanwhile the Chief Compliance Officer became a voting member of the Retail Fraud Risk Management Committee as Compliance was given the responsibility of investigating any fraud issues in other areas of the Bank, due to an increased focus on the risk of external and internal fraud.

The year 2010 saw the Department give increased attention to customer complaints with a particular emphasis on highlighting the root causes of dissatisfaction and ensuring non-recurrence through remedial action; major findings were also raised to and sometimes handled by Senior Management.

Additionally, the Compliance Department also started reviewing new products and services launched to guarantee their compliance with regulations and ensure transparency and accurate information for customers, factors which are expected to further increase customer satisfaction.

The "whistle–blowing" concept continues to be the channel available to employees for reporting violations and misconduct, while the Chief Compliance Officer acts as the focal point for all staff, ensuring that they are fully aware of the code of conduct. In this matter, the Petition and Code of Conduct Committees review staff requests, petitions, and complaints to ensure fair and proper treatment of such issues.

Looking forward into 2011, we will focus on:

- Maintaining proper controls to minimize the risk of external and internal fraud.
- Enhancing Regulatory Compliance by introducing a compliance mapping process for different areas of the Bank while cooperating with the Operation Risk Department to cover identified gaps.
- Implementing the international standards of Corporate Governance fully.

*"The Compliance department works closely with the Money Laundering Combating Unit of the Central Bank of Egypt to help shield CIB from potential losses.*

## Orascom Hotels and Development

# Developing State-Of-The-Art Communities

Orascom Hotels and Development (OHD) is one of the leading property developers in the Middle East with a portfolio including a range of integrated communities, major hotels and marinas, in addition to the ancillary infrastructure required for these establishments. They are one of CIB's biggest corporate clients, and a regional heavyweight in the property development industry.

CIB's relationship with the group dates back to 1994, when CIB helped finance the development of El Gouna, the premier Red Sea resort town, through a combination of tailored debt facilities and medium term loans arranged by industry specialists in the Bank's corporate finance division. The successful launch of El Gouna provided OHD with a solid basis to expand and apply their township model to other countries in the Middle East as well as in Europe and Africa. After initiating a number of projects in Egypt including the areas of Aswan, Fayoum and Taba, ODH launched developments in Oman, the UAE and Jordan, where the Group began work on the country's first resort project, located on the Gulf of Aqaba.

In Switzerland, the Group is currently undertaking a EUR 1 billion project to transform the town of Andermatt into the country's first car-free community and one of the most eco-friendly places in Europe. With an environmentally conscious vision, a well-established reputation and substantial financial means, OHD acts as a pioneer in the development of sustainable communities in every country in which it operates.

CIB is among several preferred banks assisting OHD with project finance as the company extends its geographical footprint to encompass the entire MENA region as well as countries in Europe and sub-Saharan Africa. The Bank fully intends to build on this partnership moving forward in 2011.

## CI Capital Holding

CI Capital Holding is a fully-fledged investment bank which was founded in 2006 with a paid-in capital of EGP 550 million.

Capitalizing on its strength as Egypt's leading private bank, CIB orchestrated its entry into the market of financial flows, investment and securities trading with the 100% acquisition of CI Capital Holding in 2008. Since then, CI Capital has operated as CIB's full fledged investment banking division, offering financial solutions through its diverse platform for Securities Brokerage, Investment Banking, and Asset Management; all served by a strong research arm.

CI Capital's present network of shareholders, investors and management has considerable access to the Egyptian financial and business communities, helping the firm identify solid and sustainable growth opportunities for the group.

CI Capital's experienced management team has formulated and executed many of the landmark investment banking and brokerage deals in the Egyptian market.

### CI Capital's 2010 Awards

#### GTM Egyptian Stock Exchange 2010 Awards

- Best Investment Bank
- Best Research Team

#### The African Investors 2010 Telecom Analyst Nomination

CI Capital's Telco Team was nominated for the best Telco Team in Africa in the African Index Series Award

#### The Global Investor 2010 Awards

CI Asset Management won the best Asset Manager in Egypt

### Securities Brokerage

Through its brokerage arm, CI Capital offers a wide range of securities brokerage services that cater to a variety of clients through several desks, including:

- International Clients
- GCC & HNWI's
- Retail
- Local Institutions
- OTC
- Fixed Income & International Equities
- E-Trade
- GDR

CI Capital has two fully-owned local brokerage companies; Commercial International Brokerage Company (CIBC) and Dynamic Securities, both operating through one of the widest branch networks, with 11 physical locations.

#### 2010 Accomplishments

In 2010, CI Capital Securities managed to increase its market share more than 2.3% to reach 6.34% as opposed to 4.05% in 2009. CI Capital also managed to improve its ranking in the Egyptian brokerage market to 2nd as opposed to 4th a year ago. It is also worth noting that CIBC was ranked first during the fourth quarter of 2010 with a market share of 8.2% and a total trading value of EGP 8.6 billion, which increased CICH total market share to 9.1%. In terms of trading value, CI Capital brokerage performance was almost stable at EGP 33 billion.

### Investment Banking

Carrying on CIB's investment banking tradition, which dates back to 1991, CI Capital Investment Banking offers some of the most focused, experienced and professional advisory services and execution capabilities in Egypt.

Being part of the investment banking arm of CIB, CI Capital Investment Banking enjoys a unique vantage point in terms of:

- Access to deal flow
- Unparalleled sector, industry and company knowledge
- Access to and ability to raise and structure debt capital

#### CI Capital Investment Banking Offers

Equity Capital Markets:
- Private Placements
- Initial Public Offerings
- ADR / GDR Listing
- Valuation Advisory

Mergers & Acquisitions:
- Buy Side Advisory
- Sell Side Advisory
- Asset Disposal Programs and Divestitures
- Management Buy-Outs and Leveraged Buy-Outs

#### Mid-Cap Companies

Egypt's first dedicated unit providing corporate financial advisory and NILEX listing to mid-size enterprises, CI Capital Investment Banking is characterized by a strategy which reflects the group philosophy and culture as a team of big relationship bankers rather than transaction bankers.

As for CI Capital's Mid-Cap private equity line of business, CI Capital successfully managed its exit from this business line without any reputation damage following high level directives earlier this year. In fact, to the contrary, CI Capital positioned itself as co-sponsor and manager of the Abraaj Egyptian SME funds platform. The fund's first closing mobilized EGP 150 million and was announced during the Egypt Euromoney conference in September 2010.

#### 2010 Accomplishments

CI Capital Investment Banking has executed three M&A and corporate finance deals:

1. Structuring and placing the first public offering after the financial crisis: 48 million common shares of Housing and Development bank, worth EGP 930 million.
2. Acting as a sell-side advisor for Medco Plast Company, a deal in which Middle East Glass Company acquired 60% of Medco Plast.
3. CI Capital also acted as the exclusive financial advisor to CIB in the sale of its 27.47% equity stake in National Vegetable Oils Company and 30.32% equity stake in National Stevedoring Company to Cargill.

The company also managed to recruit high caliber talent with international backgrounds in finance, to enhance its deal-execution teams. In addition, we expanded the company's backlog with various deals bearing a high probability of execution over the coming eighteen months.

## Asset Management

CI Capital's asset management arm, "CI Asset Management (CIAM)," was established in 2004 to manage investment portfolios and mutual funds. CIAM is considered the first private institutional asset management firm in Egypt with total assets under management of over EGP 10.9 billion in December 2010, versus EGP 8 billion in December 2009, a 36% increase.

The company now manages five funds, versus four at the end of last year, namely:

- Osoul, one of the largest and best performing money market funds in Egypt with assets under management of EGP 10.9 billion.
- Istethmar, the company's first equity fund launched in April 2006 with assets under management of EGP 236.4 million as of December 2010.
- Aman, a Sharia'a-compliant fund, in cooperation with both CIB and Faisal Islamic Bank of Egypt, launched in October 2006 with assets under management of EGP 46.3 million as of December 2010.
- Bloom, launched in September 2009 with assets under management of EGP 126.1 million as of December 2010.
- Hemaya, CIAMs first capital-protected fund, launched in August 2010 in cooperation with the CIB. Current assets under management amount to EGP 305.3 million.

CIAM also provides portfolio management services to a wide array of CIB and CI Capital clients, offering full-discretionary services to high-net-worth individuals and institutional investors. Clients are provided with comprehensive personalized services, which are tailored to their investment and reporting requirements.

The list of existing and targeted clients includes Egyptian banks, insurance companies and financial institutions, as well as pension funds.

### Asia Pacific

Consolidating its position on the dual gateway between Egypt and Asia, CI Capital has established its Asia Pacific office in Hong Kong, becoming the only Egyptian investment bank with a footprint in East Asia.

This complements our "Resurrecting the Silk Road" initiative and follows a highly successful Egypt Day in Singapore organized by CI Capital in early 2010.

## CI Capital Research

CI Capital Research was established in 2005 as an independent research house to serve the Group's institutional and retail clients. The company was later integrated within CI Capital Holding. Previously, CI Capital Research had been the research department of CIBC since 1998. The research team comprises some of the most experienced and top notch industry and equity analysts in Egypt.

These teams have been merged into sector groupings to cover a wide variety of industries and companies in the Egyptian and other MENA stock markets, but retaining a capacity for bespoke research. This enables a wide range of research products from periodicals, short-term trading notes, to longer term thematic pieces, as well as in-depth industry studies. In addition, the macro research team tracks, analyses and forecasts macroeconomic indicators, while the strategy team organizes and prepares their research for the purposes of the equity analysts. In this way, Research has been useful not only for clients looking at the stock market, but for the building of strong relationships with CICH clients along the "Silk Route" as they study investment opportunities in the country.

### 2010 Accomplishments

The Research department expanded its equity coverage from 46 to 50 companies covering 14 sectors, and now has the widest coverage of the Egyptian market. It also launched its regional expansion into other MENA countries, an effort which is expected to continue through 2011 as more companies and countries are added to the scope of CI Capital Research coverage.

### During 2010, the following products were launched:

- Investor's Guide – Monthly product
- Egypt Book – Third edition
- Macro Economic Watch – Monthly product
- Trading Notes
- Oxford Business Group – Annual book contribution (The Report 2010)
- Borsageya Newspaper – Weekly contribution.

## Egypt Factors

Egypt Factors S.A.E (EGF) is a joint venture between Commercial International Bank and Malta-based FIMBank PLC. Each entity holds 40% ownership, while the International Finance Corporation (member of the World Bank Group) holds the remaining 20%. EGF is the first non-banking financial institution in the Arab Republic of Egypt that specializes wholly in factoring, and in the Register for Factoring Companies, the company is #1.

### Product Type

With a clear focus on non-traditional trade finance instruments, Egypt Factors is committed to supporting and promoting Egyptian cross-border trade (i.e., exports as well as imports and domestic trade). To this end, Egypt Factors provides a comprehensive receivables management service package, comprising the following:

- Administration & Commercial Collection: EGF will take care of complete debtor bookkeeping as well as monitoring and following-up on all outstanding invoices. All collection measures will be professionally taken care of by Egypt Factors, covering more than 60 countries around the world including Egypt. EGF bridges differences in culture, languages, market habits as well as the legal environment through a huge correspondence network - more than 240 correspondents all over the world.
- Funding: EGF will advance up to 90% of all covered receivables. This turns your sales on credit terms into cash sales. Your cash flow improves which increases your flexibility.
- Bad Debt Protection: EGF guarantees 100% payment up to a limit established on each buyer and we will settle covered and undisputed receivables if not paid after a defined period past the due date. Buyers are under periodic evaluation to make sure that upcoming risks are recognized on time.

### Target Market

The company targets mid-cap producers, traders, and service providers conducting transactions based on short-term deferred payments. EGF also caters to domestic buyers from local or foreign sources, increasing their purchasing power without their banking facilities being tied up.

For large corporations, factoring is advantageous, since it provides them with value-added services and non-recourse funding, protecting them and improving their efficiency and financial ratios. Meanwhile, factoring is still considered more beneficial to medium-size companies, in terms of liquidity and growth.

### 2010 Accomplishments

Building on a strong first year of official operations, Egypt Factors successfully maintained its strong growth rates to reach a portfolio of:

- 140 factoring facilities (mostly with mid-cap companies) with a growth rate reaching 50%
- More than EGP 500 million in approved facilities, 100% growth over 2009.
- Turnover year-to-date of EGP 900 million, more than 400% growth over 2009

### Ongoing Forward Strategy

Our strategy is to expand more in the mid-cap sector, provide such companies with innovative, tailored factoring services to best suit their needs, while focusing on the quality of our factoring portfolio, service, and customer satisfaction.

## Commercial International Life Insurance Company

Commercial International Life Insurance Company (CIL) seeks to meet the savings and protection needs of individual and corporate customers with insurance products that offer excellent value-for-money.

Leveraging the strength of its two respected shareholders, Legal & General of the UK and Commercial International Bank (CIB) of Egypt, and a successful banc-assurance sales model, CIL has risen rapidly to be among the largest companies in the Egyptian life insurance industry.

Having celebrated ten years of operations in Egypt, CIL looks forward to another decade of meeting the high growth expectations of its shareholders and contributing further to the development of the life insurance sector in Egypt.

### 2010 Accomplishments

CIL currently insures the lives of more than 250,000 people, and provides retirement savings programs for almost 20,000 people. Sales increased significantly during the year and the growth platform for sales and revenue diversification across all lines of business is being established for the years ahead.

### Forward Strategy

In the future, CIL is determined to:

- Build a strong and vibrant company through strong and sustained growth in sales of profitable products to individual and corporate customers
- Ensure high customer satisfaction by offering competitive, value-for-money products using a transparent and needs-based sales process, supported by exceptional ongoing customer service
- Contribute materially to CIB's revenue base with strong sales growth, high policy persistency and maximisation of synergies with CIB affiliated companies

FALCON

الشـــركة الدولية للأمـــن والخدمــــات ش.م.م.

International Security & Services S.A.E.

## Falcon Group

Falcon Group (F.G.) is a joint venture between Commercial International Bank, the Private Fund of the Employees working at CIB, and other partners. CIB holds 40.5%, the Private Fund of the Employees holds 13.5%, Al Ahly for Marketing and Services holds 5.5%, while 40.5% is held by individual entities.

### Product type

Falcon Group provides various products and services through its five subsidiaries:

1. Falcon for Properties and Premises Protection
- Properties and Premises Protection
- Public Event Security
- Personal Protection
- Training Security Dogs
- Corporate Security Training Courses

2. Falcon for Cash in Transit Services
- Cash Management and Transit
- ATM services (feeding and maintenance)
- Sorting and defining money

3. Falcon for Electronic Security Systems
- Security Surveillance Equipment
- Counter Surveillance Equipment
- Access Control Equipment
- Fire Systems
- Safety Equipment

4. Falcon for Services & Project Management
- Cleaning and Maintenance
- Legal Consultancy
- Public Governmental Services (Concierge Services)
- Advertising
- Organizing exhibitions, conferences, and events.
- Catering

5. Falcon Blue for Touristic Services
- Booking International and Domestic Flights
- Booking International and Domestic Hotels
- Visa Handling
- Meet & Assist
- Medical Insurance for Travel
- Assistance in Tracing Lost Baggage
- Tour Arrangements for Groups and Individuals
- Haaj & Omrah

### Target Market:

In today's market, there is a growing demand for superior security products and services. Many organizations are considering using managed service providers to meet some or all of their needs. F.G. provides best-in-class security and properties management services, as classified by the UNDSS. F.G. has established a unique mix and calibre of services to meet the market's varied needs.

Every year, Falcon Group adds additional services to ensure that the needs of our clients are met. F.G. has positioned itself as the leading company offering various forms of relief and assisting the other affiliated companies with marketing themselves as providers of quality service.

### 2010 Accomplishments

During 2010, Falcon Group accomplished the vast majority of its objectives. F.G. succeeded in establishing new companies within the group with the intention to cross-sell products, while the company notably launched Falcon for Services and Properties Management.

- Growth rate reached 13% with a turnover of EGP 72 million.
- F.G. assets have grown steadily to reach EGP 21 million.
- Branch network increased to 7 branches in Egypt

### Ongoing Forward Strategy

Falcon Group's strategy is to focus on the industrial, petroleum, and security-related enterprises holding at least 50% of the market share, which we project will increase our income by more than EGP 30 million at least in the next three years. In addition, we aim to open a certified training centre (Falcon Academy), providing the market with Falcon expertise and introducing world-class standards to Egypt.

## Corporate Leasing Company Egypt (CORPLEASE)

CORPLEASE

Established in 2004, CORPLEASE has quickly become one of the largest financial leasing firms in Egypt, currently ranked among the top three firms in the industry. CIB holds a 40% share of the company's capital along with other institutional investors including DEG (an arm of KfW Bankengruppe) and U.B.A.F (Union De Banques Arabes et Francaises).

CORPLEASE, which is a broad-based leasing company, has a robust business model built on combining solid growth, operational excellence, rigorous underwriting standards, strong risk management and sophisticated control processes. As a result, CORPLEASE has since its inception enjoyed an excellent quality lease portfolio.

### 2010 Performance

The company's lease volumes grew by 33% compared to 2009 while net profit after tax more than doubled despite the fact that in 2010 the company was, for the first time, fully liable for taxes after the end of its five year tax holiday. The company recorded an after-tax return on capital in excess of 40% in addition to returns on assets of 4%, while the quality of the company's lease portfolio remains solid with minimal collection delays.

In the fourth quarter of 2010, CORPLEASE issued and successfully closed its third asset-backed securitization by issuing a multi-tier bond of EGP 538 million against a portfolio of leases with total receivables of EGP 700 million. CIB acted as the sole arranger, underwriter, back-up servicer and custodian of the issue.

In 2010, CORPLEASE finalized and successfully relocated to its new purpose-built head office in Smart Village, a premier business park for financial and technology companies. The company also inaugurated its branch in Mansoura and plans to pursue further geographical coverage in 2011.

## El Sewedy Electric

# Modernising Local and Regional Infrastructure

El Sewedy Electric is one of the world's leading manufacturers of integrated electrical products and services. With factories scattered across the Middle East and Africa, the company now exports to markets as diverse as Brazil, Spain, Eastern Europe and MENA. Having acted as a financial advisor during key acquisitions and expansions, CIB is proud to have facilitated the growth that transformed El Sewedy from a family-run enterprise into a major multinational company.

Originally established in 1938 as a family business involved specifically in the trading of electrical equipment, El Sewedy has since expanded its lines of business to encompass a wide spectrum of industries including engineering and contracting, electrical products, wind energy and telecommunications. These successive expansions necessitated complex cross-border deals as the company grew its geographical footprint to include production sites in countries as dispersed as Zambia, Nigeria, Ethiopia, Algeria, and Syria. Since 1998, CIB has constantly supported this growth strategy and provided financial solutions to bolster El Sewedy's expansion into new industries. In 2007, CIB saw the company make a historic entry into Europe when it acquired Slovenian Iskraemeco, one of the world's most technologically advanced producers of metering products and services.

CIB views El Sewedy, like many of its corporate clients, as more than just a source of lucrative transactions, but also as a driver of macro-economic growth in Egypt. Working with such clients thus generates revenues for CIB while simultaneously creating dividends for the Egyptian economy at large.

# Corporate Governance

## The Board of Directors is responsible for ensuring that the company's strategy and the controls in place deliver value to all stakeholders, including shareholders, customers, employees and the community.

CIB places a strong emphasis on corporate governance, striving to both align business practices with the best interests of shareholders, and maximize transparency through timely information disclosure and financial reporting. CIB has adopted a sound and effective system of corporate governance best practice, with a professional leadership team composed of executive directors and senior managers, independent board committees, and independent non-executive directors of experience and integrity.

Our corporate governance framework ensures that timely and accurate disclosure occurs with respect to material matters regarding the Bank, its ownership, operations and financial performance. The Board is also responsible for ensuring the equal treatment of all shareholders and enforcing sound protection of their voting rights. Furthermore, CIB changes auditors every five years to ensure objectivity and to benefit from new practices.

The Board of Directors is comprised of a majority of non-executive directors, all of whom play key roles in the governance of the Bank. The breadth of expertise of the non-executive directors has created a particularly strong Board, whose influence is invaluable to the continuing strength of CIB.

### The Board of Directors

The Bank's management structure is based upon centralization of controls at the head office and at the top management level. The management team takes guidance from the Board of Directors, which sets the overall strategy and approves all operating policies.

CIB's Board of Directors met five times over the course of 2010, and currently consists of two executive and seven non-executive members with experience from a wide range of industrial sectors. When a board seat is vacant, the Compensation and Governance Committee is responsible for nominating a member, subject to the Board's consent, who is then formally appointed after gaining approval at the General Assembly and from the Central Bank of Egypt. The Board meets at least four times annually.

In July 2009, Actis, an emerging market private equity specialist, acquired 50% of the stake in CIB that was originally held by the Ripplewood consortium. In December 2009, New York-based Ripplewood sold its remaining residual stake in CIB, thus marking the successful transition of CIB's strategic partnership to be with Actis, who is now the single largest shareholder in the Bank. Accordingly, the Board of Directors in its new and expanded form consists of:

Mr. Hisham Ezz Al-Arab
Chairman and Managing Director
MC/C

Mr. Hisham Ezz Al-Arab joined CIB in 1999 as Deputy Managing Director and was elected Chairman and Managing Director in September 2002. He has more than 30 years experience in global banking, having held senior positions at Merrill Lynch, J.P. Morgan and, more recently, Deutsche Bank in the United Kingdom.

Mr. Ezz Al-Arab holds a directorship of the South Asia, Middle East & Africa Region Advisory Board of MasterCard Incorporated. In addition, he is a member of the Court of Honor in the Ministry of Justice of Egypt and the Industrial Modernization Centre, as well as a principal member of the American Chamber of Commerce. Mr. Ezz El-Arab is also a member of the Board of Trustees of the General Association for Social Solidarity within the Egyptian Ministry of Social Solidarity.

Mr. Essam El Wakil
Member and CEO Institutional Banking
RC/M, MC/M, HLIC/C

Mr. El Wakil is a prominent banker with more than 36 years of experience in the financial industry, including Treasury & Capital Markets, Corporate Finance, Project & Trade Finance, Islamic Banking and Investment Banking.

He began his career in 1976 with the National Bank of Egypt, followed by Arab International Bank, Egypt. Beginning in 1980, Mr. El Wakil spent 28 years with Arab Banking Corporation (ABC) Group in Bahrain, London, New York, Singapore and Egypt. During his last 10 years in Bahrain, between 1996 and 2006, he held several senior banking positions and directorships in both Islamic and commercial banks throughout the MENA region.

In April 2008, he was elected as a board member of the Egyptian Federation of Banks.

Mr. El Wakil joined CIB in August 2008, as Board Member and CEO of Institutional Banking. In May 2009, Mr. El Wakil was appointed as the Chairman of the investment banking subsidiary of CIB, CI Capital. In August 2009, he was appointed as Deputy Chairman to the Banking Committee, American Chamber of Commerce.

### Dr. William Mikhail
Member
AC/C

Dr. Mikhail is currently professor of Econometrics at the American University in Cairo (AUC), and has been a member of CIB's Board of Directors since 1997. He obtained his PhD from the London School of Economics, London University, in 1969. In addition to his academic career, Dr. Mikhail has also worked with international consulting firms and as a UN consultant for more than two decades on econometric modelling and economic policy analysis in a number of countries. He has published extensively on econometric theory and applied econometrics in international journals, and supervised many PhD and MA theses both at Cairo University and AUC.

### Mr. Mahmoud Fahmy
Member
AC/M, GCC/M

Counselor Fahmy is a well-respected Egyptian lawyer and international arbitrator. He is an Attorney at Law admitted to the Egyptian Bar of Civil, Commercial and Criminal Cassation Courts, the Supreme Administrative Court and the Supreme Constitutional Court. He is a member of the General Assembly of Public Sector's Banks at the Central Bank of Egypt, a member of the Egyptian Businessmen's Association and head of its Investment and Economic Legislation Committee, Chairman of the Egyptian Legal Association, Chairman of Corporate Leasing Co. Egypt (Corp-Lease), and Chairman of The Egyptian Leasing Association. In addition, Mr Fahmy is the owner and General Manager of Fahmy's Law Office for Legal Profession, Legal Consultation, Arbitration, Investment and Capital Markets.

### Dr. Nadia Makram Ebeid
Member
GCC/C

Dr. Nadia Makram Ebeid is the Executive Director of the Centre for Environment and Development for the Arab Region and Europe (CEDARE), an international diplomatic position she has held since January 2004. For a period of five years beginning in 1997, Dr. Ebeid served as Egypt's first Minister of Environment, the first woman to assume this position in the Arab world. Early in her career, Dr. Ebeid held several managerial posts with the United Nations Development Program (UNDP), the United Nations Food and Agriculture Organization's Regional Office for the Near East, and Council for Environment and Development Research. In recognition of her role in environmental policy and advocacy, Dr. Ebeid has been awarded numerous awards and distinctions from local and international NGOs, leading institutions and associations.

### Mr. Walid Shash
Member
RC/M

Mr. Walid Shash is currently the Head of the MENA Institutional and Private Wealth Management Business, Union Bancaire Privée (UBP) Geneva. Since his graduation in 1982 with a BA in Economics and Business Administration from the American University in Cairo, Mr. Shash has served in a number of renowned financial institutions, including Misr American International Bank, Union des Banques Arabes et Français (UBAF) in Paris, Lehman Brothers and Prudential Securities in Geneva.

### Dr. Medhat Hassanein
Member
AC/M

Dr. Medhat Hassanein, Egypt's former Minister of Finance (1999-2004), is currently a professor of Finance and Banking with the Management Department of the School of Business, Economics & Communication at the American University in Cairo.

Dr. Hassanein is a senior policy analyst with long experience in macro-policy analysis, corporate finance and international financial management. He has previously served as advisor to governments, high-level advisory bodies and the donor community. During his term as Minister of Finance, he developed and instituted the second generation of fiscal public policy reforms for the Government of Egypt. Dr. Hassanein has also served as Chairman and Board Member in public holding companies, private corporations and many respected banks in Egypt, most recently HSBC Egypt (2004-May 2009) where he chaired its Audit Committee.

### Ambassador Frank G. Wisner
Member
GCC/M

Ambassador Frank G. Wisner is the international affairs advisor to Patton Boggs LLP, a full-service firm with a national presence in every major area of legal representation. Prior to joining Patton Boggs, Mr. Wisner served as Vice Chairman of the American International Group (AIG), External Affairs, following his retirement from the US government with the personal rank of Career Ambassador, the highest grade in the Foreign Service.

Mr. Wisner joined the US Department of State in 1961 and served for 36 years in overseas and Washington-based posts. Among his other posts, Ambassador Wisner served successively as US Ambassador to Zambia, Egypt, the Philippines and India.

Currently, he is on the board of the US-India Business Council. Mr. Wisner is a member of the boards of directors of oil and natural gas exploration and production company EOG Resources and Ethan Allen, a large furniture manufacturer. He has been a member of the Board of Directors of the Pharaonic American Life Insurance Company (ALICO) in Egypt since 2007. He is a senior advisor at Kissinger Associates and Vice Chairman of the Business Council on International Understanding. His non-profit board affiliations include, among others, Rockefeller Brothers Fund, the American University in Cairo, Princeton University's Middle Eastern Affairs Advisory Board and the advisory board at Columbia University's SIPA.

### Mr. Paul Fletcher
Member
GCC/M

Mr. Paul Fletcher joined CIB's Board of Directors in February 2010. Mr. Fletcher is Senior Partner of Actis, leading the firm from its London headquarters, which he joined in 2000. Actis currently has US$ 4.8 billion in funds under management, with over 100 investment professionals on the ground in nine offices worldwide.

Originally a banker with Cargill and Banker's Trust, Mr. Fletcher transitioned into corporate finance in the early 1990s with a role at Citibank.

At Citibank, he led the East African operations, becoming Head of Emerging Markets Strategic Planning. With two decades of experience in emerging markets, Mr. Fletcher's career has spanned Kenya, Tokyo, New York and London.

Mr. Fletcher is a Founding Director of the Emerging Markets Private Equity Association (EMPEA). He holds a Masters in Geography from Oxford University.

## Committees of the Board of Directors

The following sub-committees assist the Board in the fulfilment of its responsibilities:

### Audit Committee

The Audit Committee's mandate is to ensure compliance with the highest levels of professional conduct, reporting practices, internal processes and controls. Consistent with the interests of all stakeholders, the Audit Committee also sets and enforces high standards of transparency and strict adherence to internal policies and procedures. In performing these critical functions, the Audit Committee is cognizant of the important role CIB plays in the Egyptian financial sector as a leader in the aforementioned areas. The Audit Committee met four times throughout the course of 2010.

### The Governance and Compensation Committee

The Governance and Compensation Committee (GCC) is an integral part of the overall responsibilities of the Board of Directors. As such, and in line with CIB's Corporate Governance Framework, the GCC is responsible for establishing cor-

*Our corporate governance framework ensures that timely and accurate disclosure occurs with respect to the Bank's ownership, operations and financial performance.*

porate governance standards, assessing Board effectiveness and determining the compensation of members of the Board. The GCC Committee also determines the appropriate compensation levels for the Bank's senior executives and ensures that compensation is consistent with the Bank's objectives and performance, strategy and control environment. The Governance and Compensation Committee met twice in 2010.

### The Risk Committee

The primary mission of the Risk Committee is to assist the Board in fulfilling its risk oversight responsibilities by establishing, monitoring and reviewing internal control and risk management systems to ensure that the Bank has the proper focus on risk. It also recommends to the Board the Bank's risk strategy, and explains its associated limits. The Risk Committee met four times throughout the course of 2010.

### The Management Committee

The representatives of the Management Committee are the Chairman, the Chief Executive Officer of Institutional Banking, the CEO of Consumer Banking and the Chief Operations Officer. They meet exclusively, without the attendance of the Bank's executive officers. The Management Committee is responsible for setting the overall strategy as well as the financial and operational performance goals of the Bank. The Management Committee met 12 times throughout the course of 2010.

### The High Lending and Investment Committee

Composed of the Bank's top executives, the High Lending and Investment Committee's prime mandate is to focus on the credit and investment decisions of the Bank. The High Lending and Investment Committee regularly reviews and decides on the Bank's credit facilities and equity investments as well as focusing on the asset quality, allocation and development. This Committee is responsible for taking executive and administrative decisions, thereby allowing the BoD to focus on strategy and growth opportunities, and in turn decreasing inherent conflicts of interest. The High Lending and Investment Committee met 47 times throughout the course of 2010.

**References**

| | |
|---|---|
| Audit Committee | AC |
| The Governance and Compensation Committee | GCC |
| Risk Committee | RC |
| Management Committee | MC |
| High Lending and Investment Committee | HLIC |
| Chairperson | C |
| Member | M |

# Chief Executive Officers

### Mr. Hisham Ezz Al-Arab
Chairman and Managing Director

Mr. Hisham Ezz Al-Arab joined CIB in 1999 as Deputy Managing Director and was elected Chairman in September 2002. With over 30 years of experience in global banking activities, he has held senior positions at Merrill Lynch, JP Morgan and Deutsche Bank. Mr. Ezz Al-Arab also has a directorship of the South Asia, Middle East & Africa Region Advisory Board of MasterCard Incorporated.

In addition to his work at CIB, Mr. Ezz Al-Arab is very active outside of the Bank, as he is a member of the Industrial Modernization Centre and the American Chamber of Commerce. Mr. Ezz El Arab is also member of the board of trustees at the General Association for Social Solidarity within the Egyptian Ministry of Social Solidarity.

### Mr. Essam El Wakil
Chairman of CI Capital

Mr. Essam El Wakil joined CIB in August 2008, as Board Member and CEO of Institutional Banking. In May 2009, Mr. El Wakil was appointed Chairman of CI Capital, the Investment Banking subsidiary of CIB. Mr. El Wakil brings over 36 years of experience in various financial areas including Treasury and Capital Markets, Project and Trade Finance, as well as Islamic Banking. He has held senior positions at the National Bank of Egypt, the Arab International Bank, as well as the Arab Banking Corporation (ABC) Group for which he worked in the offices of Bahrain, London, New York, Singapore and Egypt.

In April 2008, Mr El Wakil was also elected to be a board member of the Egyptian Federation of Banks, and in August 2009, he was appointed as Deputy Chairman to the Banking Committee of the American Chamber of Commerce.

### Mohamed Abdel Aziz El Toukhy
Chief Executive Officer, Consumer Banking

Mr. Mohamed Abdel Aziz El Toukhy is currently the CEO of Consumer Banking at CIB. In his current role, Mr. Toukhy is entrusted as a key leader in the transformation of the organization into a modern Consumer Banking franchise. Mr. Toukhy began his career at CIB in 1979 at the Trade Finance Department, and has since worked in a number areas including Operations, Branch Management and Corporate Banking. In July 2006, Mohamed El Toukhy was promoted to be General Manager of Consumer Banking and since then has led the franchise to unprecedented success.

Under Mr Toukhy's leadership, Consumer Banking has significantly improved its balance sheet, expanded its branch network to cover all key governorates in Egypt, and taken leadership positions in the cards, loans and wealth management businesses. Outside of Consumer Banking, Mr. Toukhy is also Chairman of Commercial International Life Insurance (CIL), Chairman of Commercial International Asset Management (CIAM), and a member of the Boards of Commercial International Capital Holding (CICH) and Bavarian – Contact Car Trading (BMW).

### Mr. Hussein Abaza
Chief Operating Officer

Mr. Hussein Abaza is currently Chief Operating Officer of CIB, where he has also served as Chairman of CIAM and as a member of the High Lending and Investment Committee, the Board Risk Committee, as well as on the Board of the CI-Capital Holding Company. In addition to those positions, Mr. Abaza has a long history at CIB where, as General Manager and Chief Risk Officer, he was responsible for bank-wide Credit, Market and Operational Risk, and Investor Relations. Outside of CIB, Mr. Abaza worked as Head of Research at EFG-Hermes Asset Management from March 1995 until October 1999.

Mr. Hussein Abaza graduated with a B.A. in Business Administration from the American University in Cairo in 1984, after which he worked at Chase National Bank of Egypt and underwent intensive training in Belgium, Switzerland, London and New York.

# Magdi Yacoub
## Providing Healthcare To the Disadvantaged

One of the leading consultants in the field of cardiothoracic surgery, Dr. Magdi Yacoub is currently working to provide cutting edge heart surgeries to disadvantaged children across Egypt through the Chain of Hope organization and the Magdi Yacoub Heart Foundation which he established.

While he has spent the majority of his career abroad as a surgeon, professor and consultant in the United Kingdom, Dr. Yacoub has worked for more than a decade to provide much-needed healthcare services in his country of birth. Starting with the Aswan Heart Centre, now a reputable institution of international standing currently offering state-of-the-art cardiovascular care free of charge, Dr. Yacoub seeks to create vehicles through which the private sector can effectively contribute to the needs of the Egyptian public.

In early 2010, the Magdi Yacoub Heart Foundation requested CIB's support in a number of projects initiated by the organization. Through this initial partnership, CIB financed 50 open-heart surgeries for underprivileged children in need. Following this cooperation with Magdi Yacoub in Upper Egypt, CIB established the CIB Foundation in mid-2010 as part of the Bank's corporate social responsibility policy, dedicating one percent of its net annual profit to enhance health and nutritional services to Egyptian children. The CIB Foundation began disbursing funds to organizations serving disadvantaged children in November 2010, and in early January 2011, signed a second cooperative agreement with the Magdi Yacoub Heart Foundation, worth several million EGP.

The CIB Foundation will also be funding a ten-bed suite for the paediatric intensive care unit (PICU), a centre aiming to provide world-class medical services free of charge to the less privileged. Expected to open in August 2011, the PICU anticipates performing more than 250 paediatric interventions in 2011, while raising occupancy to 80% by 2015.

By cultivating further partnerships with other leading experts and community members such as Magdi Yacoub, the CIB Foundation helps drive development projects and encourage system-wide social responsibility not just in Egypt's rapidly growing financial sector, but in the wider business community as well.

# Corporate Social Responsibility

Because of our commitment to both our community and our work environment, corporate social responsibility (CSR) plays a fundamental role in our operations at CIB. Our business impacts our local environment and touches the lives of millions of people across Egypt. This broad footprint has led to CIB's unique approach to CSR, which is based on six key areas.

## Community Health

Seeking to enhance the quality of health and nutritional services in Egypt, CIB has made donations on a stand-alone basis over the past ten years. Observing the positive impact these donations have had on the lives of children in Egypt, the Bank recently took an active measure to move towards more effective, sustainable initiatives. In March 2010, a unanimous decision was taken at the CIB General Assembly to develop the CIB Foundation, and in May 2010, the Foundation was established as a non-profit organization dedicated to enhancing health and nutritional services to underprivileged children in Egypt.

With the generous support of CIB shareholders, the Bank channels an ongoing allocation of 1% of its annual net profit to the Foundation. In addition, the CIB Foundation was granted a donation license from the Ministry of Social Solidarity, allowing it to collect donations from Bank stakeholders, including customers, shareholders, suppliers, affiliates and employees. It is with this funding that the CIB Foundation seeks to make valuable contributions to the areas of child health and nutrition through various multi-faceted initiatives. The Foundation's short and long term goals include, but are not limited to:

- Purchasing medical equipment for hospitals,
- Renovating and upgrading hospital infrastructure
- Providing surgical and medicinal treatment to underprivileged children.

Additionally, the Foundation seeks to assist school feeding programs, support children with special needs, and raise community awareness on health and nutrition-related issues.

The CIB Foundation is dedicated to following up on and comprehensively monitoring past CIB child health-related donations made by the Bank in early 2010. Through the Magdi Yacoub Foundation in Aswan, CIB covered the costs associated with 50 children's open heart surgeries.

The Bank also funded the purchasing of 56 electric dental chair sets for the Paediatric Ward of the Faculty of Oral and Dental Medicine at Cairo University. Prior to receiving the CIB donation, the ward was only meeting 20% of the demand for their services. The ward, as the only provider of low-cost, specialized paediatric dental services, is now expected to open in January 2011 at full capacity.

CIB also donated to the Paediatric Surgery Unit at Ain Shams University Hospital in order to improve the Unit's efficiency. The multi-million Egyptian Pound renovation included infrastructure, equipment, medical and non-medical furniture. The Unit now includes two operating theatres, an intensive




care room and an immediate care ward, allowing it to perform 3,600 critical operations a year.

A donation was also made to the Breast Cancer Foundation of Egypt to cover the costs associated with surgery, prostheses and lymph edema treatment for 15 breast cancer patients.

In November 2010, the CIB Foundation signed a protocol of cooperation with the Friends of Abou El Reesh Children's Hospitals Organization for the establishment of a Paediatric Intensive Care Unit (ICU) at the Abou El Reesh El Mounira Children's Hospital. The 14-month project will see the development of a ten-bed unit, doubling the number of critical patients the hospital is able to serve. Once completed, the unit will operate alongside the existing ICU, and will provide quality service and care to patients from across the country.

## Community Development

CIB's firm belief in the importance of developing a new generation of business leaders has led it to engage in several types of sponsorship and social involvement activities. In 2010, the Bank for the fifth consecutive year sponsored SIFE, an international organization that mobilizes university students to make a difference in their communities while developing the necessary skills to become socially responsible business leaders. Specifically, the Bank sponsored a national competition as well as the Business Ethics section of the competition, following which SIFE Egypt won the 2009 and 2010 SIFE World Cups, and CIB is proud to have

played a part in these achievements.

CIB also has a specialized division which handles social development funds and finance programs provided by governmental and international donors. These funds are known for their low interest rates and simple application procedures. The program aims to create new job opportunities and promote higher incomes amongst rural populations with special emphasis on women and small farmers.

CIB's commitment to supporting Egypt's talented artists, scholars and intellectuals is also a pillar of the Bank's CSR program. CIB was proud to sponsor the publication of an anthology of the works of Dr. Farid Fadel entitled "Egypt, Journey of An Artist". The bank also supports the arts through other initiatives, including the Philharmonic and Metropolitan Sponsorships.

With regards to our employees and Community the Bank is committed to providing our staff with competitive employment packages and ample training opportunities, enabling them to contribute positively to both CIB and the wider community.

## Respecting Individuals

CIB is a large institution governed by strict ethics and regulations. The Bank acknowledges and respects the fundamental principles of human rights as declared by the United Nations and set down in the Egyptian Labour Law.

CIB has been recognized by organizations including Realizing Rights and the Business & Human Rights Resource Centre for our public commitment to human rights, joining an elite group of international companies committed to upholding these principles. CIB's human rights policy covers key issues including our code of conduct, employment policy, practices and corporate social responsibility.

CIB is also actively involved in the fight against human trafficking. The Bank has worked with the United Nations Development Fund for Women (UNIFEM) and the United Nations Office on Drugs and Crime (UNDOC) in addition to other prominent international organizations to this end. CIB's Chairman, Mr. Hisham Ezz Al-Arab, signed the Athens Ethical Principles, a set of declarations against human trafficking, in December 2010. Mr. Ezz Al-Arab was joined in this act by other private sector CEOs and NGO representatives. As a signatory of the Principles, CIB declares its commitment to the global fight against human trafficking, and demonstrates a zero-tolerance position towards trafficking in human beings, especially women and children. The group also launched the "End Human Trafficking Now" campaign to promote the seven main values of the Athens Principles and facilitate their implementation by companies.

## Achieving Employee Satisfaction

At CIB, we believe that the happiness and personal development of our employees is essential to our growth and success as a bank. In 2010, we employed 670 personnel across the Bank. In 2010, CIB was named the Employer of Choice in the banking sector.

CIB's Code of Conduct Policy calls for equal opportunity and fair competition and treatment among all of our employees and provides protection against harassment and intimidation. The Bank also uses a "Whistle Blowing" policy whereby staff can raise concerns about possible irregularities confidentially. In order to keep pace with the needs of our employees, CIB consistently conducts employee satisfaction surveys.

CIB pays special attention to the issue of gender equity and leads the Egyptian banking sector on this issue. In 2009, the Bank received the Gender Equity Seal, and was the only bank in Egypt and the Middle East to be invited to participate in the United Nations Development Fund for Women (UNIFEM)'s launch of the Gender Equity Model Project when Egypt became the second country after Mexico to adopt this initiative.

## Outstanding Customer Experience

At CIB, our customer service standards set us apart from our competitors. We believe that industry-leading customer service earns CIB the trust and loyalty of our customers. Our objective is to provide best in class levels of service, a goal that the Bank has been focused on since 2007. In 2010, CIB focused on initiatives to improve our customer experience.

## Meeting Shareholder Expectations

At CIB we believe that dialogue with existing as well as potential investors and business analysts is the best way to ensure transparency and integrity in our dealings with clients and the community. We conduct business in a way that promotes these two values and provides the community with a clear understanding of our operations, corporate values, and business relationships.

# Financial Statements

Commercial International Bank (S.A.E.) – Fiscal Year Ending December 31, 2010

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Allied for Accounting & Auditing E&Y
Public accountants & consultants

KPMG Hazem Hassan
Public accountants & consultants

AUDITORS' REPORT

To the Shareholders of
**Commercial International Bank (Egypt)**

**Report on the unconsolidated financial statements**

We have audited the accompanying unconsolidated financial statements of Commercial International Bank (Egypt) S.A.E, which comprise the unconsolidated balance sheet as at 31 December 2010 , and the unconsolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the unconsolidated Financial Statements**

These unconsolidated financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and in light of the prevailing Egyptian laws , management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the unconsolidated financial statements.

**Opinion**

In our opinion, the unconsolidated financial statements referred to above present fairly, in all material respects, the unconsolidated financial position of Commercial International Bank (Egypt) as of December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note [43] to the unconsolidated financial statements. The bank disclosed that The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors, in general, a matter which may lead to a substantial decline in the economic activities in the coming periods.

**Report on Other Legal and Regulatory Requirements**

According to the information and explanations given to us – during the financial year ended December 31, 2010 no contravention of the central bank, banking and monetary institution law No. 88 of 2003.

The Bank maintains proper books of account, which include all that is required by law and by the statutes of the bank, the unconsolidated financial statements are in agreement thereto.

The unconsolidated financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Bank's books of account.

Auditors

المتضامنون للمحاسبة والمراجعة
A Member of
Ernst & Young Global

Nabil Istanbouli
**Capital Market Authority Register No. "71"**
**Allied for Accounting & Auditing E&Y**
**Public accountants & consultants**

KPMG Hazem Hassan
Public Accountants and Consultants

Ehab Akl
**Capital Market Authority Register No. "9"**
**KPMG Hazem Hassan**
**Public accountants & consultants**

Cairo, 23 February 2011

## A. CIB Stand-alone

Commercial International Bank (Egypt) S.A.E **Balance Sheet** as of Dec. 31, 2010

| | Note No. | Dec. 31, 2010 EGP | Dec. 31, 2009 EGP |
|---|---|---|---|
| **Assets:-** | | | (Restated) |
| » Cash and Due From Central Bank | (15) | 5,675,241,791 | 4,179,212,739 |
| » Due From Banks | (16) | 6,769,607,397 | 7,785,042,557 |
| » Treasury Bills and other Governmental Notes | (17) | 8,821,003,566 | 13,191,665,954 |
| » Trading Financial Assets | (18) | 1,422,038,841 | 380,620,682 |
| » Loans and Overdrafts for Banks (Net After Provision) | (19) | 128,527,576 | 200,765,433 |
| » Loans and Overdrafts for Customers (Net After Provision) | (20) | 35,046,013,357 | 27,242,306,896 |
| » Financial Derivatives | (21) | 139,263,948 | 225,347,220 |
| **Financial Investments:-** | | | |
| » Available for Sale | (22) | 13,605,347,030 | 7,420,529,606 |
| » Held to Maturity | (22) | 289,151,745 | 579,926,673 |
| » Financial Investments in Subsidiary and Associated Co. | (23) | 996,317,538 | 1,138,277,487 |
| » Real estate investments | (24) | 28,695,664 | 42,485,364 |
| » Debit Balances and Other Assets | (25) | 1,375,945,140 | 918,003,882 |
| » Deferred Tax | (33) | 79,656,694 | 39,799,318 |
| » Fixed Assets (Net) | (26) | 716,071,158 | 718,847,964 |
| **Total Assets** | | **75,092,881,445** | **64,062,831,775** |
| **Liabilities and Shareholder›s Equity:-** | | | |
| **Liabilities:-** | | | |
| » Due to Banks | (27) | 1,322,279,909 | 458,145,229 |
| » Customers Deposits | (28) | 63,479,883,624 | 54,842,629,843 |
| » Financial Derivatives | (21) | 113,551,040 | 150,526,830 |
| » Credit Balances and Other Liabilities | (30) | 1,123,883,898 | 1,128,964,485 |
| » Long Term Loans | (29) | 129,113,425 | 93,237,042 |
| » Other Provisions | (31) | 310,238,930 | 443,728,578 |
| **Total Liabilities** | | **66,478,950,826** | **57,117,232,007** |
| **Shareholders› Equity:-** | | | |
| » Issued and Paid in Capital | (32) | 5,901,443,600 | 2,925,000,000 |
| » Reserves | (32) | 416,828,938 | 2,077,203,969 |
| » Reserve for employee stock ownership plan (ESOP) | | 149,520,859 | 161,728,985 |
| » Retained Earning | | 20,231,298 | (1,942,684) |
| **Total Shareholders› Equity** | | **6,488,024,695** | **5,161,990,269** |
| » Net Profit of the Year | | 2,125,905,924 | 1,783,609,498 |
| **Total Shareholders› Equity and Net Profit** | | **8,613,930,619** | **6,945,599,768** |
| **Total Liabilities and Shareholders› Equity** | | **75,092,881,445** | **64,062,831,775** |
| **Contingent Liabilities and Commitments** | | | |
| letters of Credit, Guarantees and Other Commitments | (37) | 11,879,748,713 | 12,637,872,568 |

The accompanying notes are an integral part of the Financial Statements and are to be read therewith (Audit Report attached)

Hisham Ezz El-Arab
Chairman & Managing Director

Commercial International Bank (Egypt) S.A.E **Unconsolidated Income Statement** For The Year Ended Dec. 31, 2010

| | Note No. | Dec. 31, 2010 EGP | Dec. 31, 2009 EGP (Restated) |
|---|---|---|---|
| » Interest and similar income | (6) | 4,521,390,287 | 4,026,337,183 |
| » Interest expense and similar charges | (6) | (2,266,569,515) | (2,000,868,483) |
| **Net Interest Income** | | **2,254,820,772** | **2,025,468,700** |
| » Fees & Commissions Income | (7) | 835,154,241 | 704,436,353 |
| » Fees & Commissions Expense | (7) | (84,876,559) | (67,147,458) |
| **Net Fees and Commissions Income** | | **750,277,682** | **637,288,895** |
| » Dividends Income | (8) | 184,309,092 | 126,062,373 |
| » Net Trading Income | (9) | 413,109,812 | 404,153,055 |
| » Profit from Financial Investments | (22) | 102,559,206 | 65,220,692 |
| » Administrative Expenses | (10) | (1,187,939,937) | (1,040,787,351) |
| » Other Operating (Expenses) Income | (11) | 1,771,329 | (84,879,302) |
| » Return (Losses) Of Impairment From Loans | (12) | (6,163,496) | (9,184,858) |
| **Net Profit Before Tax** | | **2,512,744,460** | **2,123,342,204** |
| » Income Tax | (13) | (426,695,912) | (357,691,456) |
| » Deferred Tax | (13) & (33) | 39,857,376 | 17,958,750 |
| » Net Profit After Tax | | 2,125,905,924 | 1,783,609,499 |
| **Earning Per Share** | | | |
| » Basic | (14) | 2.99 | 2.63 |
| » Diluted | (14) | 2.93 | 2.59 |

Hisham Ezz El-Arab
Chairman
& Managing Director

Commercial International Bank (Egypt) S.A.E **Unconsolidated Cash Flow** For The Year Ended Dec. 31, 2010

| | Dec. 31, 2010 EGP | Dec. 31, 2009 EGP |
|---|---|---|
| **Cash Flow From Operating Activities:-** | | (Restated) |
| » Net Income Before Tax | 2,512,744,460 | 2,123,342,204 |
| **Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities** | | |
| » Depreciation | 179,021,238 | 184,283,445 |
| » Provisions (Formed During The year) | 84,416,535 | 59,026,765 |
| » Trading Financial Investments Evaluation Differences | (76,970,503) | (11,988,038) |
| » Impairment Of Assets | 100,496,321 | 22,423,516 |
| » Utilization Of Provisions (Except Provision For Doubtful Debts) | (1,990,637) | (5,934,246) |
| » Provisions No Longer Used | (178,037,726) | (517,078) |
| » Fcy Revaluation Differences Of Provisions Balances (Except Doubtful Debts) | 7,340,620 | (724,579) |
| » Profits From Selling Fixed Assets | (1,574,746) | (15,797,710) |
| » Profits From Selling Financial Investments | (209,478,369) | (113,051,948) |
| » Losses From Selling An Investment In Associated | 96 | - |
| » Fcy Revaluation Diff.Of Long Term Loans | 141,768 | 310,424 |
| » Share Based Payments | 66,356,519 | 75,001,082 |
| **Operating Profits Before Changes In Operating Assets And Liabilities** | **2,482,465,576** | **2,316,373,837** |
| **Net Decrease (Increase ) In Assets and Liabilities** | | |
| » Due From Banks | 1,114,664,704 | (1,792,506,063) |
| » Treasury Bills And Other Governmental Notes | 492,012,203 | 1,410,297,463 |
| » Trading Financial Assets | (964,447,656) | 128,921,843 |
| » Financial Derivatives (Net) | 49,107,482 | (6,844,342) |
| » Loans And Overdrafts | (7,776,687,046) | (1,047,276,957) |
| » Debit Balances And Other Assets | (452,877,544) | (69,428,725) |
| » Due To Banks | 864,134,680 | 244,675,217 |
| » Customers Deposits | 8,637,253,781 | 5,904,520,180 |
| » Credit Balances And Other Liabilities | (431,776,495) | (475,728,332) |
| **Net Cash Provided From Operating Activities** | **4,013,849,685** | **6,613,004,121** |
| | | (Restated) |
| **Cash Flow From Investing Activities:-** | | |
| » (Payments) Incomings form (Purchase) selling Subsidiary and Associated Co. | 141,959,949 | (86,222,016) |
| » Purchase Of Fixed Assets , Premises And Fitting- Out Of Branches | (179,733,400) | (130,621,033) |
| » Redemption Of Held To Maturity Financial Investments | 311,446,590 | 100,347,556 |
| » Held To Maturity Financial Investment Purchases | (20,671,662) | 989,046 |
| » Purchase Of Available For Sale Financial Investment | (5,967,119,276) | (4,567,668,190) |
| » Real estate investments | 13,789,700 | 5,049,941 |
| » Net Cash (Used In) Provided From Investing Activities | (5,700,328,099) | (4,678,124,696) |

Commercial International Bank (Egypt) S.A.E **Unconsolidated Cash Flow** For The Year Ended Dec. 31, 2010

| | Dec. 31, 2010 EGP | Dec. 31, 2009 EGP |
|---|---|---|
| **Cash Flow From Financing Activities:-** | | |
| » Increase (Decrease) In Long - Term Loans | 35,734,615 | (16,347,315) |
| » Dividends Paid | (658,369,589) | (478,236,553) |
| » Capital Increase | 25,721,800 | - |
| **Net Cash (Used In) Financing Activities** | **(596,913,174)** | **(494,583,868)** |
| » Net Cash And Cash Equivalent Changes | (2,283,391,588) | 1,440,295,557 |
| » Beginning Balance Of Cash And Cash Equivalent | 10,062,335,629 | 8,622,040,072 |
| » Cash And Cash Equivalent Balance At The End Of The Year | 7,778,944,041 | 10,062,335,629 |
| **Cash And Cash Equivalent Are Represented As Follows:-** | | |
| » Cash And Due From Central Bank | 5,675,241,791 | 4,179,212,739 |
| » Due From Banks | 6,769,607,397 | 7,785,042,557 |
| » Treasury Bills And Other Governmental Notes | 8,821,003,566 | 13,191,665,954 |
| » Due From Banks (Time Deposits)More Than Three Months | (6,394,795,631) | (7,509,460,335) |
| » Treasury Bills With Maturity More Than Three Months | (7,092,113,082) | (7,584,125,286) |
| **Total Cash And Cash Equivalent** | **7,778,944,041** | **10,062,335,629** |

## Commercial International Bank (Egypt) S.A.E **Unconsolidated Statement of Changes in Shareholders'Equity** as of Dec. 31, 2010

| Dec. 31, 2009 | Capital EGP | Legal Reserve EGP | General Reserve EGP | Retained Earning EGP | Special Reserve EGP | Reserve For A.F.S Investments Revaluation Diff. EGP | Banking Risks Reserve EGP | Profits Of The Year EGP | Reserve For Employee Stock Ownership Plan (ESOP) EGP | Total EGP |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning Balnace | 2,925,000,000 | 432,851,511 | 407,547,602 | (1,942,684) | 185,993,785 | (20,312,399) | - | 1,615,100,458 | 86,727,903 | 5,630,966,176 |
| Effect Of Adjusting Accounting Standards | - | - | - | - | 20,536,766 | - | - | - | - | 20,536,766 |
| Beginning Balnace After Adjustments | 2,925,000,000 | 432,851,511 | 407,547,602 | (1,942,684) | 206,530,551 | (20,312,399) | - | 1,615,100,458 | 86,727,903 | 5,651,502,942 |
| Transferred To Reserves | - | 80,755,023 | 1,056,108,882 | - | - | - | - | (1,136,863,905) | - | - |
| Dividends Paid | - | - | - | - | - | - | - | (478,236,553) | - | (478,236,553) |
| Net Profit Of The Year | - | - | - | - | - | - | - | 1,783,609,498 | - | 1,783,609,498 |
| Addition from Financial Investment Revaluation | - | - | - | - | - | (86,277,201) | - | - | - | (86,277,201) |
| Effect Of Adjusting Accounting Standards | - | - | - | - | - | - | 26,652,790 | (26,652,790) | - | - |
| Reserve For Employees Stock Ownership Plan (ESOP) | - | - | - | - | - | - | - | - | 75,001,082 | 75,001,082 |
| **Balance At The End Of The Year** | 2,925,000,000 | 513,606,534 | 1,463,656,484 | (1,942,684) | 206,530,551 | (106,589,600) | 26,652,790 | 1,756,956,708 | 161,728,985 | 6,945,599,768 |

| Dec. 31, 2010 | Capital EGP | Legal Reserve EGP | General Reserve EGP | Retained Earning EGP | Special Reserve EGP | Reserve For A.F.S Investments Revaluation Diff. EGP | Banking Risks Reserve EGP | Profits Of The Year EGP | Reserve For Employee Stock Ownership Plan (ESOP) EGP | Total EGP |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning Balnace | 2,925,000,000 | 513,606,534 | 1,463,656,484 | (1,942,684) | 206,530,551 | (106,589,600) | 26,652,790 | 1,756,956,708 | 161,728,985 | 6,945,599,768 |
| Capital Increase | 2,976,443,600 | (476,326,032) | (2,474,395,768) | - | - | - | - | - | - | 25,721,800 |
| Transferred To Reserves | - | 87,847,835 | 1,010,739,284 | - | - | - | - | (1,098,587,119) | - | - |
| Dividends Paid | - | - | - | - | - | - | - | (658,369,589) | - | (658,369,589) |
| Net Profit Of The Year | - | - | - | - | - | - | - | 2,125,905,924 | - | 2,125,905,924 |
| Transferred To Retained Earning | - | - | - | 22,173,982 | (22,173,982) | - | - | - | - | - |
| Addition from Financial Investment Revaluation | - | - | - | - | - | 108,716,196 | - | - | - | 108,716,196 |
| Transferred to Bank Risk Reserve | - | - | - | - | - | - | 130,339,725 | (130,339,725) | - | - |
| Reserve For Employees Stock Ownership Plan (ESOP) | - | - | 78,564,646 | - | - | - | - | - | (12,208,126) | 66,356,519 |
| **Balance At The End Of The Year** | 5,901,443,600 | 125,128,337 | 78,564,646 | 20,231,298 | 184,356,569 | 2,126,596 | 156,992,515 | 1,995,566,199 | 149,520,859 | 8,613,930,618 |

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

## 1. General information

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

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

The Bank listing in Egyptian Stock Exchange.

## 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 preparation**

- The Unconsolidated 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 Unconsolidated 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.

The preparation of these financial statements are according to relevant domestic laws, and the bank also prepared consolidated financial statements of the Bank and its subsidiaries in accordance with Egyptian Accounting Standards, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the bank which - directly or indirectly – has more than half of the voting rights or has the ability to control the financial and operating policies of an enterprise, regardless of the type of activity, the consolidated financial statements of the Bank can be obtained from the Bank's management. The investments in subsidiaries and associate Companies are Disclosed in the stand alone financial statements of the Bank and its accounting treatment is at cost deducting Impairment Losses from it.

And stand alone financial statements of the bank should be read with its consolidated financial statements, as of and for the period ended December 31 , 2010 so you can get complete information on the financial position of the bank for the Results of its operations and its cash flows and changes in ownership rights.

And the financial statements of the Bank until December 31, 2009 was prepared using the Central Bank of Egypt instructions in force until that date, which differ in some aspects from the new Egyptian Accounting Standards issued in 2006 and its amendments. In preparing the financial statements for the fiscal period ended December 31, 2010, management has amended certain accounting policies and measurement bases to be consistent with new accounting standards and with the requirements of preparation and presentation of the financial statements of banks and foundations of the recognition and measurement of the Board of Directors of the Central Bank of Egypt in December 16, 2008.

**Central Bank of Egypt instructions amendments published in force from the first January 2010**

The management has applied the Central Bank of Egypt instructions concern the rules of preparation and presentation of the financial statements of banks and foundations of the recognition, measurement and Egyptian Accounting Standards applicable on the activities of the bank. And the comparative figures have been adjusted for the year 2009 according to circumstances, in accordance with the requirements of such new instructions and the standards.

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

- Changed the disclosure requirements of the objectives and policies and methods of risk management, financial management and capital adequacy and some other explanatory notes.

- The bank set the relevant parties in accordance with the requirements of the amended and added some new clarifications on these parties

- Collecting all facilities controlled by the bank directly or indirectly, irrespective of the activity of these installations. Previously, there were no collection facilities that do not work in banking or finance. The users of these independent financial statements, reading consolidated financial statements of the Bank, as and for the period ended December 31, 2010, so for getting complete information on the Bank's financial position and results of its work and its cash flows and changes in owner equity.

- The Bank's in consolidated financial statements use the equity method in associates companies instead of the cost method.

And For the purpose of applying the equity method The bank compares the cost of acquisition with the fair value of net assets of the investee company at the date of acquisition and to determine the difference as goodwill.

And In those cases where the fair value of net assets of the investee company is not available at the date of acquisition

The book values of net assets regarded as equal to the fair value and identify Goodwill on this basis. And after that

changes in equity of the associate company subsequent to the date of acquisition was taken to adjust the book value in the financial statement As a result of an amendment to retained earnings in first of January 2009 by the amount of (18,601,847) Egyptian Pound represent The net losses resulting from applying the equity method until this date

And The Bank continued to use the cost method of accounting for associates in these unconsolidated financial statements

As a result of applying Central Bank of Egypt regulations and the EAS, good will accounting policy had been changed starting January 2009 by annual impairment test in the consolidated financial statements affecting income statement with 20% amortization Annually of the good will or the impairment amount which bigger.

- Studying all the differences that result in tax obligations for tax deferred and recognized retroactively, and for deferred tax assets and retained tax losses, it has been recognized only within the limits of future economic benefits expected of them. Shows the note (38) the impact of the recognition of differences in the tax numbers comparison

- Note number (35) shows the impact of that change on the item of owner equity and available for sale, investments which were previously measured at cost adjusted rate differentials in exchange rates or fair value whichever is less with the incurred of the decline in value of the income statement.

- As a Result of the application instructions and the new criteria to recognize all derivatives in the first of January 2009 in the financial statements, as separate derivatives implicit in the history of recognition in the financial statements was the measurement of all derivatives at fair value

- The method of measuring loans and facilities impairment and other debt instruments, which are measured at amortized cost, has changed, Resulted in cancellation of the General Provisions component of loans and facilities and instead total provision was provided for groups of assets that carry a credit risk and similar characteristics or individual provision. As a result of changing the way of provision provided increase the specified provision, which were configured for specific items by amount of EGP 20,536,766. The total increase in the outstanding provision in the 1st of Jan 2009 had retained to special reserve in owner's equity according to the new way.

- When the actual rate of return determined for applying the amortized cost method to calculate the income and the cost of the return on debt instruments, in commissions and fees associated with the acquisition or issuance of debt instruments and added to or deducted from the value of the acquisition / release as part of the cost of treatment, which lead to change the actual rate of return of those tools. It was not practicable to apply the impact of this accounting change retroactively, but that change has been applied to debt instruments acquired or issued on or after the first January 2010

- The Bank has applied the accounting requirements for payment shown on the shares of such regulations in force on or after the first of January 2010. As a result, the income statement for the fiscal year ended December 31, 2010 added by amount of EGP 66.356.519 is the cost of stock options granted to employees.

- Purchase accounting was applied to all acquisitions made on or after the first of January 2010 in accordance with the new requirements of accounting, and there was no effect on the bank unconsolidated or consolidated financial statements of the bank.

- The Bank has conducted Assets Acquired as Settlement of Debts of the purpose of ascertaining the applicability of rules classified as non-current assets held for sale under other assets, did not result in a difference in the classification or value measured those assets.

**2.2 Subsidiaries and Associates**

**(a) Subsidiaries**

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

**(b) Associates**

- Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

- The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given and/or, equity instruments issued and/or liabilities incurred and/or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Bank’s share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement under the item income (expense) Other operating.

- Accounting for subsidiaries and associates in the financial statements are recorded by cost method, according to this method, investments are a cost of acquisition including any good will and deduct any impairment losses in value, and recorded the dividends in the income statement in the adoption of the distribution of these profits and evidence of the bank right to collect it.

**2.3 Segment reporting**

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

**2.4 Foreign currency translation**

**(a) Functional and presentation currency**

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

**(b) Transactions and balances in foreign currencies**

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

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

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

**2.5 Financial assets**

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

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

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

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

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

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

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

According to the financial assets for trading which are reclassified in the periods that begin form or after first of Jan 2009 it is reclassified according to the fair value in the date of reclassification.

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

**(b) Loans and receivables**

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

**(c) Held-to-maturity financial assets**

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

**(d) Available-for-sale financial assets**

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

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

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

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

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, or no current demand prices available the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants If the bank had been unable to estimate the fair value of equity instruments classified available for sale, value is measured at cost less any impairment in value.

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

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

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

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

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

**2.6 Offsetting financial instruments**

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

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

**2.7 Derivative financial instruments and hedge accounting**

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

**2.8 Interest income and expense**

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
when it is collected and this is after redeeming all dues of consumer loans and personnel mortgages also small loans for economic activities. as for loans given to institutions it is related to the monetary base also , it raises the return after that , according to rescheduling conditions on the loan till paying 25% from rescheduling payments with a minimum one year without being late , if the customer is always paying at his due dates the interest calculated is added to the loan balance which makes revenues ( interest on rescheduling without deficits ) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling

**2.9 Fee and commission income**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) Where it is recorded in the records of marginal outside the financial statements, And are recognized as income in accordance with cash basis Income is recognized when revenue for fees that represent an integral part of the effective yield of the financial asset are generally treated as an amendment to the actual rate of return.

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

Fees are recognized on the debt instruments that are measured at fair value within the income on initial recognition&
Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportion ate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

**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 ('reveres repos') are reclassified in the financial statements added to treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

**2.12 Impairment of financial assets**

**(a) Assets carried at amortised cost**

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

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

- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- The Bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the Bank granted in normal circumstances;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

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

The estimated period between a losses 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 according to historical default ratios. 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.

If no impairment losses result from the previous assessment of impairment in this case the asset 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 when there is objective evidence for asset impairment. 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.

For the purposes of evaluation of impairment for a group of a financial assets according to historical default ratios future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

**(b) Assets classified as available for sale**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale or held to maturity 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. During Periods start from First of January 2009, The Decrease Consider significant cause it become 10% From cost of book value and the decrease consider to be extended if it continue for period more than 9 months, and if the mentioned evidences become available then the accumulated loss to be post from the equity and disclosed at the income statement, 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 &impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

| | |
|---|---|
| - Buildings | 20 years, |
| - Leasehold improvements | 3 years, or over the period of the lease if less |
| - Furniture and safes | 5 years. |
| - Typewriters, Collocutors &air-conditions | 8 years |
| - Transportations | 5 years |
| - Computers and Core Systems | 3/10 years |
| - Fixtures and fittings | 3 years |

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

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

**2.15 Impairment of non-financial assets**

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

**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.

**(a) 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

**(b) Being lesser**

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

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

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

**2.17 Cash and cash equivalents**

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

**2.18 Other Provisions**

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

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation which become due after one year from the financial statement date using appropriate rate for the due date (without being affected by effective tax rate) which reflect time value of money ,and if the due date is less than one year we calculate the estimated value of obligation but if it have significant impact then it calculated using the current value.

**2.19 Staff Benefits -Share-Based Compensation**

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

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

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

**2.20 income tax**

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

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

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

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

**2.21 Borrowings**

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

**2.22 Dividends**

Dividends deducted form equity in the period, which the General Assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the Board of Directors .

**2.23 Comparatives**

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

## 3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. And the most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.

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

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

**3.1 Credit risk**

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

**3.1.1 Credit risk measurement**

**(a) Loans and advances**

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

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



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

**Bank's internal ratings scale**

| Bank's rating | Description of the grade |
|---|---|
| 1 | Performing loans |
| 2 | Regular watching |
| 3 | Watch list |
| 4 | Nonperforming loans |

And the loans expose to default depend on the banks expectation for the outstanding amounts when default occur.

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

**(b) Debt securities and other bills**

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by bank Treasury for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses. 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 individual, counterparties, product, and industry sector and by country are approved quarterly by the Board of Directors.

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

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

Some other specific control and mitigation measures are outlined below.

**(a) Collateral**

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

- Mortgages over residential properties;
- Mortgage business assets such as premises, And inventory;

- Mortgage financial instruments such as debt securities and equities.

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

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

**(b) Derivatives**

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

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

**(c) Master netting arrangements**

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

**(d) Credit-related commitments**

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

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

**3.1.3 Impairment and provisioning policies**

The internal rating systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities.

In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

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

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

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

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

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

Collectively assessed impairment allowances are provided portfolios of homogenous assets by using the available historical experience, experienced judgment and statistical techniques.

**3.1.4 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 Accept-able risk | 3% | 2 | Regular watching |
| 7 | Watch list | 5% | 3 | Watch list |
| 8 | Substandard | 20% | 4 | Non performing loans |
| 9 | Doubtful | 50% | 4 | Non performing loans |
| 10 | Bad Debt | 100% | 4 | Non performing loans |

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

| | Dec.31, 2010 | Dec.31, 2009 |
|---|---|---|
| **In Balance sheet items exposed to credit risk** | | |
| » Treasury Bills and other Governmental Notes | 8,821,003,566 | 13,191,665,954 |
| » Trading Financial Assets | | |
| » Debt Instruments | 880,224,887 | 111,334,360 |
| » Loans and Overdrafts for Banks | 128,527,576 | 200,765,433 |
| **Loans and advances to customers:** | | |
| **Retail:** | | |
| » Overdrafts | 1,007,205,364 | 852,902,695 |
| » Credit Cards | 518,583,403 | 451,907,954 |
| » Personal Loans | 1,914,229,597 | 1,005,586,641 |
| » Real state Loans | 430,897,165 | 292,518,318 |
| » Other Loans | 43,390,803 | 67,037,522 |
| **Corporate:** | | |
| » Overdrafts | 3,019,878,138 | 3,434,116,195 |
| » Direct Loans | 21,750,548,380 | 15,918,861,867 |
| » Syndicated loans | 7,751,645,734 | 6,663,779,140 |
| » Other Loans | 151,746,100 | 93,713,728 |
| » Financial Derivatives | 139,263,948 | 225,347,220 |
| » Financial Investments (Debt Instruments) | 13,355,786,433 | 7,884,902,625 |
| » Financial Investments in Subsidiary and Associated Co. | 996,317,538 | 1,138,277,487 |
| **Total** | **60,909,248,633** | **51,532,717,139** |
| **Off Balance sheet items exposed to credit risk** | | |
| » Financial guarantees | 631,466,319 | 931,471,000 |
| » Customers Acceptances | 589,087,209 | 469,403,911 |
| » Letter of Credit | 989,910,137 | 820,272,115 |
| » Letter of guarantee | 10,300,751,367 | 11,348,196,542 |
| **Total** | **12,511,215,032** | **13,569,343,568** |

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

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

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

96.28% of the loans and advances portfolio is categorized in the top two grades of the internal rating system.

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

### 3.1.6 Loans and advances

Loans and advances are summarized as follows:

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

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

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

- Net Loans and advances to customers and banks:

EGP

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

EGP

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

- Loans and advances past due but not impaired:

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

EGP

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

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

**- Individually impaired loans.**

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

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

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

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

**- Loans and advances Restructured**

Restructuring activities include extended payment arrangements, execute obligatory management programs, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans Renegotiated loans that would otherwise be past due or impaired totaled at the of the financial year EGP 2,421,912,000

| | Dec.31, 2010 | Dec.31, 2009 |
|---|---|---|
| **Loans and advances to customers – individuals:** | | |
| » Direct loans | 2,421,912,000 | 2,511,008,801 |
| **Total** | **2,421,912,000** | **2,511,008,801** |

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

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

| Dec.31, 2010 | Treasury bills and other Gov. notes | Trading Financial Assets | Financial Investments | Designated at fair value | Total |
|---|---|---|---|---|---|
| » AAA | - | - | 1,348,515,298 | - | **1,348,515,298** |
| » AA- to AA+ | - | 37,648,537 | 383,075,610 | - | **420,724,147** |
| » A- to A+ | - | 49,169,280 | 264,572,353 | - | **313,741,632** |
| » Lower than A- | 8,821,003,566 | 865,786,819 | 11,124,145,389 | - | **20,810,935,775** |
| » Unrated | - | 469,434,205 | 1,770,507,662 | - | **2,239,941,867** |
| **Total** | **8,821,003,566** | **1,422,038,841** | **14,890,816,313** | **-** | **25,133,858,720** |

**3.1.8 Concentration of risks of financial assets with credit risk exposure**

**(a) Geographical sectors**

The following table breaks down the bank's main credit exposure at their book values categorized by geographical region at the end of financial year. For this table, the bank has allocated exposures to regions based on the country of domicile of its counterparties.

| | EGYPT | | | | Gulf Countries | Total |
|---|---|---|---|---|---|---|
| Dec.31, 2010 | Cairo | Alex, Delta & Sinai | Upper Egypt | Total | | |
| » Treasury bills and other governmental notes | 8,821,003,566 | - | - | 8,821,003,566 | - | 8,821,003,566 |
| **Trading Financial Assets** | | | | | | |
| » Debt instruments | 880,224,887 | - | - | 880,224,887 | - | 880,224,887 |
| » Loans and advances to banks | 128,527,576 | - | - | 128,527,576 | - | 128,527,576 |
| **Loans and advances to customers:** | | | | | | |
| **Retail:** | | | | | | |
| » Overdrafts | 432,704,022 | 486,194,487 | 85,998,199 | 1,004,896,708 | 2,308,656.45 | 1,007,205,364 |
| » Credit cards | 383,747,840 | 111,127,993 | 23,263,631 | 518,139,464 | 443,939.38 | 518,583,403 |
| » Personal loans | 1,269,773,113 | 513,307,313 | 130,846,100 | 1,913,926,526 | 303,070.73 | 1,914,229,596 |
| » Mortgages | 350,289,921 | 71,943,416 | 8,663,827 | 430,897,165 | - | 430,897,165 |
| » Other loans | 13,052,586 | 30,338,217 | - | 43,390,803 | - | 43,390,803 |
| **Corporate:** | | | | | | |
| » Overdrafts | 2,511,833,720 | 497,684,059 | 10,360,359 | 3,019,878,138 | - | 3,019,878,138 |
| » Direct Loans | 15,763,316,160 | 5,427,094,766 | 560,137,453 | 21,750,548,379 | - | 21,750,548,379 |
| » Syndicated loans | 7,192,378,694 | 559,267,040.27 | - | 7,751,645,734 | - | 7,751,645,734 |
| » Other loans | 139,084,252 | 12,147,595.71 | 514,252.66 | 151,746,100 | - | 151,746,100 |
| » Financial Derivatives | 139,263,948 | - | - | 139,263,948 | - | 139,263,948 |
| » Financial Investments (Debt Instruments) | 13,355,786,433 | - | - | 13,355,786,433 | - | 13,355,786,433 |
| » Financial Investments in Subsidiary and Associated Co. | 996,317,538 | - | - | 996,317,538 | - | 996,317,538 |
| | **52,377,304,256** | **7,709,104,887** | **819,783,823** | **60,906,192,966** | **3,055,667** | **60,909,248,633** |

**(b) Industry sectors**

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

| Dec.31, 2010 | Financial institutions | Manufacturing | Other industries | Wholesale and retail trade | Total |
|---|---|---|---|---|---|
| » Treasury bills and other governmental bills | 8,821,003,566 | - | - | - | **8,821,003,566** |
| **Financial Assets for trading** | | | | | |
| » Debt Instruments | 880,224,887 | - | - | - | **880,224,887** |
| » Loans and advances to banks | 128,527,576 | - | - | - | **128,527,576** |
| **Retail:** | | | | | |
| » Overdrafts | - | - | - | 1,007,205,364 | **1,007,205,364** |
| » Credit cards | - | - | - | 518,583,403 | **518,583,403** |
| » Term loans | - | - | - | 1,914,229,596 | **1,914,229,596** |
| » Mortgages | - | - | - | 430,897,165 | **430,897,165** |
| » Other loans | - | - | - | 43,390,803 | **43,390,803** |
| **Corporate:** | | | | | |
| » Overdrafts | 3,019,878,138 | - | - | - | **3,019,878,138** |
| » Direct loans | 21,750,548,379 | - | - | - | **21,750,548,379** |
| » Syndicated loans | 7,751,645,734 | - | - | - | **7,751,645,734** |
| » Other loans | 151,746,100 | - | - | - | **151,746,100** |
| » Derivative financial instruments | 139,263,948 | - | - | - | **139,263,948** |
| **Investment securities – debt instrument** | 13,355,786,433 | - | - | - | **13,355,786,433** |
| » Financial Investments in Subsidiary and Associated Co. | 996,317,538 | - | - | - | **996,317,538** |
| | **56,994,942,300** | **-** | **-** | **3,914,306,332** | **60,909,248,633** |

**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 .

The major measurement techniques used to measure and control market risk are outlined below.

**(a) Value at risk**

The Bank applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected 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 VaR to capture the abnormal movements in financial markets and to give more comprehensive picture of risk. The results of the stress tests are reviewed by the ALCO on a monthly basis and the Board Risk Committee on a quarterly basis.

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

**- Total VAR by risk type**

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

**- Trading portfolio VAR by risk type**

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

- Non Trading portfolio VAR by risk type

| | Dec.31, 2010 | | | Dec.31, 2009 | | |
|---|---|---|---|---|---|---|
| | Medium | High | Low | Medium | High | Low |
| **2- Interest rate risk** | - | - | - | - | - | - |
| » For non trading purposes | 48,257,686 | 63,983,903 | 38,055,532 | 45,989,917 | 67,921,405 | 29,653,822 |
| **Total VAR** | **48,257,686** | **63,983,903** | **38,055,532** | **45,989,917** | **67,921,405** | **29,653,822** |

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.

| | EGP | USD | EURO | GBP | Other | Equivalent EGP Total |
|---|---|---|---|---|---|---|
| **Dec.31, 2010** | | | | | | |
| **Assets** | | | | | | |
| » Cash and Due From Central Bank | 5,340,511,293 | 216,752,383 | 76,246,307 | 11,565,455 | 30,166,353 | 5,675,241,791 |
| » Due from banks | 68,963,151 | 4,061,199,055 | 2,276,564,976 | 294,350,174 | 68,530,040 | 6,769,607,397 |
| » Treasury Bills and other Governmental Notes | 9,237,350,000 | - | - | - | - | 9,237,350,000 |
| » Trading Financial Assets | 1,245,074,101 | 112,817,471 | 7,584,147 | - | 56,563,122 | 1,422,038,841 |
| » Loans and Overdrafts for Banks | - | 109,981,246 | 18,546,329 | - | - | 128,527,576 |
| » Loans and Overdrafts for Customers | 18,983,625,965 | 16,496,008,965 | 1,107,426,206 | 1,062,908 | 639 | 36,588,124,684 |
| » Financial Derivatives | 113,816,994 | 23,767,459 | 1,679,495 | - | - | 139,263,948 |
| **Financial Investments:-** | | | | | | |
| » Available for Sale | 12,362,650,044 | 1,207,924,447 | 34,772,539 | - | - | 13,605,347,030 |
| » Held to Maturity | 76,595,875 | 212,555,870 | - | - | - | 289,151,744 |
| » Financial Investments in Subsidiary and Associated Co. | 978,206,250 | 18,111,288 | - | - | - | 996,317,538 |
| **Total Financial Assets** | **48,406,793,673** | **22,459,118,184** | **3,522,820,000** | **306,978,537** | **155,260,155** | **74,850,970,548** |
| **Liabilities** | | | | | | |
| » Due to Banks | 25,950,480 | 1,269,111,131 | 24,987,158 | 39,006 | 2,192,134 | 1,322,279,909 |
| » Customers Deposits | 38,947,931,229 | 19,520,385,330 | 4,242,251,199 | 418,313,269 | 351,002,597 | 63,479,883,624 |
| » Financial Derivatives | 72,398,399 | 35,856,183 | 5,296,458 | - | - | 113,551,040 |
| » Other loans | 113,132,222 | 6,954,607 | 9,026,597 | - | - | 129,113,426 |
| **Total Financial Liabilities** | **39,159,412,330** | **20,832,307,250** | **4,281,561,413** | **418,352,276** | **353,194,730** | **65,044,827,999** |
| **Net on-Balance Sheet Financial Position** | **9,247,381,343** | **1,626,810,934** | **(758,741,413)** | **(111,373,738)** | **(197,934,576)** | **9,806,142,550** |

**3.2.4 Interest rate risk**

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

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

| | Up to1 Month | 1-3 Months | 3-12 Months | 1-5 years | Over 5 years | Non- interest bearing | Total |
|---|---|---|---|---|---|---|---|
| **Dec.31, 2010**<br>**Assets** | | | | | | | |
| » Cash and Due From Central Bank | - | - | - | - | - | 5,675,241,791 | **5,675,241,791** |
| » Due from banks | 3,544,095,186 | 2,625,547,452 | 310,562,150 | - | - | 289,402,609 | **6,769,607,397** |
| » Treasury Bills and other Governmental Notes (Face Value) | 882,825,000 | 864,075,000 | 7,490,450,000 | - | - | - | **9,237,350,000** |
| » Trading Financial Assets | 486,705,408 | 25,023,555 | 50,820,797 | 752,412,704 | 33,044,393 | 74,031,983 | **1,422,038,841** |
| » Loans and overdraft to banks | 14,689,065 | 95,292,181 | 13,763,999 | 4,782,331 | - | - | **128,527,576** |
| » Loans and overdraft to customers | 19,244,274,971 | 9,248,598,618 | 4,490,011,516 | 3,126,233,619 | 479,005,960 | - | **36,588,124,684** |
| » Financial Derivatives (including IRS notional amount) | 601,075,895 | 634,147,582 | 399,970,527 | 1,706,094,810 | 40,802,149 | 32,676,040 | **3,414,767,002** |
| **Financial Investments:-** | | | | | | | |
| » Available for sale | 650,559,648 | 122,049,018 | 1,676,885,635 | 9,914,066,570 | 741,658,471 | 500,127,687 | **13,605,347,030** |
| » Held to maturity | 58,049,000 | 12,126,923 | 195,125,071 | 23,850,750 | - | - | **289,151,744** |
| » Financial Investments in Subsidiary and Associated Co. | - | - | - | - | - | 996,317,538 | **996,317,538** |
| **Total Financial Assets** | **25,482,274,173** | **13,626,860,328** | **14,627,589,694** | **15,527,440,784** | **1,294,510,973** | **7,567,797,649** | **78,126,473,602** |
| **Liabilities** | | | | | | | |
| » Due to banks | 309,172,192 | 49,341,650 | 435,367,500 | - | - | 528,398,567 | **1,322,279,909** |
| » Customers Deposits | 28,596,057,430 | 7,668,185,243 | 4,808,527,430 | 12,002,841,827 | 468,641,746 | 9,935,629,948 | **63,479,883,624** |
| » Financial Derivatives (including IRS notional amount) | 719,459,775 | 1,595,449,411 | 66,038,415 | 454,698,465 | 505,026,300 | 48,381,727 | **3,389,054,094** |
| » Other Loans | 12,114,271 | 19,773,441 | 69,568,298 | 27,657,416 | - | - | **129,113,426** |
| **Total financial liabilities** | **29,636,803,668** | **9,332,749,745** | **5,379,501,644** | **12,485,197,708** | **973,668,047** | **10,512,410,242** | **68,320,331,053** |
| **Total interest re-pricing gap** | **(4,154,529,495)** | **4,294,110,583** | **9,248,088,051** | **3,042,243,076** | **320,842,926** | **(2,944,612,593)** | **9,806,142,548** |

**3.3 Liquidity risk**

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

**3.3.1 Liquidity risk management process**

- The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Assets & Liabilities Management Dept, includes:
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers.
- The Bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring balance sheet liquidity ratios against internal and requirements of central bank of Egypt
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Assets & Liabilities Management Dept. also monitors unmatched medium-term assets, the level and type of un drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

**3.3.2 Funding approach**

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

**3.3.3 Non-derivative cash flows**

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

| Dec.31, 2010 | Up to 1 Month | One to Three Months | Three to Twelve Months | Twelve Months to One Year | Over Five Years | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| » Due to Banks | 837,570,759 | 49,341,650 | 435,367,500 | - | - | **1,322,279,909** |
| » Customers Deposits | 17,816,915,547 | 9,151,941,806 | 8,604,334,536 | 19,192,725,470 | 8,713,966,264 | **63,479,883,624** |
| » Other loans | 12,114,271 | 19,773,441 | 69,568,298 | 27,657,416 | - | **129,113,426** |
| » Financial Derivatives (Foreign Exchange Derivatives) | 46,109,376 | 10,090,483 | 8,806,258 | 163,196 | - | **65,169,313** |
| **Total liabilities (contractual maturity dates)** | 18,712,709,954 | 9,231,147,381 | 9,118,076,592 | 19,220,546,082 | 8,713,966,264 | 64,996,446,272 |
| | | | | | | |
| **Total financial assets (contractual maturity dates)** | 11,299,649,630 | 5,289,093,053 | 16,798,436,292 | 28,143,692,012 | 13,446,756,522 | 74,977,627,508 |

| Dec.31, 2009 | Up to 1 Month | One to Three Months | Three to Twelve Months | Twelve Months to One Year | Over Five Years | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| » Due to Banks | 409,579,156 | 4,049,703 | 8,099,405 | 16,393,099 | 20,023,867 | **458,145,229** |
| » Customers Deposits | 17,630,864,392 | 8,479,674,960 | 7,333,919,085 | 13,692,437,981 | 7,705,733,424 | **54,842,629,843** |
| » Other loans | 3,967,682 | 14,002,441 | 27,740,623 | 47,526,296 | - | **93,237,042** |
| » Financial Derivatives (Foreign Exchange Derivatives) | 8,864,618 | 8,069,253 | 4,877,954 | - | - | **21,811,825** |
| » Total liabilities (contractual maturity dates) | 18,053,275,848 | 8,505,796,357 | 7,374,637,067 | 13,756,357,377 | 7,725,757,291 | **55,415,823,939** |
| | | | | | | |
| **Total financial assets (contractual maturity dates)** | 13,715,802,876 | 5,921,889,859 | 14,273,219,862 | 19,288,837,927 | 11,253,257,091 | 64,453,007,614 |

**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.

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

**OFF Balance sheet items**

| Dec.31, 2010 | Up to 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| » Financial Guarantees , Bills and other facilities | 9,481,517,644 | 2,214,095,031 | 184,136,038 | 11,879,748,713 |
| **Total** | **9,481,517,644** | **2,214,095,031** | **184,136,038** | **11,879,748,713** |

**3.4 Fair value of financial assets and liabilities**

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

The total amount of the change in fair value estimated using a valuation technique that was recognized in profit or loss during December 31, 2010 EGP 37,005,804,005 and EGP 29,676,669,820 in December 31, 2009

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

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

| | Book value | | Fair value | |
|---|---|---|---|---|
| | Dec.31, 2010 | 31 Dec.2009 | Dec.31, 2010 | 31 Dec.2009 |
| **Financial Assets** | | | | |
| » Due from banks | 6,769,607,397 | 7,785,042,557 | - | - |
| » Loans and overdraft to banks | - | - | 128,527,576 | 200,765,433 |
| » Loans and overdraft to customers: | - | - | - | - |
| » Retail | - | - | 3,914,306,332 | 2,669,953,130 |
| » Corporate | - | - | 32,673,818,352 | 26,110,470,930 |
| **Financial Investments:** | | | | |
| » Available For Sale | - | - | - | 115,553,654 |
| » Held to maturity | - | - | 289,151,745 | 579,926,673 |
| **Total Financial Assets** | **6,769,607,397** | **7,785,042,557** | **37,005,804,005** | **29,676,669,820** |
| | | | | |
| **Financial liabilities** | | | | |
| » Due to banks | 1,322,279,909 | 458,145,229 | - | - |
| » Customers Deposits | 63,479,883,624 | 54,842,629,843 | - | - |
| » Other loans | 129,113,425 | 93,237,042 | - | - |
| **Total Financial Liabilities** | **64,931,276,958** | **55,394,012,114** | **-** | **-** |

**Due from banks**

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

**Loans and overdrafts to banks**

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

**Loans and overdrafts to customers**

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

Expected cash flows are discounted at current market rates to determine fair value.

**Financial Investments**

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

**Due to other banks and customers, other deposits and other borrowings**

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

**3.5 Capital management**

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

- To comply with the capital requirements in Egypt.
- To safeguard the Bank's ability to continue as a on going concern so that it can continue to provide returns for shareholders and stakeholders.
- To maintain a strong capital base to support the development of its business.
- Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Central bank Of Egypt, for supervisory purposes. The required information is filed with the Authority on a quarterly basis.
- Central bank Of Egypt requires the following:
- Hold the minimum level of the issued and paid up capital of EGP500 Million
- Maintain a ratio of total regulatory capital to the risk weighted asset or above the agreed minimum of 10%.

**- Tier One:**

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

**- Tier Two:**

Qualifying subordinated loan capital , which consists of the equivalent of the risk allocation year according to the principles of credit issued by the Central Bank of Egypt for not more than 1.25% of total assets and liabilities weighted with risk, loans / deposits support in excess of the schedule of five years (with consumption of 20% of their value in each year of the last five years of the schedule) and 45% of the increase between the fair value and book value for each of the financial investments available for sale and held to maturity in subsidiaries.

When calculating the total dominator of capital adequacy, it shall not exceed the capital cushions (Qualifying subordinated loan capital) for share capital and loans not to increase (deposits) support for half of the share capital. Assets are risk weighted ranging from zero to 100% classified by the relation of the debtor to all each asset to reflect the credit risk associated with it, taking the cash collateral account. These are used for the treatment of off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts The table below summarizes the composition of regulatory capital and the ratios of the Bank at the end of financial year and the bank has complied with all Capital adequacy requirements as following :

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

## 4 Critical accounting estimates and judgments

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

**(a) Impairment losses on loans and overdraft**

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

**(b) Impairment of available for-sale equity investments**

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

**(c) Fair value of derivatives**

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

**(d) Held-to-maturity investments**

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

## 5 Segment analysis

**(a) By business segment**

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

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

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

| Dec.31, 2010 | Corporate Banking | SME›s | Investment Banking | Retail Banking | Total |
|---|---|---|---|---|---|
| » Revenue according to business | 2,391,904,590 | 64,900,676 | (14,712,804) | 1,481,916,949 | **3,924,009,412** |
| » Activity gains | | | | | |
| » Expenses according to business | (532,445,813) | (64,483,675) | (20,267,205) | (794,068,259) | **(1,411,264,952)** |
| **Activities results by sector** | **1,859,458,778** | **417,001** | **(34,980,009)** | **687,848,690** | **2,512,744,460** |
| » Profit before tax | 1,859,458,778 | 417,001 | (34,980,009) | 687,848,690 | **2,512,744,460** |
| » Tax | (282,334,420) | (63,316) | - | (104,440,799) | **(386,838,536)** |
| **Profit for the Year** | **1,577,124,357** | **353,685** | **(34,980,009)** | **583,407,891** | **2,125,905,924** |
| » Assets and liabilities according to business segment | 67,425,351,842 | 1,014,671,790 | 1,613,413,684 | 5,039,444,129 | **75,092,881,445** |
| **Total Assets** | **67,425,351,842** | **1,014,671,790** | **1,613,413,684** | **5,039,444,129** | **75,092,881,445** |

| Dec.31, 2009 | Corporate Banking | SME›s | Investment banking | Retail Banking | Total |
|---|---|---|---|---|---|
| » Revenue according to business | 2,123,286,525 | 1,233,264,123 | 35,755,000 | 40,989,074 | **3,433,294,722** |
| » Expenses according to business | (499,571,860) | (763,045,467) | (28,445,000) | (18,890,191) | **(1,309,952,518)** |
| **Activities results by sector** | **1,623,714,665** | **470,218,656** | **7,310,000** | **22,098,883** | **2,123,342,204** |
| » Profit before tax | 1,623,714,665 | 470,218,656 | 7,310,000 | 22,098,883 | **2,123,342,204** |
| » tax | (263,565,633) | (73,899,941) | (1,150,000) | (1,117,132) | **(339,732,706)** |
| **Profit for the year** | **1,360,149,032** | **396,318,715** | **6,160,000** | **20,981,751** | **1,783,609,498** |
| | | | | | |
| » Assets and liabilities according to business segment | 61,090,037,945 | 220,223,300 | 15,311,000 | 2,737,259,530 | **64,062,831,775** |
| **Total assets** | **61,090,037,945** | **220,223,300** | **15,311,000** | **2,737,259,530** | **64,062,831,775** |

**(b) By Geographical segment**

EGP

| Dec.31, 2010 | Egypt: Cairo | Egypt: Alex, Delta & Sinai | Egypt: Upper Egypt | Egypt: Total | Other Countries | Total |
|---|---|---|---|---|---|---|
| » Revenue according to business | 3,021,813,859 | 775,199,795 | 118,266,971 | **3,915,280,625** | 8,728,787 | **3,924,009,412** |
| » Expenses according to business | (996,860,718) | (329,539,165) | (83,836,154) | **(1,410,236,037)** | (1,028,915) | **(1,411,264,952)** |
| **Activities results by sector** | **2,024,953,141** | **445,660,630** | **34,430,817** | **2,505,044,588** | **7,699,872** | **2,512,744,460** |
| **Unallocated costs** | | | | | | |
| » Profit before tax | 2,024,953,141 | 445,660,630 | 34,430,817 | **2,505,044,588** | 7,699,872 | **2,512,744,460** |
| » Tax | (311,742,766) | (68,609,725) | (5,300,645) | **(385,653,136)** | (1,185,400) | **(386,838,536)** |
| » Profit for the Year | **1,713,210,375** | **377,050,905** | **29,130,172** | **2,119,391,452** | **6,514,472** | **2,125,905,924** |
| | | | | | | |
| **Geographical segments Assets** | 65,958,915,155 | 8,492,570,016 | 638,319,867 | **75,089,805,039** | 3,076,406 | **75,092,881,445** |
| **Total Assets** | **65,958,915,155** | **8,492,570,016** | **638,319,867** | **75,089,805,039** | **3,076,406** | **75,092,881,445** |



EGP

| Dec.31, 2009 | Egypt: Cairo | Egypt: Alex, Delta & Sinai | Egypt: Upper Egypt | Egypt: Total | Other Countries | Total |
|---|---|---|---|---|---|---|
| » Revenue according to business | 2,732,486,003 | 604,289,656 | 90,005,198 | **3,426,780,857** | 6,513,865 | **3,433,294,722** |
| » Expenses according to business | (887,737,726) | (331,898,850) | (80,523,392) | **(1,300,159,968)** | (9,792,550) | **(1,309,952,518)** |
| **Activities results by sector** | **1,844,748,277** | **272,390,806** | **9,481,806** | **2,126,620,889** | **(3,278,685)** | **2,123,342,204** |
| » Profit before tax | 1,844,748,277 | 272,390,806 | 9,481,806 | **2,126,620,889** | (3,278,685) | **2,123,342,204** |
| » tax | (277,763,925) | (57,301,417) | (4,577,700) | **(339,643,042)** | (89,664) | **(339,732,706)** |
| » Profit for the year | 1,566,984,352 | 215,089,389 | 4,904,106 | **1,786,977,847** | (3,368,349) | **1,783,609,498** |
| | | | | | | |
| **Geographical Segments Assets** | 58,679,070,495 | 5,220,836,561 | 159,979,784 | **64,059,886,840** | 2,944,935 | **64,062,831,775** |
| **Total Assets** | **58,679,070,495** | **5,220,836,561** | **159,979,784** | **64,059,886,840** | **2,944,935** | **64,062,831,775** |

### (6) Net Interest Income

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| **Interest Received from Loans and similar items:-** | | |
| » Banks | 113,507,031 | 128,013,500 |
| » Clients | 2,306,925,726 | 2,136,658,036 |
| | **2,420,432,757** | **2,264,671,536** |
| » Treasury Bills and Bonds | 1,929,290,408 | 1,125,317,343 |
| » Reverse Repos | 16,639,271 | 74,641,951 |
| » Financial Investment In Held to Maturity and Available for Sale Debt Instruments | 155,040,368 | 561,590,964 |
| » Other | (12,517) | 115,389 |
| **Total** | **4,521,390,287** | **4,026,337,183** |
| » Interest Paid on deposits and similar items:- | | |
| » Banks | 70,469,233 | 164,842,855 |
| » Clients | 2,193,757,602 | 1,834,454,011 |
| | 2,264,226,835 | 1,999,296,866 |
| » Financial Instruments Purchased with a Commitment to Re-Sale (Repos) | 219,881 | - |
| » Other | 2,122,799 | 1,571,617 |
| **Total** | **2,266,569,515** | **2,000,868,483** |
| **Net** | **2,254,820,772** | **2,025,468,700** |

### (7) Net Income From fees & Commissions

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| **fees & Commissions Income :** | | |
| » Fees & Commissions Related to Credit | 518,885,060 | 461,475,536 |
| » Custody Fees | 39,158,012 | 31,672,575 |
| » Other Fees | 277,111,169 | 211,288,242 |
| **Total** | **835,154,241** | **704,436,353** |
| | | |
| » Other Fees Paid | (84,876,559) | (67,147,458) |
| **Total** | **(84,876,559)** | **(67,147,458)** |
| **Net fees & Commissions** | **750,277,682** | **637,288,895** |

### (8) Dividends

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Trading Securities | 1,330,647 | 1,763,898 |
| » Available for Sale Securities | 150,827,877 | 118,815,429 |
| » Subsidiaries and Associated | 32,150,568 | 5,483,046 |
| **Total** | **184,309,092** | **126,062,373** |

(9) Net Trading Income

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Profit From Foreign exchange | 334,230,240 | 291,327,008 |
| » Profit (Losses) From Revaluations of Trading Assets and Liabilities in Foreign Currencies | 9,795,800 | (1,962,006) |
| » (Losses)Profit From Forward Foreign exchange Deals Revaluation | (12,297,737) | 3,460,009 |
| » (Losses) Profit From Interest Rate Swaps Revaluation | (33,053,612) | (41,255,686) |
| » (Losses) Profit From Swap Deals Revaluation | (17,643,454) | (307,591) |
| » Trading Debt Instruments | 107,408,262 | 156,564,981 |
| » Trading Equity Instruments | 24,670,313 | (3,673,660) |
| **Total** | **413,109,812** | **404,153,055** |

### (10) Administrative Expenses

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| **Staff Costs** | | |
| » Wages & Salaries | 476,468,863 | 412,132,518 |
| » Social Insurance | 21,713,306 | 19,575,658 |
| » Other Benefits | 29,636,810 | 14,428,628 |
| » Other Administrative Expenses | 660,120,958 | 594,650,547 |
| **Total** | **1,187,939,937** | **1,040,787,351** |

### (11) Other Operating (Expenses) Income

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » (Losses) Profits From Assets & Liabilities Revaluation Except Trading | (90,859,875) | 6,036,985 |
| » Profits From Selling Equipments And Fixed Assets | 1,574,746 | 15,797,710 |
| » Return (Losses) Of other Provision | 138,839,630 | (48,794,376) |
| » Others | (47,783,172) | (57,919,621) |
| **Total** | **1,771,329** | **(84,879,302)** |

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

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

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

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Profit Before Tax | 2,512,744,460 | 2,123,342,204 |
| » Tax Rate | 20% | 20% |
| **Income Tax Based On Accounting Profit** | **502,548,892** | **424,668,441** |
| **Add / (Deduct)** | | |
| » Non-Deductible Expenses | 8,023,187 | 5,760,564 |
| » Tax Exemptions | (113,094,263) | (99,119,357) |
| » Effect Of Provisions | (10,639,280) | 8,423,058 |
| **Income Tax** | **386,838,536** | **339,732,706** |
| **Effective Tax Rate** | **15.40%** | **16.00%** |

## (14) Earning Per Share

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Net Profit For The Year Available for Distribution | 1,993,991,453 | 1,756,956,708 |
| » Board Member›s Bonus | (30,213,341) | (26,354,351) |
| » Staff Profit Sharing | (201,422,275) | (175,695,671) |
| **Shareholders› Share In Profits** | **1,762,355,837** | **1,554,906,687** |
| » Number Of Shares | 590,144,360 | 590,144,360 |
| **Basic Earning Per Share** | **2.99** | **2.63** |
| » By Issuance Of ESOP Earning Per Share Will Be:- | | |
| » Number Of Shares Including ESOP Shares | 600,695,185 | 600,695,185 |
| **Diluted Earning Per Share** | **2.93** | **2.59** |

## (15) Cash And Due From Central Bank

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Cash | 1,399,250,089 | 911,152,111 |
| » Reserve Balance With CBE:- | | |
| » Current Accounts | 4,275,991,702 | 3,268,060,628 |
| **Total Cash & Due From Central Bank** | **5,675,241,791** | **4,179,212,739** |
| **Balances without Interest** | **5,675,241,791** | **4,179,212,739** |

## (16) Due From Banks

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Current Accounts | 374,811,766 | 275,582,222 |
| » Deposits | 6,394,795,631 | 7,509,460,335 |
| **Total Due From Banks** | **6,769,607,397** | **7,785,042,557** |
| » Central Banks (Except Obligatory Reserve) | 2,539,019,714 | 2,121,116,884 |
| » Local Banks | 540,547,702 | 813,100,753 |
| » Foreign Banks | 3,690,039,981 | 4,850,824,920 |
| **Total Due From Banks** | **6,769,607,397** | **7,785,042,557** |
| » Non Bearing Interest Balances | 289,402,609 | 275,582,222 |
| » Fixed Bearing Interest Balances | 6,480,204,788 | 7,509,460,335 |
| **Total Due From Banks** | **6,769,607,397** | **7,785,042,557** |
| » Current Balances | 6,769,607,397 | 7,785,042,557 |
| **Total Due From Banks** | **6,769,607,397** | **7,785,042,557** |

## (17) Treasury Bills And Other Governmental Notes

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| 91 Days Maturity | 2,126,041,239 | 5,647,025,000 |
| 182 Days Maturity | 3,830,900,000 | 4,539,175,000 |
| 364 Days Maturity | 3,659,550,000 | 3,451,725,000 |
| | **9,616,491,239** | **13,637,925,000** |
| Unearned Income | (416,346,434) | (446,259,046) |
| **Total Treasury Bills** | **9,200,144,805** | **13,191,665,954** |
| Repos | (379,141,239) | - |
| **Total Treasury Bills And Other Governmental Notes** | **8,821,003,566** | **13,191,665,954** |

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

## (18) Financial Assets For Trading

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| **Debt Instruments:-** | | |
| » Government Bonds | 861,157,325 | 75,348,284 |
| » Other Debt Instruments | 19,067,562 | 35,986,076 |
| **Total Debt Instruments** | **880,224,887** | **111,334,360** |
| **Equity Instruments:-** | | |
| » Foreign Company Shares | 74,031,984 | 57,624,532 |
| » Mutual Fund | 467,781,970 | 211,661,790 |
| **Total Equity Instruments** | **541,813,953** | **269,286,322** |
| **Total Financial Assets For Trading** | **1,422,038,841** | **380,620,682** |

## (19) Loans And Overdrafts For Banks

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Time and Term Loans | 128,527,576 | 200,765,433 |
| **Total Loans and Overdrafts For Banks** | **128,527,576** | **200,765,433** |
| **Distributed To:-** | | |
| » Non-Current Balances | 128,527,576 | 200,765,433 |
| **Net Loans And Overdrafts For Banks** | **128,527,576** | **200,765,433** |

### (20) Loans And Overdrafts For Customers

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

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

**- Analysis Of The Impairment Provision For Customers**

**Dec.31, 2010**

| | Retail | | | | |
|---|---|---|---|---|---|
| | Overdrafts | Credit Cards | Personal Loans | Real state Loans | Total |
| » 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 |
| » Foreign Currency Revaluation Diff. | - | - | - | - | - |
| **Balance At The End Of The Year** | **8,001,963** | **42,119,826** | **81,498,499** | **8,888,164** | **140,508,452** |

| | Corporate | | | | |
|---|---|---|---|---|---|
| | Overdrafts | Direct Loans | Syndicated loans | Other Loans | Total |
| » 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 |
| **Balance At The End Of The Year** | **186,889,818** | **453,722,723** | **472,657,512** | **4,103,921** | **1,117,373,974** |

**Dec.31, 2009**

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

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

## (21) Financial derivatives

**Derivatives**

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

- Forward contracts represents commitments of buying foreign and local currencies including unexecuted spot transactions. Future contracts for foreign currencies and/or interest rates represents contractual commitments to receive or pay net amount on the basis of changes in foreign exchange rates or interest rates, and/or buying or selling foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.

- Credit risk is considered low, and future interest rate contracts represents future exchange rate contracts negotiated for case by case, these contracts requires financial settlements of any differences in contractual interest rates and prevailing market interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

- Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts)/ contractual amounts are not exchanged except for some foreign exchange contracts

- Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities.

This risk is monitored continuously through comparisons of fair value and contractual amount, and to control continuously through comparisons of fair value and contractual amount, and to control the outstanding credit risk, the bank evaluates other parties using the same methods as in borrowing activities.

- Options contracts in foreign currencies and/or interest rates represents contractual agreements for the buyer (issuer) to seller (holders) as a right not an obligations whether to buy (buy option) or to sell (sell option) at a certain day or within certain period for a certain amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between the bank and one of its client (Off balance sheet). The bank exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

- The contractual value for some derivatives options considered a base to compare the realized financial instruments on the balance sheet, but it didn't provide indicator on the projected cash flows of the fair value for current instruments, those amounts doesn't reflects credit risk or interest rate risk.

- Derivatives in the banks benefit represent (assets) conversely it represents (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time and also the range through which the financial derivatives can be in benefit of the bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. hereunder are the fair values of the booked financial derivatives.

**A- For Trading Derivatives**

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

**B- For Hedging Derivatives**

| | Dec.31, 2010 | | | Dec.31, 2009 | | |
|---|---|---|---|---|---|---|
| | Notional Amount | Assets | Liabilities | Notional Amount | Assets | Liabilities |
| » Interest rate Swaps | 1,159,112,554 | 7,413,234 | 8,215,863 | - | - | - |
| **Total Assets ( liability) For Hedging Derivatives (1+2+3+4)** | | 7,413,234 | 8,215,863 | | - | - |
| **Total Financial Derivatives (1+2+3+4)** | | 139,263,948 | 113,551,040 | | 225,347,220 | 150,526,830 |

## (22) Financial Investment

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Available For Sale Financial Investment:- | | |
| » Debt Instruments Listed - Fair Value | 12,182,202,264 | 6,756,292,076 |
| » Equity Instruments Listed - Fair Value | 88,634,556 | 115,553,654 |
| » Unlisted Instruments | 1,334,510,210 | 548,683,876 |
| **Total Available For Sale Financial Investment** | **13,605,347,030** | **7,420,529,606** |
| **Held To Maturity Financial Investment:-** | | |
| » Listed Debt Instruments | 54,083,377 | 262,758,830 |
| » Unlisted Instruments | 235,068,368 | 317,167,843 |
| **Total Held To Maturity Financial Investment** | **289,151,745** | **579,926,673** |
| **Total Financial Investment** | **13,894,498,775** | **8,000,456,279** |
| » Listed Balances | 11,983,836,014 | 7,134,604,560 |
| » Unlisted Balances | 1,910,662,761 | 865,851,719 |
| | **13,894,498,775** | **8,000,456,279** |
| » Fixed Interest Debt Instruments | 11,505,888,130 | 5,701,939,359 |
| » Variable Interest Debt Instruments | 1,849,898,303 | 1,601,779,389 |
| | **13,355,786,433** | **7,303,718,748** |

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

| | Available for Sale Financial Investment | Held to Maturity Financial Investment | Total |
|---|---|---|---|
| » Opening Balance 1/1/2009 | 2,762,232,984 | 681,263,274 | **3,443,496,258** |
| » Addition | 9,345,814,437 | - | **9,345,814,437** |
| » Deduction ( Selling - Recovery ) | (4,578,286,645) | (100,347,555) | **(4,678,634,201)** |
| » Differences In Revaluation Of The Cash Assets In Foreign Currencies | (8,035,073) | (989,046) | **(9,024,119)** |
| » Profit (Losses)From Fair Value Deference | (86,277,201) | - | **(86,277,201)** |
| » Return (Deduct) - Impairment Losses | (14,918,896) | - | **(14,918,896)** |
| **Balance At The End Of Year** | **7,420,529,606** | **579,926,673** | **8,000,456,279** |
| | | | |
| » Opening Balance 1/1/2010 | 7,420,529,606 | 579,926,673 | **8,000,456,279** |
| » Addition | 9,474,625,202 | 5,012,500 | **9,479,637,702** |
| » Deduction ( Selling - Recovery ) | (3,466,577,997) | (311,446,590) | **(3,778,024,587)** |
| » Differences In Revaluation Of The Cash Assets In Foreign Currencies | 68,054,023 | 15,659,162 | **83,713,185** |
| » Profit (Losses)From Fair Value Deference | 108,716,196 | - | **108,716,196** |
| **Balance At The End Of Year** | **13,605,347,030** | **289,151,745** | **13,894,498,775** |

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| **Profit (Losses) From Financial Investment** | | |
| » Profit From Selling Available For Sale Financial Instruments | 203,689,153 | 88,188,511 |
| » (Losses) From Impairment Of Equity Instruments Available For Sale | (9,844,647) | (14,918,896) |
| » Return (Losses) Of Impairment From Available For Sale Debt Instruments | 68,054,023 | (8,035,072) |
| » (Losses) From Selling Investments In Subsidiaries And Associates. | (96) | - |
| » (Losses) From Impairment Of Subsidiaries And Associates. | (159,325,957) | - |
| » Profit (Losses) Of Selling Held to Maturity Debt Investments | (13,270) | (13,851) |
| | **102,559,206** | **65,220,692** |

## (23) Financial Investments in Subsidiary and Associated Companies

| | Dec.31, 2010 Value (EGP) | % | Dec.31, 2009 Value (EGP) | % |
|---|---|---|---|---|
| **(A) Subsidiary Companies:-** | | | | |
| » Commercial International Capital Holding Co. | 886,086,000 | 99.98 | 1,045,411,957 | 99.98 |
| **(B) Associated Companies:-** | | | | |
| » Commercial International life insurance co. | 44,520,250 | 45 | 44,520,250 | 45 |
| » Corplease co. | 42,000,000 | 40 | 32,000,000 | 40 |
| » Cotecna Trade Support | - | 39 | 48,750 | 39 |
| » Haykala for Investment | 600,000 | 40 | 600,000 | 40 |
| » Egypt Factors | 18,111,288 | 39 | 10,696,530 | 39 |
| » International. Co. for Appraisal and Collection. | 1,000,000 | 40 | 1,000,000 | 40 |
| » International Co. for Security and Services ( Falcon ) | 4,000,000 | 40 | 4,000,000 | 40 |
| **Total** | **996,317,538** | | **1,138,277,487** | |
| **The Financial Investments in subsidiary and associated companies are represented as follows :-** | | | | |
| » Financial Investments Unlisted in Stock Exchange | 996,317,538 | | 1,138,277,487 | |
| **Total** | **996,317,538** | | **1,138,277,487** | |

### (24) Real estate investments

| Assets | Dec.31, 2010 EGP Book value | Dec.31, 2009 EGP Book value |
|---|---|---|
| » Building number 17 tiba st. Eldokki next to shooting club | 7,600,000 | 7,600,000 |
| » Commercial unit number f 35 in arkadia mall (14 elbahr st. Boulak kornish el nile ) | 361,200 | 361,200 |
| » Floor 3 building number 131 eltahriri st. Eldokki + part of the garage | - | 3,239,200 |
| » Appartment in the first floor 230 meters elmadina tower elgomhoria st. Port said | 750,000 | 1,000,000 |
| » 338.32 meters on a land and building the property number 16 elmakrizi st. Heliopolis | 1,000,000 | 1,650,000 |
| » Villa number 27/291 elgamil portsaid | - | 225,000 |
| » Villa number 113 royal hills 6th of october | 2,000,000 | 2,500,000 |
| » A land area with 1468.85 meters elsaidi basin -markaz nabrouh eldakahlia | 1,121,965 | 1,321,965 |
| » Land and a bulding in elmansoura elnahda street 766.3 meters | 3,463,000 | 7,663,000 |
| » Agricultural area 1 feddan 14t and 17.25 shares near el azazi fakous elsharkia | 222,000 | 322,000 |
| » Land number 16 mit khamis elmansoura (3 carats, 15 share)which equals 645 meters | 1,935,000 | 1,935,000 |
| » land with a villa model number 10 on land number 219 Elshorouk 2000 compound villas | - | 2,525,500 |
| » Agriculutral area 47 feddans 11 carats markaz shebin eldakahlia | 10,242,499 | 12,142,499 |
| **Total** | **28,695,664** | **42,485,364** |

### (25) Debit Balances and Other Assets

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Accrued Revenues | 801,607,656 | 453,873,774 |
| » Prepaid Expenses | 68,889,983 | 67,433,667 |
| » Advances for Purchase of Fixed Assets | 53,943,062 | 48,879,348 |
| » Accounts receivable and Other Assets ** | 446,874,086 | 343,186,740 |
| » Assets Acquired as Settlement of Debts | 4,630,353 | 4,630,353 |
| | **1,375,945,140** | **918,003,882** |

* This Include The Value Of Premises That Was Not Recorded Under The Bank›s Name By EGP 21.095.664 Which Were Acquired Against Settlement Of The Debts Mentioned Above, In The Same Time The Legal Procedures Are Under Process To Register Or Sell These Assets Within The period required by law.

** Include EGP 6.331.048 as Assets Held For Sale.

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

| | Land EGP | Premises EGP | IT EGP | Vehicles EGP | Fitting-Out EGP | Machines & Equipment EGP | Furniture & Furnishing EGP | Total EGP |
|---|---|---|---|---|---|---|---|---|
| Opening Balance (3) | 60,548,180 | 333,931,594 | 639,002,727 | 21,076,715 | 235,612,855 | 234,103,089 | 96,403,749 | 1,620,678,909 |
| Additions (Deductions) During The Year | 27,081 | 70,539,200 | 59,322,657 | 16,586,300 | 14,314,071 | 7,090,093 | 8,365,030 | 176,244,432 |
| **Closing Balance (1)** | **60,575,261** | **404,470,794** | **698,325,384** | **37,663,015** | **249,926,926** | **241,193,182** | **104,768,779** | **1,796,923,341** |
| Accu.Depreciation at Beginning of The Year (4) | - | 122,545,577 | 406,752,292 | 20,147,077 | 167,756,764 | 132,600,857 | 52,028,378 | 901,830,945 |
| Current Year Depreciation | - | 18,619,628 | 84,296,654 | 944,181 | 39,588,379 | 26,051,005 | 9,521,391 | 179,021,238 |
| **Accu.Depreciation at End of The Year (2)** | **-** | **141,165,205** | **491,048,946** | **21,091,258** | **207,345,143** | **158,651,862** | **61,549,769** | **1,080,852,183** |
| End of Year Net Assets (1-2) | 60,575,261 | 263,305,589 | 207,276,438 | 16,571,757 | 42,581,783 | 82,541,320 | 43,219,010 | 716,071,158 |
| **Beginning of Year Net Assets (3-4)** | **60,548,180** | **211,386,017** | **232,250,435** | **929,638** | **67,856,091** | **101,502,232** | **44,375,371** | **718,847,964** |
| Depreciation Rates | | %5 | %20 | %20 | %33.3 | 33.3% | 20% | |

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

### (27) Due To Banks

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

### (28) Customers Deposits

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Demand Deposits | 16,778,775,254 | 14,490,335,257 |
| » Time Deposits | 21,893,614,059 | 21,669,911,514 |
| » Certificates of Deposit | 15,205,693,671 | 9,805,872,397 |
| » Saving Deposits | 8,321,204,407 | 8,024,613,798 |
| » Other Deposits | 1,280,596,233 | 851,896,877 |
| | **63,479,883,624** | **54,842,629,843** |
| » Corporate Deposits | 21,323,876,050 | 18,712,676,141 |
| » Retail Deposits | 42,156,007,574 | 36,129,953,702 |
| | **63,479,883,624** | **54,842,629,843** |
| » Non Bearing Interest Balances | 9,935,629,948 | 15,342,232,134 |
| » Floating Bearing Interest Balances | - | 10,746,100 |
| » Fixed Bearing Interest Balances | 53,544,253,676 | 39,489,651,609 |
| | **63,479,883,624** | **54,842,629,843** |
| » Current Balances | 47,968,184,622 | 44,951,662,006 |
| » Non-Current Balances | 15,511,699,002 | 9,890,967,837 |
| | **63,479,883,624** | **54,842,629,843** |

### (29) Long Term Loans

| | Rate % | Maturity Date | Maturing Through Next Year EGP | Balance as of Dec.31, 2010 EGP | Balance as of Dec.31, 2009 EGP |
|---|---|---|---|---|---|
| » F.I.S.C. | 7 | 3-5 years | 16,665,283 | 34,363,003 | 36,314,000 |
| | | | | | |
| » KFW Private Sector Industry (Phase II) | 10.5 - 9 | 10 YEARS | 5,487,166 | 8,966,582 | 9,581,678 |
| | | | | | |
| » UNIDO | 1 | 2011 | 29,716 | 60,014 | 2,249,926 |
| » Agricultural Research and Development Fund (ARDF) | 3.5 - 5.5 depends on maturity date | 3-5 years | 74,802,222 | 78,352,222 | 33,687,857 |
| » Ministry of Agriculture (V.S.P) | 3.5 - 5.5 depends on maturity date | 3-5 years | - | - | 60,000 |
| » Social Fund | 3 months T/D or 9% which more | 2010 | 249,000 | 417,000 | 1,485,844 |
| » Spanish Microfinance Loan | 0.5 | 2012 | 3,477,302 | 6,954,604 | 9,857,737 |
| **Total** | | | **100,710,689** | **129,113,425** | **93,237,042** |

### (30) Credit Balances and Other Liabilities

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Accrued Interest Payable | 208,214,717 | 172,395,377 |
| » Accrued Expenses | 95,867,298 | 63,907,016 |
| » Accounts Payable | 376,604,579 | 460,698,162 |
| » Income Tax | 426,695,912 | 306,398,840 |
| » Other Credit balances | 16,501,392 | 125,565,090 |
| **Total** | **1,123,883,898** | **1,128,964,485** |

## (31) Other Provisions

Dec. 31, 2010 (EGP)

| | Opening Balance | Formed During the Year | FCY Balance Reval. Difference | Usage During the Year | Balance No Longer Required | Closing Balance |
|---|---|---|---|---|---|---|
| » Provision For Income Tax Claims | 146,909,685 | - | - | - | (140,000,000) | 6,909,685 |
| » Provision For Legal Claims | 3,401,533 | 32,479,464 | - | (5,000) | (2,725,450) | 33,150,547 |
| » Provision For Contingent | 281,592,486 | 3,094,612 | 7,334,078 | - | (35,312,276) | 256,708,900 |
| » Provision For Other Claim | 11,824,874 | 3,624,020 | 6,542 | (1,985,637) | - | 13,469,799 |
| **Total** | **443,728,578** | **39,198,096** | **7,340,620** | **(1,990,637)** | **(178,037,726)** | **310,238,930** |

Dec. 31, 2009 (EGP)

| | Opening Balance | Formed During the year | FCY Balance Reval. Difference | Usage During the year | Balance No Longer Required | Closing Balance |
|---|---|---|---|---|---|---|
| » Provision For Income Tax Claims | 146,909,685 | - | - | - | - | 146,909,685 |
| » Provision For Legal Claims | 1,271,113 | 2,838,002 | - | (190,504) | (517,078) | 3,401,533 |
| » Provision For Contingent | 244,688,780 | 37,653,452 | (749,746) | - | - | 281,592,486 |
| » Provision For Other Claim | 8,723,449 | 8,820,000 | 25,167 | (5,743,742) | - | 11,824,874 |
| **Total** | **401,593,027** | **49,311,454** | **(724,579)** | **(5,934,246)** | **(517,078)** | **443,728,578** |

## (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 tranch 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 statues 5% of net profit is to increase legal reserve until reaches 50% of the bank›s issued and paid in capital

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

## (33) Deferred Tax Assets and Liabilities

| | Assets (liabilities) Dec.31, 2010 EGP | Assets (liabilities) Dec.31, 2009 EGP |
|---|---|---|
| **Deferred tax assets and liabilities are attributable to the following:** | | |
| » Fixed Assets (Depreciation) | (23,645,342) | (26,940,482) |
| » Other Provisions(Excluded Loan Loss, Contingent Liabilities And Income Tax Provisions) | 9,324,074 | 3,045,281 |
| » Other Items(Other Investments Revaluation Difference) | 64,727,644 | 31,517,523 |
| » Reserve For Employee Stock Ownership Plan (ESOP) | 29,250,318 | 32,176,996 |
| **Total** | **79,656,694** | **39,799,318** |

## (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:

| | Number of Shares |
|---|---|
| » Outstanding At The Beginning Of The Year | 10,322,024 |
| » Granted During The Year | 3,388,366 |
| » Forfeited During The Year | (587,385) |
| » Exercised During The Year | (2,572,180) |
| **Outstanding At The End Of The Year** | **10,550,825** |

- The estimated fair value of the equity instrument granted to the second tranch is EGP 27.06 .

- The estimated fair value of the equity instrument granted to the third tranch is EGP 13.70 .

- The estimated fair value of the equity instrument granted to the forth tranch is EGP21.70 .

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

### (35) Reserves and Retained Earnings

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Legal Reserve | 125,128,337 | 513,606,534 |
| » General Reserve | 78,564,646 | 1,463,656,484 |
| » Retained Earning | 20,231,298 | (1,942,684) |
| » Special Reserve | 184,356,569 | 206,530,551 |
| » Reserve For A.F.S Investments Revaluation Diff. | 2,126,596 | (106,589,600) |
| » Banking Risks Reserve | 156,992,515 | 26,652,790 |
| **Total Reserves and Retained Earnings at the End of the Year** | **567,399,960** | **2,101,914,074** |

**A- Banking Risks Reserve**

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | 26,652,790 | - |
| » Transferred from (to) retained earnings | 130,339,725 | 26,652,790 |
| **Ending Balance** | **156,992,515** | **26,652,790** |

**B- Legal Reserve**

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | 513,606,534 | 432,851,511 |
| » Used During The Year | (476,326,032) | - |
| » Transferred from Profits | 87,847,835 | 80,755,023 |
| **Ending Balance** | **125,128,337** | **513,606,534** |

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

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | (106,589,600) | (20,312,399) |
| » Gains (Losses) from A.F.S Investment Revaluation | 108,716,196 | (101,196,097) |
| » Losses from Impairment | - | 14,918,896 |
| **Ending Balance** | **2,126,596** | **(106,589,600)** |

**D- Retained Earning**

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | (1,942,684) | (1,942,684) |
| » Transferred To Special Reserve | 22,173,982 | - |
| **Ending Balance** | **20,231,298** | **(1,942,684)** |

### (36) Cash And Cash Equivalent

| | Dec. 31, 2010 EGP | Dec. 31, 2009 EGP |
|---|---|---|
| » Cash And Due From Central Bank | 5,675,241,791 | 4,179,212,739 |
| » Due From Banks | 6,769,607,397 | 7,785,042,557 |
| » Treasury Bills And Other Governmental Notes | 8,821,003,566 | 13,191,665,954 |
| » Due From Banks (Time Deposits)More Than Three Months | (6,394,795,631) | (7,509,460,335) |
| » Treasury Bills With Maturity More Than Three Months | (7,092,113,082) | (7,584,125,286) |
| **Total Cash And Cash Equivalent** | **7,778,944,041** | **10,062,335,629** |

### (37) Contingent Liabilities And Commitments

**( A ) Legal Claims**

There are a number of existing cases filed against the bank in 31/12/2010 without provision as it's not expected to make any losses from it.

**( B ) Capital Commitments**

**- Financial Investments:-**

The capital commitments for the financial investments reached on the date of financial position EGP 142,855,749 as follows:-

| | Investments value EGP | Paid EGP | Remaining EGP |
|---|---|---|---|
| » Available for Sale Financial Investments | 477,436,529 | 335,180,780 | 142,255,749 |
| » Financial Investments in associates Co. | 1,200,000 | 600,000 | 600,000 |

- Fixed Assets and Branches Constructions;-

The value of Commitments for the purchase of fixed assets contracts and branches constructions that have not been implemented till the date of financial statement amounted to EGP 2.028.164

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

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Letters Of Guarantee | 10,300,751,367 | 11,348,196,542 |
| » Letters Of Credit ( Import And Export ) | 989,910,137 | 820,272,115 |
| » Customers Acceptances | 589,087,209 | 469,403,911 |
| **Total** | **11,879,748,713** | **12,637,872,568** |

### (38) Comparative Figures

- The Comparative Figures Are Amended To Confirm With The Reclassification Of The Current Year And General Assembly Held on 17th Of March, 2010, Decisions, For Ratifying The Appropriation Account Of Year 2009.

- Some items in income statement and balance sheet have been restated According to Central Bank of Egypt new regulation issued in December 16, 2008 as Follows:-

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

## (39) Mutual Funds

**Osoul Fund**

- The Bank established an accumulated return mutual fund under license no.331 issued from capital market authority on 22/02/2005. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 60,588,285 with redeemed value EGP 9,703,819,726.
- The market value per certificate reached EGP 160.16 on 31/12/2010.
- The Bank portion got 2,702,313 certificates with redeemed value EGP 432,802,450.

**Istethmar Fund**

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on 26/02/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 3,037,171 with redeemed value EGP 242,669,963.
- The market value per certificate reached EGP 79.90 on 31/12/2010.
- The bank portion got 194,744 certificates with redeemed value EGP 15,560,046.

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

- The bank and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on 30/07/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 760,909 with redeemed value EGP 45,616,495.
- The market value per certificate reached EGP 59.95 on 31/12/2010.
- The bank portion got 45,434 certificates with redeemed value EGP 2,723,768.

**Hemaya Fund**

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

## (40) Transactions With Related Parties

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

| | EGP |
|---|---|
| » Loans & Overdrafts | 828,308,607 |
| » Customer Deposits | 695,818,754 |
| » Contingent Accounts | 383,754 |

| | Income EGP | Expenses EGP |
|---|---|---|
| » International Co. for Security & Services | 684,391 | 50,347 |
| » Corplease Co. | 66,245,071 | 954,343 |
| » Commercial International Life Insurance Co. | 171,309 | 1,925,320 |
| » Commercial International Brokerage Co. | 1,155,777 | 2,622,284 |
| » Dinamic Company | 26,425 | 135,982 |
| » Egypt Factors | 7,103,508 | 56,770 |
| » CI Assets Management | 6,280 | 16,009 |
| » Commercial International Capital Holding Co. | 22,315 | 257,184 |
| » Haykala for Investment | 756 | 3,245 |
| » CI Capital Researches | 546 | 794 |

## (41) Tax Status

- 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 .

### (42) Main Currencies Positions

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

### (43) Subsequent Events

• The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors, in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future. Therefore, there is a possibility that the above mentioned events will have a significant impact on the assets, liabilities, its recoverable/ settlement amounts and the results of operations in the foreseeable future.

• At the present time, it is not possible to quantify the effect on the assets and the liabilities included in the company's financial statements, since quantifying the effect of these events relies on the expected range and the time when these events, and its consequences, are expected to be finished.

• The Bank will continue to assess the situation and will quantify any effect on assets and liabilities once the assessment is complete.

Allied for Accounting & Auditing E&Y
Public accountants & consultants

KPMG Hazem Hassan
Public accountants & consultants

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Commercial International Bank (Egypt) S.A.E, which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the consolidated Financial Statements**

These consolidated financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and in light of the prevailing Egyptian laws , management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Commercial International Bank (Egypt) as of December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note [44] to the consolidated financial statements. The bank disclosed that The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors, in general, a matter which may lead to a substantial decline in the economic activities in the coming periods.

**Report on Other Legal and Regulatory Requirements**

According to the information and explanations given to us – during the financial year ended December 31, 2010 no contravention of the central bank, banking and monetary institution law No. 88 of 2003.

The Bank maintains proper books of account, which include all that is required by law and by the statutes of the bank, the consolidated financial statements are in agreement thereto.

The consolidated financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Bank's books of account.

Auditors

Nabil Istanbouli
Capital Market Authority Register No. "71"
Allied for Accounting & Auditing E&Y
Public accountants & consultants

Ehab Akl
Capital Market Authority Register No. "9"
KPMG Hazem Hassan
Public accountants & consultants

Cairo, 23 February 2011

## B. CIB Consolidated

Commercial International Bank (Egypt) S.A.E **Consolidated Balance Sheet In** Dec. 31, 2010

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

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

Hisham Ezz El-Arab
Chairman & Managing Director

Commercial International Bank (Egypt) S.A.E **Consolidated Income Statement** For The Period Ended Dec. 31, 2010

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

Hisham Ezz El-Arab
Chairman
& Managing Director

Commercial International Bank (Egypt) S.A.E **Consolidated Cash Flow** For The Period Ended Dec. 31, 2010

| | Dec. 31, 2010 EGP | Dec. 31, 2009 EGP |
|---|---|---|
| » Cash Flow From Operating Activities:- | | (Restated) |
| » Net Income Before Tax | 2,363,971,731 | 2,095,345,642 |
| **Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities** | | |
| » Depreciation | 184,081,368 | 193,535,184 |
| » Provisions (Formed During The Period) | 87,221,739 | 60,259,903 |
| » Trading Financial Investments Evaluation Differences | (76,970,503) | (11,988,038) |
| » Intangible Assets Amortization | (196,651,202) | (67,467,240) |
| » Goodwill Amortization | (40,093,445) | - |
| » Impairment Of Assets | 100,496,321 | 22,423,516 |
| » Utilization Of Provisions (Except Provision For Doubtful Debts) | (1,990,637) | (6,767,109) |
| » Provisions No Longer Used | (178,520,239) | (4,016,965) |
| » Fcy Revaluation Differences Of Provisions Balances (Except Doubtful Debts) | 7,340,620 | (724,579) |
| » Profits From Selling Fixed Assets | (1,574,746) | 15,797,710 |
| » Profits From Selling Financial Investments | (209,478,369) | (113,051,948) |
| » Losses From Selling An Investment In Subsidiary | 96 | - |
| » Fcy Revaluation Diff.Of Long Term Loans | 141,768 | 310,424 |
| » Share Based Payments | 66,356,519 | 75,001,081 |
| **Operating Profits Before Changes In Operating Assets And Liabilities** | **2,104,331,021** | **2,258,657,581** |
| **Net Decrease (Increase ) In Assets and Liabilities** | | |
| » Due From Banks | 1,108,771,731 | (1,780,463,063) |
| » Treasury Bills And Other Governmental Notes | 492,012,203 | 1,410,950,308 |
| » Trading Financial Assets | (1,017,638,376) | 162,476,513 |
| » Financial Derivatives (Net) | 49,107,482 | (6,844,342) |
| » Loans And Overdrafts | (7,776,687,046) | (1,047,276,956) |
| » Debit Balances And Other Assets | (171,969,013) | (20,764,886) |
| » Due To Banks | 864,134,680 | 229,151,007 |
| » Customers Deposits | 8,715,522,756 | 5,858,624,713 |
| » Credit Balances And Other Liabilities | (159,334,210) | (377,288,176) |
| **Net Cash Provided From Operating Activities** | **4,208,251,228** | **6,687,222,699** |
| **Cash Flow From Investing Activities:-** | | |
| » (Payments) Incomings form (Purchase) selling Associated Co. | (13,000,452) | (95,645,157) |
| » Purchase Of Fixed Assets , Premises And Fitting- Out Of Branches | (106,117,083) | (176,827,213) |
| » Redemption Of Held To Maturity Financial Investments | 311,478,559 | 100,347,555 |
| » Held To Maturity Financial Investment Purchases | (20,671,662) | (9,141,490) |
| » Purchase Of Available For Sale Financial Investment | (5,966,033,445) | (4,564,383,469) |
| » Real estate investments | 13,789,700 | 5,049,941 |



Commercial International Bank (Egypt) S.A.E **Consolidated Cash Flow** For The Period Ended Dec. 31, 2010

| | Dec. 31, 2010 EGP | Dec. 31, 2009 EGP |
|---|---|---|
| **Net Cash (Used In) Provided From Investing Activities** | **(5,780,554,384)** | **(4,740,599,833)** |
| **Cash Flow From Financing Activities:-** | | |
| » Increase (Decrease) In Long - Term Loans | 35,734,616 | (16,347,315) |
| » Dividends Paid | (661,806,331) | (478,236,553) |
| » Capital Increase | 25,721,800 | - |
| **Net Cash (Used In) Financing Activities** | **(600,349,915)** | **(494,583,868)** |
| » Net Cash And Cash Equivalent Changes | (2,172,653,071) | 1,452,038,998 |
| » Beginning Balance Of Cash And Cash Equivalent | 10,230,779,568 | 8,778,740,569 |
| **Cash And Cash Equivalent Balance At The End Of The Period** | **8,058,126,497** | **10,230,779,567** |
| **Cash And Cash Equivalent Are Represented As Follows:-** | | |
| » Cash And Due From Central Bank | 5,675,241,791 | 4,179,256,489 |
| » Due From Banks | 7,054,682,826 | 7,946,147,786 |
| » Treasury Bills And Other Governmental Notes | 8,821,003,566 | 13,198,960,913 |
| » Due From Banks (Time Deposits) More Than Three Months | (6,400,688,604) | (7,509,460,335) |
| » Treasury Bills With Maturity More Than Three Months | (7,092,113,082) | (7,584,125,286) |
| **Total Cash And Cash Equivalent** | **8,058,126,497** | **10,230,779,567** |

## Commercial International Bank (Egypt) S.A.E **Consolidated Statement of Changes in Shareholders' Equity** as of Dec. 31, 2010

| Dec. 31, 2009 | 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 Year EGP | Reserve For Employee Stock Ownership Plan (ESOP) EGP | Total Shareholders Equity EGP | Minority Interest EGP | Total EGP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| » **Beginning Balance** | **2,925,000,000** | **432,851,511** | **407,547,602** | **302,794,421** | **87,845,690** | **185,993,785** | **(20,985,045)** | **-** | **1,370,592,742** | **86,727,903** | **5,778,368,609** | **46,280,877** | **5,824,649,486** |
| » Effect Of Adjusting Accounting Standards | - | - | - | - | - | 20,536,766 | - | - | - | - | 20,536,766 | - | 20,536,766 |
| » **Beginning Balnace After Adjustments** | **2,925,000,000** | **432,851,511** | **407,547,602** | **302,794,421** | **87,845,690** | **206,530,551** | **(20,985,045)** | **-** | **1,370,592,742** | **86,727,903** | **5,798,905,375** | **46,280,877** | **5,845,186,252** |
| » Transferred To Reserves | - | 80,755,023 | 1,056,108,883 | - | - | - | - | - | (1,136,863,906) | - | - | - | - |
| » Transfer To Retained Earning | - | - | - | - | (244,507,717) | - | - | - | 244,507,717 | - | - | - | - |
| » Dividends Paid | - | - | - | - | - | - | - | - | (478,236,553) | - | (478,236,553) | - | (478,236,553) |
| » Net Profits Of The Year | - | - | - | - | - | - | - | - | 1,743,968,350 | - | 1,743,968,350 | 1,527,866 | 1,745,496,215 |
| » Change During the Year | - | - | (152,185) | - | (1,023,965) | - | - | - | - | - | (1,176,150) | (2,201,420) | (3,377,570) |
| » Addition from Financial Investment Revaluation | - | - | - | - | - | - | (86,139,721) | - | - | - | (86,139,721) | - | (86,139,721) |
| » Reserve For Employees Stock Ownership Plan (ESOP) | - | - | - | - | - | - | - | - | - | 75,001,081 | 75,001,081 | - | 75,001,081 |
| » Effect Of Adjusting Accounting Standards | - | - | - | - | (18,601,847) | - | - | 26,652,790 | (26,652,790) | - | (18,601,847) | - | (18,601,847) |
| » **Balance At The End Of The Year** | **2,925,000,000** | **513,606,534** | **1,463,504,300** | **302,794,421** | **(176,287,838)** | **206,530,551** | **(107,124,766)** | **26,652,790** | **1,717,315,559** | **161,728,984** | **7,033,720,535** | **45,607,323** | **7,079,327,858** |

## Commercial International Bank (Egypt) S.A.E **Consolidated Statement of Changes in Shareholders› Equity** as of Dec. 31, 2010

| Dec. 31, 2010 | 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 Year EGP | Reserve For Employee Stock Ownership Plan (ESOP) EGP | Total Shareholders Equity EGP | Minority Interest EGP | Total EGP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| » **Beginning Balnace** | **2,925,000,000** | **513,606,534** | **1,463,504,300** | **302,794,421** | **(176,287,838)** | **206,530,551** | **(107,124,766)** | **26,652,790** | **1,717,315,559** | **161,728,984** | **7,033,720,535** | **45,607,323** | **7,079,327,858** |
| » Capital Increase | 2,976,443,600 | (476,326,032) | (2,474,395,768) | - | - | - | - | - | - | - | 25,721,800 | - | 25,721,800 |
| » Transferred To Reserves | - | 87,847,835 | 1,010,739,284 | - | - | - | - | - | (1,098,587,119) | - | - | - | - |
| » Transferred To Retained Earning | - | - | - | - | (28,903,907) | (22,173,982) | - | - | 43,077,890 | - | (7,999,999) | - | (7,999,999) |
| » Dividends Paid | - | - | - | - | - | - | - | - | (661,806,331) | - | (661,806,331) | - | (661,806,331) |
| » Net Profit Of TheYear | - | - | - | - | - | - | - | - | 2,005,545,505 | - | 2,005,545,505 | 1,358,316 | 2,006,903,821 |
| » Change During the Year | - | - | - | - | 1,587,135 | - | - | - | - | - | 1,587,135 | - | 1,587,135 |
| » Addition from Financial Investment Revaluation | - | - | - | - | - | - | 108,847,257 | - | - | - | 108,847,257 | - | 108,847,257 |
| » Transferred to Bank Risk Reserve | - | - | - | - | - | - | - | 130,339,725 | (130,339,725) | - | - | - | - |
| » Reserve For Employees Stock Ownership Plan (ESOP) | - | - | 78,564,646 | - | - | - | - | - | - | (12,208,126) | 66,356,519 | - | 66,356,519 |
| » **Balance At The End Of TheYear** | **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** |

## Commercial International Bank (Egypt) S.A.E.

**Notes to the Consolidated Financial Statements**
**For the Financial Period from January 1, 2010 to December 31, 2010**

### 1. General information

Commercial International Bank (Egypt) provide retail, corporate banking and investment banking services in various parts of Egypt through one hundred & eight branches, in addition to forty five units and employs over 4327 employees in the balance sheet date.
Commercial International Bank (Egypt) S.A.E was formed as a commercial Bank under the Investment Law No. 43 for 1974 . The address of its registered office is as follows: Nile Tower 21/23 Sharel Degol St, Giza.
The Bank listing in Egyptian Stock Exchange.

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

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

| Company Name | No. of Shares | Ownership% | Indirectly Share% |
|---|---|---|---|
| • CIBC Co. | 579,570 | 96.60 | 96.58 |
| • CI Assets Management | 478,577 | 95.72 | 95.70 |
| • CI Investment Banking Co. | 81,578 | 96.30 | 96.28 |
| • CI For Research Co. | 448,500 | 96.32 | 96.30 |
| • Dynamic Brokerage Co | 3,393,500 | 99.97 | 99.95 |
| • United Brokerage Co. – Dubai | 5,000,000 | 49.00 | 48.99 |

### 2. Summary of significant accounting policies

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

#### 2.1 Basis of financial statements preparation

- The consolidated financial statements have been prepared in accordance with Egyptian Financial Reporting Standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors as of December 16, 2008 consistent with the principles referred to.

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

**Basis of consolidation**

Given the bank's acquisition of the proportion of 98.99% (full control) in CI Capital Holding, the style of the kidneys is the basis of the assembly taken in the preparation of consolidated financial statements of the Bank
Consolidated Financial Statements are Consisting of the Financial Statements of Commercial International Bank and Consolidated Financial Statements of CI Capital Holding and it's subsidiaries .the control is achieved through the bank's ability to control the financial and operational policies of the invests in order to obtain benefits from its activities . The basis of the consolidation is follows: -

- Eliminating all balances and transactions between the bank and group companies.
- The cost of acquisition of subsidiary companies is based on the company's share in the fair value of assets acquired and obligations outstanding the acquisition date.
- Minority shareholders represent the rights of others in subsidiary companies.
- Proportional Consolidation is used in consolidating method companies under joint control
- The following is a summary of significant changes in accounting policies and financial statements due to the application of these accounting adjustments:
- Changed the disclosure requirements of the objectives and policies and methods of risk management, financial management and capital adequacy and some other explanatory notes.
- The bank set the relevant parties in accordance with the requirements of the amended and added some new clarifications on these parties
- Collecting all facilities controlled by the bank directly or indirectly, irrespective of the activity of these installations. Previously, there were no collection for facilities that do not work in banking or finance. The users of these independent financial statements, reading consolidated financial statements of the Bank, as and for the period ended December 31, 2010, so for getting complete information on the Bank's financial position and results of its work and its cash flows and changes in owner equity.
- The Bank's in consolidated financial statements use the equity method in associates companies instead of the cost method.

  And For the purpose of applying the equity method The bank compares the cost of acquisition with the fair value of net assets of the investee company at the date of acquisition and to determine the difference as goodwill.
  And In those cases where the fair value of net assets of the investee company is not available at the date of acquisition The book values of net assets regarded as equal to the fair value and identify Goodwill on this basis. And after that changes in equity of the associate company subsequent to the date of acquisition was taken to adjust the book value in the financial statement As a result of an amendment to retained earnings in first of January 2009 by the amount of (18,601,847) Egyptian Pound represent The net losses resulting from applying the equity method until this date
  And The Bank continued to use the cost method of accounting for associates in these unconsolidated financial statements

- Studying all the differences that result in tax obligations for tax deferred and recognized retroactively, and for deferred tax assets and retained tax losses, it has been recognized only within the limits of future economic benefits expected of them. Shows the note (38) the impact of the recognition of differences in the tax numbers comparison.
- Note number (35) shows the impact of that change on the item of owner equity and available for sale, investments which were previously measured at cost adjusted rate differentials in exchange rates or fair value whichever is less with the incurred of the decline in value of the income statement.
- As a Result of the application instructions and the new criteria to recognize all derivatives in the first of January 2009 in the financial statements, as separate derivatives implicit in the history of recognition in the financial statements was the measurement of all derivatives at fair value.
- The method of measuring loans and facilities impairment and other debt instruments, which are measured at amortized

cost has changed, Resulted in cancellation of the General Provisions component of loans and facilities and instead total provision was provided for groups of assets that carry a credit risk and similar characteristics or individual provision. As a result of changing the way of provision provided increase the specified provision, which were configured for specific items by amount of EGP 20,536,766. The total increase in the outstanding provision in the 1st of Jan 2009 had retained to special reserve in owner's equity according to the new way.

- When the actual rate of return determined for applying the amortized cost method to calculate the income and the cost of the return on debt instruments, in commissions and fees associated with the acquisition or issuance of debt instruments and added to or deducted from the value of the acquisition / release as part of the cost of treatment, which lead to change the actual rate of return of those tools. It was not practicable to apply the impact of this accounting change retroactively, but that change has been applied to debt instruments acquired or issued on or after the first January 2010.

- The Bank has applied the new accounting requirements for payment shown on the shares of such regulations in force on or after the first of January 2010. As a result, the income statement for the fiscal year ended December 31, 2010 added by amount of EGP 66,356,519 is the cost of stock options granted to employees.

- Purchase accounting was applied to all acquisitions made on or after the first of January 2010 in accordance with the new requirements of accounting, and there was no effect on the bank unconsolidated or consolidated financial statements of the bank.

- The Bank has conducted Assets Acquired as Settlement of Debts of the purpose of ascertaining the applicability of rules classified as non-current assets held for sale under other assets, did not result in a difference in the classification or value measured those assets.

**2.2 Subsidiaries and Associates**

**(a) Subsidiaries**

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

**(b) Associates**

- Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

- The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given or/and, equity instruments issued or/and liabilities incurred or/and assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement under the item income (expense) Other operating.

- Accounting for subsidiaries and associates in the financial statements are recorded by cost method , according to this method, investments are a cost of acquisition including any good will and deduct any impairment losses in value, and recorded the dividends in the income statement in the adoption of the distribution of these profits and evidence of the bank right to collect it.

**2.3 Segment reporting**

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

**2.4 Foreign currency translation**

**(a) Functional and presentation currency**

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

**(b) Transactions and balances in foreign currencies**

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

- Net trading income or net income from financial instruments classified at fair value through profit and loss of assets / liabilities held for trading or those classified at fair value through profit and loss according to type .

- Income (expense) Other operating for the rest of the items

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

**2.5 Financial assets**

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

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

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

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

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

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue'

- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.

- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

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

according to the financial assets for trading which are reclassified in the periods that begin form or after first of Jan 2009 it is reclassified according to the fair value in the date of reclassification .
bank in all conditions doesn't reclassify any financial instrument moving to programs of financial instruments reclassified with fair value from profit and loss or to financial assets program for trading .

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

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

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

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset.
Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired.
At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the bank's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, or no current demand prices available the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants If the bank had been unable to estimate the fair value of equity instruments classified available for sale, value is measured at cost less any impairment in value.

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

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

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

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

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

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

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

**2.7 Derivative financial instruments and hedge accounting**

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

**2.8 Interest income and expense**

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

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

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

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

**2.9 Fee and commission income**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) Where it is recorded in the records of marginal outside the financial statements, And are recognized as income in accordance with cash basis Income is recognized when revenue and according to item (2 / i) for fees that represent an integral part of the effective yield of the financial asset are generally treated as an amendment to the actual rate of return.

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

Fees are recognized on the debt instruments that are measured at fair value within the income on initial recognition&
Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportion ate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided.

**Operating revenues in the holding company:**

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

- Consultancy services to the group before the acquisition date.
- Management fees as follows:

**Mutual funds & investment portfolios management fees:**

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

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

**2.10 Dividend income**

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

**2.11 Sale and repurchase agreements**

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

**2.12 Impairment of financial assets**

(a) Assets carried at amortised cost

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

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

- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- The Bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the Bank granted in normal circumstances;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

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

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

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

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

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

**(b) Assets classified as available for sale**

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

**2.13 Real Estate Investments**

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

**2.14 Fixed Assets**

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

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

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

| | |
|---|---|
| – Buildings | 20 years, |
| – Leasehold improvements | 3 years, or over the period of the lease if less |
| - Furniture and safes | 5 years |
| – Typewriters, Collocutors &air-conditions | 8 years |
| - Transportations | 5 years. |
| - Computers and Core Systems | 3/10 years |
| - Fixtures and fittings | 3 years |

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

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

**2.15 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation -except goodwill- and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**15/1 Goodwill**

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

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

**15/2 Other intangible assets**

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

**2.16 Leases**

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

**Being lessee**

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

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

**Being lesser**

For assets leased financially, assets are recorded in the fixed assets in the Balance sheet and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized on the basis of rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients' accounts is transferred to the balance sheet in the income statement until the expiration of the lease where it is used to off set with a net book value of the leased asset. Maintenance and insurance expenses are loaded on the income statement when incurred to the extent they are not charged to the tenant.
In case there is objective evidence that the Bank will not be able to collect all assets of financial lease debtors, it will be reduced to the recoverable amount.
For assets leased under operating lease of fixed assets, it appears in the balance sheet and amortized over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

**2.17 Cash and cash equivalents**

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

**2.18 Other Provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
Provisions which negated the purpose of wholly or partly repaid within the item other operating income (expense).
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.19 Share-Based Compensation**

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

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

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

**2.20 Income Tax**

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

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

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

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

**2.21 Borrowings**

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

**2.22 Dividends**

Dividends deducted form equity in the period, which the General Assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the Board of Directors.

**2.23 Comparatives**

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

## 3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.
The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

### 3.1 Credit risk

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

#### 3.1.1 Credit risk measurement

**(a) Loans and advances**

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

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

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

**Bank's internal ratings scale**

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

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

**(b) Debt securities and other bills**

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

#### 3.1.2 Risk limit control and mitigation policies

The bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.
The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.
The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

Some other specific control and mitigation measures are outlined below.

**(a) Collateral**

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

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

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

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

**(b) Derivatives**

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

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

**(c) Master netting arrangements**

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

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

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

**3.1.3 Impairment and provisioning policies**
The internal rating systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities.

In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

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

**Bank's rating**

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

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

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

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

Collectively assessed impairment allowances are provided portfolios of homogenous assets by using the available historical experience, experienced judgment and statistical techniques.

**3.1.4 Pattern of measuring the general banking risk**
In addition to the four categories of measuring credit worthiness discussed in disclosure 3.1.1.a the management makes small groups more detailed according to the CBE rules. Assets facing credit risk are classified to detailed conditions relying greatly on customer's information , activities , financial position and his regular payments to his debts .

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

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

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

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

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

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



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

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

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

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

**3.1.6 Loans and advances**

Loans and advances are summarized as follows:

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

- Impairment losses for loans and advances has reached EGP 1,257,882,426 and for more details about impairment provisions and loans for customers and banks see note 19 and 20
- During the year ended 31 December 2010, the bank's total loans and advances increased by 22.26% as a result of the expansion of the lending business in Egypt. When entering into new markets or new industries, to decrease the credit risk exposure, the bank focused more on the business with large corporate enterprises or banks with good credit rating or retail customers providing sufficient collateral.

Net Loans and advances to customers and banks:

EGP

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

EGP

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

**Loans and advances past due but not impaired:**

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

EGP

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

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

**- Individually impaired loans.**

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

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

| Dec.31, 2010 | Retail | | | | Corporate | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Over-drafts | Credit cards | Person-al loans | Mort-gages | overdraft | Direct loans | Syndicat-ed loans | |
| » Individually im-paired loans | 7,394,303 | 26,646,934 | 75,338,998 | 5,834,947 | 150,193,541 | 533,870,638 | 203,688,263 | **1,002,967,623** |

| Dec.31, 2009 | Retail | | | | Corporate | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Over-drafts | Credit cards | Personal loans | Mort-gages | overdraft | Direct loans | Syndicat-ed loans | |
| » Individually impaired loans | 4,978,512 | 39,136,769 | 72,300,784 | 2,540,770 | 170,916,226 | 522,861,775 | 49,267,000 | **862,001,836** |

**- Loans and advances Restructured**

Restructuring activities include extended payment arrangements, execute obligatory management programs, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans Renegotiated loans that would otherwise be past due or impaired totaled at the of the financial year EGP 2,421,912,000

| | Dec.31, 2010 | Dec.31, 2009 |
|---|---|---|
| » Loans and advances to customers – individuals: | | |
| » Direct loans | 2,421,912,000 | 2,511,008,801 |
| **Total** | **2,421,912,000** | **2,511,008,801** |

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

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

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

**3.1.8 Concentration of risks of financial assets with credit risk exposure**
**(a) Geographical sectors**

The following table breaks down the bank's main credit exposure at their book values categorized by geographical region at the end of financial year. For this table, the bank has allocated exposures to regions based on the country of domicile of its counterparties.

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

**(b) Industry sectors**

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

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

**3.2 Market risk**

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

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

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

**3.2.1 Market risk measurement techniques**

As part of the management of market risk, the Bank undertakes various hedging strategies. The Bank also enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied .

**(a) Value at risk**

The Bank applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions, based upon a number of assumptions for various changes in market conditions.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose , but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed ( 1 month). The Bank is assessing the historical movements in the market prices based on volatilities and correlations data for the past five years.

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

As VAR constitutes an integral part of the Bank's market risk control regime, the Market Risk Management set Soft VAR limits, which have been approved by the ALCO, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the ALCO.

**(b) Stress tests**

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

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

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

**- Trading portfolio VAR by risk type**

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

- Non Trading portfolio VAR by risk type

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

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.

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

### 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 bec in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Assets & Liabilities Management Dept.

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

| | Up to1 Month | 1-3 Months | 3-12 Months | 1-5 years | Over 5 years | Non- interest bearing | Total |
|---|---|---|---|---|---|---|---|
| **Dec.31, 2010** | | | | | | | |
| **Assets** | | | | | | | |
| » Cash and Due From Central Bank | - | - | - | - | - | 5,675,241,791 | **5,675,241,791** |
| » Due from banks | 3,829,170,615 | 2,625,547,452 | 310,562,150 | - | - | 289,402,609 | **7,054,682,826** |
| » Treasury Bills and other Governmental Notes (Face Value) | 882,825,000 | 864,075,000 | 7,490,450,000 | - | - | - | **9,237,350,000** |
| » Trading Financial Assets | 650,414,402 | 25,023,555 | 50,820,797 | 752,412,704 | 33,044,393 | 74,031,983 | **1,585,747,835** |
| » Loans and overdraft to banks | 14,689,065 | 95,292,181 | 13,763,999 | 4,782,331 | - | - | **128,527,576** |
| » Loans and overdraft to customers | 19,244,274,971 | 9,248,598,618 | 4,490,011,516 | 3,126,233,619 | 479,005,960 | - | **36,588,124,684** |
| » Financial Derivatives (including IRS notional amount) | 601,075,895 | 634,147,582 | 399,970,527 | 1,706,094,810 | 40,802,149 | 114,443,847 | **3,496,534,809** |
| **Financial Investments:-** | | | | | | | |
| » Available for sale | 650,559,648 | 130,541,793 | 1,676,885,635 | 9,914,066,570 | 741,658,471 | 500,127,687 | **13,613,839,805** |
| » Held to maturity | 58,049,000 | 12,126,923 | 195,125,071 | 33,949,319 | - | - | **299,250,313** |
| » Financial Investments in Associated Co. | - | - | - | - | - | 96,827,733 | **96,827,733** |
| **Total Financial Assets** | 25,931,058,596 | 13,635,353,103 | 14,627,589,694 | 15,537,539,353 | 1,294,510,973 | 6,750,075,651 | **77,776,127,372** |
| **Liabilities** | | | | | | | |
| » Due to banks | 309,172,192 | 49,341,650 | 435,367,500 | - | - | 528,398,567 | **1,322,279,909** |
| » Customers Deposits | 28,480,351,084 | 7,668,185,243 | 4,808,527,430 | 12,002,841,827 | 468,641,746 | 9,935,629,948 | **63,364,177,278** |
| » Financial Derivatives (including IRS notional amount) | 719,459,775 | 1,595,449,411 | 66,038,415 | 454,698,465 | 505,026,300 | 48,381,727 | **3,389,054,094** |
| » Other Loans | 12,114,271 | 19,773,441 | 69,568,298 | 27,657,416 | - | - | **129,113,426** |
| » **Total financial liabilities** | **29,521,097,322** | **9,332,749,745** | **5,379,501,644** | **12,485,197,708** | **973,668,047** | **10,512,410,242** | **68,204,624,707** |
| » **Total interest re-pricing gap** | **(3,590,038,726)** | **4,302,603,358** | **9,248,088,051** | **3,052,341,645** | **320,842,926** | **(3,762,334,591)** | **9,571,502,665** |

### 3.3 Liquidity risk

- Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

#### 3.3.1 Liquidity risk management process

- The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Assets & Liabilities Management Dept, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers.

- The Bank maintains an active presence in global money markets to enable this to happen;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

- Monitoring balance sheet liquidity ratios against internal and requirements of central bank of Egypt

- Managing the concentration and profile of debt maturities.

- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Assets & Liabilities Management Dept. also monitors unmatched medium-term assets, the level and type of un drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

#### 3.3.2 Funding approach

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

#### 3.3.3 Non-derivative cash flows

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

| Dec.31, 2010 | Up to 1 Month | One to Three Months | Three to Twelve Months | Twelve Months to One Year | Over Five Years | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| » 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 Exchange Derivatives) | 46,109,376 | 10,090,483 | 8,806,258 | 163,196 | - | **65,169,313** |
| **Total liabilities (contractual maturity dates)** | **18,597,003,608** | **9,231,147,381** | **9,118,076,592** | **19,220,546,082** | **8,713,966,264** | **64,880,739,926** |
| **Total financial assets (contractual maturity dates)** | **10,157,510,410** | **10,277,629,891** | **10,709,626,276** | **26,017,873,700** | **12,604,512,707** | **69,767,152,985** |

| Dec.31, 2009 | Up to 1 Month | One to Three Months | Three to Twelve Months | Twelve Months to One Year | Over Five Years | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| » Due to Banks | 409,579,156 | 4,049,703 | 8,099,405 | 16,393,099 | 20,023,867 | **458,145,229** |
| » Customers Deposits | 17,436,889,071 | 8,479,674,960 | 7,333,919,085 | 13,692,437,981 | 7,705,733,424 | **54,648,654,522** |
| » Other loans | 3,967,682 | 14,002,441 | 27,740,623 | 47,526,296 | - | **93,237,042** |
| » Financial Derivatives (Foreign Exchange Derivatives) | 8,864,618 | 8,069,253 | 4,877,954 | - | - | **21,811,825** |
| **Total liabilities (contractual maturity dates)** | **17,859,300,527** | **8,505,796,357** | **7,374,637,067** | **13,756,357,377** | **7,725,757,291** | **55,221,848,618** |
| **Total financial assets (contractual maturity dates)** | **13,715,802,876** | **5,921,889,859** | **14,273,219,862** | **19,288,837,927** | **11,253,257,091** | **64,453,007,614** |

**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.

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

OFF Balance sheet items

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

**3.4 Fair value of financial assets and liabilities**

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

The total amount of the change in fair value estimated using a valuation technique that was recognized in profit or loss during December 31, 2010 EGP 37,005,804,005 and EGP 29,676,669,820 in December 31, 2009

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

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

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

**Due from banks**

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

**Loans and overdrafts to banks**

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

**Loans and overdrafts to customers**

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

Expected cash flows are discounted at current market rates to determine fair value.

**Financial Investments**

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

**Due to other banks and customers, other deposits and other borrowings**

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

**3.5 Capital management**

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

- To comply with the capital requirements in Egypt.
- To safeguard the Bank's ability to continue as a on going concern so that it can continue to provide returns for shareholders and stakeholders.
- To maintain a strong capital base to support the development of its business.
- Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Central bank Of Egypt, for supervisory purposes. The required information is filed with the Authority on a quarterly basis.
- Central bank Of Egypt requires the following:
- Hold the minimum level of the issued and paid up capital of EGP500 Million
- Maintain a ratio of total regulatory capital to the risk weighted asset or above the agreed minimum of 10%.

**Tier One:**

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

**Tier Two:**

Qualifying subordinated loan capital , which consists of the equivalent of the risk allocation year according to the principles of credit issued by the Central Bank of Egypt for not more than 1.25% of total assets and liabilities weighted with risk, loans / deposits support in excess of the schedule of five years (with consumption of 20% of their value in each year of the last five years of the schedule) and 45% of the increase between the fair value and book value for each of the financial investments available for sale and held to maturity in subsidiaries.

When calculating the total dominator of capital adequacy, it shall not exceed the capital cushions (Qualifying subordinated loan capital) for share capital and loans not to increase (deposits) support for half of the share capital. Assets are risk weighted ranging from zero to 100% classified by the relation of the debtor to all each asset to reflect the credit risk associated with it, taking the cash collateral account. These are used for the treatment of off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts The table below summarizes the composition of regulatory capital and the ratios of the Bank at the end of financial year and the bank has complied with all Capital adequacy requirements as following :

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

## (4) Critical accounting estimates and judgments

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

**(a) Impairment losses on loans and overdraft**

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

**(b) Impairment of available for-sale equity investments**

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

**(c) Fair value of derivatives**

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

**(d) Held-to-maturity investments**

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

## (5) Segment analysis

**(a) By business segment**

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

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

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

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

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

**(b) By Geographical segment**

| Dec.31, 2010 | Egypt | | | | | |
|---|---|---|---|---|---|---|
| | Cairo | Alex, Delta & Sinai | Upper Egypt | Total | Other Countries | Total |
| **Revenue according to business segment** | 2,871,682,814 | 775,199,795 | 118,266,971 | **3,765,149,580** | 8,728,787 | **3,773,878,367** |
| » Expenses according to business segment | (996,860,718) | (329,539,165) | (83,836,154) | **(1,410,236,037)** | (1,028,915) | **(1,411,264,952)** |
| **Activities results by sector** | **1,874,822,096** | **445,660,630** | **34,430,817** | **2,354,913,543** | **7,699,872** | **2,362,613,415** |
| **Unallocated costs** | | | | | | |
| » Profit before tax | 1,874,822,096 | 445,660,630 | 34,430,817 | **2,354,913,543** | 7,699,872 | **2,362,613,415** |
| » Tax | (281,972,140) | (68,609,725) | (5,300,645) | **(355,882,510)** | (1,185,400) | **(357,067,910)** |
| » Profit for the Year | 1,592,849,956 | 377,050,905 | 29,130,172 | **1,999,031,033** | 6,514,472 | **2,005,545,505** |
| **Geographical segments Assets** | 66,291,467,335 | 8,492,570,016 | 638,319,867 | **75,422,357,218** | 3,076,406 | **75,425,433,625** |
| **Total Assets** | **66,291,467,335** | **8,492,570,016** | **638,319,867** | **75,422,357,218** | **3,076,406** | **75,425,433,625** |

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

### (6) Net Interest Income

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

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

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

### (8) Dividends

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

### (9) Net Trading Income

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

### (10) Administrative Expenses

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

### (11) Other Operating (Expenses) Income

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

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

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

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

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

### (14) Earning Per Share

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

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

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

### (16) Due From Banks

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

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

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

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

### (18) Financial Assets For Trading

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

### (19) Loans And Overdrafts For Banks

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Time and Term Loans | 128,527,576 | 200,765,433 |
| **Total Loans and Overdrafts For Banks** | **128,527,576** | **200,765,433** |
| **Distributed To:-** | | |
| » Non-Current Balances | 128,527,576 | 200,765,433 |
| **Net Loans And Overdrafts For Banks** | **128,527,576** | **200,765,433** |

### (20) Loans And Overdrafts For Customers

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

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

**Analysis Of The Doubtful Debts Provision For Customers**

**Dec.31, 2010**

| | Retail | | | | |
|---|---|---|---|---|---|
| | Overdrafts | Credit Cards | Personal Loans | Real state Loans | Total |
| » Balance At Beginning Of The Period | 6,217,574 | 63,472,214 | 123,755,953 | 6,607,506 | **200,053,247** |
| » Formed During The Period | 1,784,389 | (2,677,769) | (41,751,067) | 2,280,658 | **(40,363,789)** |
| » Write Off During The Period | - | (21,890,799) | (762,282) | - | **(22,653,081)** |
| » Recoveries From Written Off Debts | - | 3,216,180 | 255,895 | - | **3,472,075** |
| » Foreign Currency Revaluation Diff. | - | - | - | - | **-** |
| **Balance At The End Of The Period** | **8,001,963** | **42,119,826** | **81,498,499** | **8,888,164** | **140,508,452** |

| | Corporate | | | | |
|---|---|---|---|---|---|
| | Overdrafts | Direct Loans | Syndicated loans | Other Loans | Total |
| » Balance At Beginning Of The Period | 182,615,379 | 456,119,614 | 461,400,856 | 4,005,349 | **1,104,141,198** |
| » Formed During The Period | 4,274,439 | 31,517,879 | 11,256,656 | 98,572 | **47,147,546** |
| » Write Off During The Period | - | (83,201,595) | - | - | **(83,201,595)** |
| » Recoveries From Written Off Debts | - | 25,694,981 | - | - | **25,694,981** |
| » Foreign Currency Revaluation Diff. | - | 23,591,844 | - | - | **23,591,844** |
| **Balance At The End Of The Period** | **186,889,818** | **453,722,723** | **472,657,512** | **4,103,921** | **1,117,373,974** |

**Dec.31, 2009**

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

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

## (21) Financial derivatives

**Derivatives**

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

- Forward contracts represents commitments of buying foreign and local currencies including unexecuted spot transactions. Future contracts for foreign currencies and/or interest rates represents contractual commitments to receive or pay net amount on the basis of changes in foreign exchange rates or interest rates, and/or buying or selling foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.

- Credit risk is considered low, and future interest rate contracts represents future exchange rate contracts negotiated for case by case, these contracts requires financial settlements of any differences in contractual interest rates and prevailing market interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

- Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts)/ contractual amounts are not exchanged except for some foreign exchange contracts

- Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities.

This risk is monitored continuously through comparisons of fair value and contractual amount, and to control continuously through comparisons of fair value and contractual amount, and to control the outstanding credit risk, the bank evaluates other parties using the same methods as in borrowing activities.

- Options contracts in foreign currencies and/or interest rates represents contractual agreements for the buyer (issuer) to seller (holders) as a right not an obligations whether to buy (buy option) or to sell (sell option) at a certain day or within certain period for a certain amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between the bank and one of its client (Off balance sheet). The bank exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

- The contractual value for some derivatives options considered a base to compare the realized financial instruments on the balance sheet, but it didn't provide indicator on the projected cash flows of the fair value for current instruments, those amounts doesn't reflects credit risk or interest rate risk.

- Derivatives in the banks benefit represent (assets) conversely it represents (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time and also the range through which the financial derivatives can be in benefit of the bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. hereunder are the fair values of the booked financial derivatives.

**A- For Trading Derivatives**

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

**B- For Hedging Derivatives**

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

## (22) Financial Investment

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

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

| | Available for Sale Financial Investment | Held to Maturity Financial Investment | Total |
|---|---|---|---|
| **Opening Balance 1/1/2009** | **2,774,965,250** | **681,263,274** | **3,456,228,524** |
| » Addition | 9,345,814,437 | 10,130,536 | 9,355,944,973 |
| » Deduction ( Selling - Recovery ) | (4,581,571,366) | (100,347,555) | (4,681,918,922) |
| » Differences In Revaluation Of The Cash Assets In Foreign Currencies | (8,035,073) | (989,046) | (9,024,119) |
| » Profit (Losses)From Fair Value Deference | (86,277,201) | - | (86,277,201) |
| » Return (Deduct) - Impairment Losses | (14,918,896) | - | (14,918,896) |
| **Balance At The End Of Year** | **7,429,977,151** | **590,057,209** | **8,020,034,360** |
| **Opening Balance 1/1/2010** | **7,429,977,151** | **590,057,209** | **8,020,034,360** |
| » Addition | 9,474,625,202 | 5,012,500 | 9,479,637,702 |
| » Deduction ( Selling - Recovery ) | (3,467,532,768) | (311,478,559) | (3,779,011,327) |
| » Differences In Revaluation Of The Cash Assets In Foreign Currencies | 68,054,023 | 15,659,162 | 83,713,185 |
| » Profit (Losses)From Fair Value Deference | 108,716,196 | - | 108,716,196 |
| **Balance At The End Of Year** | **13,613,839,804** | **299,250,313** | **13,913,090,117** |

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

### (23) Financial Investments in Associated Companies

| | Dec.31, 2010 Value (EGP) | % | Dec.31, 2009 Value (EGP) | % |
|---|---|---|---|---|
| » Commercial International life insurance co. | 25,938,603 | 45 | 25,938,603 | 45 |
| » Corplease co. | 46,826,581 | 40 | 41,212,117 | 40 |
| » Haykala for Investment | 1,743,685 | 40 | 2,478,619 | 40 |
| » Egypt Factors | 9,450,291 | 39 | 4,144,721 | 39 |
| » International. Co. for Appraisal and Collection. | 2,529,580 | 40 | 1,759,714 | 40 |
| » International Co. for Security and Services (Falcon) | 10,338,993 | 40 | 8,293,507 | 40 |
| **Total** | **96,827,733** | | **83,827,281** | |
| **The Financial Investments in Associated companies are represented as follows :-** | | | | |
| » Financial Investments Unlisted in Stock Exchange | 96,827,733 | | 83,827,281 | |
| **Total** | **96,827,733** | | **83,827,281** | |

### (24) Real estate investments *

| | Dec.31, 2010 EGP Book value | Dec.31, 2009 EGP Book value |
|---|---|---|
| **Assets** | | |
| » Building number 17 tiba st. Eldokki next to shooting club | 7,600,000 | 7,600,000 |
| » Commercial unit number f 35 in arkadia mall (14 elbahr st. Boulak kornish el nile ) | 361,200 | 361,200 |
| » Floor 3 building number 131 eltahriri st. Eldokki + part of the garage | - | 3,239,200 |
| » Appartment in the first floor 230 meters elmadina tower elgomhoria st. Port said | 750,000 | 1,000,000 |
| » 338.32 meters on a land and building the property number 16 el-makrizi st. Heliopolis | 1,000,000 | 1,650,000 |
| » Villa number 27/291 elgamil portsaid | - | 225,000 |
| » Villa number 113 royal hills 6th of october | 2,000,000 | 2,500,000 |
| » A land area with 1468.85 meters elsaidi basin -markaz nabrouh eldakahlia | 1,121,965 | 1,321,965 |
| » Land and a bulding in elmansoura elnahda street 766.3 meters | 3,463,000 | 7,663,000 |
| » Agricultural area 1 feddan 14t and 17.25 shares near el azazi fakous elsharkia | 222,000 | 322,000 |
| » Land number 16 mit khamis elmansoura (3 carats, 15 share)which equals 645 meters | 1,935,000 | 1,935,000 |
| » land with a villa model number 10 on land number 219 Elshorouk 2000 compound villas | - | 2,525,500 |
| » Agriculutral area 47 feddans 11 carats markaz shebin eldakahlia | 10,242,499 | 12,142,499 |
| **Total** | **28,695,664** | **42,485,364** |

### (25) Debit Balances and Other Assets

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

* This Include The Value Of Premises That Was Not Recorded Under The Bank›s Name By EGP 21.095.664 Which Were Acquired Against Settlement Of The Debts Mentioned Above,

In The Same Time The Legal Procedures Are Under Process To Register Or Sell These Assets Within The period required by law.

** Include EGP 6.331.048 as Assets Held For Sale.

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

| | Land EGP | Premises EGP | IT EGP | Vehicles EGP | Fitting -Out EGP | Machines & Equip-ment EGP | Furniture & Furnish-ing EGP | Total EGP |
|---|---|---|---|---|---|---|---|---|
| » Opening Balance (3) | 77,943,180 | 333,931,594 | 651,140,471 | 24,906,765 | 235,612,855 | 238,024,201 | 106,675,098 | 1,668,234,164 |
| » Additions (Deductions) During The Period | (17,367,919) | 52,815,447 | 60,526,001 | 16,387,800 | 14,314,071 | 7,261,607 | 8,872,355 | 142,809,362 |
| **Closing Balance (1)** | **60,575,261** | **386,747,041** | **711,666,472** | **41,294,565** | **249,926,926** | **245,285,808** | **115,547,453** | **1,811,043,526** |
| » Accu.Depreciation at Beginning of The Year (4) | - | 122,545,577 | 415,058,452 | 22,820,614 | 167,756,764 | 134,767,789 | 55,681,975 | 918,631,171 |
| » Current Period Depreciation | - | 18,619,628 | 86,210,111 | 1,486,385 | 39,588,379 | 26,591,329 | 11,585,536 | 184,081,368 |
| **Accu.Depreciation at End of The Year (2)** | **-** | **141,165,205** | **501,268,563** | **24,306,999** | **207,345,143** | **161,359,118** | **67,267,511** | **1,102,712,539** |
| » End of Period Net Assets (1-2) | 60,575,261 | 245,581,836 | 210,397,909 | 16,987,566 | 42,581,783 | 83,926,690 | 48,279,942 | 708,330,987 |
| **Beginning of Period Net Assets (3-4)** | **77,943,180** | **211,386,017** | **236,082,019** | **2,086,151** | **67,856,091** | **103,256,412** | **50,993,123** | **749,602,993** |
| **Depreciation Rates** | | %5 | %20 | %20 | %33.3 | 33.3% | 20% | |

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

## (27) Due To Banks

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

## (28) Customers Deposits

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

### (29) Long Term Loans

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

### (30) Credit Balances and Other Liabilities

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

### (31) Other Provisions

Dec.31, 2010 EGP

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

Dec.31, 2009 EGP

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

### (32) Shareholders Equity

**(A) Capital:**

- The authorized capital reached EGP 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 tranch 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 statues 5% of net profit is to increase legal reserve until reaches 50% of the bank›s issued and paid in capital

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

## (33) Deferred Tax Assets and Liabilities

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

## (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:

| | Number of Shares |
|---|---|
| » Outstanding At The Beginning Of The Year | 10,322,024 |
| » Granted During The Year | 3,388,366 |
| » Forfeited During The Year | (587,385) |
| » Exercised During The Year | (2,572,180) |
| » Expired During The Year | - |
| **Outstanding At The End Of The Year** | **10,550,825** |

- The estimated fair value of the equity instrument granted to the second tranch is EGP 27.06 .

- The estimated fair value of the equity instrument granted to the third tranch is EGP 13.70 .

- The estimated fair value of the equity instrument granted to the forth tranch is EGP21.70 .

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

## (35) Reserves and Retained Earnings

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Legal Reserve | 125,128,337 | 513,606,534 |
| » General Reserve | 78,412,462 | 1,463,504,300 |
| » Retained Earning | (203,604,610) | (176,287,838) |
| » Special Reserve | 184,356,569 | 206,530,551 |
| » Reserve For A.F.S Investments Revaluation Diff. | 1,722,491 | (107,124,766) |
| » Banking Risks Reserve | 156,992,515 | 26,652,790 |
| » Intangible Assets Value For Bank Share Before Acquisition | 302,794,421 | 302,794,421 |
| **Total Reserves and Retained Earnings at the End of the period** | **645,802,184** | **2,229,675,991** |

**A- Banking Risks Reserve**

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | 26,652,790 | - |
| » Effect Of Adjusting Accounting Standards | 130,339,725 | 26,652,790 |
| **Ending Balance** | **156,992,515** | **26,652,790** |

**B- Legal Reserve**

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | 513,606,534 | 432,851,511 |
| » Used During The Year | (476,326,032) | - |
| » Transferd from Profits | 87,847,835 | 80,755,023 |
| **Ending Balance** | **125,128,337** | **513,606,534** |

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

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | (107,124,766) | (20,985,045) |
| » Gains (Losses) from A.F.S Investment Revaluation | 108,847,257 | (86,139,721) |
| **Ending Balance** | **1,722,491** | **(107,124,766)** |

**D- Retained Earning**

| | Dec.31, 2010 EGP | Dec.31, 2009 EGP |
|---|---|---|
| » Opening Balance | (176,287,838) | 87,845,690 |
| » Dividends of the previous Period | (51,077,889) | (244,507,717) |
| » Change During the Period | 1,587,135 | (1,023,965) |
| » Transferred To Special Reserve | 22,173,982 | - |
| » Effect Of Adjusting Accounting Standards | | (18,601,847) |
| **Ending Balance** | **(203,604,610)** | **(176,287,838)** |

## (36) Cash And Cash Equivalent

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

## (37) Contingent Liabilities And Commitments

**( A ) Legal Claims**

There are a number of existing cases filed against the bank in 31/12/2010 without provision as it›s not expected to make any losses from it.

**( B ) Capital Commitments**

- Financial Investments:-

The capital commitments for the financial investments reached on the date of financial position EGP 142,855,749 as follows:-

| | Investments value EGP | Paid EGP | Remaining EGP |
|---|---|---|---|
| » Available for Sale Financial Investments | 477,436,529 | 335,180,780 | 142,255,749 |
| » Financial Investments in associates Co. | 1,200,000 | 600,000 | 600,000 |

- Fixed Assets and Branches Constructions;-

The value of Commitments for the purchase of fixed assets contracts and branches constructions that have not been implemented till the date of financial statement amounted to EGP 2.028.164

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

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

## (38) Comparative Figures

- The Comparative Figures Are Amended To Confirm With The Reclassification Of The Current Year And General Assembly Held on 17th Of March, 2010, Decisions, For Ratifying The Appropriation Account Of Year 2009.

- Some items in income statement and balance sheet have been restated According to Central Bank of Egypt new regulation issued in December 16, 2008 as Follows:-

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

## (39) Mutual Funds

**Osoul Fund**

- The Bank established an accumulated return mutual fund under license no.331 issued from capital market authority on 22/02/2005.
- CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 60,588,285 with redeemed value EGP 9,703,819,726.
- The market value per certificate reached EGP 160.16 on 31/12/2010.
- The Bank portion got 2,702,313 certificates with redeemed value EGP 432,802,450.

**Istethmar Fund**

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on 26/02/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 3,037,171 with redeemed value EGP 242,669,963.
- The market value per certificate reached EGP 79.90 on 31/12/2010.
- The bank portion got 194,744 certificates with redeemed value EGP 15,560,046.

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

- The bank and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on 30/07/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 760,909 with redeemed value EGP 45,616,495.
- The market value per certificate reached EGP 59.95 on 31/12/2010.
- The bank portion got 45,434 certificates with redeemed value EGP 2,723,768.

**Hemaya Fund**

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

## (40) Transactions With Related Parties

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

| | EGP |
|---|---|
| » Loans & Overdrafts | 828,308,607 |
| » Customer Deposits | 695,818,754 |
| » Contingent Accounts | 383,754 |

| | Income EGP | Expenses EGP |
|---|---|---|
| » International Co. for Security & Services | 684,391 | 50,347 |
| » Corplease Co. | 66,245,071 | 954,343 |
| » Commercial International Life Insurance Co. | 171,309 | 1,925,320 |

## (41) Good Will & Intangible Assets

- According to Central Bank Of Egypt Regulation Issued in 16/12/2008, an amortization of of 20% annualy has been applied on Goodwill starting Year 2010.
- Amortization Amount have been riched EGP 40,093,445 Intangible Assets which has been acquired at the acquisition date are determined as follows:-

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

## (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 2oo4)
- 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

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

### (44) Subsequent Events

- The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors, in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future. Therefore, there is a possibility that the above mentioned events will have a significant impact on the assets, liabilities, its recoverable/ settlement amounts and the results of operations in the foreseeable future.

- At the present time, it is not possible to quantify the effect on the assets and the liabilities included in the company's financial statements, since quantifying the effect of these events relies on the expected range and the time when these events, and its consequences, are expected to be finished.

- The Bank will continue to assess the situation and will quantify any effect on assets and liabilities once the assessment is complete.

### Branches & Units

| Year | Branches | Units & FX | Total |
|---|---|---|---|
| 2010 | 108 | 45 | 153 |
| 2009 | 108 | 47 | 155 |
| 2008 | 104 | 48 | 152 |
| 2007 | 88 | 43 | 131 |
| 2006 | 74 | 45 | 119 |
| 2005 | 61 | 39 | 100 |
| 2004 | 53 | 39 | 92 |
| 2003 | 43 | 38 | 81 |
| 2002 | 38 | 44 | 82 |



### 10 Year Historical Pro Forma Financial Statement

| Bank Assets | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash and Due from CBE | 1,618.0 | 1,829.5 | 2,050.6 | 2,674.3 | 2,970.8 | 3,077.7 | 3,742.9 | 4,953.2 | 4,473.0 | 4,179.2 | 5,675.2 |
| Due from Banks | 2,056.7 | 2,347.9 | 2,900.7 | 3,782.0 | 4,650.0 | 3,406.6 | 5,432.7 | 13,782.1 | 6,411.4 | 7,785.0 | 6,769.6 |
| Treasury Bills | 682.7 | 808.2 | 1,321.6 | 1,427.2 | 2,943.0 | 3,494.3 | 4,058.7 | 2,948.7 | 12,449.0 | 13,191.7 | 8,821.0 |
| Investment | 1,596.4 | 1,947.1 | 2,012.1 | 3,114.3 | 3,162.3 | 5,295.1 | 5,363.4 | 3,745.7 | 5,079.4 | 9,519.4 | 16,312.8 |
| Loans & Advances (net of provisions) | 10,313.0 | 11,107.2 | 10,918.7 | 12,505.2 | 13,394.5 | 14,039.1 | 17,464.7 | 20,478.6 | 26,330.3 | 27,443.1 | 35,174.5 |
| Sundry Assets | 230.5 | 377.9 | 339.7 | 418.4 | 561.5 | 701.2 | 862.3 | 1,073.4 | 964.4 | 1,000.3 | 1,484.3 |
| Non-Banking Assets | 136.0 | 183.6 | 215.2 | 232.0 | 294.8 | 376.4 | 497.8 | 607.1 | 715.3 | 718.8 | 716.1 |
| Derivatives | | | | | | | | 75.3 | 704.9 | 225.3 | 139.3 |
| **Total Assets** | **16,633.3** | **18,601.4** | **19,758.6** | **24,153.4** | **27,976.7** | **30,389.5** | **37,422.5** | **47,664.1** | **57,127.7** | **64,062.8** | **75,092.8** |

| Bank Liabilities | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Deposits | 11,375.1 | 13,993.8 | 15,814.7 | 20,414.7 | 23,979.2 | 24,870.3 | 31,600.2 | 39,514.5 | 48,938.1 | 54,842.6 | 63,479.9 |
| Bank Deposits | 176.9 | 285.1 | 327.9 | 163.3 | 224.7 | 719.7 | 1212.5 | 2377.1 | 213.5 | 458.1 | 1,322.3 |
| Dividends and Profit Sharing | 288 | 289.9 | 238.8 | 242.5 | 285.7 | 200.2 | 287.2 | 336.7 | 478.2 | | |
| Bonds | 600 | 600 | 300 | - | - | - | - | - | - | | |
| Mid-term Borrowings | 1,396.9 | 768 | 326 | 270.4 | 121 | 98.3 | 99.2 | 161.4 | 109.3 | 93.2 | 129.1 |
| Provisions & other liabilities | 1,332.9 | 1,089.3 | 1,033.7 | 1,154.5 | 1,243.1 | 1,973.9 | 1,183.5 | 1,130.4 | 1,599.0 | 1,572.7 | 1,434.1 |
| Derivatives | | | | | | | | 63.2 | 636.9 | 150.5 | 113.6 |
| **Net Worth** | **1,463.50** | **1,575.30** | **1,717.40** | **1,908.00** | **2,123.10** | **2,527.10** | **3,039.90** | **4,080.70** | **5,630.97** | **6,945.6** | **8,613.9** |
| **Total Liabilities & Net Worth** | **16,633.3** | **18,601.4** | **19,758.6** | **24,153.4** | **27,976.7** | **30,389.5** | **37,422.5** | **47,664.1** | **57,127.7** | **64,062.8** | **75,092.9** |

**Profit & Loss Statement**

| Item | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 1,391.6 | 1,363.4 | 1,390.5 | 1,447.9 | 1,617.1 | 2,028.2 | 2,317.8 | 2,993.7 | 3,631.0 | 4,026.3 | 4,521.4 |
| Interest Expense | (943.6) | (925.3) | (883.4) | (869.1) | (908.2) | (1132.3) | (1378.2) | (1796.7) | (1988.6) | (2,000.9) | (2,266.6) |
| **Net Interest Income** | **448.0** | **438.1** | **507.1** | **578.8** | **708.9** | **895.9** | **939.6** | **1197.2** | **1642.4** | **2,025.5** | **2,254.8** |
| Fee & other Income | 394.5 | 455.0 | 423.7 | 432.5 | 563.8 | 589.7 | 817.7 | 1116.0 | 1557.7 | 1,147.8 | 1,452.0 |
| SG&A | (189.2) | (189.5) | (203.6) | (267.2) | (444.4) | (510.0) | (684.3) | (661.5) | (950.1) | (1,040.8) | (1,187.9) |
| Provisions & Other Expenses | (138.6) | (252.5) | (304.4) | (250.3) | (272.7) | (364.9) | (194.3) | (250.4) | (394.1) | (9.2) | (6.2) |
| **Net Profit Before Tax (NPBT)** | **514.7** | **451.1** | **422.8** | **493.8** | **555.7** | **610.6** | **878.7** | **1400.9** | **1855.9** | **2,123.3** | **2,512.7** |
| General Income Tax | (129.7) | (49.3) | (41.9) | (81.2) | (50.0) | (34.0) | (83.8) | (180.0) | (209.8) | (357.7) | (426.7) |
| Deferred Tax | | | | | | 33.5 | 7.1 | 12.2 | (31.0) | 18.0 | 39.9 |
| **Net Profit After Tax (NPAT)** | **385.0** | **401.8** | **380.9** | **412.6** | **505.7** | **610.1** | **802.0** | **1232.8** | **1615.1** | **1,783.6** | **2,125.9** |
| **Growth** | **10%** | **4%** | **-5%** | **8%** | **23%** | **21%** | **31%** | **54%** | **31%** | **10%** | **19%** |

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