



# FOCUSING ON BUILDING PARTNERSHIPS

ANNUAL REPORT  
2009

ABC Egypt is a subsidiary of ABC Group, one of the largest Arab banking institutions with a presence in more than 21 countries across the globe. The Bank provides a wide range of banking products including retail banking, corporate banking & SMEs, and correspondent banking as well as treasury products. The Bank has 23 branches and 75 ATMs spread throughout Cairo, Alexandria, Sharm El-Sheikh, Hurghada and major cities in the Delta and Upper Egypt.

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### Focusing on building partnerships

At ABC Group, we're building closer relationships with customers by listening, creating and delivering tailor-made products and services that suit every customer, partner and investor.

We believe this approach will build long lasting and mutually rewarding partnerships.

ABC Egypt provides its customers with a range of commercial banking products as well as innovative and quality services.



**VISION**

To become a universal bank in our selected market segment, providing our customers with comprehensive banking solutions, maintaining a strong relationship with them, and anticipating and addressing their needs.

**OBJECTIVES**

- Providing our customers with a range of commercial banking products as well as innovative and quality services.
- Applying a strong risk management process and strictly adhering to local and statutory regulations.
- Managing our expense base effectively, focusing on generating increased value for shareholders.
- Developing a strong and sturdy financial institution with emphasis on asset quality.
- Attracting and retaining high quality employees by providing them with rewarding careers.

## | DIRECTORS REPORT



ABC Bank is pleased to announce its financial results for the FY2009 to its share holders, starting off with highlighting the major developments and economical indications that took place in 2009. Year 2009 has witnessed the consequences of the world economical crisis on the global economy; the total world GDP declined 3.8% compared to 2.5% Y-o-Y. This retreatment is due to the recession in America, Europe, UK, and Japan, in addition to slow growth rate in other countries like China, Japan and India resulting from the crises, which also caused decrease in demands locally and internationally from both developed and developing countries, resulting as well in sharp decline in some companies' profits, others went bankrupt, and investors feared to invest in shares lest there is more decline in prices in major indices.

As a result of the global economic crises, the central banks of industrial countries started to follow the policy of cash expansion by decreasing the interest rate consecutively in an attempt to support its economy. The international recession status lead to an increase in unemployment rates in many major industrial countries. That was followed by support procedures from the banking sector and refreshment attempts for the economy of the Unites States of America, like buying shares in capitals of some financial institutions and developing a program of buying stumbled assets, in addition to turning to American governmental bonds as a safer investment outlet.

On the local economic level, the crises only proved that Egypt is related to the international economy through its trades, direct investments, and the cash flow from Egyptian workers or investment in the stock exchange. The cash flow decreased resulting in a decrease in the GDP mounting to 4.7% compared to 7.2% Y-o-Y, which was considered a relatively high percentage compared to other industrial countries.

Tourism was the most affected by the crises, as well as exportation, manufacturing and Suez Canal income. Among the factors that helped the economical performance were the rise of investment expenses and the pumping of 15 billions, mostly invested in infrastructure projects. Some sectors performance was improving e.g. Petroleum, Communication, and information technology. Moreover, Egypt's chances in higher economy development are very good; the banking sector in Egypt was not affected by the crises due to the awareness of the Central Bank of Egypt in terms of observation and prohibiting risky investments.

After executing the first phase in the plan of developing the banking sector, started September 2004, the Central Bank of Egypt start executing phase II planned to be executed from 2009 to 2011 aiming at improving the efficiency and safety of the banking sector and increasing its competitiveness and risk management ability and applying Basel II regulations in order to carry out its role in financial

With regard to the crisis and its impact on the Egyptian economy, ABC Egypt realized net profit of 23.8% increase, excluding taxes.

brokerage so that to contribute to the national economy and achieving targeted growth. The developing program aims at setting and executing a comprehensive program to reform the financial and management structure of public specialized banks, also carrying out necessary requirements for improving their efficiency in financial brokerage and risk management.

It also aims at increasing and improving opportunities of the financing and the banking services especially to SME's, also revising the application conditions of International governing regarding banks and the Central Bank of Egypt.

As for ABC Bank, it made a capital increase of EGP 100 million in Q4 2009. As for the accomplishments and results of FY 2009, with regard to the crises and its impact on the Egyptian economy, the bank budget recorded EGP 5054.1 million, and contingent liabilities mounted to EGP 779.9 million. ABC Bank realized net profit of EGP 84.4 million, excluding taxes, compared to EGP 68.2 million Y-o-Y, a 23.8% increase. The income and deferred taxes reached EGP 32.7 million compared to EGP 5.5 million Y-o-Y, net profit after taxation was EGP 5.17 million compared to EGP 62.7 million Y-o-Y.

It is worth mentioning that despite the effort the bank exerts to reform its internal affairs and expenses made thereto, the accomplished growth rates reflect the huge success of the management to improve the activities in various directions, in addition to focusing on elevating the bank status in terms of services, timelines, and efficiency.

All units have contributed to the bank success through a work plan stated as follows:

#### **RETAIL BANKING**

The Retail Banking offers developed and valuable retail services according to planned strategy through a team work specialized in managing, developing and creating services and new products after comprehensive study to the Egyptian market and international techniques.

That resulted in:

- A developed branches network based on advanced international techniques, mounts to 23 branches distributed on various areas in Egypt. With the expansion plan the branches should mount to 28 branches by end of 2010 to cover more areas in Cairo, Giza, Tanta and Suez.
- Horizontal expansion of ATM machines, reached 45 machines plus 30 governmental ATMs in 2009 compared to 39 in 2008.

## | DIRECTORS REPORT



### **TREASURY**

The Treasury is considered one of the major profit sources in the bank, as it manages the bank's money and diversifying the financing forms through the committee of Assets and liabilities performance. It also issued a second investment fund with dividend accumulation in order to diversify investment and profit income.

### **CREDIT AND RISK**

The Credit and Risk applies the strategies of Credit Portfolio and performance evaluation taking into account the allocation of risks as well as thorough commitment to execute transactions through the credit policy, local laws, and regulations of the Central Bank of Egypt and ABC Bank in Bahrain, especially strict application to forming allocations.

All that contributed to make the bank one of the best leading Egyptian banks in terms of quality and worthiness of credit portfolios after applying most advanced techniques in the field of sorting and studying clients.

The bank applies the regulations of Basel II committee and monitors all the banking risk according to the international criteria in accordance with Basel II laws and regulations so that our bank becomes one of the leading banks in that field as it is related to deep rooted banking organization.

### **INFORMATION TECHNOLOGY**

As we seek our clients' satisfaction and constant development, despite high cost investment in IT, we have developed a computer system used in the bank to better serve and provide solutions for all banking activities; including retail, corporate finance, central operations, commercial finance, money transfers, loans, electronic services, information management, and decision making. All contributes to improving the market products and better responding to clients' requirements.

### **HUMAN RESOURCES**

The human resources supplies the bank's needs of workforce to cope with the increasing banking duties. Its major task was enforcing the role of staff as being the most important bank asset and investment. Their foresight is seen in the continuous achievement in choosing and training the staff and the privileges they give to them to enforce their role in the bank and setting its strong presence in the Egyptian banking sector.

The Treasury is considered one of the major profit sources in the Bank, as it manages the Bank's money, diversify investment and profit income.

As for the governance, the bank ensures applying the regulations of the international governance that agree with transparency, disclosure, discipline requirements, which ensure the deposits protection and usage follow up, also ensures the work flow in all bank departments, accordingly achieve best banking services for clients. This is being attained through the board with support from the committees;

- Risk Committee
- Audit Committee
- Governance and Compliance Committee (which is considered a communication means between the bank and the board, to help the latter to observe all banking works)

#### VISION

We realize that we have a tough mission; however we believe that our way is now clear and that 2010 is our start off after achieving most of the developing and expansion plans over Egypt to enforce our presence in the Egyptian market.

This year the bank will work on a new strategy targeting new technological development for the bank services and providing new products for the existing and potential clients, in addition to expanding the branches and ATM network based on:

- Continuous expansion in the distribution channels of the banking products to cover the major economical areas in order to expand the clients base through establishing and opening 5 new branches and adding 18 ATM to the network.
- Working on expanding and varying the investment sources by launching new products, most importantly the various saving depositions from 3 to 5 years with competitive stable interest rate.
- Working on improving the companies' financing portfolios at the bank to cover all primary economical activities through providing credit, and medium and long term loans for new industrial activities, e.g. gas, pharmaceuticals ceramic and plastic industries. This is being provided either individually or common loans being marketed with other banks so that the national projects and big strategies could be financed.
- Updating the work system and internal regulations for the bank to match the aspired standard.

Finally the board would like to thank the executive management and the bank staff for their remarkable efforts during this year, the board also would like to thank and appreciate all his clients, reporters and shareholders for their trust and faith in the bank during 2009.



Hassan Ali Juma  
Chairman of Board of Directors

## | BOARD OF DIRECTORS



Mr. Hassan Ali Juma



Mr. Mohamed Sherif Sharaf



Mr. Eissa M. Al Suwaidi



Dr. Khaled S. Kawan

Mr. Hassan Ali Juma  
Chairman  
Bahraini Citizen

**President and Chief Executive  
Arab Banking Corporation (B.S.C)  
Bahrain**

Mr. Eissa M. Al Suwaidi  
Deputy Chairman  
UAE Citizen

**Executive Director of Abu Dhabi  
Investment Council  
UAE**

Mr. Mohamed Sherif Sharaf  
Director  
Egyptian Citizen

**Managing Director and Chief  
Executive Officer  
Arab Banking Corporation (S.A.E)  
Egypt**

Dr. Khaled S. Kawan  
Director  
Libyan Citizen

**Deputy Chief Executive  
Arab Banking Corporation (B.S.C)  
Bahrain**



Mr. Sael Al Waary



Dr. Mohammed A. Abusneina



Mr. Nabil Hamdan



Mr. Magdy Khallaf

Mr. Sael Al Waary  
Director  
Jordanian Citizen

**Group Chief Operating Officer  
Arab Banking Corporation (B.S.C)  
Bahrain**

Mr. Nabil Hamdan  
Director  
Jordanian Citizen

**Head of Recovery  
Arab Banking Corporation (B.S.C)  
Bahrain**

Dr. Mohammed A. Abusneina  
Director  
Libyan Citizen

**Director of the Banking Supervision and  
Exchange Control Department  
Central Bank of Libya  
Libya**

Mr. Magdy Khallaf  
Secretary to the Board of Directors  
Egyptian Citizen

**Chief Operating Officer  
Arab Banking Corporation  
Egypt**

## | BUSINESS REVIEW



### RETAIL BANKING

ABC Egypt's Retail Asset portfolio showed a growth of 16.3% and 4.2% growth in the liability portfolio that led the customer base to be increased to reach 34,461 customers that represents 13% net growth by the end of 2009.

- The main strategy of the Retail Banking was to Expand Internally and Externally on the internal level, adding new units to the Retail structure to serve the set objectives perfectly like Marketing unit and established an aggressive and professional outdoor Sales team to sell the Retail products. Retail Banking task was to develop and launch a new products and services, launched of Money Market fund (Mazaya), being the pension fund settlement bank for all the electronics transactions conducted over the ATMs provided by the government (MOF) and 123 network, enrolled in the government E-payment and collection project
- Completed Credit Card EMV migration as a final step to comply with Visa international to control the risk and fraud transactions
- Implemented the call center new agreement with CRM solution that positively affected the standard of the customer service level
- And finally launched the Club membership program added value to the Credit Card local market. on the external level, opening 4 new branches (Al-Katamiya, Somouha, Damietta and 6 October 2) and reach the number of 75 ABC ATMs around the country.

ABC Egypt's touch channels network expansion strategy was planned to grow, in terms of branches, ATMs and outdoor Sales team to meet our customers' expectation and needs whenever and wherever they are.

ABC Egypt's Retail Asset portfolio showed a growth of 16.3% and 4.2% growth in the liability portfolio.

#### **CORPORATE BANKING & SME'S**

In 2009 the Corporate Banking continued to carefully develop and diversify the Corporate Portfolio, new sectors have been covered and attracted to further widening the client base.

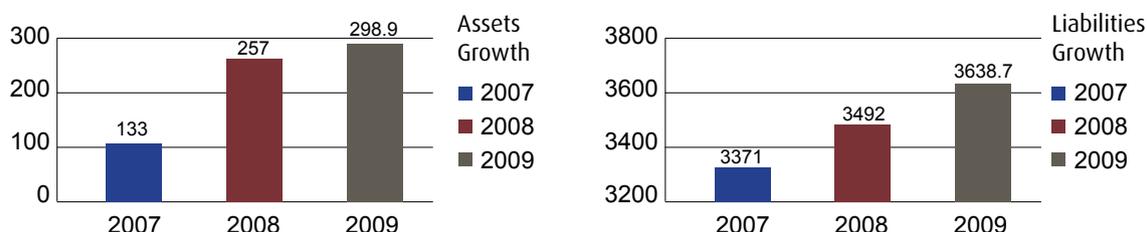
Structured facilities offered to ABC Corporate Clients were flexible to absorb the negative impact witnessed in both Local and International Markets. The Corporate Banking maintained focus to source lucrative deals in the Egyptian Market in order to position ABC Group among other Multi National and Local Banks operating in Egypt. The Corporate Banking also worked to develop synergies between ABC Group's Network of Branches throughout the region and as a result, significant business and sizable deals were routed to ABC London, ABC Islamic, ABC Algeria and Jordan. The deals included key companies in Petrochemical, Electrical Cables, Aviation and Construction Industries.

In 2009 and going forward, The Corporate Banking will remain focused to spot lucrative project finance deals in the Egyptian Market and to work closely with ABC London Project and Structured Finance Team in these projects. The Corporate Strategy will witness realignment that will positively and gradually widen the portfolio mix with a focus on Medium Enterprises which other banking products can be cross sold.

## BUSINESS REVIEW

### Retail Portfolio Growth

Amount MM EGP



	Assets	Liabilities
<b>Growth in 2008</b>	93%	3.6%
<b>Growth in 2009</b>	16.3%	4.2%

### CORRESPONDENT BANKING

During the year 2009, the Correspondent Banking successfully developed strong and beneficial Correspondent banking relationship, thus facilitating the bank's delivery of comprehensive, Value added more globally-available trade finance products.

In the year 2010, the Correspondent Banking will focus on being recognized as a central point for export trade finance in the MENA Region, also it will manage its efforts to diversify activities and services in the region depending on the Arab Banking Corporation Group branches network spreads in 21 countries.

### TREASURY

The Treasury at ABC - Egypt assumes foreign exchange and interest rate risk in connection with its balance sheet, profit and loss and asset management responsibilities. Market risk involved with currencies and interest rate tools trading – together with the asset management operations – is limited and is mainly dedicated to serve clients' business. In this regards, ABC - Egypt treasury offers a group of products that are diversified in tenor and liquidity to best serve the client.

ABC – Egypt Treasury offers its clients fast and competitive quotations in buying and selling currencies and government securities and in the same time provides them with a complete set of saving vessels in different currencies. Sophisticated clients are also served at ABC – Egypt with a long list of offered derivatives and structured products that meets different investing profiles.

In 2009 ABC – Egypt launched its money market fund to its client as a yield enhancement tool. In the same time the equity fund offered in 2008 attracted more clients and achieved best results in the Egyptian market for periods of time during 2009. The Treasury Team at ABC – Egypt in 2009 became one of the most active in the market in the areas of trading government securities in the secondary market, trading USD/EGP in the interbank, and wholesale banknote export and import.

As for liquidity management, the Treasury tracks its asset / liability profile and liquidity position. This involves monitoring its contractual and behavioral maturity profiles together with market

## ABC Egypt extended its branches to reach 23 branches and 75 ATMs across Egypt.

developments – to get a clear vision for its liquidity exposures under various scenarios, while continuously monitoring its secured funding capacity.

### **CREDIT & RISK**

Although the global financial crisis had affected negatively international & local economies, the Credit & Risk has managed to reduce its negative effects on the bank's assets, as well as to develop & diversify the Bank's credit portfolio, which includes assets that have originated from the Corporate Banking Team, the Retail Banking Team & Financial Institutions Team. In addition, the Credit & Risk also managed to upgrade risk management tools, and the pertaining technique as well.

The Credit & Risk applies methods to achieve its goals as follows:

- Actively building relationships and constantly seeking to improve performance with excellent service to business partners.
- Supporting the Bank's ongoing operations with the required risk input/solutions, applying & developing proactive measures and triggers to follow up and monitor risk elements and improving turnaround time to enhance business workflow.
- Challenging conventional thinking and looking to innovate in order to match with international banking industry.
- Activating the Market & Operational Risk Teams within the Credit & Risk Team to effectively monitor and manage both market and operational risks.
- Adhering to the strict compliance policies and regulations mandated by ABC's Head Office, the Central Bank of Egypt and the Basel II Accord. This was accomplished in Credit, Market and Operational Risk capital allocation and the standardized approach of capital calculation.

As the world's economic continues slowdown, the Credit & Risk will balance appropriately between flexible and cautious to support the business. Particularly, the Team will identify clear target markets and lending criteria in consideration of financial and economic developments and will closely monitor these changes to assure appropriate, timely response. To achieve this up-to-date insight, the Credit & Risk Team, along with internal development, will work with leading consultants and researchers, to provide ABC Egypt with the highest quality market and industry reports and will establish management information systems to best present this data.

## | BUSINESS REVIEW



### REMEDIAL LOANS

The Remedial Loans contributed positively to ABC Egypt's 2009 financial results. During the year, the Remedial Loans succeeded in recovering several bad debts where sizeable collections were made either in cash or through selling some acquired assets.

The positive results were achieved by restructuring and rescheduling agreements with a number of clients who started repaying their debts according to the terms of these agreements.

The Remedial Loans provisioning policy proved to be notably effective. ABC Egypt's corporate portfolio risk rating has remained strong throughout the year while none of the bank's recovered loans required further provisions.

### CORPORATE GOVERNANCE AND COMPLIANCE

The main responsibility of the Governance and Compliance is to prevent the risks of non-complying, mainly reputation risks and financial penalties risks. Accordingly, it ensures the bank alignment with all rules and regulations issued by the Central Bank of Egypt, and the Central Bank of Bahrain, in addition to adhering to the internal standards and instructions outlined by ABC Egypt's Board of Directors. The Team also enforces the relations with all regulatory authorities' directors and work on establishing permanent and efficient channels of communication with them.

The basic responsibility of Corporate Governance And Compliance lies on supporting the mechanisms and frameworks that help encountering fraud crimes. The Team also participates in updating the policies and work procedures to ensure the bank conformity with regulations.

Moreover, it follows up on the committees work and ensures their commitment to assemble as scheduled and executing their duties in accordance with their regulations, work systems and best applications.

The Corporate Governance And Compliance also verifies that the bank is applying customers' verification rules and the KYC [Know Your Customer] rules that are related to account opening and operating. It also verifies the bank commitment to applying the Anti money laundry criteria and terrorism financing. The Team also verifies the awareness of employees by providing continuous training courses specialized in teaching the updates related to the work field.

In 2009 Corporate Banking continued to carefully develop and diversify the Corporate Portfolio, new sectors have been covered and attracted to further widening the client base.

#### **INTERNAL AUDIT**

The Internal Audit uses the Risk Based Audit Approach based on the most modern techniques and international best practices to identify evaluate and rate risk. The Team applies this technique across all the Bank's units as an independent, objective unit that serves as a consultant to ABC Egypt's Board of Directors whenever internal advice is requested.

The Internal Audit also follows up on all external reports conducted by entities such as External Auditors, the Central Bank of Egypt and the ABC Head Audit Team in Bahrain.

The Internal Audit Team's most significant achievements in 2009 include the following:

- Identifying risk areas and prioritizing them to determine optimal audit frequency and focus.
- Applying a "fair compensation" between the bank's various units by comparing its performance across different time intervals. The procedure allows the Bank to closely monitor performance and quickly implement required actions.

Throughout the past year, the Internal Audit detailed a comprehensive strategy based on the Risk Based Audit Approach that considers the Bank's overall risk exposure for each function. The strategy will form the base for the Bank's risk strategy in the coming year.

#### **CENTRAL OPERATIONS**

ABC Egypt maintains its continuous commitment to provide the most secure and efficient operational environment. To further this goal, the Bank has provided the Central Operations with the necessary facilities, technology and experienced staff to serve the following Bank departments and operations:

- Trade finance business, including documentary credits, letters of guarantee and documentary collections
- Inbound and outbound transfers
- Cash management and collection of receivable portfolios
- Management of savings products
- Loan administration
- Treasury back office

## | BUSINESS REVIEW



- Mutual funds back office
- Central vault

Throughout 2009, the Central Operations provided critical support in operating ABC Egypt's second money market mutual fund.

In 2009, ABC Egypt have provided the central operations with the most advanced technology that will enable Central Operations staff to provide accurate, efficient and timely services at a reasonable cost. Central Operations will also introduced the cutting edge applications i.e. Trade Innovation Application as well as Daltex application to support the Trade Finance businesses as well as receivables business. It worth mentioning that ABC Egypt managed to finalize a major upgrade of all applications used in the core banking system to improve processing and enhance ABC Egypt's customer service.

### LEGAL TEAM

The Bank's Legal Team carries out all legal procedures to enhance protection of the Bank against any legal risks that may lead to material and negative consequences. The Legal Team ensures the application of such protective measures by setting the required legal guarantees, and by verifying customers' legal status through examining all their documents submitted to the Bank. All procedures undertaken, including the provision of legal opinions regarding banking issues, are applied in accordance with the existing laws and the decisions of the Central Bank of Egypt. In addition, the Legal Team follows up the new laws that are issued to reflect the recent factual changes in all fields (corporations, banks, money laundering, commercial law, check regulations, etc).

The Legal Team extends assistance to all the Bank's committees formed by virtue of resolutions of the Bank's Board of Directors or the Managing Director & Chief Executive Officer. They represents the Bank with all the governmental and non-governmental entities (Investment Authority, Capital Market Authority, Commercial Registry, and Real Estate Office). This is besides taking the necessary legal procedures for collecting the Bank's due earnings whether in front of courts of various degrees, investigative authorities, or different control entities.

During the year 2009, the Correspondent Banking successfully developed strong and beneficial correspondent banking relationship, thus facilitating the Bank's delivery of more globally-available trade finance products.

#### **INFORMATION TECHNOLOGY**

ABC Egypt's Information Technology (IT) looks to provide the Bank and its customers with tools to improve productivity and efficiency within a secured IT infrastructure. These measures are helping the Bank work towards a greener, paperless environment that controls and reduces total cost of ownership.

Throughout 2009, ABC Egypt's IT continued to direct its efforts and objectives towards improving customer convenience, bettering the Bank's overall service and introducing the latest and most secure technologies. The IT department upgraded the Bank's core information systems with state-of-the-art business functionality. These systems and technology will continue to support streamlining business processes and customer delivery channels. Following the Bank's core banking system upgrade, ABC Egypt's IT Team will initiate the implementation of a fully functional transactional E-Banking application. This new application will provide ABC Egypt's customers with a wide array of on-line functions previously only available through the Bank's branch delivery channel.

#### **KEY ACHIEVEMENTS**

- Upgraded the Core Banking information systems.
- Launched the Government payroll and pension disbursement via ATMs.
- Strategically enhanced the IT infrastructure by implementing blade systems and virtualization technologies.
- Improved the E-mail infrastructure by implementing Microsoft Exchange 2007.
- Introduced 3G/GPRS backup lines for ATMs.
- Improved ATM security by operating systems hardening.

In 2010 the IT Team will continue to provide streamlining solutions, automated processes and risk mitigation measures and also to control costs. Their plans include:

- Continuing the enhancement of the Core Banking information systems.
- Introducing workflows with approval processes to reduce turn-around time and to provide better customer services.
- Implementing a transactional E-Banking application with appealing new features.
- Implementing a new call center and CRM systems to enhance the customer's experience.

## | BUSINESS REVIEW



- Implementing a new assets management software, with barcode reader integration.
- Introducing the first branch with a virtual desktop infrastructure to reduce costs and maintenance efforts.
- Enhancing the desktop security by implementing a new anti-virus application infrastructure.

### HUMAN RESOURCES

ABC Egypt's Human Resources ensures that the Bank attracts and retains qualified and motivated talent, develops a capable organization and builds a culture that drives productivity. To achieve these goals, the ABCE HR accomplished the following in 2009

- Enhanced staff benefit to meet with market changes and in line with market survey conducted annually to retain staff.
- Distributed 2009 incentives according to BSC results, differentiating between Business Units and Support Units in line with Head office guide lines to drive productivity.
- Executed promotions across the year based on business need and employee performance to motivate staff and support growth within the organization.
- Successfully recruited capable talents to cover vacancies in New Retail Branch and replacement as per business need.
- Focused on filling vacancies from within to reduce fat and insure full utilization of manpower while driving career growth for employees.
- Completed full retail network branches restructures to ensure right size of branch and full-utilization of manpower to meet business needs and growth Organization Strategy.
- Developed complete Organization Chart by Department based on Bank's Strategy till 2012.
- Developed HR Policies Manual.

### ADMINISTRATION

It's worth noting that the Administration Team faced a lot of obstacles during the year 2009 in order to achieve it's target which was the balancing between developing the standard of the different services that presented to other sectors and Bank's branches and reducing the expenses from the other side, and this submitted according to an accurate plan that expressly prepared in order to include all aspects of administrative expenses to be compatible with the current trend for the Bank's sector to economize their expenses, the matter which brought the expected positive impact.

Although the global financial crisis had affected negatively international & local economies, ABC Egypt's Credit & Risk has managed to reduce its negative effects on the Bank's assets, as well as to develop & diversify the Bank's credit portfolio.

Over and above, the administration department participated in succeeding the inauguration of the new branches through providing them with all their needs and requirements with the highest quality and decreased cost.



**Mohamed Sherif Sharaf**  
Managing Director & CEO

## | THE AUDIT COMMITTEE'S REPORT



### COMMITTEE FORMATION

The Audit Committee, which was emerged from the Board, consists of three non-executive Board members.

### COMMITTEE GOALS

- 1- Assisting the board in executing its observation duties, through the Committee performance as a coordinate tool between the board and the Internal Audit, the Governance and Compliance, and the auditors, all of which were granted their independence to provide a subjective source of information to the Board based on neutral professional basis in all internal affairs of the Audit Committee. The Committee also follows up on the system efficiency, procedures and regulations of the Internal Audit in the Bank, aiming at creating a work environment characterized by discipline in order to protect the Bank's assets and the shareholders' investments.
- 2- The Committee works in an independent atmosphere, however, it should not interfere in any executive work, it also should not form amendments in the authority, specialization, or responsibilities of the management and auditors or limit any of the fore-mentioned, as the internal affairs issues, including the Bank's financial database and revisions, remain within the main responsibilities of the executive management, or in some cases related to auditors.

### WORKING RULES OF THE COMMITTEE

One of the major rules for the Committee is to assemble at least four times in one fiscal year by a written order from its head, given that the external auditors should attend the assemblies at least four times annually. This year 2009 the Committee held five assemblies where the auditors attended four of them.

### THE COMMITTEE ACTIVITIES IN 2009

The Committee has performed its duties as per prescribed following the best applications in the profession detailed as follow:

- a- Evaluating the risks that the Bank faces:

The Committee has followed up on some risks that the Bank faces, through examining the internal and external Audit reports, in addition to its meeting with high administration representatives and auditors who were invited to attend part of the Committee assemblies during the year. The risks were:

The Audit Committee acts as a coordinate tool between the board and the Internal Audit, the Governance & Compliance, and the auditors.

- Financial and Accounting Risks
- Liquidity Risks
- Credit Risks
- Legal Risks
- Operation Risks and Market Risks
- IT Risks

b- Corrective Procedures:

The committee has set procedures that enable it to follow up on correcting the notes included in the Audit reports, also executing its decisions made in each assembly during the year. Those procedures resulted in remarkable decrease in the notes taken over the Bank, also increasing the commitment traits in the bank in general.

c- Supervision of the Internal Audit and the Governance and Compliance:

The committee has supervised the activities of both the internal audit department and the governance and the compliance department through 2009, where it made sure that each sector was executing its plans successfully.

d- Follow up on the performance of the external auditors (Ernst and Young, Abdel Aziz Hegazy and Partners Horwath):

Through its meetings with the auditors, the Committee discussed the following:

- 1- Auditors plans for 2009, also discussed the results regarding the inspection and evaluation of Internal Supervision
- 2- Receiving confirmation from the auditors that the bank is committed to prepare financial statements according to the Egyptian accounting criteria and the valid Egyptian laws and regulations, also according to efficient accounting criteria that the bank follows and the clarity of financial statements' data. The auditors also stated that they do not have essential notes regarding that matter.
- 3- Assuring the quality of the loans portfolio and the efficiency of the balance set for delinquent customers every quarter according to the central bank instructions regarding the basics of evaluating the credit worthiness and forming the necessary balance for it. The auditors have asserted that they do not have any remarks regarding the balance in the bank during 2009 and they consider it enough.

## THE AUDIT COMMITTEE'S REPORT

4- Reassuring the fairness of the auditors fees and giving recommendation regarding their rehiring.

Based on the revisions and above mentioned discussions, the Audit Committee reported its recommendations to the Board of Directors regarding the credence of the financial statement for the year ending 31/12/2009. The Board approved this recommendation given that the shareholders should approve it. The committee also recommended the continuity of assigning the auditors to revise the financial statements for the year that will end 31/12/2010, the Board approved the recommendations, subject to shareholders ratification.

**Yours Sincerely,**



**Dr. Khaled Kawan**  
Head of the Audit Committee

Issued on 17/2/2010

2010 is the new beginning for the Bank after achieving most of the developing and expansion plans over Egypt.



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## FINANCIAL REPORT OF THE BANK

for the fiscal year ending 31 December 2009

The Board of Directors is pleased to present the results achieved during the financial year ending December 31, 2009 through the financial statements of the financial year ended on the said date.

Total financial position amounted to L.E. 5,054.1 million on 31/12/2009 Vs L.E. 5,712.2 million on 31/12/2008, with a decrease of L.E. 658.1 million that reflects a negative ratio of 11.5%.

Total balances of contingent liabilities have reached L.E. 779.9 million on 31/12/2009 Vs L.E. 507.8 million on 31/12/2008 with an increase of L.E. 272.1 million that reflects a positive ratio of 53.6%.

The International Economic Crises Setbacks beginning in Q4 of year 2008 and its negative impact on the local economy affected sectors associated with the international market such as tourism, industrial export and stock market as a result of the recession prevailed in those international markets. Consequently Local stock market downfall of approximately 50% and the new law of applying 20% tax on Treasury bill income resulted negatively to local banks loans and deposit portfolio.

Despite the above facts the total Banks' activities observed a positive growth in Net Income before Tax, as illustrated below;

(L.E. Million)

Statement	Year 2009	Year 2008	Change	Growth Rate%
Net Income before Tax	84.4	68.2	+16.2	+23.8%
Less; Income Tax	32.7	5.5	+27.2	+494.5%
Net Income	51.7	62.7	-11.0	-17.5%

Above illustration reflects the efforts exerted by the bank departments to overcome the impact of the bank's business fallback through restructuring the application of sources of fund.

## FINANCIAL REPORT OF THE BANK

for the fiscal year ending 31 December 2009

Hereunder are details of fund sources and their application during the financial year ended on 31/12/2009:

Application of Funds	(L.E. Million)	Sources of Funds	(L.E. Million)
Increase in Assets		Increase in Liabilities	
Debit balances & other Assets	10.5	Shareholders Equity	162.3
Fixed Assets	12.2		
Decrease in Liabilities		Decrease in Assets	
Due to Banks	35.9	Cash and Due from Banks	512.5
Customers' Deposits	435.9	Financial Investments	105.0
Credit Balance and Other Liabilities	306.1	Loans and Advances	63.4
Other Provisions	4.0		
Other loans	27.6		
Net Profit	11.0		
<b>Total Applications of Funds</b>	<b>843.2</b>	<b>Total Sources of Funds</b>	<b>843.2</b>

The following presentation clarifies the most important developments of the sources of fund and aspects of applications during the financial year 2009:

### FIRST: DEPOSITS

Total balances of customers' deposits of all types amounted to L.E. 3,840.3 million on 31/12/2009 Vs. L.E. 4,276.2 million on 31/12/2008 with a decrease of L.E. 435.9 million. The following table illustrates the distribution of deposits according to their economic activity sector as per outstanding balances on 31/12/2009:-

Sector	Year 2009	Year 2008	Change	Growth Rate%
Agricultural	22.4	31.6	-9.2	-29.1%
Industrial	73.1	86.8	-13.7	-15.8%
Commercial	156.2	177.1	-20.9	-11.8%
Services	1 928.0	1 996.8	-68.8	-3.4%
Family	1 108.5	1 081.7	+26.8	+2.5%
Financial Intermediaries	545.7	888.1	-342.4	-38.6%
Others	6.4	14.1	-7.7	-54.6%
<b>Total</b>	<b>3 840.3</b>	<b>4 276.2</b>	<b>-435.9</b>	<b>-10.2%</b>

The following table illustrates the deposits balances according to their types between the end of Years 2009 and 2008:

Type of Deposits	Year 2009	Year 2008	Change	Growth Rate%
Demand Deposits	339.7	419.8	-80.1	-19.1%
Call and Time Deposits	1 792.8	2 143.9	-351.1	-16.4%
Saving Certificates	1 341.6	1 372.0	-30.4	-2.2%
Saving Deposits	308.7	283.8	+24.9	+8.8%
Other Deposits	57.5	56.7	+0.8	+1.4%
<b>Total</b>	<b>3 840.3</b>	<b>4 276.2</b>	<b>-435.9</b>	<b>-10.2%</b>

## FINANCIAL REPORT OF THE BANK

for the fiscal year ending 31 December 2009

### SECOND: DUE TO BANKS AND CORRESPONDENT BANKS

Total due to banks and correspondent banks domestically and abroad amounted to L.E. 135.7 million on 31/12/2009 Vs. L.E. 171.6 million on 31/12/2008 with a decrease of L.E. 35.9 million.

### THIRD: CASH AND BALANCES WITH BANKS AND CORRESPONDENT BANKS

Total Balances of this item amounted to L.E. 2,029.7 million on 31/12/2009 Vs. L.E. 2,542.2 million on 31/12/2008, as illustrated in the following table

	Year 2009	Year 2008	Change	Growth Rate%
Cash and Due from Central Bank	366.7	535.6	-168.9	-31.5%
Due from Banks	1 663.0	2 006.6	-343.6	- 17.1%
<b>Total</b>	<b>2 029.7</b>	<b>2 542.2</b>	<b>-512.5</b>	<b>- 20.2%</b>

### FOURTH: LOANS AND ADVANCES

The net amount utilized for loans and advances granted to clients amounted to L.E. 1,512.9 million on 31/12/2009 Vs 1,576.3 million on 31/12/2008.

The following table illustrates the distribution of the loans and advances according to their economic activity sector as per outstanding balances on 31/12/2009:

(L.E. Million)

Sector	Year 2009	Year 2008	Change	Growth Rate%
Industrial	451.8	439.3	+12.5	+2.8%
Commercial	187.8	281.6	-93.8	-33.3%
Services	181.4	158.2	+23.2	+14.7%
Family	364.4	291.9	+72.5	+24.8%
Financial	---	55.1	-55.1	-100%
Others	491.2	509.5	-18.3	-3.6%
<b>Total</b>	<b>1 676.6</b>	<b>1 735.6</b>	<b>-59.0</b>	<b>-3.4%</b>
Less:				
Loan Provision (performing / none performing)	160.2	150.4	+9.8	+6.5%
Unearned Discount for Discounted Bills	3.4	8.7	-5.3	-60.9%
Suspended Interest	0.1	0.2	-0.1	-50.0%
<b>Net Credit Facilities Used</b>	<b>1 512.9</b>	<b>1 576.3</b>	<b>-63.4</b>	<b>-4.0%</b>

The above table shows that provisions for Loan (performing / none performing) amounted to L.E. 160.2 million on 31/12/2009 Vs L.E. 150.4 million on 31/12/2008 with an increase of L.E. 9.8 million reflecting a growth rate of 6.5%.

## FINANCIAL REPORT OF THE BANK

for the fiscal year ending 31 December 2009

### FIFTH: FINANCIAL INVESTMENTS

Net balances of this item amounted to L.E. 1,367.6 million on 31/12/2009 Vs L.E. 1,472.6 million outstanding balances on 31/12/2008. The following table illustrates the changes in the balances of this item during the financial year 2009:

(L.E. Million)

	Year 2009	Year 2008	Change
Treasury Bills	1 309.3	1 417.8	-108.5
Mutual Fund Issued by the bank	9.2	3.5	+5.7
Equity Securities	2.5	2.5	---
Investments in Marketable Securities	46.6	48.8	-2.2
<b>Net Financial Investment</b>	<b>1 367.6</b>	<b>1 472.6</b>	<b>-105.0</b>

The table above shows that the decrease in the net financial investments between years ending 2009 & 2008 of L.E. 105.0 million is mainly concentrated in the Treasury Bills.

### SIXTH: SHAREHOLDERS' EQUITY

The balances of shareholders' equity amounted to L.E. 771.0 million on 31/12/2009 Vs L.E. 608.7 million on 31/12/2008 with an increase of L.E. 162.3 million.

The following table illustrates the changes in shareholders' equity during the financial year 2009:

(L.E. Million)

	Year 2009	Year 2008	Change
Capital	500.0	500.0	---
Paid under Capital Increase	100.0	---	+100.0
Reserves	164.9	101.9	+63.0
Retained Earnings	6.1	6.8	-0.7
<b>Total</b>	<b>771.0</b>	<b>608.7</b>	<b>+162.3</b>

The above table shows that shareholders' equity increased by L.E. 162.3 million representing the value of distributions of year 2008 approved by the general assembly which amounted to L.E. 59.3 million and L.E. 3 million added to represent (Fair Value Reserves for Available for sale Investments) and L.E. 100 million paid under capital increase.

### SEVENTH: CONTINGENT LIABILITIES

Total customers' liabilities against opened documentary letter of credits, issued letters of guarantee amounted to L.E. 779.9 million on 31/12/2009 Vs L.E. 507.8 million on 31/12/2008 with an increase of L.E. 272.1 million as illustrated in the following table:

(L.E. Million)

	Year 2009	Year 2008	Change	Growth Rate%
Uncovered value for opened documentary letter of credits	225.6	89.7	+135.9	+151.5%
Uncovered value for issued letters of guarantee	554.3	418.1	+136.2	+32.6%
<b>Total</b>	<b>779.9</b>	<b>507.8</b>	<b>+272.1</b>	<b>+53.6%</b>

## FINANCIAL REPORT OF THE BANK

for the fiscal year ending 31 December 2009

### EIGHTH: ACTIVITY RESULTS

The outcome of the Banks' activity for the financial year 2009 resulted in realizing net profit subject for distribution of L.E. 51.7 million, including the last year's retained earnings amounting to L.E. 6.1 million therefore the available distributable amount becomes L.E. 57.8 million Vs L.E. 69.4 million for 2008.

The following table illustrates the appropriation proposed by the board of directors for 2009 compared to the actual appropriation for 2008:

(L.E. Million)

	Proposed Appropriation 2009	Actual Appropriation 2008
Subsidize Reserves	47.0	60.0
Staff Profit Share	2.2	3.1
Board of Directors' Remuneration	0.2	0.2
Retained Earnings at the end of the year	8.4	6.1
<b>Total</b>	<b>57.8</b>	<b>69.4</b>

### NINTH: BRANCHES

The Bank operates through Twenty Three Branches, of which Twelve are in Cairo, Two in Alexandria, Two in Sharm El Sheikh, One in Hurghada, One in Mansura, One in Luxor, One in Aswan, One in Assiut and Two in Damietta.

### TENTH: EMPLOYMENT

At the end of the financial year 2009, the number of employee was 374 Vs 376 at the end of the previous year, besides 42 supporting service staff.

Due to the importance of the human element, the Bank's management is keen to improve the banking skills of the employees and elevate their experiences and skills at all administrative and functional levels through sending them for training courses that enable them to render the optimal possible level of banking services.

## AUDITOR'S REPORT

### to the Shareholders of Arab Banking Corporation - Egypt

We have audited the accompanying Financial Statements of Arab Banking Corporation - Egypt (an Egyptian Joint Stock Company) which comprise of the balance sheet as of December 31, 2009, and the related income statements, changes in shareholders' equity, and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

#### RESPONSIBILITY OF MANAGEMENT TOWARDS THE FINANCIAL STATEMENTS

These financial statements are the responsibility of the Bank's management. The management is responsible for the preparation, clear and fair presentation of the financial statements in accordance with the rules for the preparation and presentation of banks financial statement of the bank as stipulated by the Central Bank of Egypt on 27 June 2002 and its amendments including the amendments made on the financial investments issued on 16<sup>th</sup> December 2008, and in compliance with related applicable Egyptian laws and regulations. The responsibility of the management also includes implementing and maintaining internal control relevant to the preparation and clear and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; making accounting estimates that are responsible in the circumstances.

#### RESPONSIBILITY OF AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Egyptian auditing standards on auditing and in the light of provisions of applicable Egyptian laws and regulations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk of material misstatements 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 statement 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 the accounting principals used and the reasonableness of accounting estimates made by management, as well as evaluating the over all 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.

#### OPINION

In our opinion, the financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the financial position of the ABC Bank - Egypt " SAE " as of December 31, 2009, and the results of its operations and its cash flows for the financial year then ended as stipulated by the Central Bank of Egypt on 27 June 2002 and its amendments including the amendments made on the financial investments issued on 16<sup>th</sup> December 2008, and in compliance with related applicable Egyptian laws and regulations.

**Allied for Accounting & Auditing E&Y**  
**Public Accountants & Consultants**

**Dr. Abdel Aziz Hegazy & Co. "Horwath"**  
**Chartered Accountants & Consultants**

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Nothing came to our attention throughout the financial year ended 31<sup>st</sup> December 2009 which indicates that the Bank violated any of the provision of the CBE regulations, Banking & Monetary Law No. 88/2003.

The Bank maintains proper accounting books which include all that is required by law and by the statutes of the Bank, and the accompanying financial statements are in agreement therewith.

The financial information contained in the report of the Board of Directors prepared in conformity with Law No. 159 of 1981, and its executive regulations is in agreement with the Bank's accounting records within the limit that such information is recorded therein.



Emad Hafez Ragheb  
Allied for Accounting & Auditing E&Y

Auditors



Dr. Abdel Aziz Hegazy  
Dr. Abdel Aziz Hegazy & Co. "Horwath"

Cairo, March 11, 2010

## BALANCE SHEET

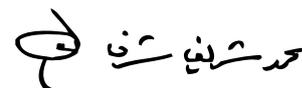
as of 31 December 2009

	Note No.	31-12-09 L.E.'000	31-12-08 L.E.'000
<b>Assets</b>			
Cash and due from Central Bank of Egypt	(5)	366 710	535 656
Due from banks	(6)	1 663 051	2 006 571
Treasury bills	(7)	1 309 306	1 417 803
Loans & advances (Net of provision)	(8,9)	1 512 900	1 576 266
Financial Derivatives	(10)	1	---
Financial Investments			
Investment available for sale	(11)	49 090	51 278
Investment held to Maturity	(11)	9 192	3 520
Debit balances & other assets	(12)	74 128	61 368
Deferred Tax Asset		---	2 247
Fixed assets (Net of accumulated depreciation)	(13)	69 672	57 507
<b>Total assets</b>		<b>5 054 050</b>	<b>5 712 216</b>
<b>Liabilities &amp; Shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	(14)	135 735	171 626
Clients' deposits	(15)	3 840 314	4 276 247
Credit balances & other liabilities	(16)	229 080	535 489
Other Loans	(17)	---	27 569
Other provisions	(18)	25 868	29 926
Deferred Tax Liability	(29)	336	---
<b>Total liabilities</b>		<b>4 231 333</b>	<b>5 040 857</b>
<b>Shareholders' Equity</b>			
Paid in capital		500 000	500 000
Paid under capital Increase		100 000	---
Reserves		164 913	101 850
Retained earnings		6 102	6 844
<b>Total owners' equity</b>	(19)	<b>771 015</b>	<b>608 694</b>
Net profit for the year		51 702	62 665
<b>Total owners' equity &amp; net profit</b>		<b>822 717</b>	<b>671 359</b>
<b>Total liabilities, owners' equity &amp; net profit</b>		<b>5 054 050</b>	<b>5 712 216</b>
<b>Contingent liabilities</b>			
letters of guarantee and Letters of credit	(20)	779 894	507 784

The accompanying notes from (1) to (35) are an integrated part of these financial statements.  
The auditor's report attached



Hassan Ali Juma  
Chairman



Mohamed Sherif Sharaf  
Managing Director & CEO



(Horwath)  
Dr. Abdel Aziz Hegazy

Auditors



(Ernst & Young)  
Emad Hafez Ragheb

## INCOME STATEMENT

for the fiscal year ended 31 December 2009

	Note No.	31-12-09 L.E.'000	31-12-08 L.E.'000
Interest income from clients, banks & Others		370 465	447 375
Less:			
Interest expenses on deposits & Others		(220 702)	(312 475)
<b>Net interest income</b>	(21)	149 763	134 900
Fees and commissions income		35 131	37 201
Fees and commissions expenses		(1 850)	(1 495)
<b>Net fees and commissions income</b>		33 281	35 706
Dividends income	(22)	260	1 182
Net income from trading	(23)	13 038	15 056
Loss / Gains from financial investments	(11)	3 334	(1 618)
Other operating income	(24)	14 983	9 838
<b>Net operating income</b>		214 659	195 064
Less:			
Provisions		(15 937)	(7 947)
Impairment charges on Assets		672	(1 480)
General & administrative expenses & depreciation		(114 990)	(117 472)
<b>Net profit for the year before taxes</b>		84 404	68 165
Income Tax		(30 119)	(5 244)
Deferred Tax	(29)	(2 583)	(256)
<b>Net profit for the year after taxes</b>		51 702	62 665
<b>Earning per share</b>	(25)	0.987	1.186

The accompanying notes from (1) to (35) are an integrated part of these financial statements.

## STATEMENT OF CHANGE IN SHAREHOLDER'S EQUITY

for the fiscal year ended 31 December 2009

	Paid in Capital	Paid under Capital Increase	Legal reserve	General reserve	Fair Value Reserve for AFS Investments	Capital reserves	Retained earnings	Net profit for the Year	L.E.'000 Total
Balance as of 1/1/2009	500 000		21 854	80 376	(1 086)	706	6 844	62 665	671 359
Profit Appropriation	---	---	---	---	---	---	---	(3 351)	(3 351)
Transfer to reserves & retained earnings	---	---	6 261	53 739	---	56	(742)	(59 314)	---
Net Changes in AFS Investments	---	---	---	---	3 007	---	---	---	3 007
Paid under Capital Increase	---	100 000	---	---	---	---	---	---	100 000
Net profit for the year	---	---	---	---	---	---	---	51 702	51 702
Balance as of 31/12/2009	500 000	100 000	28 115	134 115	1 921	762	6 102	51 702	822 717

	Paid in Capital	Paid under Capital Increase	Legal reserve	General reserve	Fair Value Reserve for AFS Investments	Capital reserves	Retained earnings	Net profit for the Year	L.E.'000 Total
Balance as of 1/1/2008	500 000		21 854	80 376	---	706	6 844	---	609 780
Net Changes in AFS Investments	---	---	---	---	(1 086)	---	---	---	(1 086)
Net profit for the year	---	---	---	---	---	---	---	62 665	62 665
Balance as of 31/12/2008	500 000		21 854	80 376	(1 086)	706	6 844	62 665	671 359

The accompanying notes from (1) to (35) are an integrated part of these financial statements.

## CASH FLOWS STATEMENT

for the year ended 31 December 2009

	31/12/09 L.E.'000	31/12/08 L.E.'000
Cash flows from operating activities		
Net profit for the year before taxes	84 404	68 165
Adjustment to reconcile net profit to cash flow from operating activities		
Depreciation and Amortization	12 532	11 762
Amortization of premium on bonds	143	618
Provisions	15 937	7 947
Impairment charges on Assets	(672)	1 480
Provisions used excluding loan loss provisions	(21)	(2 205)
Released provisions	(9 896)	(5 110)
Foreign currencies revaluation differences of provisions excluding loan loss provision	(41)	(39)
(Loss) Gains on sales of fixed assets	(4)	(56)
Differences from valuation of assets acquired by the Bank	(670)	(39)
Net operating profit before changes in assets and liabilities generated from operating activities	101 712	82 553
Net (increase) decrease in assets		
Due from banks	900 214	50 471
Treasury bills	162 659	(1 270 406)
Loans to clients and banks	58 162	(162 042)
Debit balances and other assets	(12 884)	67 656
Net increase (decrease) in liabilities		
Due to banks	(35 891)	112 932
Clients' deposits	(435 933)	(363 790)
Credit balances and other liabilities	(338 775)	(188 587)
Net cash flow used in operating activities	(1) 399 264	(1 671 213)
Cash flow from investment activities		
Payment in Purchase of fixed assets and branches leasehold improvements	(26 546)	(21 124)
Proceeds from sale of fixed assets	60	921
Purchase of available for sale investments	---	(86 038)
Proceeds from sale of available for sale investments	5 052	52 243
Payment for purchase of investments held to maturity	(5 000)	(5 000)
Net cash flow used in investment activities	(2) (26 434)	(58 998)
Cash flow from financing activities		
Dividends paid	(3 351)	(1 494)
Other loans	(27 569)	27 569
Paid under capital increase	100 000	
Net cash flow used in / resulting from financing activities	(3) 69 080	26 075
Net decrease / increase in cash and cash equivalent during the year (1+2+3)	441 910	(1 704 136)
Cash & cash equivalent at the beginning of the year	1 331 215	3 035 351
Cash and cash equivalent at the end of the year	1 773 125	1 331 215

## CASH FLOWS STATEMENT

for the year ended 31 December 2009

	31/12/09 L.E.'000	31/12/09 L.E.'000
Cash & Cash equivalent represented in		
Cash and due from CBE	366 710	535 656
Due from banks	1 663 051	2 006 571
Treasury bills	1 309 306	1 417 803
Deposits with banks	(310 798)	(1 211 012)
Treasury bills mature more than 3 months	(1 255 144)	(1 417 803)
Cash and cash equivalent at the end of the year	1 773 125	1 331 215

The accompanying notes from (1) to (35) are an integrated part of these financial statements.

## STATEMENT OF PROPOSED PROFIT APPROPRIATION

for the fiscal year ended 31 December 2009

	31-12-09 L.E.000	31-12-08 L.E.000
Net profit for the year - as per income statement	51 702	62 665
Less:		
Income from selling Fixed Assets transferred to capital reserves as per law	---	(56)
Net profit for the year - available for appropriation	51 702	62 609
Retained earnings at the beginning of the year	6 102	6 844
<b>Total</b>	<b>57 804</b>	<b>69 453</b>
Appropriation as follows:		
Legal reserve	5 170	6 261
General reserve	41 830	53 739
Staff profit share	2 153	3 134
Board of Directors' remuneration	216	217
Retained earnings at the end of the year	8 435	6 102
<b>Total</b>	<b>57 804</b>	<b>69 453</b>

\* The statement of proposed profit appropriation for the financial year ended December 31, 2009 was prepared subject to the approval of the Bank's General Assembly.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 1 - Activity

The Bank has been established on 21<sup>st</sup> August 1982 according to provisions of Investment Law and its amendments, as an investment and business bank under the name of Egypt Arab African Bank (S.A.E.) The name of the Bank has been amended to become Arab Banking Corporation – Egypt (S.A.E.) in the course of the amendments introduced to the articles of association of the Bank promulgated by the ministerial decree No. 788 for year 2000 and published in the Investment Gazette, edition No. 3261 issued on 18<sup>th</sup> April 2000. The Bank provides all banking services related to its activity through its head office in Cairo and its Twenty Three Branches.

### 2 - Significant Accounting Policies

#### A) Accounting Policies

The financial statements were prepared in accordance with the rules for the preparation and presentation of Banks financial statements issued by Central Bank of Egypt on 27<sup>th</sup> June 2002 and its amendments in addition to amendments issued on December 16, 2008 made to the financial investments not including derivatives and in accordance with related Egyptian Laws and Regulations related to the preparation of these statements.

#### B) Foreign Currency Transactions

- The Accounting records of the bank are maintained in Egyptian Pounds. Transactions in foreign currencies are translated, during the financial period, on the basis of the rates of exchange, in force on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the balance sheet date. Currency translation differences on all monetary financial assets and liabilities are reported in the income statement in the following items:-
  - Net Trading income or net income arising from financial instruments originally classified as change in fair value through profit and loss for financial assets / liabilities held for trading or originally recorded at fair value through profit and loss.
  - Other operating income (loss) for other items.  
The changes in fair value arising from monetary financial instruments classified as monetary items denominated in foreign currencies as available for sale (Debt Instruments) should be segregated to revaluation differences arising from changes in the instrument amortized cost to be recorded in «Income from Loans» and differences arising from foreign exchange rate changes to be recorded in «Other Operating Income» and difference arises from change in fair value to be recorded in «Fair Value Reserve for Available for Sale Investments».
- Translation differences arising from non-monetary items (Equity Securities) held at fair value through income are also reported through income statement whereas for those classified as available for sale are recorded directly in owner's equity within «Reserves of fair value».

#### C) Realization of Income

Income is recognized on accrual basis. Interest income due on non performing loans is not recognized when there are doubts concerning the collectability of interest or principal. Dividends income from securities and investment certificates are recognized when such dividends are declared.

#### D) Treasury Bills

Treasury bills (T.Bs) are stated in the books at its nominal value, and the related discount is included under caption «Credit balances & other liabilities». (T.Bs) are presented on the balance sheet at its nominal value net of discount.

#### E) Financial Assets Designated at Fair Value through Income

Consists of financial assets held for trading and financial assets that the bank upon initial recognition designates to be measured at fair value with changes reported in profit & loss.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

- Financial instruments held for trading are those that the bank holds primarily for the purpose of short-term profit-taking or if it represents a part of specified financial instruments portfolio and there is an evidence of short-term profit-taking. Also derivatives are classified as held for trading unless the derivatives are qualified under hedge accounting.
- Financial assets designated at fair value through income statement are recognized when it relates to an investment portfolio that are managed and evaluated on a fair value basis according to the investment strategies and the risk management and been reported to the senior management according to that basis. At that point these investments are recorded at fair value through profit and loss.
- Any derivative or financial instrument that designated to be measured at fair value with changes through profit and loss is not reclassified during the holding period from the group of financial instruments if it is initially classified as changes in fair value through profit and loss.
- At all circumstances the bank do not reclassify any financial instruments into financial instruments measured at fair value with changes through profit and loss or to financial assets held for trading.

### F) Held to Maturity Financial Investments

Held to Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the bank management has the ability and the intent to hold it for the foreseeable future or maturity. Any sales of a significant amount not close to their maturity – except in emergency cases – would result in the reclassification of all held to maturity investments as available for sale.

### G) Available for Sale Investments

Available for Sale Investments are non-derivative assets with the intent to hold it for an unspecified period of time, and sold in response to the need for liquidity or due to changes in the interest or exchange rates or prices and stocks.

### H) Financial Assets

- For the assets classified at fair value through P/L, held to maturity investments and available for sale investments buying and selling operations are recognized as usual on the trade date which is the date that the bank is committed to buy or sell the financial assets.
- A financial assets that dose not originally classify at fair value through P/L is initially recognize at fair value plus transaction costs. A financial asset that is originally classified at fair value through P/L is initially recognized at fair value only and the transaction costs are transferred to P/L in "Net income from trading activities".
- A financial asset is derecognized when the right to receive cash flows has expired or the bank has transferred substantially all the risks and rewards of ownership.
- Available for sale investments and financial assets designated at fair value through P/L are subsequently held at fair value whereas held to maturity investments are measured at amortized cost using the effective interest rate method.
- Gains and losses arising from changes in the fair value of available for sale assets should be recognized directly in equity, through the statement of changes in equity, until the financial asset is sold or its value is impaired, at which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.
- Monetary assets interest income is recognized based on the amortized cost method in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

- The foreign currency revaluation differences related to available for sale investments are recognized in the income statement. Available for sale equity instruments related dividends are recognized in the income statement when they are declared.
- Fair values are obtained from active markets quoted prices based on the bid price. Where no active market exists or quoted prices are unobtainable, the fair value is estimated using a variety of valuation techniques – including discounted cash flow and other pricing models. Inputs to pricing models are generally market-based when available and taken from reliable external data sources. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity may measure the equity instruments at cost minus any impairment losses.
- Debt instruments can be reclassified from the available for sale investments to held to maturity investments at fair value when the bank has the intention and ability to hold to maturity. Any related profits and losses that were previously recognized in equity are treated as follows:
  - 1) Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method in case of impairment the profit & Losses that has been previously recognized directly in equity is removed from equity and recognized in the income statement.
  - 2) Profit & Losses related to financial assets without fixed or determinable maturity are held in equity till selling or dispose, the asset is then removed from equity and recognized in the income statement. In case of impairment the profits & Losses that has been previously recognized directly in equity is removed from equity and recognized in the income statement.
- I) Netting Between Financial Instruments
  - Financial assets and liabilities are offset and the net amount reported in the balance sheet if and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realized an asset and settle the liability simultaneously.
  - Treasury Bills, Repos & reverse Repos agreements are netted on the balance sheet in «Treasury Bills and other discounted government notes.

### J) Financial Derivatives

Derivatives are measured initially at fair value and subsequently re-measured at fair value. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative.

### K) Repos & (Reverse Repos) Transactions

Repos (Reverse Repos) agreements are eliminated (recorded) on the financial position under “Treasury Bills and Other Notes Discountable at the CBE” whereas its cost (revenue) is recorded in “interest received from treasury Bills & Bonds” item in Income Statement using the effective interest method.

### L) Impairment of Financial Investments

#### 1) Held to maturity financial investments

The bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a portfolio of financial assets under held to maturity investments is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date (a loss event) and

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

- Objective evidence that a financial asset or portfolio is impaired includes observable data that comes to the attention of the bank about the following loss events:
  - Significant financial difficulty facing the debtor.
  - It becomes probable that the debtor will be bankrupt or enter into liquidation.

### 2) Available for sale investments

The bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a portfolio of financial assets under available for sale investments is impaired. And in case of investments in equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is taken into consideration in determining whether impairment exists.

#### M) Valuation of Assets Acquired by the Bank in Settlement of Clients' Debts

Assets acquired by the bank are stated under the item of "debit balances and other assets" on the basis of their acquired value. In case the assets fair value falls below the value at which such assets have been acquired by the Bank in the balance sheet date, the resulting differences are recognized to the income statement, and in case of the increase of the fair value, such increase shall be charged to income statement within the limit of amounts charged to the income statement in previous financial periods.

#### N) Provision for Loans and Contingent Liabilities

- Provision are formed specifically for loan and contingent liabilities, in addition to a percentage of general risk varies from 1% to 5% of the total of performing loans and other contingent liabilities in accordance with the Central Bank of Egypt circular related to the Bases of Obligor Risk Rating dated June 6<sup>th</sup>, 2005.
- Non performing loans which are deemed uncollectible are written off against the provision. Collections from loans previously written off are added back to the provision.

#### O) Contingent Liabilities & Commitments

Contingent liabilities, commitments on foreign exchange contracts, forward interest rate contracts and similar items are reported as off-balance sheet accounts under the caption "Contingent Liabilities & Commitments", as they are not considered actual assets and liabilities at balance sheet date.

#### P) Cash and Cash Equivalents

For the purpose of preparing the cash flows statement, cash and cash equivalents include cash balances, due from Central Bank of Egypt, current accounts with other banks, as well as the treasury bills maturing within 3 months from date of acquisition.

#### Q) Depreciation and Amortization

Fixed assets are depreciated (Excluding Lands) on a straight-line method. Depreciation for additions made during the year are for the entire year using suitable depreciation rates determined on the basis of the estimated useful lives of these assets as follows:

Machinery and Equipment	12.5%
Computer / Automated System	20%
Furniture	10%
Vehicles	20%
Buildings	2%
Premises Fittings & Fixture	20%

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

- Fixed assets are recorded at acquisition cost and presented in the balance sheet net of depreciation.
- Leasehold improvements and renovations on leased premises are amortized over the estimated useful lives of the assets or the lease contract period whichever is shorter.
- Intangible assets are amortized over a period not exceeding 5 years.  
prevailing laws and regulation and using prevailing tax rates at the balance sheet date) and deferred tax amounts. Income tax is charged directly in the income statement.

### R) Staff Pension Funds

The bank and employees contributes to a special saving fund to cover pension and end-of service bonus for permanent bank's employees by a given percentage of the employees' salaries. The monthly contributions are deducted & recognized in accordance to accrual basis while the bank share is thus recognized within the operating expenses in the income statement.

### S) Taxes

- The income tax calculated on realized profit of the bank includes current tax (calculated according to prevailing laws and regulation and using prevailing tax rates at the balance sheet date) and deferred tax amounts. Income tax is charged directly in the income statement.
- Deferred tax is provide for temporary differences between the carrying amounts of assets and liabilities computed based on accounting principles used in the preparation of the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax amount is calculated based on the expected method applied to recognize or settle the value of assets or liabilities using prevailing tax rates at the balance sheet date.
- The bank's deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.
- The carrying amounts of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that no sufficient future taxable profit will be available to allow all or part of the asset to be recovered.

### T) Profit Appropriation

Profit distributed is deducted from owners' equity at the year the general assembly determine this distribution, including in this distribution is the staff profit share and the Board of Directors remuneration determined by the bank's Article of Association and law.

## 3 - Financial Instruments and Relevant Risk Management

### 3.1 Financial Instruments

- a) The Bank's financial instruments are represented in the financial assets and liabilities. The financial assets include cash, due from banks, financial investments, and loans to clients and banks, the financial liabilities include clients' deposits & due to banks, financial instruments include also rights and obligations to others stated in the item "Contingent Liabilities & Commitments".

Note No. (2) to financial statements includes the accounting policies applied to measure and recognize significant financial instruments and the revenue and expenses related thereto.

### B) Forward Contracts

According to instructions of the Central Bank of Egypt, the bank does not execute forward contracts except to cover its required needs of foreign currencies or customers needs to meet their foreign currencies obligations that are resulting from dealing through the Bank, all the forward contracts are short - term transactions.

### 3.2 Management of Risks Relating to the Financial Instruments

#### A) Interest Rate Risk

The value of some financial instruments fluctuates due to the changes in interest rates related thereto. The Bank follows some procedures to minimize the risk such as:

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

- Correlate between the interest on borrowing and lending.
- Determining the applied interest rates in consideration with the prevailing discounted rates on various currencies.
- Monitoring the maturities of financial assets and liabilities with its related interest rates.

Notes No. (27) & (28) an integrated part of the financial statements, presents maturity of assets and liabilities and the average interest rates applied by the bank during the year on these financial assets and liabilities.

### B) Credit Risk

Loans to customers and banks, bonds investments, due from banks and rights and other obligations are of the financial assets that are exposed to the credit risk represented in the clients' inability to repay a part or full due amount at maturity date.

The Bank follows the following procedures to minimize the credit risk:

- Prepare the credit review for the clients and banks before dealing with them and determining the credit risk rates related thereto.
- Obtain adequate guarantees in order to reduce the risks that might be created in case that clients or banks inability to oblige payment.
- Follow up and continuous review of clients and bank's status in order to evaluate their financial and credit positions and estimate the required provisions for non performing debts.
- Distribution of loans portfolio and other assets over various sectors to avoid risk concentration.

Note No. (31) Disclose the distribution of lending portfolio and other assets on various sectors.

### C) Foreign Currency Fluctuation Risk

Since the bank's activity nature requires dealing in many foreign currencies which expose the bank to risk of fluctuation in foreign currency exchange rates. To minimize this risk, the bank considers the matching of foreign currencies positions according to the instructions of Central Bank of Egypt in that respect.

Note No. (32) to the financial statement discloses the significant foreign currencies position at the balance sheet date.

### 4 – Accounting Estimates and Assumption

The bank uses estimates and assumptions affecting the amounts of assets and liabilities disclosures for the year. Those estimates and assumptions are based on historical experience and other factors containing the expectations of the future events that are reasonable estimated in accordance of the available conditions and information.

### A) Impairment of the Available for Sale Equity Instruments

In the case of available for sale financial instruments, a significant or continuous decline in the fair value of the security below its cost is considered as impairment. Where such evidence exists, significant or continuous decline needs a personal judgment. To make this judgment the bank assesses – besides other factors – the common share price volatility. In addition, impairment exists when there is objective evidence that a certain company has a financial difficulty in its cash flow from operating and financing activities, industry tool, sector or technological advances changes.

### B) Derivatives' Fair Value

For the unquoted financial instruments, the fair value is determined using a variety of valuation techniques which are tested and reviewed periodically by high qualified staffs that are independent of those who created the models. The models used are validated prior put into use. Inputs to pricing models are generally market-based when available and taken from reliable external data sources. While areas like the bank credit risk, counterparties, volatility and correlations require management to make judgments & estimations. Changes in the assumptions related to these factors may affect the financial instruments fair values which have been disclosed.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### C) Held to Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This category requires personal judgment, therefore the bank tests whether there is a genuine intent and ability to hold such investment to maturity. If the bank fails to hold such investments till maturity (Except for certain tightly defined circumstances such as if an entity sells an insignificant amount of held to maturity investments close to maturity date), investments should be reclassified as available for sale, which will be measured at fair value instead of amortized cost.

If the bank fails to hold such investments till maturity, the investment book value will be increased with EGP 299,690 to reach the fair value against the fair value reserve in equity.

### 5- Cash and Due from Central Bank of Egypt

	L.E.000's	
	31/12/2009	31/12/2008
Cash on hand	192 723	441 108
Due from Central Bank of Egypt (mandatory reserve)	173 987	94 548
<b>Total</b>	<b>366 710</b>	<b>535 656</b>

### 6- Due from Banks

	31/12/2009	31/12/2008
A) Central Bank of Egypt		
Current Deposits	15 000	---
<b>Total</b>	<b>1 311 343</b>	<b>752 675</b>
B) Local Banks		
Current Accounts Deposits	5 917	1 666
<b>Total</b>	<b>154 216</b>	<b>508 810</b>
C) Correspondent Banks		
Current Accounts Deposits	19 993	41 218
<b>Total</b>	<b>156 582</b>	<b>702 202</b>
<b>Total (A+B+C)</b>	<b>1 76 575</b>	<b>743 420</b>
<b>Total (A+B+C)</b>	<b>1 663 051</b>	<b>2 006 571</b>

### 7- Treasury Bills

	31/12/2009	31/12/2008
Treasury Bills – 91 days maturity	55 200	-
Treasury Bills – 182 days maturity	373 725	704 600
Treasury Bills – 273 days maturity	761 150	364 850
Treasury Bills – 364 days maturity	198 800	438 450
<b>Total</b>	<b>1 388 875</b>	<b>1 507 900</b>
Unearned income	(79 569)	(90 097)
<b>Treasury Bills (Net)</b>	<b>1 309 306</b>	<b>1 417 803</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

8- Loans & Advances to Clients & Banks	31/12/2009	L.E.000's 31/12/2008
Discounted Commercial Bills	254 626	218 560
Loans to Clients	1 421 984	1 461 868
Loans to Banks	---	55 137
<b>Total</b>	<b>1 676 610</b>	<b>1 735 565</b>
Unearned Discount for Discounted Commercial Bills	(3 421)	(8 701)
Loan Loss Provision	(160 156)	(150 416)
Suspended Interest	(133)	(182)
<b>Total</b>	<b>1 512 900</b>	<b>1 576 266</b>

9- Loan Loss Provision (Performing / None Performing)	31/12/2009		
	Specific L.E. 000's	General L.E. 000's	Total L.E. 000's
Balance at the beginning of the year	133 457	16 959	150 416
Collections from previously Written off loans	853	---	853
Formed during the year	14 363	447	14 810
Foreign currencies revaluation	(237)	(6)	(243)
<b>Total</b>	<b>148 436</b>	<b>17 400</b>	<b>165 836</b>
Released provision	(5 626)	---	(5626)
Used during the year	(54)	---	(54)
Balance at year end	142 756	17 400	160 156
			31/12/2008
	Specific	General	Total
Balance at the beginning of the year	134 002	13 122	147 124
Collections from previously Written off loans	---	---	---
Formed during the year	3 012	3 843	6 855
Foreign currencies revaluation	(6)	(6)	(12)
<b>Total</b>	<b>137 008</b>	<b>16 959</b>	<b>153 967</b>
Released provision	(3 512)	---	(3 512)
Used during the year	(39)	---	(39)
Balance at year end	133 457	16 959	150 416

### 10 - Financial Derivatives

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

- Forward contracts represent commitments of buying foreign and local currencies including unexecuted spot transactions, represented in 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

- 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 reflect 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.

Derivatives held for trading	L.E. 000's	
	Contracted / Alleged Amount 31/12/2009	Assets 31/12/2009
Foreign Currency Derivatives	3 564	1
Forward Contracts Currency	3 564	1

### 11- Financial Investments

	31/12/2009	L.E. 000's 31/12/2008
1- Investments Available for Sale		
Debt Instruments quoted on the stock exchange at fair value	42 414	46 285
Equity instruments quoted on the stock exchange at fair value	4 186	2 503
Equity instruments not quoted on the stock exchange	2 490	2 490
Total Investments Available for Sale (1)	49 090	51 278
2- Investments held to maturity:		
Not quoted on the stock exchange (bank Investment fund 1&2)	9 192	3 520
Total Investments Held to Maturity (2)	9 192	3 520
Total Investments (1 + 2)	58 282	54 798

	Available for Sale	Held to Maturity	Total
Balance as of 1/1/2008	19 188	---	19 188
Additions	86 038	5 000	91 038
Disposal (Sale / Redemption)	(52 244)	---	(52 244)
Amortization of discount premium	(618)	---	(618)
Gain / Loss on changes in fair value	(1 086)	---	(1 086)
Gain / Loss on impairment	---	(1 480)	(1 480)
Balance as of 31/12/2008	51 278	3 520	54 798
Balance as of 1/1/2009	51 278	3 520	54 798
Additions	---	5 000	5 000
Disposal (Sale / Redemption)	(5 052)	---	(5 052)
Amortization of discount premium	(143)	---	(143)
Gain / Loss on changes in fair value	3 007	---	3 007
Gain / Loss on impairment	---	672	672
Balance as of 31/12/2009	49 090	9 192	58 282

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

Loss / Gain on Investments	L.E. 000's	
	31/12/2009	31/12/2008
Loss / Gain on debt instruments available for sale	4	---
Loss / Gain equity available for sale	---	(1 917)
Gain on sale of treasury bills	3 330	299
<b>Total</b>	<b>3 334</b>	<b>(1 618)</b>

### 12- Debit Balance and Other Assets

	L.E. 000's	
	31/12/2009	31/12/2008
Accrued income	6 867	10 674
Prepaid expenses	1 853	1 702
Advance payment for purchasing of fixed assets	14 300	8 699
Assets acquired by the bank in settlement of clients' debts	3 715	3 294
Installments due from sales of assets acquired by the bank in settlements of clients' debts	12 425	18 340
Intangible assets – (Computer Software *)	12 205	14 703
Insurance and Custody	772	734
Sundry debit balance	21 991	3 222
<b>Total</b>	<b>74 128</b>	<b>61 368</b>

\* Net of amortization amounted to L.E. 3,658 M on December 31, 2009 Vs L.E. 3,463 M on December 31, 2008.

### 13- Fixed Assets (Net after deducting accumulated depreciation)

Description							Total
	Buildings	Automated System	Vehicles	Fittings & Fixture	Appliances & Equipment	Furniture	
Cost as of 1/1/2009	47 622	25 389	5 333	23 643	10 320	7 448	119 755
Additions during the year	8 477	3 415	413	7 096	1 301	393	21 095
Disposals during the year	---	(287)	(70)	---	---	---	(357)
<b>Total cost as of 31/12/2009 (1)</b>	<b>56 099</b>	<b>28 517</b>	<b>5 676</b>	<b>30 739</b>	<b>11 621</b>	<b>7 841</b>	<b>140 493</b>
Accumulated depreciation on 1/1/2009	7 823	20 618	3 421	18 902	6 876	4 608	62 248
Depreciation for the year	1 122	2 340	652	3 002	1 023	735	8 874
Accumulated depreciation of disposals	---	(287)	(14)	---	---	---	(301)
<b>Accumulated depreciation on 31/12/2009 (2)</b>	<b>8 945</b>	<b>22 671</b>	<b>4 059</b>	<b>21 904</b>	<b>7 899</b>	<b>5 343</b>	<b>70 821</b>
<b>Net assets as of 31/12/2009 (1-2)</b>	<b>47 154</b>	<b>5 846</b>	<b>1 617</b>	<b>8 835</b>	<b>3 722</b>	<b>2 498</b>	<b>69 672</b>
<b>Net assets as of 31/12/2008</b>	<b>39 799</b>	<b>4 771</b>	<b>1 912</b>	<b>4 741</b>	<b>3 444</b>	<b>2 840</b>	<b>57 507</b>

Fixed assets (net of depreciation) include at the balance sheet date, an amount of L.E. 388 M represents assets (Buildings) not registered yet in the name of the bank and are currently under legal procedures to notarize these assets.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 14- Due to Banks

	31/12/2009	L.E. 000's 31/12/2008
A) Local banks		
Current accounts	2	2
Deposits	80 087	---
<b>Total</b>	<b>80 089</b>	<b>2</b>
B) Foreign banks		
Current accounts	55 646	67 112
Deposits	---	104 512
<b>Total</b>	<b>55 646</b>	<b>171 624</b>
<b>Total (A+B)</b>	<b>135 735</b>	<b>171 626</b>

### 15- Clients' Deposits

	31/12/2009	L.E. 000's 31/12/2008
Demand deposits	339 672	419 834
Call and time deposits	1 792 812	2 143 940
Saving Certificates	1 341 572	1 372 003
Saving deposits	308 746	283 771
Other deposits	57 512	56 699
<b>Total</b>	<b>3 840 314</b>	<b>4 276 247</b>

### 16- Credit Balances & Other Liabilities

	31/12/2009	L.E. 000's 31/12/2008
Accrued interest payable	20 020	32 263
Unearned revenues	642	942
Accrued expenses	17 656	17 199
Creditors	176 623	482 953
Sundry credit balance	14 139	2 132
<b>Total</b>	<b>229 080</b>	<b>535 489</b>

### 17- Other Loans

	31/12/2009	L.E. 000's 31/12/2008
Short Term Loans		

Loan from Arab Trade Financing Program for an amount of US 5 million dollar for a period of one year, due in two installments on 1<sup>st</sup> June 2009 & 1<sup>st</sup> December 2009 with interest rate of 3.1925%

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 18- Other Provisions

31/12/2009	Balance at the beginning of the year	Formed during the year (P/L)	Released provision	Foreign currencies revaluation differences	Used during the year	Balance at year end
Provision for potential claims	23 232	1 127	(4 215)	(12)	(21)	20 111
Provision for contingencies	3 928	---	(908)	(20)	---	3 000
Other Provisions	2 766	---	---	(9)	---	2 757
<b>Total</b>	<b>29 926</b>	<b>1 127</b>	<b>(5 123)</b>	<b>(41)</b>	<b>(21)</b>	<b>25 868</b>

31/12/2008	Balance at the beginning of the year	Formed during the year (P/L)	Released provision	Foreign currencies revaluation differences	Used during the year	Balance at year end
Provision for potential claims	24 315	1 092	---	---	(2 175)	23 232
Provision for contingencies	5 565	---	(1 598)	(39)	---	3 928
Other Provisions	2 796	---	---	---	(30)	2 766
<b>Total</b>	<b>32 676</b>	<b>1 092</b>	<b>(1 598)</b>	<b>(39)</b>	<b>(2 205)</b>	<b>29 926</b>

### 19- Capital and Reserves

#### a) Authorized Capital

Authorized capital amounts to L.E. 500 million.

#### b) Issued and Paid in Capital

- Issued and paid in capital amount to L.E. 500 million represented in 50 million common shares with nominal value of L.E. 10 each, the foreign shareholders represent 98.55% & the value of shares paid in foreign currency were paid according to the exchange rates prevailing on the payment date.
- The bank extraordinary General Assembly meeting dated 29<sup>th</sup> March 2009 approved increasing the banks authorized capital from L.E. 500 MM to L.E. 1000 MM and the issued and paid in capital from L.E. 500 MM to L.E. 750 MM.
- Subsequently the Board of Directors on 15<sup>th</sup> July 2009 decided to call in partial capital increase amounting to L.E. 100 MM for which subscription was paid in full and proceedings are undertaken to change item 6 & 7 of the bank's article of association.

#### c) Reserves

In accordance with the banks articles of association, 10% of net profit for the year is held to meet the legal reserve requirements which end when such a reserve reaches 50% of the issued and paid in capital noting that the bank reserves dose not include item «Special Reserves» which is formed and disposed based on CBE instructions.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 20- Contingent Liabilities and Commitments

	31/12/2009	L.E. 000's 31/12/2008
Letters of Guarantee	554 300	418 050
Letters of Credit (Import & Export)	225 594	89 734
<b>Total</b>	<b>779 894</b>	<b>507 784</b>

### 21- Net Interest Income

	31/12/2009	L.E. 000's 31/12/2008
Interest income from clients, banks & Others:		
Loans & Advances:		
Banks	87 939	289 121
Clients	127 883	114 132
<b>Total</b>	<b>215 822</b>	<b>403 253</b>
Treasury Bills & Bonds:		
<b>Total</b>	<b>154 643</b>	<b>44 122</b>
<b>Total</b>	<b>370 465</b>	<b>447 375</b>
Interest expenses on deposits & Others:		
Deposits & Current Accounts:		
Banks	(2 131)	(2 131)
Clients	(218 571)	(218 571)
<b>Total</b>	<b>(220 702)</b>	<b>(220 702)</b>
<b>Net</b>	<b>149 763</b>	<b>149 763</b>

### 22- Profit Appropriation

	31/12/2009	L.E. 000's 31/12/2008
Available for sale financial investments	260	1 182
<b>Total</b>	<b>260</b>	<b>1 182</b>

### 23- Trading Net Profit

	31/12/2009	L.E. 000's 31/12/2008
Foreign Exchange Operations		
Profit (Losses) from Foreign Exchange	12 949	15 056
Profit (Losses) from Forward Foreign Exchange Deals	25	---
Revaluation		
Debit Instruments for Trading	64	---
<b>Total</b>	<b>13 038</b>	<b>15 056</b>

### 24- Other Operating Income (Expense)

	31/12/2009	L.E. 000's 31/12/2008
Reversal of Released provisions	10 749	5 110
Reversal of other provisions	670	(302)
Income / Expenses of assets acquired by bank	3 496	306
Gain / Loss on sold assets	4	56
Others	64	4 668
<b>Total</b>	<b>14 983</b>	<b>9 838</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

25- Earnings per Share	L.E. 000's	
	31/12/2009	31/12/2008
Net profit for the year	51 702	62 665
Board of Directors remuneration (proposed)	(216)	(217)
Employees profit share (proposed)	(2 153)	(3 134)
Shareholders' share from the year net profit	49 333	59 314
Weighted average number of shares	50 000	50 000
Earnings per share	0.987	1.186

### 26- Capital Expenditures Commitments

Value of commitments related to Fixed and Intangible Assets not executed until the balance sheet date amounted to L.E. 2,000 thousand.

27- Maturity of Assets and Liabilities	Maturity within one year	Maturity over one year
<b>Assets</b>		
Due from banks	1 648 051	15 000
Treasury bills	1 309 306	---
Investments available for sale	46 600	2 490
Investments held to maturity	---	9 192
Loans & Advances	1 108 497	568 113
Debit balance & other assets	64 264	9 864
<b>Total</b>	<b>4 176 718</b>	<b>604 659</b>
<b>Liabilities</b>		
Due to banks	135 735	---
Clients' deposit	2 493 351	1 346 963
Credit balance & other liabilities	229 080	---
<b>Total</b>	<b>2 858 166</b>	<b>1 346 963</b>

### 28- Interest Rates Implemented During the Year

The average interest rates on assets and Liabilities were as follows:-

	Egyptian Pound	Foreign Currencies
The average interest rates on fund uses (assets)	10.88%	2.38%
The average interest rates on fund sources (liabilities)	8.87%	0.59%

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 29- Deferred Tax

	Balance Sheet Classification	31/12/2008	Movement During the Year	31/12/2009
Difference in depreciation of fixed assets	Asset (Liability)	88	(424)	(336)
Available for Sale investments	Asset	652	(652)	---
Other Debit Balance	Asset	781	(781)	---
Other Provisions	Asset	726	(726)	---
<b>Total</b>	<b>Asset (Liability)</b>	<b>2 247</b>	<b>(2 583)</b>	<b>(336)</b>

### 30- Tax Position

- The Bank had settled the tax until the end of the fiscal year 1989 in respect of corporate income tax and the movable values tax.
- Corporate income tax and movable values tax have been inspected for the years 1990/1995. Tax Authority had notified the bank of the Appeal Committee resolution No. 29 dated 8/10/2003 which the bank has paid the taxes dues, objecting to a number of items.
- The tax review concerning both corporate income tax and movable value tax had been carried out by the Tax Authority for the years 1996/1999 and tax dues have been settled for that period.
- The Bank has submitted its tax return for the years 2000/2004 which was estimated randomly by the tax authorities on which the bank appealed and requested an actual re-tax inspection and the documents are currently being prepared for that purpose, anticipated time to be finalized is during year 2010.
- The Bank present its tax returns in accordance to the new Tax Law starting from 2005 to 2008 and the years 2005 to 2006 is currently under inspection by the tax authorities.

### 31- Distribution of Assets, Liabilities, Contingent Liabilities and Obligations According to the Activity

L.E. Million

	Assets (loans & advances)	Liabilities (clients' deposits)	Contingent liabilities and obligation
Agricultural	---	22.4	---
Industrial	451.8	73.1	10.8
Commercial	187.8	156.2	27.9
Services	181.4	1 928.0	158.4
Family	364.4	1 108.5	---
Financial	---	545.7	582.8
Others	491.2	6.4	---
<b>Total</b>	<b>1 676.6</b>	<b>3 840.3</b>	<b>779.9</b>

### 32- Position of Major Currencies

	31/12/2009 Surplus (Deficit)	31/12/2008 Surplus (Deficit)
Egyptian Pound	9 637	(9 365)
Us Dollar	(43 913)	52 154
Sterling Pound	10 430	60
Euro	3 051	516
Saudi Riyals	13 912	(46 540)
Other Currencies	6 883	3 175

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 33- Trust Activities

Assets held on account or on behalf of other parties:

	Total Value L.E. L.E. 000's	Related Liabilities L.E. 000's
Saving Certificates	1 456 922	247 176
Treasury Bills	7 028	90
Total	1 463 950	247 266

### 34- Related Parties Transactions

- The bank carries out transactions with Arab Banking Corporation-Bahrain (Head Office, Branches and affiliates) on an arm's length basis, these transactions and there balances were as follows:

Nature of Transaction	31/12/2009 L.E. 000's	31/12/2008 L.E. 000's
Due from banks	15 992	63 071
Client deposits	2 812	7 384
Due to banks	519	27 654

### 35- Comparative Figures

- The comparative figures were reclassified in the income and cash flow statement to comply with the changes in presentation and policy for financial investments and derivative evaluations to cope with the new financial reporting standards issued by the CBE on the 16<sup>th</sup> of December 2008.

## MANAGEMENT STRUCTURE

### SENIOR MANAGEMENT:

**Mr. Mohamed Sherif Sharaf:** Managing Director & Chief Executive Officer

**Mr. Magdy Khallaf:** Chief Operating Officer

**Mr. Tarek Selim:** Corporate Banking & SMEs Head

**Mr. Ahmed Samy:** FI & Trade Finance - Senior Manager

**Mr. Rafael Ajram:** Retail Banking Head

**Mr. Sherif Othman:** Treasury Head

**Mr. Moataz Khalil:** Administration Head

**Mr. Akram Naguib:** Central Operations Head

**Mr. Mohamed Barakat:** Corporate Governance & Compliance Head

**Mr. Alaa Nosseir:** Credit and Risk Head

**Mr. Ashraf Kamal:** Financial Control Head

**Mrs. Mariam Farid:** Human Resources Head

**Mr. Yasser Fathy:** Internal Audit Head

**Mr. Vincent Hua:** IT Head

**Mr. Mohamed El Toukhy:** Legal Head

**Mr. Hesham Shoukamy:** Remedial Loans Head

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Cairo Branch  
City Center - Nasr City  
Citystars Mall  
Dokki  
El Kasr El Einy  
EL Haram Branch  
Faculty of Agriculture  
Genena Mall  
Grand Hyatt Hotel  
Katamya Branch  
Khazana Ama 1  
Khazana Ama 2  
Maadi Branch  
Maadi Grand Mall  
Heliopolis Branch (Merghany)  
Mohandessin Branch  
Nasr City Branch (Makram Ebeid)  
Nefertary Language School  
Obour Branch  
Portsaid-Street  
Saem-El Daher  
Sheraton Branch  
Shoubra - Hai 2  
Talaat Harb Mall  
Tameen-Ain Shams  
Tameen-Bab El Sharaya  
Tameen-El-D. Elahmar  
Tameen-Embaba  
Tameen-Faisal  
Tameen-Helwan 1  
Tameen-Helwan 2  
Tameen-Meriland  
Tameen-Nasr 2  
Tameen-Salam  
Tameen-Shoubra  
Tameen-Waily  
Tameen-Zayton  
Tameen-Alfy  
Tanmaea Ektsadia  
Zamalek Branch

### 6<sup>TH</sup> OF OCTOBER

6<sup>th</sup> of October 2 Branch  
6<sup>th</sup> Of October Branch  
EL Watanya Company

### 10<sup>TH</sup> OF RAMADAN

Hi-Pac Co. Area 6 A

### ALEXANDRIA

Alexandria Branch  
Carrefour  
Tameen Flemming 1  
Tameen Flemming 2  
Hilton Green Plaza  
San Stefano Mall  
Samouha Branch  
Tameen El Syouf  
Tameen El Ataren  
Tameen Sedi Gaber

### SUEZ

Tameen Suez 1  
Tameen Suez 2

### DAMIETTA

Damietta Branch  
Damietta

### SHARM EL SHEIKH

IL Markato Mall Sharm  
Sharm El Sheikh (Hilton El Fayroz)  
Sharm El Sheikh (Nagiub Center)  
Sharm El Sheikh (Radisson SAS)  
Sharm El Sheikh Branch  
Sharm El Sheikh-Marriott Hotel  
Sharm El Sheikh-Nabek Branch

### HURGHADA

Hurghada Branch  
Hilton EL Nour Hotel

### LUXOR

Luxor Airport  
Luxor Branch

### MANSOURA

Mansoura Branch

### ASSIUT

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### ASWAN

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