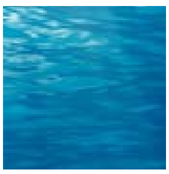
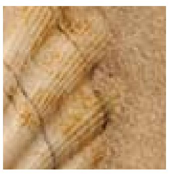
ARAB BANKING CORPORATION - EGYPT

ANNUAL REPORT

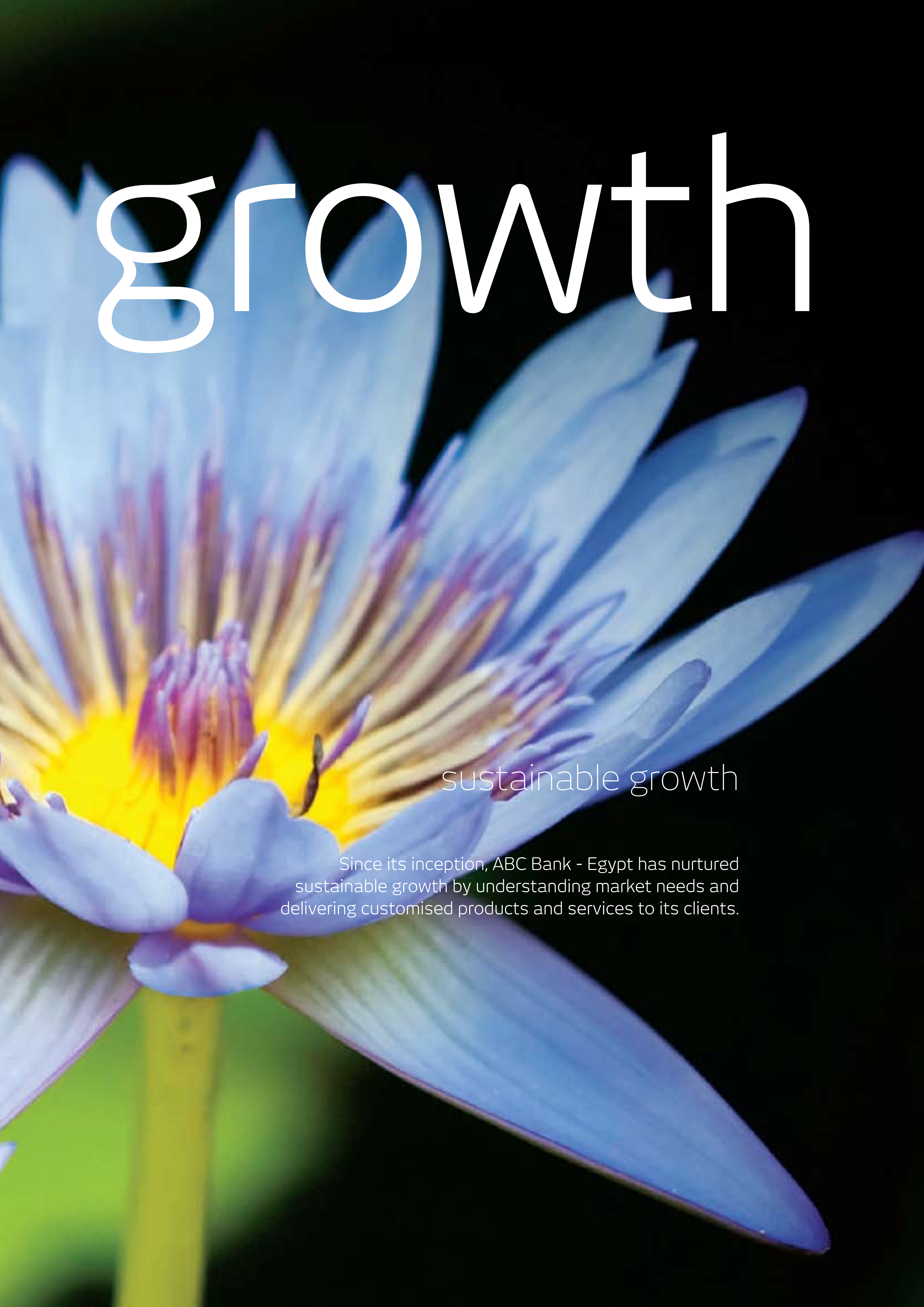
2010





بنك المؤسسة العربية المصرفية

ABC Bank



growth

sustainable growth

Since its inception, ABC Bank - Egypt has nurtured sustainable growth by understanding market needs and delivering customised products and services to its clients.

ABC Bank - Egypt, is a subsidiary of the ABC Group, one of the largest international banking groups in the Middle East and North Africa. The Bank has 28 Retail Branches and 94 ATMs spread all over Egypt offering a mix of quality products suiting different individual needs. ABC Bank provides Retail Banking, Corporate Banking, Trade Finance, Project Finance, Syndications and Treasury services.

CONTENTS

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 expense base effectively focusing on generating increased value for the 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.

Our Approach

Our Group's success is the result of the approach taken by each and every one of our banks to conduct our global business.

المؤسسة العربية المصرفية
ARAB BANKING CORPORATION

When Arab Banking Corporation develops the Group's strategy, it focuses its vision on every possibility for each unit to nurture growth while foreseeing and realising opportunities for clients.

بنك المؤسسة العربية المصرفية الإسلامي (ش.م.ب.م)
ABC Islamic Bank (E.C.)

ABC Islamic Bank aims to provide the largest number of Shari'a-compliant products and services under one roof, seeking to meet diverse investment requirements and to fulfill the Group's strategy of sustainable growth.

بنك المؤسسة العربية المصرفية
ABC Bank - Egypt

Since its inception, ABC Bank - Egypt has nurtured sustainable growth by understanding market needs and delivering customised products and services to its clients.

بنك المؤسسة العربية المصرفية
ABC Bank (Jordan)

ABC Bank (Jordan) attributes its success to its credibility and integrity as a reliable and effective partner with its customers and stakeholders.

بنك المؤسسة العربية المصرفية
ABC Bank - Tunisie

ABC – Tunisie continues to take the initiative to grow both its retail and wholesale operations, enhancing the volume of money market transactions and increasing its trade and structured finance business, as well as developing key business and consumer products and services.

Directors' Report

(All figures stated in US dollars)

The Board of Directors is pleased to present its annual report for the fiscal year 2010.

Mr. Hassan Ali Juma
Chairman of the Board of Directors

The Board of Directors is pleased to present its annual report for the fiscal year 2010 to ABC's shareholders. Firstly, the BOD will highlight key developments and economic indicators during 2010. The global economy grew by 4%, though it fell by 3.4% during the last year. There are still some challenges that may hinder progress, mainly high unemployment rates in many industrial countries, continued negative impact of the global financial crisis- particularly that of sovereign debts in Greece, its extension to some Eurozone countries, and increasing budgetary deficit in terms of the Gross Domestic Product (GDP). Several cash and monetary policies have been applied by many countries to withstand the negative impacts of the global financial crisis, and its repercussions. Yet, problems still persist in addition inflation edged up in many major industrial countries due to high global prices of primary commodities and low interest rates of main currencies. In responding to the debt crisis, financially-affected countries in Europe took a different approach, based on the rationalization of expenditure and development of several plans to save countries. EU leaders agreed to raise funds from European countries and the International Monetary Fund (IMF) to provide aid to afflicted countries. These plans required billions of dollars and aimed at decreasing Europe's external investments, using these investments to help affected neighboring countries. As a result, a crisis occurred and the margin of return on bonds and risk insurance in credit default swap, between such provinces and other EU countries, expanded. All these financial complications led to decreased foreign investments in the EU as a whole, which greatly affected the volume of foreign investments in the Arab world, and Egypt in particular.

With regard to the local economy, markedly increasing global unemployment and decreased individual income in the EU directly affected tourism in Egypt. The budgetary deficit in Egypt rose to USD 17.37b in 2010, since tourism is a mainstay of foreign currency income for the Egyptian economy. The depressed global economic situation impacted revenues from the Suez Canal as well as production and exports.

The CBE continued to reform and develop the banking sector, the executive policy and exchange rate policies, starting from 2004. The monetary and the foreign exchange policies were improved; the parallel market for foreign currency was eliminated. The strategic reserve in foreign currencies reached USD 36b at the end of December 2010. Development and reform efforts were exerted between 2009 and 2010 to boost the efficiency, performance and integrity of the banking system, raise its competitiveness and ability to manage banking risks.

The development program is based on different aspects, mainly compliance with the requirements of Basel II by Egyptian banks to improve their capability of managing risks, adopting, pioneering initiatives and improving funding opportunities and banking services, especially for SMEs.

As for the financial results of ABC at the end of the FY 2010, net profits fell to EGP 29.4m, versus EGP 47.4m YOY. The total budget reached EGP 4883.6m and contingent liabilities were EGP 867.3m.

Directors' Report

Credit and Risk main objective in 2010 and beyond is to support the Bank's controlled asset growth with maximizing returns.

Management exerted substantial efforts to improve customer service, develop the business and improve cost efficiencies across units. It also undertook internal restricting for improved focus on productivity and performance. Sectors and units across ABC continued to exert efforts to drive progress through an action plan that can be summed up as follows:

RETAIL BANKING

Retail Banking after conducting a comprehensive study of the Egyptian market and global techniques has developed products and services tailored to meet local needs. Highlights include:

- A network of 28 branches meeting international standards have been set up across Egypt. Total number of branches is expected to reach 45 at the end of 2013 covering more areas in Egypt.

- Due to horizontal expansion, the number of ATMs reached 94 by the end of 2010, and they are available everywhere. 50 ATMs have allocated to government authorities; especially since ABC has subscribed to the government's automated payroll program. During the coming period, ABC will increase the number of ATMs to 190.

TREASURY

The Treasury is considered one of ABC's major profit sources. Through the Assets and Liabilities Committee, it manages ABC's funds and diversifies the structure and uses by providing all the products and services preferred by customers to meet their needs.

CREDIT AND RISK

Credit and Risk monitor credit portfolios assessment. In all credit decisions, it complies with credit policy, local laws, CBE's instructions, as well as directives of the Board of directors and the Bahrain headquarters. This has helped placed ABC among leading Egyptian banks in terms of quality and worthiness of customers' credit portfolio.

The bank applies Basel II recommendations and calculates all risks as per international standards .As such ABC has become one of the pioneering local banks being a subsidiary of an internationally-recognized financial corporation.

INFORMATION TECHNOLOGY

In order to gain customer satisfaction and continuously develop business - despite the rising costs of investments in E-Systems, IT has improved to serve the targeted development of ABC's various sectors. It provides solutions for banking activities, including retail, corporate finance, central processes, trade finance, money transfer, lending processes, e-services, information management systems, and decision support.

HUMAN RESOURCES

HR is mainly concerned with optimizing the role of personnel who are the most precious assets and investments. Its vision is continuing to select and train efficient personnel and develop their competencies enabling ABC's to have a strong presence in the Egyptian banking market.

In 2010, ABC - Egypt extended its network to reach 28 branches and 94 ATMs across Egypt.

ABC also ensures the enforcement of the latest international governance systems that are provides transparency disclosure and discipline, and in such manner ensures proper work progress at all units. In this regard, the Board of Directors is supported by the following committees:

** The SBRC Committee (Subsidiary Board Risk Committee)

** The Risk Committee

** The Audit Committee

** The Governance and Benefits Committee

The above committees are a linking point between the BOD and ABC and they support the former to control all of ABC's activities.

VISION

During the next three years, ABC will develop a strategy that aims at improving the work atmosphere through developing E-Systems, automating processes, increasing the number of branches and improving the level of services. To develop the ABC's different sectors, the strategy will be based on the following:

- The continuous expansion of distribution channels of banking products to cover key and promising economic areas to expand customer base through establishing 17 new branches as well as increasing the number of ATMs.

- The expansion and diversification of investment sources by boosting the volume of transactions and providing all the products and services preferred by customers to meet their needs.

Directors' Report

One of our objectives is developing a strong and sturdy financial institution with emphasis on asset quality.

- The accelerated development of the corporate portfolio so that it may cover all the main economic activities. This can be achieved through credit facilities, medium and long-term loans granted to new businesses (e.g. home appliances, car manufacturing, communications, leasing). As a result, ABC's portfolio will be diversified, risks diminished and new customers attracted.

- Updating process manuals and procedures and the ABC's internal regulations to reach aspired standards.

The growth of Egypt's economy is expected to be affected by the January 25th revolution. For instance, the budgetary deficit aggravated as a direct result of the decline in Egyptian exports and rise of imports. As such, the CBE's reserve of USD foreign currency fell to $ 30.1b in March 2011, compared to $ 36.0 b at the end of 2010. The majority of most sectors of the economic have been negatively affected, including tourism, which accounts for 11% of the GDP and employs 12% of the total workforce in Egypt.

The Stock Exchange has also been affected by the latest events in Egypt. Yet, we will face the challenges and exert the utmost efforts to achieve the targeted net profit planned for 2011 and promising financial results in the coming years.

In conclusion, on behalf of the BOD and myself, I would like to express appreciation to our shareholders and correspondents for their continuous support of ABC. I also extend warm appreciation to the Executive Management and all ABC's staff for their dedication and perseverance.

Hassan Ali Juma
Chairman of Board of Directors

Board of Directors

Mr. Hassan Ali Juma
Chairman

Dr. Mohammed A. Abusneina
Deputy Chairman

Mr. Akram Tinawi
Board Member

Dr. Khaled Fareg Zentuti
Director

Dr. Khaled S. Kawan
Board Member

Mr. Sael Al Waary
Board Member

Mr. Souheil Badro
Board Member

Mr. Magdy Khallaf
Secretary to the Board of Directors

Business Review

In 2010 ABCE succeeded in joining a consortium of banks fo finance The Egyptian General Petroleum Cooperation (EGPC) in one of the landmark deals in the Egyptian market for EGP 2 billion.

RETAIL BANKING

ABCE Retail Banking, continued in 2010 to implement, through a network of 28 branches and a direct sales team, the dynamic strategic plan set by the bank to achieve a presence in the competitive retail banking scene in Egypt.

Total deposits reached EGP 3.6 billion at the end of 2010, and loans outstanding recorded an increase of 55% to reach EGP 465 Million

The growth in both loans and deposits was due to sustained sales activity at branches, led by a strong team of branch managers. ABCE Direct Sales Teams brought in large volumes of loans and credit cards.

The Bank has continued to offer the basic range of retail banking products and services, introducing a range of new programs during 2010, including a club membership finance program.

Critical training programs were also implemented during the year targeting branch &Product managers and different Retail Banking resources.

ABCE Card center also witnessed significant enhancements in 2010, introducing Credit Card Payment using ABC Debit Card on ABC ATMs, implementation of the Credit Card approach on Core banking system new version V8, Automated Clearing House (ACH) Payment System implantation and start Debit Card and ATM switch migration to Euro Net India Center for Visa PCI compliance.

In addition, a complete Implementation of Call Center CRM solution and a new simple, friendly and interactive website were introduced.

5 new branches were opened in 2010 which brought the total number of ABCE branches to 28 branches. The total number of branches is expected to reach 45 at the end of 2013.

CORPORATE BANKING & SME's

Corporate Banking is a core business segment at Arab Banking Corporation - Egypt (ABCE). Arab Banking Corporation Egypt has striven to support, grow and cater to the needs of its customers. Our well entrenched network throughout the region has uniquely positioned us at the top as a leading market player. That, alongside the expertise drawn up by our highly qualified team of specialists, has consistently allowed us to provide our clients with a wide variety of financing options, ranging from the traditional commercial lending to the sophisticated structured facilities.

In 2010 Corporate Banking Group continued to carefully develop and diversify the Corporate Portfolio, new sectors have been covered and attracted to further widen the client base. Corporate Team 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. In 2010 ABCE succeeded to join a consortium of banks with EGP 130 million to finance The Egyptian General Petroleum Cooperation (EGPC) in one of the landmark deals in the Egyptian market for EGP 2 billion.

During 2010 the Correspondent Banking Unit successfully developed strong and beneficial relationships, achieving its goals and expanding the circle of relationships to include the MENA region.

The Corporate Banking Team also worked to develop synergies between ABC Group's Network of Branches throughout the region through joint visits to some of local clients and as a result, significant business and sizable deals were routed to ABC London, ABC Tunis, Algeria and Jordan which included companies in different industries.

In 2011, 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.

CORRESPONDENT BANKING

During the year 2010, the Correspondent Banking has successfully developed strong and beneficial correspondent banking relationship, thus facilitating ABCE's delivery of comprehensive, value added more globally available trade finance products.

This is reflected by the volume of foreign trade and the percentage of profit achieved in 2010 compared to the past year.

In the year 2011, 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 ABC Group branches network spreads in 22 countries.

The Dealing Room at ABC – Egypt became one of the most active in the market especially in trading government securities in the secondary market.

TREASURY

Treasury at ABCE 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, ABCE Treasury offers a group of products that are diversified in tenor and liquidity to best serve the client.

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

Treasury's balance sheet initiatives included a particular focus on gapping and pricing measures to drive profit. The Treasury Team at ABCE in 2010 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 developments – to get a clear vision for its liquidity exposures under various scenarios, while continuously monitoring its secured funding capacity.

CREDIT & RISK

As the world's economic continued slowdown during 2010, ABCE's Credit & Risk team has managed to reduce its side 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, the Retail Banking & Financial Institutions. In addition, the Credit & Risk team also managed to upgrade risk management tools, and the pertaining technique as well.

The Credit & Risk team applies various 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 Divisions within the Credit & Risk activities 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 agreement. This was accomplished in Credit, Market and Operational Risk capital allocation and the standardized approach of capital calculation.

In 2011 the Credit & Risk 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. A strong focus will be placed on growing and strengthening the bank's credit portfolio.

REMEDIAL LOANS

Remedial Loans effectively contributed to achieving 2010 targets. It successfully recovered several remedial loans either in cash or through selling some acquired assets.

Remedial Loans Team could prudently deal with serious non-performing customers through loans rescheduling in terms that suit each debtor. This largely helped in recovering these debts.

Moreover, the provisions policy also definitively proved effective. Corporate portfolio risk rating of ABCE remained strong all year round.

CORPORATE GOVERNANCE & COMPLIANCE

The primary responsibility of the Corporate Governance and Compliance is the prevention of non-compliance risks, mainly reputation and financial sanctions. For this purpose, the Corporate Governance and Compliance ensures the bank's compliance with all the regulations and guidelines issued by the Central Bank of Egypt and the instructions of the Central Bank of Bahrain, as well as policies of ABC Group in Bahrain. The Corporate Governance and Compliance also enhances its relations with all control authorities and seeks to establish continuous and efficient channels of communications.

Moreover, the Corporate Governance and Compliance 's responsibility is focused on supporting the mechanisms and frameworks that ensures combatting fraud, deceit, and swindling, as well as taking part in updating policies and work procedures so that the bank is dedicated to build an effective compliance culture.

Other responsibilities of the Corporate Governance and Compliance include following the activities of the bank's committees and ensuring that they convene as frequently as required, and that they comply with the business rules, work regulations and the best business practices.

The GCG also shall ensure that the bank applies client identification and KYC rules, including the opening and operation of accounts, and that it applies the criteria of combatting money laundering and terrorism financing. The GCG checks how far personnel are adequately aware of these criteria through specialized courses that provide them with an updated training experience.

Throughout 2010, the Internal Audit detailed a comprehensive strategy applying the Risk Based Audit Approach that considers the bank's overall risk exposure for each function.

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 2010 included 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.

THE CENTRAL OPERATIONS

ABC Egypt is keen to keep its commitment to maintain a safe efficient business environment. Accordingly the bank is always providing the Central Operations with relevant facilities, applications, and tools as well as experienced staff to serve the bank's different following transactions:

- Trade Finance products (Export & Import Letters of Credit, Letters of Guarantee & Documentary Collections).
- Saving products administration.
- Corporate/Syndicated Loans administration.
- Inward & Outward Remittance
- Management & Collection of Checks & Bills Portfolio
- Treasury Back Office
- Central Vault
- Daily Internal Review

It worth mentioning that a number of state of the Art applications are already used in the Central Operations to provide quality service for the bank's clients like Trade Innovation for the trade finance business, Daltex for Bills & check portfolio custody & collection.

Moreover, the bank has contracted with one of the most experienced management companies in the market "SERVFUND "that provides critical support in operating ABCE's mutual funds.

LEGAL UNIT

In light of the bank's strategy and vision to expand in the Egyptian market, the Legal Group involvement is mandatory, it ensures that the legal risks that may lead to material and negative consequences to the Bank are well managed and appropriately mitigated.

By continually striving for excellence, the Legal Group's mission is to provide legal services with the best quality and timing to its departments, groups, units, and subsidiaries while effectively protecting its interests, maintaining a strong relationship with them, as well as anticipating and addressing their needs, ABCE Bank vises solidifying its position as a leading financial institution in the Egyptian Market.

Based on its action plan to improve the performance, the Legal succeeded in ensuring the appropriate management and mitigation of its legal risks, drafting and reviewing agreements, contracts, and other legal documents, Issuing legal notices to unify the Legal background of the different branches and departments of the Bank, as well as providing legal opinions and advices on different legal matters.

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.

The Legal Team, as well, assists to the entire Bank's committees formed by virtue of resolutions of the Bank's Chief Executive and the Managing Director; it also represents its members in front of courts of various degrees and all the governmental and non-governmental entities (Investment Authority, Capital Market Authority, Commercial Registry, and Real Estate Office).

The Legal Group deploys as well big effort in collecting the Bank's due earnings, and treating bad debts through the necessary legal procedures for whether in front of courts of various degrees, investigative authorities, or different control entities.

Business Review

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

INFORMATION TECHNOLOGY

- ABC Bank Egypt 's Information Technology (IT) is continuing its exerted efforts towards setting standard, expanding, upgrading and stabilizing a security & Control system having a Strong Infrastructure that can support business expansion and reduce cost.

  Achievements

  - Full stabilization of the new core banking system
  - Enhance swift services
  - Expand Branches & ATMs network
  - Secure the ATM application software by implementing solid core software
  - Implementing the consolidated statement and E-statement for ABC staff
  - Reallocate Disaster recovery Data Centre to new Location at Mansour Site
  - Enhance infrastructure domain system, which allow more security and control over system servers and workstations
  - Enhance IP telephony systems with the latest version, and introduced complete telephony service over it.
  - Migrate infrastructure communication to the high-performance and scalable protocol Multiprotocol Label Switching (MPLS)
  - Implement Asset Life Cycle System, to register and control all IT hardware locational and movements
  - Convert all data communication routing protocol to fully dynamic- redundant system The Border Gateway Protocol (BGP)
  - Enhance and Introduce new services in the disaster recovery data center, to simulate the head quarter model.


Recruit, develop, motivate and retain the Bank's human capital; these were the main objectives set by HR Management.

HUMAN RESOURCES

Recruit, develop, motivate and retain the Bank's human assets; these were the main objectives set by the HR for the year 2010.Consequently, the following achievements were realized:

Compensation & Benefits

- Distributed 2009 incentives bonus according to BSC results for Staff
- Increased ABCE staff salaries with an average of 8%
- Promoted 23% of the employees and adjusted salary for 14% of Staff & Service staff.
- Completed Job Evaluation Project for total ABCE jobs
- Participated in salary surveys to maintain the Bank position within the market range.

Recruitment

- Reducing cost through Focusing on filling 35 vacancies from within
- Successfully Reducing Turn over by 1.8% Verses 2009
- Effectively recruited 104 capable talents in 2010 to cover replacements and new hires for 5 new branches
- Maintain Head Count 452 within updated approved budget till year end

ADMINISTRATION

During the year 2010, the Administration succeeded to deal with the sudden inflation in the price of the operation requirements and services rendered to the various units, without causing any burden to the administrative and general expenses budget. The Sector has set alternative plans and re-assignment of tasks internally in order to develop the performance to cope with this unexpected inflation, taking care of the general policy to control the expenses and quick performance of tasks. The Sector has also taken all appropriate actions to create an adequate business climate in the bank's different units, in addition to the efforts deployed in the inauguration of the new branches with all the necessary preparation and needs.

Audit Committee's Report

THE STRUCTURE OF THE AUDIT COMMITTEE:

The Audit Committee, part of the Board of Directors, consists of three non-executive board members.

Audit Committee Objectives:

1. To help the Board of Directors undertake its control role in the ABCE through coordination among the Board of Directors; Internal Audit and Corporate Governance & Compliance; and the Auditors. This upholds the independency of the latter and provides the Board of Directors with an objective source of information that is based on neutral, professional principles regarding all internal issues falling within the scope of objectives of the Audit Committee. It also monitors the effectiveness of internal control systems, procedures and disciplines within ABCE with the aim of creating a disciplined work environment and that protects ABCE assets and shareholders' investments

2. Audit Committee accomplishes its objectives independently. However, it is allowed neither to interfere in any executive work nor attain its objectives in such a way that may adjust or, in any way, limit the authorities, competences or responsibilities of the management or Auditors. All internal issues, including the preparation and auditing of ABCE financial statements, are part of the main responsibilities of the executive management or Auditors, as the case may be.

Audit Committee Work Rules:
Pursuant to the Audit Committee work rules ratified by the Board of Directors, which stipulate, among other things, that the Audit Committee shall meet upon a written invitation from the Audit Committee head no less than four times per each single fiscal year and that the Auditors shall attend all or part of the events of these meetings, the Audit Committee has held 4 meetings attended by the Auditors during 2010.

Audit Committee Activities during 2010:
The Audit Committee has undertaken its work pursuant to the Audit Committee work rules and in compliance with the best professional practices as follows:-

A. ABCE Risk Assessment:

Reading internal and external audit reports in addition of meetings with Top management and Auditors, the Audit Committee traced a set of main risks facing ABCE. They are:-

- Financial and accounting risks
- Liquidity risks
- Credit risks
- Legal risks
- Operational and market risks
- Information system risks

B. Remedial Procedures:

The Audit Committee has established many procedures to correct the amendments and remarks noted in (internal/external) audit reports and implementation of the Audit Committee recommendations made at each meeting held during the year.

These procedures led to a remarkable reduction in the comments about ABCE and promotion of discipline environment in ABCE in general.

C. Audit Committee Supervision on Internal Audit and Corporate Governance & Compliance Activities:

The Audit Committee reviewed the activities of both ABCE Internal Audit and Corporate Governance & Compliance in 2010 and assured that each section successfully implemented its set strategy.

D. Monitoring ABCE External Auditors Performance (Messrs. Earnest & Young and Messrs. Abdel Aziz Hegazy & Co. "Horwath"):

During the Audit Committee meetings with ABCE Auditors, Audit Committee discussed the following:

1. The general scope and auditing plans of the Auditors during 2010 as well as the auditor's evaluation and findings with regard to the inspection and assessment of ABCE internal auditing;

2. Checking with the Auditors that ABCE prepares financial statements in accordance with Egyptian Accounting Standards, applicable Egyptian laws and regulations and all the accounting standards adopted by ABCE; the information disclosed in the financial statements are clear; and there are no material comments in this regard;

3. Verifying the quality of ABCE loans and facilities portfolio, the sufficiency of quarterly provisions for debtors in default and that these provisions are in compliance with the CBE directions regarding the principles of customer rating systems and providing the necessary provisions. Both Auditors assured they have no reservations concerning the provisions made in ABCE in 2010 which they deem sufficient; and

4. Making sure of the adequacy of the Auditors fees and making recommendations concerning rehiring them.

Regards,

Sael Al Waary
Audit Committee Head

Duly Executed in 01 April 2011

Financial Report Contents

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Financial Report of the Bank

for the year ending 31st December 2010

The ABC's Board of Directors is pleased to announce the financial results of the bank for the fiscal year ending on December 31, 2010, by reviewing the financial statements of the year.

On 31/12/2010, the total balance reached EGP4,883.6 m., compared to EGP5,049.1m on 31/12/2009, a decline of 3.3% amounting to EGP165.5m.

Such decline is mainly attributed to:

1. The decline of return on treasury bills during the FY 2010, compared to 2009. So, the bank's relevant investments decreased from EGP1309.3m on 31/12/2009 to EGP 589.6m on 31/12/2010, the difference being EGP719.7m, as a direct result of the excess of the financing costs of these investments over the returns.

2. Due to diminished investments in treasury bills during the FY 2010, ABC abandoned the financing sources of these investments, including deposits from investments funds which declined between the ends of December 2009 and December 2010 by nearly EGP 429.7m, according to the CBE's instructions preventing juridical persons from buying long-term instruments (3 - 5 years) issued by ABC.

Liquid assets reached EGP3239.1m on 31/12/2010, in comparison with EGP3388.3m YOY, and they accounted for 66.3% of the total assets on 31/12/2010, compared to 67.1% YOY.

The total balances of contingent liabilities recorded EGP867.3m on 31/12/2010, against EGP47.4m YOY, an increase of EGP87.4m that reflects a growth rate of 11.2%.

In the course of ABC's business during 2010, net profits fell to EGP29.4m, compared to EGP47.4 m YOY, a drop of EGP18.0m. Total businesses resulted in a distributable net profit of EGP29.2m, compared to EGP47.4 YOY, with a decrease of EGP18.2 m.

Finally, it is to be noted that the compared figures have been changed according to the CBE's instructions on the rules of preparing and copying banks' financial statements, recognition and measurement principles, and Egyptian accounting standards applicable as of 2010.

Following is a list of the sources of funds and their use during the fiscal year ending on 31/12/2010: (figures are in EGP million).

Uses of Funds **Increase in Assets**		**Sources of Funds** **Increase in Liabilities**	
Cash and bank balances	**426.8**	Shareholders equity	**26.8**
Fixed assets	**19.3**	Other liabilities	**80.2**
		Other provisions	**0.5**
Decrease in liabilities		Decrease in liabilities	
Liabilities due to banks	**52.8**	Financial investments	**567.5**
Customer's deposits	**220.2**	Loans and advances	**42.6**
		Other assets	**1.5**
Total uses of funds	**719.1**	**Total sources of funds**	**719.1**

Financial Report of the Bank

for the year ending 31st December 2010

The following table illustrates the key developments of the sources of funds and their uses during the fiscal year 2010:

First: Deposits

Total customers' deposits of all types reached EGP3620.1m, against EGP3840.3m YOY, with a decrease of EGP220.2m. The following table illustrates how deposits are allotted according to business sectors as per the outstanding balances of 31/12/2010:

(Figures are in EGP million)

Sector	2010	2009	Change	Growth rate %
Agriculture	**22.0**	22.4	-0.4	-1.8
Industry	**69.1**	73.1	-4.0	-5.5
Commerce	**111.5**	156.2	-44.7	-28.6
Services	**1 999.1**	1 928.0	+71.1	+3.7
Family	**1 288.4**	1 108.5	+179.9	+16.2
Financial brokers	**120.3**	545.7	-425.4	+80.0
Other	**907**	6.4	+3.3	+51.6
Total	**4 517.4**	**3 840.3**	**-220.2**	**-5.7**

The following table includes deposits according to their types between the end of 2010 and 2009 (Figures are in EGP million):

Description	2010	2009	Change	Growth rate %
Demand deposits	**416.6**	339.7	+76.9	+22.6
Call and time deposits	**2 033.4**	1 792.8	+240.6	+13.4
Saving certificates	**790.9**	1 341.6	-550.7	-41.0
Saving deposits	**326.5**	308.7	+17.8	+5.8
Other	**52.7**	57.5	-4.8	-8.3
Total	**3 620.1**	**3 840.3**	**-220.2**	**-5.7**

Second: Funds Due to Banks and Correspondents

Funds due to banks and correspondents within and outside Egypt reached EGP82.9m, against EGP135.7m YOY, with a decrease of EGP52.8m.

Third: Cash Balances and Balances at Banks and Correspondents:

Total balances amounted to EGP2456.5m, compared to EGP2029.7m YOY, as shown in in the following table (figures are in EGP million):

Description	2010	2009	Change	Growth rate %
Cash and balances at the CBE	**526.1**	366.7	+159.4	+43.5
Balances at banks	**1 930.4**	1663.	+267.4	+16.1
Total	**2 456.5**	**2029.7**	**+426.8**	**+21.0**

Financial Report of the Bank

for the year ending 31st December 2010

Fourth: Loans and Advances

Net loans and advances granted to customers fell to EGP1477.5m, versus EGP1520.1m YOY, a fall of EGP42.6m, accounting for 2.8%.

The following table illustrates the allotment of loans and advances according to business sectors and outstanding balances on 31/12/2010 (figures are in EGP million):

Sector	2010	2009	Change	Growth rate %
Agriculture	0.2	0	+0.2	∞
Industry	338.5	457.8	-119.3	-26.1
Commerce	276.8	187.8	+89.0	+47.4
Services	408.1	184.5	+223.6	+121.2
Family	473.4	365.4	+108.0	+30.0
Other	159.6	491.2	-331.6	-67.5
Total	**1 656.6**	**1 686.7**	**-30.1**	**-1.8**
Less:				
Loan Provision (performing / none performing)	178.8	163.1	+15.7	+9.6
Unearned Discount for Discounted Bills	0.2	3.4	-3.2	-94.1
Suspended interets	0.1	0.1	-	0
Net credit facilities used	**1 477.5**	**1 520.1**	**-42.6**	**-2.8**

According to the above table, the loan provision reached EGP178.8m, versus EGP163.1m YOY, with an increase of EGP 15.7m, and a growth rate of 9.6%.

Fifth: Financial Investments

On 31/12/2010, net financial investments for outstanding balances reached EGP1367.6m. The following table shows the changes in such investments during the FY 2010 (figures are in EGP million):

Description	2009	2008	Change + (-)
Treasury bills	**589.6**	1 309.3	-719.7
Investment fund established by the ABC	**17.6**	9.2	+804
Shareholding in enterprises	**2.5**	2.5	--
Investments in securities	**190.4**	46.6	+143.8
Net financial investments	**800.1**	**1 367.6**	**-567.5**

The above table shows that the decrease in financial investments between the ends of 2010 and 2009, which accounts for EGP567.5m, is based mainly on treasury bills. Outstanding balances of treasury bills dropped by EGP 719.7m, resulting in increased subscribed balances in securities investments by EGP143.8m.

Sixth: Shareholders' Equity

Total equity reached EGP844.5m, compared to EGP817.7m YOY, with an increase of EGP26.8m.
The following table shows the changes in equity during the FY 2010 (figures are in EGP million):

Description	2010	2009	Change + (-)
Capital	**600.0**	500.0	+100.0
Paid under capital increase	**-**	100.0	-100.0
Reserve	**212.0**	165.2	+46.8
Retained earnings	***32.4**	52.4	-20.0
Total	**844.4**	**817.6**	**+26.8**

- Affected by EGP2.4m cash allotments of 2009.

Seventh: Contingent Liabilities

Total customers' liabilities against open letters of credit and issued letters of guarantee reached EGP867.3m on 31/12/2010, compared to EGP779.9m YOY, with an increase of EGP87.4 m, as shown in the following table (figures are in EGP million):

Description	2010	2009	Change	Growth rate %
Uncovered open letters of credit	**157.9**	225.6	- 67.7	- 30.0
Uncovered issued letters of guarantee	**709.4**	554.3	+ 155.1	+ 28.0
Total	**867.3**	**779.9**	**+ 87.4**	**+11.2**

Eighth: Business Results

Due to ABC's businesses in 2010, distributable net profits recorded EGP29.2m. Adding this value to last year's retained earnings of EGP3.1m, distributable funds will be EGP32.3m, compared to EGP 52.5m YOY.

The following table shows the allotment proposed by the Board of Directors of 2010 distributable profits, compared to that of 2009 (figures are in EGP million):

	Proposed allotment of 2010	Amended allotment of 2009
Subsidize reserve	**25.0**	47.0
Personnel dividend	**1.8**	2.2
BOD's Remuneration	**0.2**	0.2
Retained earnings	**5.3**	3.1
	32.3	**52.5**

Ninth: Branches

The Bank operates through 28 branches; 15 in Cairo, 2 in Alexandria, 2 in Sharm El-Sheikh, 1 in each of Hurghada, Mansoura, Luxor, Aswan, and Assiut, 2 in Damietta, 1 in Tanta and Suez.

Tenth: Employment

At the end of the FY 2010, the number of employees was 402 versus 374 at the end of 2009, in addition to 47 service workers. Since human resources play a very important role, ABC's management is keen on improving all levels of the management and personnel by continuously developing their banking skills and enriching their experience through training courses at specialized academic institutions. In this way, personnel can provide the best possible 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 31st December 2010, 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 Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008 and in light of the prevailing Egyptian laws , management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 the prevailing Egyptian laws. 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 policies 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 on the financial statements.

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 31st December 2010, and of its financial performance and its cash flows for the financial year then ended in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008, and in light of the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note (35) to the financial statements which describe the fact that no reasonable and reliable information is available to management as to enable them to disclose the impact of subsequent events on the values of some elements of the assets and liabilities and results of its operation in the subsequent financial periods, as those values and results could change substantially in subsequent periods should reasonable and relaible indicators and information are available to management as to enable them to identify and measure the extent and magnitude of these subsequent events on the values of those assets and liabilities elements.

Report on Other Legal and Regulatory Requirements

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

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

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 books of account within the limit that such information is recorded therein.

AUDITORS

Emad Hafez Ragheb
Alied for Accounting & Auditing, E&Y

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

Cairo, 11 April 2011

Balance Sheet

As of 31st December 2010

	Note	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
ASSETS			
Cash and due from Central Bank	(15)	**526 147**	366 710
Due from banks	(16)	**1 930 426**	1 663 051
Treasury bills and other governmental notes	(17)	**589 603**	1 309 306
Loans and advances to customers	(18)	**1 477 538**	1 520 136
Financial investments:			
Available -for- sale	(19)	**192 928**	49 090
Held- to- maturity	(19)	**17 555**	9 192
Intangible assets	(20)	**19 976**	12 205
Other assets	(21)	**40 467**	49 768
Fixed assets	(22)	**88 942**	69 672
Total assets		**4 883 582**	5 049 130
Liabilities & Owners' equity			
Liabilities			
Due to banks	(23)	**82 901**	135 735
Customers' deposits	(24)	**3 620 074**	3 840 314
Other liabilities	(25)	**309 262**	229 080
Other provisions	(26)	**26 527**	26 034
Deferred tax liabilities	(27)	**338**	336
Total Liabilities		**4 039 102**	4 231 499
Owners' equity			
Issued & paid-in capital	(28)	**600 000**	500 000
Paid under capital increase		**-**	100 000
Reserves	(29)	**212 038**	165 182
Retained earnings	(29)	**32 442**	52 449
Total Owners' equity		**844 480**	817 631
Total liabilities & Owners' equity		**4 883 582**	5 049 130

Hassan Ali juma
Chairman

Akram Tinawi
Managing Director & CEO

Auditors

Dr. Abdel Aziz Hegazy
(Horwath)

Emad Hafez Ragheb
(Ernst & Young)

The accompanying notes from (1) to (36) are an integral part of these financial statements and are to be read therewith.

Income Statement

For the year ended 31st December 2010

	Note	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Interest income on loans and similar income		**311 260**	371 616
Interest expense on deposits and similar expenses		**(165 435)**	(220 702)
Net interest income	(6)	**145 825**	150 914
Fees and commissions income		**36 392**	35 131
Fees and commissions expenses		**(1 501)**	(1 850)
Net fees and commissions income	(7)	**34 891**	33 281
Dividend income	(10)	**193**	260
Gains from financial investments	(19)	**2 590**	3 334
Net trading income	(8)	**9 378**	13 038
Other operating income	(11)	**5 294**	5 391
Impairment loss for credit losses	(12)	**(12 937)**	(11 092)
Administrative expenses	(9)	**(143 427)**	(114 990)
Net profit before income tax		**41 807**	80 136
Income tax expenses	(13)	**(12 390)**	(32 702)
Net profit for the year		**29 417**	47 434
Earnings per share (LE/share) - Basic	(14)	**0.453**	0.844

Hassan Ali juma
Chairman

Akram Tinawi
Managing Director & CEO

The accompanying notes from (1) to (36) are an integral part of these financial statements and are to be read therewith.

Statement of Changes in Owners' Equity

For year ended 31 December 2010

	Paid - in capital LE 000	Paid under capital increase LE 000	Reserves LE 000	Retained earnings LE 000	Net profit for the year LE 000	Total LE 000
Balance as at 1 January 2009						
(as previously issued)	500 000	-	101 850	6 844	62 665	671 359
Impact of change in accounting policies	-	-	226	(1 044)	-	(818)
Balance as of 1 January 2009						
(after adjustments)	**500 000**	**-**	**102 076**	**5 800**	**62 665**	**670 541**
Dividends Paid	-	-	-	-	(3 351)	(3 351)
Transferred to retained earnings						
and reserves	-	-	60 056	(742)	(59 314)	-
Net profit for the year before adjustment	-	-	-	-	51 702	51 702
Net change in fair value of the						
available-for-sale investments	-	-	3 007	-	-	3 007
Impact of change in accounting policies	-	-	-	-	(4 268)	(4 268)
Paid under capital increase	-	100 000	-	-	-	100 000
Transferred to retained earnings						
and banking risks reserve	-	-	43	47 391	(47 434)	-
Balance as of 31 December 2009						
(after adjustments)	**500 000**	**100 000**	**165 182**	**52 449**	**-**	**817 631**
Balance as of 1 January 2010	500 000	100 000	165 182	52 449	-	817 631
Transferred to retained earnings						
and reserves	-	-	47 000	(47 000)	-	-
Dividends Paid	-	-	-	(2 369)	-	(2 369)
Transferred to Paid - in capital	100 000	(100 000)	-	-	-	-
Net change in fair value of the						
available-for-sale investments	-	-	(199)	-	-	(199)
Net profit for the year	-	-	-	-	29 417	29 417
Transferred to retained earnings and						
banking risks reserve	-	-	55	29 362	(29 417)	-
Balance as at 31 December 2010	**600 000**	**-**	**212 038**	**32 442**	**-**	**844 480**

Hassan Ali juma
Chairman

Akram Tinawi
Managing Director & CEO

The accompanying notes from (1) to (36) are an integral part of these financial statements and are to be read therewith.

Statement of Cash Flows

For the year ended 31st December 2010

	For the Year ended 31/12/2010 LE 000	(Restated) For the Year ended 31/12/2009 LE 000
Cash flows from operating activities		
Net profit befor taxes	**41 807**	80 136
Adjustments to reconcile net profit to cash flows provided from operating activities		
Depreciation and amortization	**18 390**	12 675
Impairment losses of assets	**12 937**	11 092
Impairment losses of other provisions	**171**	(3 851)
Revaluation differences of foreign currencies provision balances (other than loans provision)	**322**	(41)
(Losses) gains from sale of fixed assets	**(174)**	(4)
(Losses) gains non cash from sale of assets reverted to the bank	**(5 914)**	-
Operating profits before changes in assets and liabilities used in operating activities	**67 539**	100 007
Net decrease (increase) in assets		
Due from banks	**(198 698)**	900 214
Treasury bills and other governmental notes	**665 591**	162 659
Trading financial assets	**-**	-
Loans and advances to customers	**35 057**	59 313
Other assets	**(18 142)**	(12 330)
Net (decrease) increase in liabilities		
Due to banks	**(52 834)**	(35 891)
Customers' deposits	**(220 240)**	(435 933)
Other liabilities	**89 154**	(316 175)
Paid income taxes	**(21 360)**	(22 600)
Net cash flows used in operating activities (1)	**346 067**	399 264
Cash flows from investing activities		
Payments to purchase fixed assets & preparation of branches	**(18 303)**	(26 546)
Proceeds from sale of fixed assets	**644**	60
purchases of financial available for sale investments	**(253 403)**	-
Proceeds from redeemable financial available for sale investments	**109 214**	5 052
Payments to purchase financial held to maturity investments	**(7 848)**	(5 000)
Net cash flows (used in) from investing activities (2)	**(169 696)**	(26 434)
Cash flows from financing activities		
Dividends paid	**(2 369)**	(3 351)
Short term loans paid	**-**	(27 569)
Proceeds from capital increase	**-**	100 000
Net cash flows (used in) financing activities (3)	**(2 369)**	69 080
Net increase (decrease) in cash and cash equivalents during the year (1+2+3)	**174 002**	441 910
Cash & cash equivalents at 1/1/2010	**1 773 125**	1 331 215
Cash & cash equivalents at the end of the year	**1 947 127**	1 773 125
Cash and cash equivalents are represented in the following:		
Cash and due from Central Bank	**526 147**	366 710
Due from banks	**1 930 426**	1 663 051
Treasury bills and other governmental notes	**589 603**	1 309 306
Deposits due from banks	**(509 496)**	(310 798)
Treasury bills and other governmental notes (with maturity more than 3 months)	**(589 553)**	(1 255 144)
Cash & cash equivalents	**1 947 127**	1 773 125

Hassan Ali juma
Chairman

Akram Tinawi
Managing Director & CEO

The accompanying notes from (1) to (36) are an integral part of these financial statements and are to be read therewith.

Statement of Proposed Profit Appropriation Account

For the year ended 31st December 2010

	31/12/2010	(Restated) 31/12/2009
	LE 000	LE 000
Net profit for the year - as per income statement	**29 417**	47 434
Less:		
Income from selling Fixed Assets transferred to capital reserves as per law	**(174)**	-
Banking risk reserve	**(55)**	(43)
Net profit for the year - available for appropriation	**29 188**	47 391
Add:		
Retained earnings at the beginning of the year	**3 080**	5 058
Total	**32 268**	52 449
Appropriation as follows:		
Legal reserve	**2 924**	5 170
General reserve	**22 076**	41 830
Owners shares dividends	**-**	-
Staff profit share	**1 800**	2 153
Board of Directors' remuneration	**236**	216
Retained earnings at the end of the year	**5 232**	3 080
Total	**32 268**	52 449

* The statement of proposed profit appropriation for the financial year ended 31 December 2010 was prepared subject to the approval of the Bank's General Assembly

The accompanying notes from (1) to (36) are an integral part of these financial statements and are to be read therewith.

Notes to the Financial Statements

for the year ended 31st December 2010

1 GENERAL INFORMATION

The bank has been established on 21 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 April 2000 in Egypt and the bank head office in Cairo, the bank listing in Cairo and Alexandria stock exchange.

Arab Banking Corporation – Egypt (S.A.E) provide retail, corporate banking and investment banking services in various parts of Egypt through twenty eight branches, and employs over 449 employees in the balance sheet date.

2 SUMMARY OF ACCOUNTING POLICIES

The following are the significant accounting policies applied in the preparation of these financial statements, these policies have been consistently applied to all the presented years, unless otherwise is disclosed.

A Basis of preparation of financial statements

Financial statements have been prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors on 16 December 2008 consistent with the standards referred to, and on the basis of historical cost as modified by revaluation of financial assets and liabilities held for trading, assets and financial liabilities classified its at inception at fair value through profit and loss and financial investments available for sale, and all financial derivatives contracts.

The financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws.
The bank was preparing the financial statements until 31 December 2009 using the Central Bank of Egypt instruction in force until that date, which differs in certain aspects from the new Egyptian Accounting Standards issued during 2006 and amendments thereto. In preparing the financial statements of the financial year ended 31 December 2010, management has amended certain accounting policies and measurement bases to be consistent with the new accounting standards and with the financial statements presentation requirements for banks and with the recognitions and measurement requirements issued by the Central Bank of Egypt board on 16 December 2008.

Amendments of published Central Bank of Egypt regulations effective starting January 2010
The management has applied the Central Bank of Egypt instructions concern the rules of preparation and presentation of financial statements of banks and principles of recognition, measurement and the Egyptian Accounting Standards applicable on the activities of the bank. And the comparative figures for year 2009 have been adjusted in accordance with the requirements of these new regulations and standards (Note 36).

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

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

- Starting from year 2010 the bank begun to define the useful life of new fixed assets as concerning their main important components. The bank couldn't analyze the components of fixed assets acquired before year 2010 to their main important components as it did not seem practical to evaluate these components at the date of acquisition.

- The bank has identified the related parties according to the amended requirements and has added new clarifications concerning those parties.

- The bank has reassessed the useful lives of the intangible assets with no resulted amendments from this procedure.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

- The method of measuring loans and facilities impairment and other debt instruments, which are measured at amortized cost, has changed, Resulted in cancellation of the General Provisions of loans and facilities and instead total provisions was provided for groups of assets that carry a credit risk and similar characteristics or individual provision. As a result of changing the way of provision provided decrease the specified provision, which were configured for specific items by amount of EGP 339 thousand. The total increase / decrease in the outstanding provision on the 1st January 2009 had retained to retained earnings in owner's equity and note no. (29) Shows the impact of the change of this policy on the owner's equity and items affected by the credit risk.

- In determining the effective interest rate in order to apply the amortized cost method on the income and cost of return on debt instruments , the fees and commissions related to the acquisition or the issuance of debt instruments have been identified and credited or debited from the value of acquisitions / issuance being part of the dealing cost , This has resulted in changing the effective interest rate for these instruments , According to the above, the fees and commissions income has increased by thousand LE 1 151 for the fiscal year ended 31 December 2009.

- Purchase accounting was applied to all acquisitions made on or after the first of January 2009 in accordance with the new requirements of accounting, and there was no effect on the bank financial statements.

- The bank has studied the assets reverted to the bank in settlement of debts in the purpose of confirming the applicability of the rules for classifying these assets among non current assets held for sale in "Other Assets Item". This resulted in no difference in the classification or the value which these assets are measured except reclassifying the provision of assets reverted to the bank in settlement of debts which exceeded its legal period to Banking risks general reserve by thousand LE 226.

- The bank has applied an impairment test for the unspecified life of intangible assets starting from 1st January 2010 with no resulted impairment from this procedure during the year.

B Segment reporting

The activity segment is a group of assets and operations engaged in providing products or services characterized by the existence of risks and benefits different from those engaged in other activity segments. The geographical segment is engaged in providing of products or services within a particular economic environment that are characterized by risks and benefits different from those related to geographical segments operating in a different economic environment.

C Foreign currencies translation

C-1 Functional and presentation currency:

The bank's financial statements are presented in Egyptian pound which represents the bank's functional and presentation currency.

C-2 Transactions and balances in foreign currencies

- The bank hold its accounts in the Egyptian pound and all transactions in other currencies are recorded during the current year on the basis of the prevailing exchange rates on the date of processing the transaction. The balances of assets and liabilities with monetary nature in foreign currency are re-evaluated at the end of the current year on the basis of the prevailing exchange rates on that date. The profits and losses resulted from settling these transactions are to be recognized in the income statement as well as the differences resulted from the re-evaluation among the following items:

    - The net trading income or net income of the financial instruments classified at inception in fair value through the profits and losses of assets / liabilities held for trading or those classified inception in fair value through profits and losses according to type.

    - Other operating income (expenses) for the remaining items.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

- The changes in the fair value of the financial instruments with monetary nature in foreign currencies classified as investments available for sale (debt instruments) are analyzed either as evaluation differences resulting from the changes in the amortized cost of the instruments, differences resulting from the changes in the prevailing exchange rates or differences resulted from the change in the instrument's fair value. The differences resulted from the changes in the amortized cost are to be recognized in the income statement within the "Interest income on loans and similar income", the differences related to exchange rates changes are recognized in the Other operating income (expenses) whereas the change in the fair value (fair value reserve/financial investments available for sale) are recognized within shareholders' equity.

- The evaluation differences resulted from items other than those with the monetary nature include the profits and losses resulted from the change of the fair value such as the equity instruments held in fair value through profits and losses. The evaluation differences resulted from equity instruments classified as financial investments available for sale are recognized within the fair value reserve in the shareholders' equity.

D Financial assets

The bank classifies financial assets among the following categories: financial assets classified at fair value through profits and losses, loans and receivables, financial investments held to maturity and financial investments available for sale. The management determines the classification of its investments at initial recognition.

D-1 Financial assets classified at fair value through profits and losses:

This category includes financial assets held -for- trading and assets classified at inception fair value through profits and losses.

- The financial instrument is classified as held for trading if it is acquired and paid for its value primarily for the purpose of selling it in the short term or if it represents a part of a portfolio for specific financial instruments that are managed together and there is an evidence of processing recent actual transactions which resulted in obtaining short-term profits and derivatives are classified as held for trading.

- Financial assets are classified at inception fair value through profits and losses in the following cases:

  - When it reduces the measurement inconsistency that could arise from treating the related derivative as held for trading at the time of evaluating the financial instrument in the place of the derivative at amortized cost for loans and advances to banks and customers and issued debt instruments.

  - When managing some investments such as investments in equity instruments and evaluating them at fair value according to the investment strategy or risks management and preparing reports on them for senior management on this basis then they are classified as being in fair value through profits and losses.

  - The financial instruments such as debt instruments held and which contain one or more of the embedded derivatives that strongly affect the cash flow are classified at fair value through profits and losses.

- Profits and losses resulted from changes in the fair value of the financial derivatives which are managed in conjunction with the assets and liabilities classified at inception fair value through profits and losses are recorded in the income statement within "Net of net income from financial instruments classified at inception at fair value through profits and losses" item.

- Any derivative from the financial instruments group evaluated at fair value through profits and losses is not to be reclassified during the year of holding it or during its validity period. Also any instrument from the financial instruments group evaluated at fair value through a profits and losses is not to be reclassified if the said instrument has been allocated by the bank at initial recognition as an instrument to be evaluated at fair value through profits and losses.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

D-2 Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable amount and they are not quoted in an active market with the exception of:

- Assets which the bank intends to sell immediately or in the short term are classified as assets held for trading or these assets which were classified at inception at fair value through profits and losses.

- Assets the bank classifies as available for sale at initial recognition.

- Assets which the bank will not be able to substantially recover the value of its original investment in them for other reasons than credit deterioration.

D-3 Held to maturity investments

Held to maturity investments represent non- derivative financial assets with fixed or determinable amount of payment and also do have a fixed maturity date while the bank management has the intention and the ability to hold and maintain them till date of maturity. The whole group is to be reclassified as available for sale in case the bank sells a significant amount of assets held to maturity except in cases of necessity.

D-4 Available for sale investments

Available for sale investments are non derivative financial assets the bank has intention to hold and maintain for indefinite period. They can be sold in response to the need for liquidity or due to changes in interest rates, exchanges rates or equities prices.

The following is to be adopted with regards to financial assets:

- The buying and selling of financial assets are recognized in the usual way on the trade date on which the bank is committed to buy or sell the asset. The same for assets classified at fair value through profits and losses, financial assets held to maturity investments and available for sale investments.

- The recognition of financial assets at inception, which have not been classified at inception at fair value through profits and losses at fair value plus transaction costs whereas financial assets classified at inception fair value are to be recognized through profits and losses only at fair value while charging the transaction costs to "Net Trading Income" item in the income statement.

- Financial assets are excluded when the term of validity of contractual right to receive cash flow from the asset expires or when the bank transfers most of the risks and benefits associated with ownership to another party. Meanwhile liabilities are excluded as they are completed either by disposing of them, canceling them or when the contractual period expires.

- Measurements are subsequently carried at fair value for each of the available for sale investments and financial assets classified at fair value through profit and loss and at amortized cost for loans and receivables and financial assets held to maturity investments.

- Profits and losses resulting from changes in the fair value of assets classified at fair value through profits and losses are to be recognized in the income statement in the period in which they occur. But the profits and losses resulting from changes in the fair value of available for sale investments are directly recognized in equity, till the asset is excluded or its value impaired then the accumulated profits and losses previously recognized within equity are to be recognized in the income statement.

- The interest income calculated at the amortized cost method and gains and losses of foreign currencies associated with assets which have monetary nature and classified as an available for sale are to be recognized in the income statement. Also dividends resulting from equity instruments classified as available for sale are to be recognized in the income statement when the right of bank to collect them arises.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

- The fair value of the investments quoted in active markets is determined pursuant to the current Bid Price. But, in case there is no active market for the assets or the current Bid prices are unavailable then the bank determines the fair value by using one of the evaluation methods. This includes either using modern neutral transactions, discounted cash flow analysis, options pricing models or other evaluation methods commonly used by market dealers. If the bank is unable to estimate the fair value of equity instruments classified available for sale then their value is measured by cost after deducting any impairment in value.

- The bank reclassifies the financial asset previously classified within the group of financial instruments available for sale and on which the definition of loans and receivables (bonds or loans) can be applied by transferring it from the group of available for sale instruments to the group of loans and receivables or to financial assets held to maturity all as the case. And this when the bank has the intention and ability to hold and maintain theses assets through the foreseeable future or until maturity date. The reclassification takes place at fair value on that date. Any profits or losses related to these assets which were previously recognized within equity are treated as follows:

  1 In case of reclassified financial assets with fixed maturity date, the profits or losses are amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate. Any difference in the value based on the amortized cost and the value based on maturity date is to be amortized over the remaining lifetime of the asset by using the effective interest rate. In case of later impairment in the assets value any profits and losses previously recognized as directly among shareholders equity will be recognized in the profits and losses.

  2 In case of financial asset which has unfixed maturity date the profits or losses remain within shareholders' equity till the asset is sold or disposed of then they are recognized within profits and losses. In case of later impairment in the asset's value any profits or losses previously recognized as directly in equity will be recognized in the profits and losses as well.

- If the bank adjusts its estimates of payments and receipts then the book value of the financial asset (or group of financial assets) is settled in such a way to reflect the actual cash flow and adjusted estimates provided that the book value is recalculated by calculating the present value of future cash flow estimated by the actual rate of the financial instrument. The resulting settlement is recognized as revenue or expenses in the profits and losses.

- In all cases, if the bank reclassifies an financial assets to what was referred to and the bank on a subsequent date raises its estimates of future cash receipts due to increase of what will be recovered from these cash receipts then the impact of this increase will be recognized as a adjustment of the actual return rate from the date of the estimates' change and not as a settlement of the asset's book balance on the date of estimates change.

E Offsetting financial instruments
The offsetting financial assets and liabilities take places in case there is a legal right in force to undertake the offsetting of the recognized amounts and there is an intention to conduct a settlement based on the net amounts or to receive the asset and settle the liability simultaneously.

The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase are presented on the basis of the net in the balance sheet within the item of treasury bills and other governmental notes.

F Interest income and expenses
Interest income and expenses are recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate of all instruments bearing interest other than those classified held for trading or which have been classified when at inception fair value through profits and losses.

The method of effective interest rate is the method to calculate the amortized cost of a financial asset or liability and the distribution of interest income or expenses over the lifetime of related instrument , The rate of actual return is the rate used to discount future cash flows expected to be paid or collected during the expected lifetime of the financial instrument or during a lesser period of time if appropriate in order to reach accurately to the book value of a financial asset or liability. When calculating the rate of actual return the bank estimates cash flows by taking into account all terms and conditions of the financial instrument's contract (such as early payment options) meanwhile future credit losses are not taken into account, The method of calculation includes all fees paid or received between contract's parties which are considered part of the effective interest rate, The cost of dealing also includes any premiums or discounts.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

When classifying loans or debts as non performing or being impaired as the case may be then the interest income related to them is not recognized and is recorded in marginal records outside the financial statements. It is recognized in the income pursuant to the cash basis, according to the following:

- When it is collected after full redemption of delays as for the consumer loans, Mortgage loans of personal housing and small loans for economic activities.

- As for corporate loans the cash basis is also applied, as the return will be raised according to loans' rescheduling contract terms till payment of 25% of the rescheduling installments and at a minimum of 1 year of regularly payment. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling which is not to be included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

G Fees and commission income

Fees due for servicing the loan or facility are recognized within the income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records not included in the financial statements. Then they are recognized within the income pursuant to the cash basis when the interest income is recognized according to item (f-2), as for fees which represent an integral part of the actual return of the financial assets in general, they are treated as an amendment to the rate of actual return.

Engagement fees on loans are to be postponed if there is a probability that these loans will be withdrawn on the ground that these fees which the bank receives is a compensation for the constant intervention to acquire the financial instrument. Then they are recognized by amending the rate of actual return on the loan, when the period of engagement comes to and end without the bank's issuance of the loan then these fees are recognized within income at the expiry of the engagement's validity.

Fees on debt instruments measured at fair value are recognized within income at the initial recognition. Fees on promoting syndicated loans are recognized within income when the promotion process is completed and the bank doesn't retain any portion of the loan or if the bank retains a portion for itself earning the rate of actual return that is made available to other participants as well.

Fees and commission resulting from negotiations or participating in negotiation on a transaction in favor of other party are recognized within the income statement- such as arranging the acquisition of shares or other financial instruments and acquiring or selling premises- at the completion of the transaction in question. The administrative consultations' fees and other services are normally recognized on the basis of distribution over time relative to the service performance period whereas the financial planning management fees and conservation services fees which are provided for long periods of time are recognized over the period during which the service is performed.

H Dividends income

Dividends are recognized in the income statement when the bank's right to receive those dividends is established.

I Impairment of financial assets

I-1 Financial assets recorded at amortized costs

At each balance sheet date the bank estimate whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of assets are considered impaired and impairment losses are carried when there is an objective evidence on the impairment as a consequence of an event or more taking place after the initial recognition of the asset. This (Loss Event) affects the future cash flow of the financial asset or the group of financial assets which can be estimated to a reliable degree.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

The indicators the bank uses in determining the presence of objective evidence on impairment losses include the following:

- Great financial difficulties facing the borrower / debtor.
- Breach of the loan's terms agreement, e.g. default.
- Expecting the borrower's bankruptcy or subject to liquidation lawsuit or restructuring the fund granted to him.
- Deterioration of the competitive position of the borrower.
- Granting privileges or assignments by the bank to the borrower, due to economic or legal reasons which are not granted by the bank in normal circumstances.
- The impairment of the collateral's value
- The deterioration of the creditworthiness.

Among the objective evidences on the impairment losses of a group of financial assets is the presence of clear data indicating a decline that can be measured in the expected cash flows of the group since the initial recognition though it isn't possible to determine the decline of each individual asset separately, for example, the increase in cases of default payment for one or more of the banking products.

The bank estimates the period between the loss occurring and its identification for each specific portfolio and this period normally ranges between three to twelve months.

At first, the bank estimates whether there is objective evidence on the impairment of each individual asset that has significance of its own whereas assets which don't possess individual significance they are assessed at either aggregate or individual level. In this regard the following is to be taken into account:

- If the bank identified the non presence of an objective evidence on the impairment of a financial asset studied separately whether it has a significance of its own or not then this asset will be added to the group of financial assets with similar credit risk features to be assessed together to estimate impairment pursuant to historic default ratios.
- If the bank identified the presence of objective evidence on the impairment of a financial asset studied separately then this asset is not included in the group of assets which impairment losses are assessed on a consolidated basis.
- If the aforementioned study resulted in the non presence of impairment losses then the asset is included in the group.

The amount of impairment losses provision is measured by the difference between the asset's book value and the present value of expected future cash flows discounted by applying the original effective interest rate of the asset; future credit losses not incurred yet should not be included in the above. The book value of the asset is reduced by using the impairment losses provision's account and the impairment charged on credit losses is recognized in the income statement as "impairment loss.

If the loan or investment held to maturity date bears a variable rate of interest then discount rate applied to measure any impairment losses is considered the effective interest rate pursuant to the contract on determining the existence of objective evidence on the impairment of the asset. For practical purposes the bank may measure value impairment losses on the basis of the instrument's fair value by applying the quoted market rates, as for guaranteed financial assets, the present value of the future cash flows expected from the financial asset is to be credited besides these flows which result from the implementation and selling the collateral after deducting the expenses related thereto.

For the purposes of estimating impairment at a total level financial assets are pooled in groups of similar characteristics in terms of credit risk i.e. on the basis of classification process conducted by the bank taking into account the type of asset, industry, geographical location, type of collateral, position of delays and other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets being an indicator of the debtors ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

In estimating the impairment of a group of financial assets on the basis of historical default ratios, future cash flows of the group are estimated on the basis of the contractual cash flows of the banks' assets and the amount of historical losses of these assets with credit risk characteristics similar of these assets held by the bank. The amount of losses is adjusted on the basis of current disclosed data in a way to reflect the impact of the current conditions which were not available in the period over which the amount of historical losses has been identified besides canceling the effects of the conditions that existed in the historical periods but no longer exists.

The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time, for example changes in unemployment rates, real estate prices, repayment's position and any other factors indicating the changes in the likelihood of loss in the group and its amount. The bank is conducting a periodic review of the method and assumptions used to estimate future cash flows.

I-2 Financial investments available for sale:
At each balance sheet date the bank estimate the presence of objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale or financial investment held to maturity. In the case of investments in equity instruments classified available for sale it is to be taken into consideration the significant or prolonged decline in the fair value of the instrument below its book value when estimate whether there is impairment in the asset or not.

The decline in value is considered significant when it reaches 10% of the cost of book value. And the decline considered prolonged if it continues for more than 9 months. If said evidences are available then the accumulated loss should be carried over from shareholders' equity to be recognized in the income statement. The impairment in value recognized in the income statement concerning equity's instruments will not be reversed if a later rise in the fair value occurs. Meanwhile in case the fair value of debt instruments classified available for sale rose, and it is found possible to objectively link said rise to an event taking place after recognition of impairment in the income statement then the impairment will be reversed through the income statement.

J Intangible assets

J-1 Computer software programs
Expenses associated with the development or maintenance of the computer software programs are recognized when incurred in the income statement. The expenses associated directly with specific programs under the bank's control and expected to generate economic benefits exceeding their cost for more than a year are recognized as intangible asset , The direct expenses include the cost of the staff working in the software development team in addition to adequate share of related general expenses.

The cost of the programs is amortized over their expected useful life with a maximum of three years starting from 1st, January 2010.

K Fixed assets
Lands and buildings are mainly represented in head office premises, branches and offices. All fixed assets are disclosed at historical cost less depreciation and impairment losses. The historical cost includes expenses directly related to the acquisitions of the fixed assets' items.

Subsequent expenses are recognized within the book value of the outstanding asset or as an independent asset, if appropriate, this is the case when it is possible to generate future economic benefits to the bank from the concerned asset and it is also possible to reliably determine its cost. Any maintenance and fixing expenses during the period in which they are incurred are carried over to other operating expenses.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

Land is not subject to depreciation while depreciation of other fixed assets is calculated by adopting the straight line method to spread the cost in such a way to reach residual value over the useful life of the asset as follows:

Premises & Buildings	50 year
Furniture	10 year
Vehicles	8 year
Means of transport	5 year
Automated systems	5 year
Fixtures and fittings	5 year

The residual value and useful lives of the fixed assets are reviewed on the balance sheet date and they are adjusted whenever it is necessary. Assets to be depreciated are reviewed for purposes of determining extent of impairment when an event or change in conditions occurs suggesting that the book value may not be redeemed. Consequently the book value of the asset is reduced immediately to the asset's redemption value in case increasing the book value over the redeemable value.

The redemption value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets are defined by comparing the net receipts at book value. Gains (losses) are included within other operating income (expenses) in the income statement.

L Rents

Finance lease is accounted for pursuant to law 95 for the year 1995 on leasing if the lease contract entitles the lessee the right to purchase the asset on a specific date for a fixed amount or the present value of total rental payments represents not less than 90% of the asset value. Other leasing contracts are considered operational leasing ones.

L-1 Rentals

With regard to financial leasing contracts, the lease cost including the maintenance cost of leased assets is recognized within the expenses in the income statement for the period in which it was incurred. If the bank decides to exercise the right of purchasing leased assets then the cost of purchasing right is capitalized being one of the fixed assets and is amortized over the expected remaining useful life of the asset in the same way applied on similar assets.

Payments under the operational leasing account less any discounts granted by the lesser are recognized within expenses in the income statements by applying the straight line method over the period of contract.

M Cash and cash equivalent

The cash flow statement shows cash and cash equivalent balances, not exceeding three months from the date of acquisition. The above include cash, balances at Central Bank of Egypt outside the context of required reserve ratio, due from banks and finally treasury bills and other governmental notes.

N Other provisions

The restructuring costs and legal claims' provision is recognized when there is a legal obligation or a present indicative due to previous events while it is also very likely that the situation shall require the utilization of the bank's resources to settle said liabilities

When there are similar liabilities the cash outflow that can be used in settlement is to be identified taking into consideration this set of liabilities. The provision should be recognized even if there is a small possibility in the presence of cash outflow regarding an item from within this set.

Provisions are reversed (refunded) within the item of other operating income (expenses).

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

2 SUMMARY OF ACCOUNTING POLICIES (continued)

O Employee's Benefits

Social insurance
The Bank pays contributions to Social Insurance Authority and the Bank has no further payment obligations once the contributions have been paid. These regular contributions are recognized as employee benefit through the income statement when they are due.

Employees profit share
The Bank pays a percentage of the expected profit cash dividends as employee profit share; the employee profit share is recognized as part of dividends in the equity and as a liability when it is approved by the general assembly of the Bank, and no obligation is recognized for the employees share in the undistributed profits retained earnings.

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 while the bank has no further payment obligations once the contributions have been paid, thus recognized within the operating expenses in the income statement.

P Income Taxes
The income taxes on the year's profits or losses include the tax of the current year and the deferred tax and they are recognized in the income statement with the exception of the income tax on the items of shareholder's equity which is immediately recognized within equity.

The income tax is recognized on the basis of the net profit subject to tax through the application tax rates prevailing at the date of preparing the balance sheet in addition to the tax adjustments related to previous years.

Deferred taxes arising from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax rules are to be recognized. So the value of the differed tax is defined according to the method expected to realize or adjusted the value of assets and liabilities by applying the tax rates in force at the date of preparing the balance sheet.

The deferred tax assets are recognized when there is likelihood to achieve taxable profits in the future through which this asset can be made use of. The value of deferred tax assets is reduced by the portion which will not realize the expected taxable benefit in the coming years whereas in case of the increase in expected taxable benefits the deferred tax assets should be increased within the limit of previous reduction.

Q Borrowing
Loans which the bank obtains are recognized at inception at fair value less the cost of obtaining the loan. Later the loan is measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate method is to be charged to the income statement.

R Capital

R-1 Dividends
Dividends are charged to shareholders' equity in the period the shareholders general assembly approves these dividends and they include the employees' share in profits and the remuneration of the board of directors established by the statue of association of the bank and the law.

S Trustee activities (custody)
The bank practices trustee services (custody) which leads to owning or managing private assets of individuals, trust funds or post service benefits funds. These assets and the resulting profits are to be excluded from the financial statements as they are not considered among the bank's assets.

3 FINANCIAL RISK MANAGEMENT

The bank is exposed to a variety of financial risks while it practices its business and activities, Acceptance of risks is considered the basis of financial business. Some of the risks or a set of risks combined together are to be analyzed evaluated and managed, The bank targets at achieving the adequate balance between the risk and return as well as minimizing possible negative impacts on its financial performance, The most important types of risks are credit risk, market risk, liquidity risk and other operating risks, Market risk includes the risks of foreign exchange rates, interest rates and the other rate risks.

The bank has established risk management policies to define, analyze, set the limits of and control risk. Controlling risks and complying with limits are done through a variety of reliable methods and updated information systems plans. The bank conducts periodical reviews and amendments of the risk management policies and plans so as to reflect changes in the markets, products and services besides the best modern applications as well.

Risk management is conducted through risk department in the light of policies approved by the board of directors, Risk department defines, assesses and hedges against the financial risks in close cooperation with the different operating units of the bank. The board of directors provides written principles for risk management as a whole in addition to written policies which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risks and the use of derivatives and non-derivatives financial instruments, Also , risk department is responsible for the periodic review of risk management and control environment in an independent way.

A Credit risk

The bank is exposed to credit risk which is the risk of failure of one party to fulfill its obligations. Credit risk is considered the most important among the bank's risks thus the management carefully manages the exposure to this risk. Credit risk is mainly represented in lending business and activities which result in extending loans, facilities and investment activities and thus leading to the inclusion of debt instruments in the bank's assets. Credit risk is also found in off- balance sheet financial instruments such as loans commitments. The credit risk management team in the department conducts all operation related to management and control of the credit risk meanwhile the team of management periodically reports to the board of directors, senior management as well as heads of business units.

A-1 Measuring credit risk

Loans and advances to banks and customers

To measure credit risk related to loans and advances extended to banks and customers the bank examines the following three components:

- Probability of default of the customer or the other in fulfilling his contractual obligations.
- The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).
- Loss given default.

  The daily activities of the bank's business involves the above measures for credit risk which reflect the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may interfere with the impairment charge pursuant to the Egyptian Accounting Standard no. (26) , which depends on losses realized at the balance sheet's date (realized losses models) and not on expected losses (disclosure a/3).

- The bank estimates the probability of default at the level of every customer by applying internal rating methods to classify the creditworthiness in details of the different categories of customers. These internal methods for evaluation have been developed and the statistical analyses are to be taken into account together with the personal discretion reasoning of credit officials so as to reach the adequate creditworthiness classification. The bank's customers are divided into four categories for purposes of creditworthiness classification. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects the extent of the probability of default of each category which mainly means that credit positions move between said categories pursuant to change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever it is necessary. The bank also periodically assesses the performance of the creditworthiness classification methods and the extent of their capacity on prediction of default cases.

3 FINANCIAL RISK MANAGEMENT (continued)

The bank's internal classifications' categories:

Classification	The classification's meaning
1	Performing loans
2	Regular watching
3	Watch list
4	Non performing loans

- The position exposed to default depends on the amounts, the bank expects to be outstanding when the default takes place, for example, as for a loan this position is the nominal value while for commitments the bank enlists all already drawn amounts besides these amounts expected to be withdrawn till the date of default, if it happens.

- The given or severe loss each represents the bank's expectations of the loss extent when claiming repayment of debt if the default occurs. This is expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's priority and extent of the provision of guarantees or other methods for securing the credit.

Debt instruments, treasury bills and other bills
As concerning debt instruments and bills the bank adopts the external foreign classifications such as that of standard and poors or similar agencies or to manage credit risk. If such assessments are not available then the bank applies methods similar to those applied on credit customers. Investment in securities, financial papers and bonds are considered a way to obtain a better credit quality and at the sometime to provide an available source to meet funding requirements.

A-2 Risk Mitigation Policies
The bank manages, mitigates and controls credit risk concentration at the level of debtor, groups, industries and countries.

The bank organizes levels of acceptable credit risk by setting the limits for the risk amount and extent to be accepted at the level of each borrower or a class of borrowers, or at the level of economic activities and geographical sectors. These risks are constantly monitored and controlled while they are also subject to annual reviews or more frequently if necessary. Lines of credit risks are quarterly approved by the board of directors at the level of borrower/ the group / producer , the sector and the country.

Lines of credit for any borrower including banks are divided into sub-lines which include amounts in and off the balance sheet and daily risk line related to trading items such as forward foreign exchange contracts and actual amounts are compared daily with said lines.

And also credit risk exposure is managed by the periodical analysis of the present as well as the possible borrower's ability on fulfilling their obligations and also by amendment of the lending lines if appropriate.

The following are some means of mitigating risk:

- Collaterals
  The bank lays down a number of policies and controls to mitigate credit risk. Among the methods implemented is to obtain a security against the extended funds.

  The bank has set guiding rules for defined types of acceptable collaterals.

  Among the main types of collaterals to loans and advances are the following:
  - Mortgage
  - Mortgage of business assets such as equipment and goods.
  - Mortgage of financial instruments such as debt instruments and equity.

Usually corporate lending is for a longer term and secured whereas credit facilities extended to individuals are unsecured. To reduce credit loss to its minimum, the bank seeks to get additional collaterals from the concerned parties as soon as indicators of a loan or facility impairment appear.

3 FINANCIAL RISK MANAGEMENT (continued)

Collaterals taken as a security for assets other than loans and advances are determined by the nature of the instrument and normally debt instruments and treasury bills are unsecured with the exception of asset-backed securities and the similar backed instruments in the securities portfolio.

A-3 Impairment policies and provisions

The internal systems of assessments aforementioned (note no. a-1) are focusing to a large degree on the planning of credit quality right from the starting point of proving lending and investment activities, Otherwise the impairment losses incurred at the balance sheet's date are only recognized for purposes of preparing financial statements based on objective evidences which refer to impairment pursuant to what is mentioned in the following disclosure. In spite of implementation different methods .

The impairment losses provision included in the balance sheet at the end of the fiscal year is derived from the four internal assessment categories however, The majority of the provision result from the last two categories of the assessment. The following table shows the percentage to items within the balance sheet relates to loans and advances and the impairment associated with them for each of the bank's internal assessment categories:

Bank's Assessment	**31/12/2010 Loans & advances %**	(Restated) 31/12/2009 Loans & advances %
1. Performing loans	**89.10**	95.25
2. Regular watching	**10.01**	2.48
3. Watch List	**0.67**	2.05
4. Non performing loans	**0.22**	0.22
	100	100

The tools of internal assessments helps management to define whether there are objective evidences on the presence of impairment pursuant to the Egyptian Accounting Standard no. 26 and depending on the following indicators the bank has defined:

- Great financial difficulties facing the borrower or debtor.
- Breach of the loan agreements' terms such as non payment.
- Expectation of the borrower's bankruptcy, entrance into termination claim or restructuring the finance extended to him
- Impairment of the competitive position for the borrower.
- For economic or legal reasons related to the borrower's financial difficulties the bank is obliged to grant him privileges and concessions which the bank may not approve of granting in normal circumstances.
- The impairment of the collateral's value.
- Deterioration of the credit situation.

The bank's policies require review of all financial assets which exceed a defined relative importance at least annually or more if necessary. The impairment charge to accounts that have been assessed on an individual basis is to be defined by evaluating the loss realized at the balance sheet's date on each individual case separately and is to be applied individually on all accounts that have relative importance, the evaluation usually includes the outstanding collateral, security with a reconfirmation of the possibility to realize the collateral as well as the expected collections from these said accounts.

The impairment loss provision is formed on basis of a group of homogeneous assets by using the available historical expertise, personal discretion and statistical methods.

3 FINANCIAL RISK MANAGEMENT (continued)

A-4 The General Model for Measuring Banking Risks
In addition to the four creditworthiness classification categories shown in (note no. a-1), the management also prepares classification in the form of more detailed subgroups which cope with the requirements of the Central Bank of Egypt. Assets exposed to credit risk are classified in these subgroups pursuant to detailed rules and terms which depend to a great extent on customer related information, his business and activities, financial position and the extent of his regularity in payment.

The bank calculates the provisions required for the impairment of these assets exposed to credit risk including credit related commitments on the basis of defined ratios set by the Central Bank of Egypt. In case of the increase in the impairment loss provision, required according to the Central Bank of Egypt's rules, over that required for purposes of preparing the financial statements according to Egyptian accounting standards, the general banking risks reserve is to be set aside within the shareholders' equity debited to retained earnings within this increase. This reserve is periodically adjusted by increase or decrease as to be equaled to the amount of increase between the two provisions. And this reserve is un-distributable and (note no. a-29) shows the movement of banking risks reserve during the year.

The following is an indication of corporate credit worthiness categories according to internal assessment bases compared to the assessment bases of The Central Bank of Egypt and the required provision rations for the impairment of assets exposed to credit risk:

Central Bank of Egypt Classification	The Classification's Meaning	Provision's Ratio Required	Internal Classification	Meaning of Internal Classification
1	Low risks	Zero	1	Performing loans
2	Average risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans
6	Marginally acceptable risks	3%	2	Regular follow up
7	Watch List	5%	3	Special follow up
8	Sub Standard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad debt	100%	4	Non performing loans

3 FINANCIAL RISK MANAGEMENT (continued)

A-5 The Maximum Limit for Credit Risk before Collaterals

Credit Risk exposures in the Balance Sheet:

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Treasury bills and other governmental notes	**589 603**	1 309 306
Due from banks	**1 930 426**	1 663 051
Loans and advances to customers		
Loans to individuals:		
Current debit accounts (secured by deposits)	**71 885**	82 352
Credit cards	**19 439**	19 894
Personal loans	**216 226**	150 855
Car loans	**133 253**	83 702
Corporate loans:		
Current debit accounts and direct loans	**557 126**	618 043
Syndicated loans	**363 483**	303 928
Other loans	**116 126**	261 362
Financial investments:		
Debt instruments	**186 908**	42 414
The total	**4 184 475**	4 534 907
Credit risk exposures of off-balance sheet items:		
Financial guarantees	**201 018**	500 552
Letter of guarantee	**709 391**	554 300
Letter of credit	**157 905**	225 594
The total	**1 068 314**	1 280 446

The previous table represents the maximum limit of exposure as at 31 December 2010 without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet.

As illustrated in the previous table 35.3 % of the maximum Limit exposed to credit risk arises from loans and advances to banks and customers whereas investments in the debt instruments represent 4.5 %. The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities and debt instruments portfolios on the basis of the following:

- The bank has applied more conservative choosing processes when extending loans and advances during the year ended 31 December 2010.

- More than 97.8 %, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

3 FINANCIAL RISK MANAGEMENT (continued)

A-6 Loans and advances

The following is the position of loans and advances' balances as regarding credit worthiness:

	31/12/2010 Loans and advances to Customers	(Restated) 31/12/2009 Loans and advances to Customers
With no delays or impairment	**1 469 588**	1 510 881
With delays but not subject to impairment	**25 344**	21 745
Subject to impairment	**161 688**	154 141
The total	**1 656 620**	1 686 767
Less: Impairment losses provision	**(178 772)**	(163 077)
Less: Unearned discount for discounted commercial bills	**(177)**	(3 421)
Less: Suspended interest	**(133)**	(133)
Net	**1 477 538**	1 520 136

(Illustrations no. 18) include further information on the impairment losses provision of loans and facilities to banks and customers.

Loans and advances with no delays or impairment:

The creditworthiness of the loans and advances portfolio with no delays or impairment is evaluated with reference to the internal evaluation used by the bank.

Loans and advances to banks and customers

31/12/2010 — **In LE 000**

	Retail			Corporate				
Assessment	**Current debit account**	**Credit Cards**	**Personal loans**	**Current debit account**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and advances to customers**
Performing	71 885	16 120	331 893	227 648	334 724	370 882	116 303	1 469 455
Regular Watching	-	-	-	-	-	-	-	-
Watch List	-	-	-	-	133	-	-	133
Non-performing	-	-	-	-	-	-	-	-
Total	**71 885**	**16 120**	**331 893**	**227 648**	**334 857**	**370 882**	**116 303**	**1 469 588**

31/12/2009 (Restated) — In LE 000

	Retail			Corporate				
Assessment	Current debit account	Credit Cards	Personal loans	Current debit account	Direct Loans	Syndicated Loans	Other Loans	Total loans and advances to customers
Performing	131 055	17 226	165 681	514 851	96 882	313 867	264 783	1 504 345
Regular Watching	-	-	-	6 536	-	-	-	6 536
Watch List	-	-	-	-	-	-	-	-
Total	131 055	17 226	165 681	521 387	96 882	313 867	264 783	1 510 881

3 FINANCIAL RISK MANAGEMENT (continued)

The guaranteed loans are not considered subjected to impairment for the non performing loans after taking into consideration the probability of collecting this guarantees.

Loans and advances with delays but are not subject to impairment
These are loans and advances with delays up to 90 days but are not subject to impairment unless there is other information to the contrary a loan and advances to customers with delays but not subject to impairment and the fair value of their collaterals are represented in the following:

31/12/2010	**Retail**		**In LE 000**
	Credit Cards	**Personal Loans**	**Total**
Delays up to 30 days	**2 816**	**20 709**	**23 525**
Delays more than 30 days to 60 days	**-**	**-**	**-**
Delays more than 60 days to 90 days	**-**	**-**	**-**
Total	**2 816**	**20 709**	**23 525**
The fair value of collaterals	**-**	**-**	**-**

31/12/2010		**Corporate**		**In LE 000**
	Debit current account	**Direct Loans**	**Syndicated Loans**	**Total**
Delays up to 30 days	**574**	**244**	**19**	**837**
Delays more than 30 days to 60 days	**24**	**353**	**-**	**377**
Delays more than 60 days to 90 days	**605**	**-**	**-**	**605**
Total	**1 203**	**597**	**19**	**1 819**
The fair value of collaterals	-	-	-	-

31/12/2009 (Restated)	Retail		In LE 000
	Credit Cards	Personal Loans	Total
Delays up to 30 days	2 491	18 658	21 149
Delays more than 30 days to 60 days	-	-	-
Delays more than 60 days to 90 days	-	-	-
Total	2 491	18 658	21 149
The fair value of collaterals	-	-	-

31/12/2009 (Restated)	Corporate		In LE 000
	Debit current account	Direct Loans	Total
Delays up to 30 days	156	440	596
Delays more than 30 days to 60 days	-	-	-
Delays more than 60 days to 90 days	-	-	-
Total	156	440	596
The fair value of collaterals	-	-	-

3 FINANCIAL RISK MANAGEMENT (continued)

At the first recognition of loans and advances, the fair value of collaterals is evaluated on the basis of the same financial assets evaluation methods used, and in subsequent period to the fair value will be updated by the market prices or the same assets' prices.

Loans and advances subject to impairment on an individual basis
The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to thousand L.E 161 688.

Herein below is the analysis of the total value of loans and advances subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

31/12/2010	Retail		Corporate		In LE 000
	Credit Cards	Personal Loans	Direct Loans & Debit current account	Other Loans	Total
Loans and advances subject to impairment on an individual basis	6 301	24 677	130 265	445	161 688
The fair value of collaterals	-	-	-	-	-

31/12/2009 (Restated)	Retail		Corporate	In LE 000
	Credit Cards	Personal Loans	Direct Loans & Debit current account	Total
Loans and advances subject to impairment on an individual basis	6 252	23 022	124 867	154 141
The fair value of collaterals	-	-	-	-

A-7 Debit instruments, treasury bills and other governmental notes:
The following table represents an analysis of debt instruments, treasury bills and other governmental notes at the end of the financial year based on the assessment of Standard & Poor's rating or the equivalent:

31/12/2010	Treasury bills and other governmental notes	Investments in Securities	Total (In LE 000)
AAA	-	-	-
+AA to - AA	-	3 549	3 549
+A to - A	-	-	-
Less than - A	589 603	186 908	776 511
Unclassified	-	20 026	20 026
Total	**589 603**	**210 483**	**800 086**

3 FINANCIAL RISK MANAGEMENT (continued)

31/12/2009			In LE 000
	Treasury bills and other governmental notes	Investments in Securities	Total
AAA	-	-	-
+AA to - AA	-	4 186	4 186
+A to - A	-	-	-
Less than - A	1 309 306	42 414	1 351 720
Unclassified	-	11 682	11 682
Total	1 309 306	58 282	1 367 588

A-8 The concentration of financial assets' risks exposed to credit risk

Geographical segments

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment at 31 December 2010 when preparing this schedule; the risks are distributed into the geographical segment which related to the geographical of the bank customers.

31/12/2010							**In LE 000**
	Cairo	**Alex., Delta and Sinai**	**Upper Egypt**	**Total**	**Middle East**	**Other Countries**	**Total**
Treasury bills and other governmental notes	**589 603**	**-**	**-**	**589 603**	**-**	**-**	**589 603**
Due from Banks	**1 767 475**	**-**	**-**	**1 767 475**	**1 976**	**160 975**	**1 930 426**
Loans & advances to customers							
Loans to individuals (Retail)							
Debit current accounts	**61 902**	**9 536**	**447**	**71 885**	**-**	**-**	**71 885**
Credit cards	**20 605**	**4 423**	**209**	**25 237**			**25 237**
Personal loans	**186 190**	**40 332**	**9 155**	**235 677**	**-**	**-**	**235 677**
Car loans	**116 514**	**21 016**	**4 072**	**141 602**	**-**	**-**	**141 602**
Loans to corporate							
Debit current accounts	**228 301**	**678**	**-**	**228 979**	**-**	**-**	**228 979**
Direct loans	**448 222**	**17 369**	**-**	**465 591**	**-**	**-**	**465 591**
Syndicated loans	**370 901**	**-**	**-**	**370 901**	**-**	**-**	**370 901**
Other Loans	**116 748**	**-**	**-**	**116 748**	**-**	**-**	**116 748**
Financial Investments							
Debt instruments	**186 908**	**-**	**-**	**186 908**	**-**	**-**	**186 908**
Total at 31/12/2010	**4 093 369**	**93 354**	**13 883**	**4 200 606**	**1 976**	**160 975**	**4 363 557**

Notes to the Financial Statements

for the year ended 31st December 2010

3 FINANCIAL RISK MANAGEMENT (continued)

31/12/2009 (Restated)	Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Middle East	Other Countries	In LE 000 Total
Treasury bills and other governmental notes	1 309 306	-	-	1 309 306	-	-	1 309 306
Due from Banks	1 486 476	-	-	1 486 476	21 792	154 783	1 663 051
Loans & advances to customers							- Loans to
individuals (Retail)							
Debit current accounts	65 563	16 747	42	82 352	-	-	82 352
Credit cards	21 541	4 228	200	25 969			25 969
Personal loans	140 841	23 997	3 073	167 911	-	-	167 911
Car loans	71 048	13 773	3 332	88 153	-	-	88 153
Loans to corporate							
Debit current accounts	645 930	12 002	-	657 932	-	-	657 932
Direct loans	83 054	6 433	-	89 487	-	-	89 487
Syndicated loans	310 180	-	-	310 180	-	-	310 180
Other Loans	264 783	-	-	264 783	-	-	264 783
Financial Investments							
Debt instruments	42 414	-	-	42 414	-	-	42 414
Total at 31/12/2009	4 441 136	77 180	6 647	4 524 963	21 792	154 783	4 701 538

3 FINANCIAL RISK MANAGEMENT (continued)

Business Segment

The following represents an analysis of the most important boundaries of credit risk at book value, distributed according to the customers' business and activities.

31/12/2010							In LE 000
	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	-	-	-	589 603	-	-	589 603
Due from banks	1 930 426	-	-	-	-	-	1 930 426
Loans & advances to customers							
Loans to individuals (Retail)							
Current debit accounts	-	-	-	-	-	71 885	71 885
Credit cards	-	-	-	-	-	25 237	25 237
Personal loans	-	-	-	-	-	235 677	235 677
Car loans	-	-	-	-	-	141 602	141 602
Loans to Corporate							
Current debit accounts	-	48 261	8 496	-	172 222	-	228 979
Direct loans	-	122 128	226 058	44 406	72 999	-	465 591
Syndicated loans	-	162 654	-	130 000	78 247	-	370 901
Other Loans	-	50 210	-	-	59 239	6 925	116 748
Financial Investments							
Debt instruments	-	-	-	186 908	-	-	186 908
Total at 31/12/2010	1 930 426	383 253	234 554	950 917	382 707	481 326	4 363 557

3 FINANCIAL RISK MANAGEMENT (continued)

31/12/2010							In LE 000
	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	-	-	-	1 309 306	-	-	1 309 306
Due from banks	1 663 051	-	-	-	-	-	1 663 051
Loans & advances to customers							
Loans to individuals (Retail)							
Current debit accounts	-	-	-	-	-	82 352	82 352
Credit cards	-	-	-	-	-	25 969	25 969
Personal loans	-	-	-	-	-	167 911	167 911
Car loans	-	-	-	-	-	88 153	88 153
Loans to Corporate							
Current debit accounts	-	80 661	60 405	-	516 866	-	657 932
Direct loans	-	16 102	-	8 241	65 144	-	89 487
Syndicated loans	-	173 074	-	63 456	73 650	-	310 180
Other Loans	251 910	9 668	-	-	2 380	825	264 783
Financial Investments							
Debt instruments	-	-	-	42 414	-	-	42 414
Total at 31/12/2009	1 914 961	279 505	60 405	1 423 417	658 040	365 210	4 701 538

B Market Risk

The bank is exposed to market risk represented in volatility in fair value or in future cash flows resulted from changes in market prices. The market risk is due to the open positions of interest rates, currency rates and the products of shareholders' equity as each of them is exposed to the market's public and private movements as well as to the changes in the sensitivity level of market prices or rates such as interest rates, foreign exchange rates and the prices of equity instruments. The bank separates the level of its exposure to market risk to portfolios either held for trading or portfolios held for a non-trading purpose.

The management of market risk resulted from trading and non-trading activities are centralized in the department of market risk in the bank and it is followed up by two separate teams. There is also periodic reporting on market risks to the board of directors and heads of business units.

The trading portfolios include these positions resulting from the bank's direct dealing with customers or with the market. Whereas, the portfolios held for an non-trading purpose, arise mainly from management of the return rate of assets and liabilities related to retail transactions. These portfolios include the foreign exchange risks and shareholders' equity instruments resulted from investments available for sale.

3 FINANCIAL RISK MANAGEMENT (continued)

B-1 Methods of Measuring Market Risk

As part of the market risk management the bank entering into interest rate swaps in order to balance the risk associated with the debt instruments and long term loans with fixed interest rate in case the fair value option is applied. The following are the most important measurement methods applied to control the market risk.

- Value at Risk

  The bank adopts the method of “value at risk” for trading and non trading portfolios in order to estimate the market risk of outstanding positions and the maximum limit of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for “value at risk” which the bank can accept for trading or non trading separately and they are monitored daily by Market Risk department in the bank.

  Value at risk is a statistical expectation of the potential movements of the present portfolio due to market’s adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (98%) consequently there is a statistical probability of (2%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous day. The bank should assess the past movement based on the data of the previous five years and applies these historical changes in rates, prices and indicators directly on current positions, a method known as historical simulation. Actual outputs should also be monitored and controlled on a regular basis to measure the soundness of assumptions and factors applied to calculate value at risk.

The use of this approach does not prevent losses outside these limits in the event of more significant market movement as value at risk constitutes an integral part of bank’s market risk control, the value at risk limits are established by the board annually for all trading and non trading portfolio operations and allocated to business units , the actual values at risk are compared within the limit on daily basis from the risk management unit at the bank. The daily average of value at risk has reached during the present year thousand LE 212.

The quality of value at risk model is controlled on a continuous basis through tests that reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

Stress Testing

Stress testing gives an indicator of the volume of expected loss which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analyses of defined scenarios. Stress testing which the risk department undertakes includes the stress testing of risk factors where a set of extreme movements is to be applied on each risk category. There is also stress testing applied on developing markets which are subject to extreme movements and special stress testing that includes potential events which may affect certain centers or regions such as what can happen in a region due to liberalization of restrictions on a currency. The senior management and board of directors always monitor and review the results of stress testing.

3 FINANCIAL RISK MANAGEMENT (continued)

B-2 Summary of value at risk

Total value at risk according to the risk type

	31/12/2010			31/12/2009		
In LE 000	**Middle**	**Highest**	**Lowest**	Middle	Highest	Lowest
Exchange rate risks	**154**	**278**	**29**	257	410	104
Interest rate risks	**58**	**72**	**44**	66	80	52
Equity instruments risk	**-**	**-**	**-**	-	-	-
Total value at risks	**212**	**350**	**73**	323	490	156

Value at risk of the trading portfolio according to the risk type

	31/12/2010			31/12/2009		
In LE 000	**Middle**	**Highest**	**Lowest**	Middle	Highest	Lowest
Exchange rate risks	**154**	**278**	**29**	257	410	104
Interest rate risk	**-**	**-**	**-**	-	-	-
Equity instruments risk	**-**	**-**	**-**	-	-	-
Total value at risks	**154**	**278**	**29**	257	410	104

Value at risk of the trading portfolio according to the risk type

	31/12/2010			31/12/2009		
In LE 000	**Middle**	**Highest**	**Lowest**	Middle	Highest	Lowest
Exchange rate risks	**-**	**-**	**-**	-	-	-
Interest rate risk	**58**	**72**	**44**	66	80	52
Equity instruments risk	**-**	**-**	**-**	-	-	-
Total value at risks	**58**	**72**	**44**	66	80	52

The increase in the value at risk is related, especially interest rate risk, to the increase in the sensitivity of interest rates in international financial markets.

The former results of value at risk have been calculated independently from the concerned positions and historical movements of markets. Total values at risk for trading and non trading don't form the bank's value at risk given the correlation between the types of risks and types of portfolios and the subsequent diverse impacts.

3 FINANCIAL RISK MANAGEMENT (continued)

B-3 The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows. The board of directors has set limits of foreign currencies in total value for each position at the end of the day and also intraday which are controlled on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at the end of the fiscal year. The said table includes the book value of financial instruments broken down into its component currencies:

The concentration of currency risk of financial instruments

In LE 000

31/12/2010	L.E	USD	Euro	GBP	Other Currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt	1 560 137	250 754	63 466	9 786	30 213	1 914 356
Due from banks	2 454	358 232	148 784	30 155	2 592	542 217
Treasury bills and other governmental notes	589 603	-	-	-	-	589 603
Loans and advances to customers	975 666	628 230	52 724	-	-	1 656 620
Financial Investments						
- Available for sale	189 380	3 548	-	-	-	192 928
- Held to maturity	17 555	-	-	-	-	17 555
Total financial assets	3 334 795	1 240 764	264 974	39 941	32 805	4 913 279
Financial liabilities						
Due to banks	19	23 445	59 437	-	-	82 901
Customers' deposits	2 408 256	1 010 569	167 330	30 952	2 967	3 620 074
Total financial liabilities	2 408 275	1 034 014	226 767	30 952	2 967	3 702 975
Net of balance sheet financial position	926 520	206 750	38 207	8 989	29 838	1 210 304

3 FINANCIAL RISK MANAGEMENT (continued)

In LE 000

31/12/2009 (Restated)	L.E	USD	Euro	GBP	Other Currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt	1 451 773	161 929	43 506	7 667	28 178	1 693 053
Due from banks	107 036	10 181	168 202	45 029	6 260	336 708
Treasury bills and other governmental notes	1 309 306	-	-	-	-	1 309 306
Loans and advances to customers	660 958	980 714	45 068	27	-	1 686 767
Financial Investments						
- Available for sale	44 905	4 185	-	-	-	49 090
- Held to maturity	9 192	-	-	-	-	9 192
Total financial assets	3 583 170	1 157 009	256 776	52 723	34 438	5 084 116
Financial liabilities						
Due to banks	11	93 724	42 000	-	-	135 735
Customers' deposits	2 663 107	979 423	154 418	39 250	4 116	3 840 314
Total financial liabilities	2 663 118	1 073 147	196 418	39 250	4 116	3 976 049
Net of balance sheet financial position	920 052	83 862	60 358	13 473	30 322	1 108 067

3 FINANCIAL RISK MANAGEMENT (continued)

B-4 Interest rate risk

The bank is exposed to the impact of fluctuations in the levels of interest rates prevailing in the market that is the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of the said instrument. Whereas the interest rate's fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in interest rates in the market. The interest margin may rise due to these changes but still the profits may decrease if unexpected movements occur. The board of directors sets limits for the level of difference in the re-pricing of interest rate which the bank can maintain and this is daily monitored by treasury department in the bank.

The following table summarizes the extent of the bank's exposure to the risk of fluctuations in interest rates which includes the book value of financial instruments divided on the basis of the price of re-pricing dates or maturity dates whichever is sooner:

In LE 000

31/12/2010	Up to 1 month	1 - 3 months	More than 3 months - 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and due from Central Bank of Egypt	1 250 000	123 208	-	-	-	541 148	1 914 356
Due from banks	529 572	-	-	-	-	12 645	542 217
Treasury bills and other governmental notes	-	50	638 575	-	-	-	638 625
Loans and advances to customers	118 861	111 567	564 105	526 628	189 381	146 078	1 656 620
Financial Investments:							
- Available for sale	-	-	186 909	-	-	6 019	192 928
- Held to maturity	-	-	-	-	-	17 555	17 555
Total financial assets	1 898 433	234 825	1 389 589	526 628	189 381	723 445	4 962 301
Financial liabilities							
Due to banks	82 004	-	-	-	-	897	82 901
Customers' deposits	1 713 434	1 315 009	58 714	234 639	-	298 278	3 620 074
Total financial liabilities	1 795 438	1 315 009	58 714	234 639	-	299 175	3 702 975
The interest gab re-pricing	102 995	(1 080 184)	1 330 875	291 989	189 381	424 270	1 259 326

3 FINANCIAL RISK MANAGEMENT (continued)

In LE 000

31/12/2009 (Restated)	Up to 1 month	1 - 3 months	More than 3 months - 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and due from Central Bank of Egypt	1 200 000	111 343	-	-	-	381 710	1 693 053
Due from banks	310 799	-	-	-	-	25 909	336 708
Treasury bills and other governmental notes	-	55 200	1 333 675	-	-	-	1 388 875
Loans and advances to customers	880 194	3 975	89 057	392 220	321 321	-	1 686 767
Financial Investments:							
- Available for sale	-	-	-	-	-	49 090	49 090
- Held to maturity	-	-	-	-	-	9 192	9 192
Total financial assets	2 390 993	170 518	1 422 732	392 220	321 321	465 901	5 163 685
Financial liabilities							
Due to banks	135 190	-	-	-	-	545	135 735
Customers' deposits	2 072 140	1 399 935	111 198	2 621	-	254 420	3 840 314
Total financial liabilities	2 207 330	1 399 935	111 198	2 621	-	254 965	3 976 049
The interest gab re-pricing	183 663	(1 229 417)	1 311 534	389 599	321 321	210 936	1 187 636

C Liquidity risk

The liquidity risk is the risk that the bank unable to meet its commitments associated with its financial obligations at maturity date and replacing the amounts that have been withdrawn; the and that may result failure in meeting obligations related to repayment of the depositors funds or meeting the lending commitments.

Liquidity risk management

The processes of liquidity risk control applied by assets and liabilities management department in the bank include the following:

- The daily finance is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes providing and replacing funds when due or when lending to customers. The bank is always present and active in the international money markets to ensure achievement of this target.

- Maintaining a portfolio of highly marketable assets which can easily be liquidated to meet any interruption in cash flows.

- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.

- Management of concentration and stating the loans maturities.

For control and reporting purposes the cash flows are measured and expected for the day, the week as well as and the next month which are considered the main periods for liquidity management. The starting point for these expectations is represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

The risk management department controls the unmatched between medium term assets, the level and type of the unutilized portion of loans' commitments, the extent of utilizing debit current accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

3 FINANCIAL RISK MANAGEMENT (continued)

Financing approach

The liquidity resources are reviewed by a separate team in the risk management department of the bank to provide a wide variety of currencies, geographical regions, resources, products and maturities.

Non derivative cash flows

The following table represents the cash flows to be paid by the method of non-derivative financial liabilities distributed on the basis of remaining period from the contractual maturities on the balance sheet's date. The amounts enlisted in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk on the basis of expected undiscounted cash flows and not the contractual ones.

In LE 000

31/12/2010	**Up to 1 month**	**1 - 3 months**	**More than 3 months - 1 year**	**1- 5 years**	**More than 5 years**	**Total**
Financial liabilities						
Due to banks	**82 901**	**-**	**-**	**-**	**-**	**82 901**
Customers' deposits	**1 382 994**	**1 170 057**	**164 298**	**902 725**	**-**	**3 620 074**
Total financial liabilities according to contractual maturity date	**1 465 895**	**1 170 057**	**164 298**	**902 725**	**-**	**3 702 975**
Total financial assets pursuant to contractual maturity date	**2 621 878**	**234 825**	**1 389 589**	**526 628**	**189 381**	**4 962 301**

In LE 000

31/12/2009	Up to 1 month	1 - 3 months	More than 3 months - 1 year	1- 5 years	More than 5 years	Total
Financial liabilities						
Due to banks	135 735	-	-	-	-	135 735
Customers' deposits	1 698 224	741 540	834 819	565 731	-	3 840 314
Total financial liabilities according to contractual maturity date	1 833 959	741 540	834 819	565 731	-	3 976 049
Total financial assets pursuant to contractual maturity date	2 802 797	170 518	1 467 637	392 220	330 513	5 163 685

The assets available to meet all liabilities and to hedge commitments related to loans include cash, balances at CBE, due from banks, treasury bills and other eligible as a total. Loans and advances to banks and customers as a total. Within the bank's normal business, a percentage of loans provided to customers who are due within a year are prolonged. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

3 FINANCIAL RISK MANAGEMENT (continued)

Off-balance sheet items:
The following is according Note no. (32)

In LE 000

31/12/2010	Less than 1 year	1-5 years	More than 5 years	Total
Financial guarantees, accepted bills and other financial facilities	867 296	-	-	867 296
Capital commitments due to fixed assets' acquisition	1 202	-	-	1 202
Total	868 498	-	-	868 498

In LE 000

31/12/2010	Less than 1 year	1-5 years	More than 5 years	Total
Financial guarantees, accepted bills and other financial facilities	779 894	-	-	779 894
Capital commitments due to fixed assets' acquisition	1 957	-	-	1 957
Total	781 851	-	-	781 851

banks, treasury bills and other eligible as a total. Loans and advances to banks and customers as a total. Within the bank's normal business, a percentage of loans provided to customers who are due within a year are prolonged. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

D The fair value of financial assets and liabilities

D-1 Financial instruments not measured at fair value
The following table summarizes the present value and the fair value of financial assets and liabilities which are not presented in the bank's balance sheet at fair value.

In LE 000

	Book value		Fair value	
	31/12/2010	(Restated) 31/12/2009	31/12/2010	31/12/2009
Financial Assets				
Due from banks	1 930 426	1 663 051	1 930 426	1 663 051
Loans & advances to customers				
- Retail	474 401	364 385	- *	- *
- Corporate	1 182 219	1 322 382	-	-
Financial investments				
- Equity instruments available-for-sale	2 471	2 490	- *	- *
- Held -to- maturity	17 555	9 192	18 315	9 491
Financial liabilities				
Due to banks	82 901	135 735	82 901	135 735
Customers' deposits				
-Retail	1 264 728	1 087 813	- *	- *
-Corporate	2 355 346	2 752 501	- *	- *

* The Bank did not measure the rest of the financial assets and liabilities

3 FINANCIAL RISK MANAGEMENT (continued)

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

Loans and advances to banks
Loans and advances are recorded in loans not from deposits at banks. The expected fair value of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate to determine the fair value.

Loans and advances to customers
Loans and advances are recorded in their net after discounting the impairment loss provision. The expected fair value of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate to determine the fair value.

Investments in financial securities
Investments in financial securities in the prior table include only the assets which bear interest and held to maturity date. Available for sale assets are assessed at fair value with the exception of equity instruments which the bank has been unable to evaluate their fair value to a reliable extent. The fair value of financial assets held to maturity is determined on the basis of market rates or prices obtained from brokers. If these data are unavailable then the fair value is assessed by applying the financial markets' rates for negotiable financial securities with similar credit features, maturity dates as well as similar rates.

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

Issued debt instruments
The total fair value is calculated in accordance with the prevailing financial markets rates. As for securities which do not find active markets, the model of discounted cash flows which is based on the present rate that suites the period remaining to maturity date is applied for the first time

E Capital Management
The bank's objectives, when managing capital that includes other elements besides the shareholders' equity disclosed in the balance sheet, are represented in the following:

- Compliance with the capital's legal requirements in Egypt and in countries where the bank's branches operate.

- Protection of the bank's ability on continuity as ongoing concern and enabling it to continue in generating return to shareholders and other parties that deals with the bank.

Maintenance of a sound strong capital base that supports the growth of business.

Capital adequacy and capital utilizations according to the requirements of regulators (the Central Bank of Egypt in Egypt) are reviewed and monitored daily by the bank's management through models which depend on the guidelines of Basel Committee for Banking Supervision. Required data are submitted to the Central Bank of Egypt on a quarterly basis.

3 FINANCIAL RISK MANAGEMENT (continued)

Central Bank of Egypt requires each bank to do the following:

- Maintaining an amount of LE 500 million as a minimum limit of issued and paid in capital.

- Maintaining a percentage between capital items and risk-weighted assets and contingent liabilities equals to or exceeds 10%.

The overseas bank's branches outside Egypt are subject to the supervision rules regulating banking business in the countries where they operate.

The numerator of the capital adequacy ratio consists of the following two tiers:

Tier One: Represented in basic capital which consists of paid in capital (after discounting the book value of treasury shares), retained profits and reserves due to profit appropriation with the exception of general banking risk reserve, any goodwill previously recognized or any carried over losses should be subtracted from it.

Tier Two: Represented in supplementary capital which consists of what is equivalent to the general risks provision pursuant to creditworthiness bases issued by the Central Bank Of Egypt and not exceeding 1.25% of the total risk weighted assets and contingent liabilities, subordinated term loans which exceed 5 years (with amortization of 20%of their value each year of the last five years of their term) and 45% of the increase between fair value and book value of financial investments available for sale, held to maturity and associates.

When calculating the total numerator of the capital adequacy ratio it should be taken into consideration that the supplementary capital doesn't exceed in any way the basic capital and that subordinated loans (deposits) don't exceed half of the basic capital.

The weighting of assets by risks ranges between zero up to 100% classified in accordance with the nature of the debit side of each asset so as to reflect the related credit risks, while taking into consideration cash collaterals. Same treatment is applied on off-balance amounts after making adjustments to reflect the contingent nature and probable losses of these amounts.

The bank has complied with all local capital requirements during the last two years. And the following table summarizes the components of basic and supplementary capital and capital adequacy ratios as at 31/12/2010 comparing with 31/12/2009:

3 FINANCIAL RISK MANAGEMENT (continued)

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Capital		
Tier one (Basic capital)		
Share Capital (in net after excluding treasury shares)	**600 000**	500 000
Paid under capital increase	**-**	100 000
Legal reserve	**33 285**	28 115
General reserve	**175 945**	134 115
Other reserves	**762**	762
Retained earnings	**29 362**	47 391
Total basic capital	**839 354**	810 383
Tier two (Supplementary capital)		
What is equivalent to general risk provisions	**22 183**	20 081
45% of the increase in the fair value over book value of financial investment available for sale and held to maturity	**1 007**	864
Total supplementary capital	**23 190**	20 945
Total capital	**862 544**	831 328
Risk weighted assets and contingent liabilities:		
Balance sheet's assets	**1 654 174**	1 663 276
Contingent liabilities	**120 494**	119 110
Total risk weighted assets and contingent liabilities	**1 774 668**	1 782 386
Capital adequacy ratio (%)	**48.6%**	46.6%

4 THE SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The bank applies estimates and assumptions which affect the amounts of assets and liabilities to be disclosed during the following financial year. Estimates and assumptions are continuously assessed on the basis of historical expertise and other factors as well, including the expectations of future events which are considered to be logical or reasonable in the light of available information and surrounding circumstances.

a) Impairment Losses on loans and advances

The bank reviews the loans and advances portfolio on at least a quarterly basis to assessment impairment. The bank applies personal judgment when deciding the necessity of posting the impairment charges to the income statement so as to know if there is any reliable data which refer to the existence of a measurable decline in the expected future cash flows of the loans portfolio even before being acquainted with the decline at the level of each loan in the portfolio. These evidences may include existing data which refer to the occurrence of a negative change in the ability of a portfolio of borrowers to repay the bank or local or economic circumstances related to default in the bank's assets. When scheduling the future cash flows, the management applies estimates based on prior experience of losses of assets with credit risk characteristics in the presence of objective evidences that refer to impairment similar to those included in the portfolio. The method and assumptions applied in estimating the amount and timing of future cash flows are reviewed on a regular basis to eliminate any differences between estimated and actual losses based on expertise.

4 THE SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

b) Impairment in equity instruments investments available for sale:
The bank defines impairment in equity's instruments' investments available for sale when there is a significant or prolonged decline in their fair value below their cost. Determining whether the decrease is significant or prolonged depends on personal judgment. To reach this judgment the bank estimates- among other factors- the usual volatility of the share price. Additionally, there could be impairment if there is evidence on the existence of deterioration in the financial position of the company, the bank invested in, or in its operating and financing cash flows or if there is deterioration in the industry's or sector's performance or in case of changes in technology.

c) Financial investments held to maturity
The un-derivative financial assets with payments and maturity dates that are fixed or determinable are classified as financial investments held to maturity, and this classification requires to a great extent the application of personal judgment and to reach such decision the bank evaluates the intention and ability to hold these investments till maturity. If the bank fails to hold these investments till maturity date, with the exception of very special cases such as selling an insignificant amount near maturity, then these investments which were classified held to maturity should be reclassified available for sale investments. Consequently these investments shall be measured by fair value and not by amortized cost in addition to suspension of classifying any investments under the said item.

If the usage of investments held to maturity's classification is suspended then the book value will be adjusted be increased by LE 760 thousand to reach the fair value by registering a corresponding entry in the fair value reserve within shareholders.

d) Income Taxes
The bank is establishes the liabilities of the expected results of tax examination according to estimates of the probability of the emergence of additional taxes. When there is a variance between the final result of taxes and the amounts previously recorded then these variances will affect the income tax and deferred tax provision for the year in which the variance has been identified.

5 SECTORS SEGMENT ANALYSIS

a) Business segment analysis
Business segment includes operational processes, assets used in providing banking services and management of their surrounding risks and return related to this business that are different from those of other business segments. It includes related to segment analysis of these operations in accordance with type of banking business as mentioned in the following:

Large, medium and small Corporate
It includes the activities of current accounts, deposits, debit current accounts, loans, credit facilities and financial derivatives.

Investment
It includes the activities of companies' mergers, purchasing investments, financing companies restructuring and financial instruments.

Retail
It includes the activities of current accounts, savings, deposits, credit cards, personal loans and Mortgage.

Other activities
They include other types of banking businesses such as treasury management.
Dealings and transactions between the segmental activities are done in accordance with the bank's normal course of business both assets and liabilities include operational assets and liabilities as presented in the bank's balance sheet.

5 SECTORS SEGMENT ANALYSIS (continued)

In LE 000

31/12/2010	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental activity						
segmental activity income	43 901	17 594	44 103	60 517	35 470	201 585
segmental activity expenses	(38 069)	(13 679)	(29 303)	(68 250)	(10 477)	(159 778)
Results of activity business	5 832	3 915	14 800	(7 733)	24 993	41 807
Income tax expenses	-	-	-	-	(12 390)	(12 390)
Profit for the year	5 832	3 915	14 800	(7 733)	12 603	29 417
Assets and liabilities according to segmental activity						
Assets according to business segment	898 595	104 964	3 250 639	479 999	-	4 734 197
Unallocated assets	-	-	-	-	149 385	149 385
Total Assets	898 595	104 964	3 250 639	479 999	149 385	4 883 582
liabilities according to business segment	25 974	82 901	307 302	3 492 910	-	3 909 087
Unallocated liabilities	-	-	-	-	130 015	130 015
Total liabilities	25 974	82 901	307 302	3 492 910	130 015	4 039 102
Other items of business segment						
Capitalized expenses	-	-	-	-	45 750	45 750
Depreciation	(4 168)	(1 715)	(4 168)	(8 187)	-	(18 238)
Impairment	(7 323)	-	-	(6 129)	-	(13 452)

5 SECTORS SEGMENT ANALYSIS (continued)

In LE 000

31/12/2009 (Restated)	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental activity						
segmental activity income	34 670	16 334	67 177	51 270	35 088	204 539
segmental activity expenses	(29 698)	(12 629)	(26 154)	(54 573)	(1 349)	(124 403)
Results of activity business	4 972	3 705	41 023	(3 303)	33 739	80 136
Income tax expenses	-	-	-	-	(32 702)	(32 702)
Profit for the year	4 972	3 705	41 023	(3 303)	1 037	47 434
Assets and liabilities according to segmental activity						
Assets according to business segment	932 803	251 205	3 390 673	342 804	-	4 917 485
Unallocated assets	-	-	-	-	131 645	131 645
Total Assets	932 803	251 205	3 390 673	342 804	131 645	5 049 130
liabilities according to business segment	117 750	55 648	298 338	3 638 064	-	4 109 800
Unallocated liabilities	-	-	-	-	121 699	121 699
Total liabilities	117 750	55 648	298 338	3 638 064	121 699	4 231 499
Other items of business segment						
Capitalized expenses	-	-	-	-	22 255	22 255
Depreciation	(2 956)	(1 233)	(2 956)	(5 387)	-	(12 532)
Impairment	(6 515)	-	-	(5 249)	-	(11 764)

5 SECTORS SEGMENT ANALYSIS (continued)

b) Geographical Segment Analysis

In LE 000

31/12/2010	Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Middle East	Other Countries	Total
Geographical segment income	194 929	5 603	1 053	201 585	-	-	201 585
Geographical segment expense	(134 621)	(11 137)	(3 543)	(149 301)	-	-	(149 301)
Results of activity business	60 308	(5 534)	(2 490)	52 284			52 284
Unallocated expenses	(10 477)	-	-	(10 477)	-	-	(10 477)
Pre-tax profit for the year	49 831	(5 534)	(2 490)	41 807			41 807
Tax	(12 390)	-	-	(12 390)	-	-	(12 390)
Profit for the year	37 441	(5 534)	(2 490)	29 417	-	-	29 417
Assets and liabilities according To geographical segment							
Geographical segment assets	4 592 045	119 308	22 844	4 734 197	-	-	4 734 197
Unallocated assets	147 822	1 174	389	149 385	-	-	149 385
Total assets	4 739 867	120 482	23 233	4 883 582	-	-	4 883 582
Geographical segment liabilities	3 659 606	234 654	14 827	3 909 087	-	-	3 909 087
Unallocated liabilities	128 034	1 818	163	130 015	-	-	130 015
Total liabilities	3 787 640	236 472	14 990	4 039 102	-	-	4 039 102

In LE 000

31/12/2009 (Restated)	Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Middle East	Other Countries	Total
Geographical segment income	197 510	6 531	498	204 539	-	-	204 539
Geographical segment expense	(111 409)	(8 595)	(3 050)	(123 054)	-	-	(123 054)
Results of activity business	86 101	(2 064)	(2 552)	81 485			81 485
Unallocated expenses	(1 349)	-	-	(1 349)	-	-	(1 349)
Pre-tax profit for the year	84 752	(2 064)	(2 552)	80 136	-	-	80 136
Tax	(32 702)	-	-	(32 702)	-	-	(32 702)
Profit for the year	52 050	(2 064)	(2 552)	47 434	-	-	47 434
Assets and liabilities according To geographical segment							
Geographical segment assets	4 807 336	96 979	13 170	4 917 485	-	-	4 917 485
Unallocated assets	131 645	-	-	131 645	-	-	131 645
Total assets	4 938 981	96 979	13 170	5 049 130	-	-	5 049 130
Geographical segment liabilities	3 952 459	151 085	6 256	4 109 800	-	-	4 109 800
Unallocated liabilities	121 699	-	-	121 699	-	-	121 699
Total liabilities	4 074 158	151 085	6 256	4 231 499	-	-	4 231 499

Notes to the Financial Statements

for the year ended 31st December 2010

6 NET INTEREST INCOME

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Interest income on loans and similar income		
- Loans and advances to customers	**113 038**	129 034
	113 038	129 034
Treasury bills and bonds	**68 830**	154 643
Income on current accounts and deposits (Banks)	**129 392**	87 939
	311 260	371 616
Interest expenses on deposits and similar charges		
Current accounts & deposits to:		
- Banks	**(301)**	(2 131)
- Customers	**(165 134)**	(218 571)
Total	**(165 435)**	(220 702)
Net	**145 825**	150 914

7 NET FEES & COMMISSIONS

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Fees & commissions income:		
Fees & commissions related to credit	**6 101**	4 025
Fees on the financing services (corporate)	**14 732**	11 938
Other fees	**15 559**	19 168
	36 392	35 131
Fees & commissions expenses:		
Other paid fees	**(1 501)**	(1 850)
	(1 501)	(1 850)
Net	**34 891**	33 281

8 NET TRADING INCOME

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Foreign currency transactions:		
Profits of dealing in foreign currencies	**9 290**	12 949
Profits of swap contracts valuation	**4**	25
Trading debt instruments	**84**	64
	9 378	13 038

9 ADMINISTRATIVE EXPENSES

	31/12/2010 LE 000	31/12/2009 LE 000
Employees cost		
- Wages and salaries	**78 071**	62 664
- Social Insurance	**1 841**	1 582
	79 912	64 246
Other administrative expenses	**63 515**	50 744
	143 427	114 990

10 DIVIDENDS

	31/12/2010 LE 000	31/12/2009 LE 000
Available for sale securities	**193**	260

11 OTHER OPERATING INCOME (EXPENSES)

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Gains on sale of property & equipment	**173**	4
(Loss) reversal of other provisions	**(196)**	3 830
Others	**5 317**	1 557
	5 294	5 391

12 OTHER OPERATING INCOME (EXPENSES)

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Loans & advances to customers (Note no. 18)	**(13 452)**	(11 764)
Held to maturity investments (Note no. 19)	**515**	672
	(12 937)	(11 092)

13 INCOME TAX EXPENSES

	31/12/2010 LE 000	31/12/2009 LE 000
Current taxes (Treasury bills tax)	**12 388**	30 119
Deferred tax	**2**	2 583
	12 390	32 702

14 BASIC EARNINGS PER SHARE *

Basic earnings per share are calculated by dividing net profit attributable to shareholders by the weighted average of ordinary shares issued during the year after excluding the average of shares the bank repurchased and held among treasury shares.

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Net profit distributable to shareholders	**29 188**	47 391
Board of Directors remuneration (proposed)	**(236)**	(216)
Employees profit share (proposed)	**(1 800)**	(2 153)
Shareholders' share from the year net profit (1)	**27 152**	45 022
The weighted overage of the ordinary shares issued (2)	**60 000**	53 320
Basic earnings per share (1:2)	**0.453**	0.844

15 CASH AND DUE FROM CENTRAL BANK OF EGYPT

	31/12/2010 LE 000	31/12/2009 LE 000
Cash	**304 840**	192 723
Balances at central banks within the mandatory reserve ratio	**221 307**	173 987
	526 147	366 710
Balances without interest	**526 147**	366 710

16 DUE FROM BANKS

	31/12/2010 LE 000	31/12/2009 LE 000
Current accounts	**47 721**	40 910
Deposits	**1 882 705**	1 622 141
impairment loss provision	**-**	-
	1 930 426	1 663 051
Central banks other than the mandatory reserve ratio	**1 388 209**	1 326 343
local banks	**379 266**	160 133
Foreign banks	**162 951**	176 575
	1 930 426	1 663 051
Balances without interest	**27 645**	25 638
Balances with fixed return	**1 902 781**	1 637 413
	1 930 426	1 663 051
Current balances	**1 915 426**	1 648 051
Non current balances	**15 000**	15 000
	1 930 426	1 663 051

17 TREASURY BILLS AND OTHER GOVERNMENTAL NOTES

	31/12/2010 LE 000	31/12/2009 LE 000
Treasury bills due 91 days	**50**	55 200
Treasury bills due 182 days	**24 425**	373 725
Treasury bills due 273 days	**157 350**	761 150
Treasury bills due 364 days	**456 800**	198 800
	638 625	1 388 875
Unearned income	**(49 022)**	(79 569)
Total	**589 603**	1 309 306

18 LOANS & ADVANCES TO CUSTOMERS

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Individuals (retail)		
- Debit current accounts	**71 885**	82 352
- Credit cards	**25 237**	25 969
- Personal loans	**235 677**	167 911
- Auto loans	**141 602**	88 153
Total (1)	**474 401**	364 385
Corporate including small loans for economic activities		
- Debit current accounts	**228 979**	657 932
- Direct loans	**465 591**	89 487
- Syndicated loans	**370 901**	310 180
- Other loans	**116 748**	264 783
Total (2)	**1 182 219**	1 322 382
Total loans advances to customers (1+2)	**1 656 620**	1 686 767
Distributed to:		
- Current balances	**952 219**	1 112 192
- Non current balances	**704 401**	574 575
	1 656 620	1 686 767
Less:		
Impairment loss provision	**(178 772)**	(163 077)
Unearned Discount for Discounted Commercial Bills	**(177)**	(3 421)
Suspended Interest	**(133)**	(133)
Net loans & advances to customers	**1 477 538**	1 520 136

18 LOANS & ADVANCES TO CUSTOMERS (continued)

Analysis of the impairment loss provision for customers

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Balance at 1/1/2010	163 077	150 757
(losses) reversal impairment during the year (+) (-)	15 825	17 390
Amounts written-off during the year	(726)	(54)
Released amounts during the year	(2 373)	(5 626)
Amounts recovered	3	853
Foreign currencies valuation differences (+) (-)	2 966	(243)
Balance at 31/12/2010	**178 772**	163 077

Impairment loss provision
An analysis of the movement of the impairment loss provision for loans and advances to customers according to types:

	Retail			
31/12/2010	Credit cards LE 000	Personal loans LE 000	Auto loans LE 000	Total LE 000
Balance at 1/1/2010	6 075	17 056	4 451	27 582
Impairment losses	(205)	2 433	3 901	6 129
Released amounts during the year	-	-	-	-
Used amounts during the year	(85)	(41)	(3)	(129)
Amounts recovered during the year	-	3	-	3
Foreign currencies valuation differences (+) (-)	13	-	-	13
Balance at 31/12/2010	**5 798**	**19 451**	**8 349**	**33 598**

	Corporate			
31/12/2010	Direct loans LE 000	Syndicated loans LE 000	Other Loans LE 000	Total LE 000
Balance at 1/1/2010	129 243	6 252	-	135 495
Impairment losses	8 346	905	445	9 696
Released amounts during the year	(2 373)	-	-	(2 373)
Used amounts during the year	(597)	-	-	(597)
Foreign currencies valuation differences (+) (-)	2 692	261	-	2 953
Balance at 31/12/2010	**137 311**	**7 418**	**445**	**145 174**

18 LOANS & ADVANCES TO CUSTOMERS (continued)

31/12/2009 (Restated)	Retail Credit cards LE 000	 Personal loans LE 000	 Auto loans LE 000	 Total LE 000
Balance at 1/1/2009	4 899	13 501	3 988	22 388
Impairment losses	1 269	4 328	482	6 079
Released amounts during the year	(78)	(752)	-	(830)
Used amounts during the year	(14)	(21)	(19)	(54)
Foreign currencies valuation differences (+) (-)	(1)	-	-	(1)
Balance at 31/12/2009	6 075	17 056	4 451	27 582

31/12/2009 (Restated)	Corporate Direct loans LE 000	 Syndicated loans LE 000	 Total LE 000
Balance at 1/1/2009	122 798	5 571	128 369
Impairment losses	10 625	686	11 311
Released amounts during the year	(4 796)	-	(4 796)
Amounts recovered during the year	853	-	853
Foreign currencies valuation differences (+) (-)	(237)	(5)	(242)
Balance at 31/12/2009	129 243	6 252	135 495

19 FINANCIAL INVESTMENTS

	31/12/2010 LE 000	31/12/2009 LE 000
Available for sale financial investments		
Debt instruments at fair value		
- Listed in the market	**186 908**	42 414
Equity instruments at fair value		
- Listed in the market	**3 549**	4 186
- Unlisted in the market	**2 471**	2 490
Total available for sale financial investments (1)	**192 928**	49 090
Financial investments held to maturity		
Debt instruments		
- Unlisted in the market	**17 040**	8 520
- **Add:** reversal impairment losses provision	**515**	672
Total Financial investments held to maturity (2)	**17 555**	9 192
Total of Financial investments (1+2)	**210 483**	58 282
- Current balances	**-**	42 414
- Non current balances	**210 483**	15 868
	210 483	58 282
- Debt instrument with fixed interest	**86 685**	42 414
- Debt instrument with variable interest	**100 223**	-
	186 908	42 414

	Available-for-sale investments LE 000	Held-to-maturity investments LE 000	Total LE 000
Balance as at 1/1/2009	51 278	3 520	54 798
Additions	-	5 000	5 000
Disposals (sale/redeemed)	(5 052)	-	(5 052)
Amortization of premium and discount issuance	(143)	-	(143)
Gains from changes in fair value	3 007	-	3 007
Less: Impairment reversal (losses)	-	672	672
Balance as at 31/12/2009	**49 090**	**9 192**	**58 282**
Balance as at 1/1/2010	49 090	9 192	58 282
Additions	253 422	7 848	261 270
Disposals (sale/redeemed)	(109 214)	-	(109 214)
Amortization of premium and discount issuance	(152)	-	(152)
Gains from changes in fair value	(199)	-	(199)
Impairment losses	(19)	515	496
Balance as at 31/12/2010	**192 928**	**17 555**	**210 483**

19 FINANCIAL INVESTMENTS (continued)

	31/12/2010 LE 000	31/12/2009 LE 000
Profits on sale of financial investments available-for-sale (Treasury bills & bonds)	**2 609**	3 334
Impairment losses of equity instruments available-for-sale	**(19)**	-
	2 590	3 334

Settlements of impairment loss provision for held to maturity investments:

	31/12/2010 LE 000	31/12/2009 LE 000
Balance at 1/1/2010	**-**	-
Impairment reversal for credit losses during the year	**515**	672
Balance at 31/12/2010	**515**	672

20 INTANGIBLE ASSETS

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Software's		
Net book value at 1/1/2010	**12 205**	14 703
Additions	**14 286**	1 160
Amortization	**(6 515)**	(3 658)
Net book value at 31/12/2010	**19 976**	12 205

21 OTHER ASSETS

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Accrued revenues	**16 549**	6 867
Prepaid expenses	**2 485**	1 853
Payments under purchase of fixed assets	**1 110**	14 300
Assets reverted to the Bank in settlement of debts (after deducting impairment)	**551**	3 984
Custody and insurance	**1 066**	772
Others	**18 706**	21 992
Total	**40 467**	49 768

22 FIXED ASSETS

	Premises & Buildings LE 000	Automated systems LE 000	Vehicles LE 000	Fittings & Fixture LE 000	Machinery & Equipments LE 000	Furniture LE 000	Total LE 000
Cost at 1/1/2010	56 099	28 517	5 676	30 739	11 621	7 841	140 493
Additions during the year	14 421	5 212	2 687	7 702	989	453	31 464
Disposals during the year	-	-	(1 413)	-	-	-	(1 413)
Net book value as at 31/12/2010	**70 520**	**33 729**	**6 950**	**38 441**	**12 610**	**8 294**	**170 544**
Accumulated depreciation as at 1/1/2010	8 945	22 671	4 059	21 904	7 899	5 343	70 821
Depreciation for the year	1 401	3 181	1 090	4 314	960	777	11 723
Disposals accumulated depreciation	-	-	(942)	-	-	-	(942)
Accumulated depreciation at 31/12/2010	**10 346**	**25 852**	**4 207**	**26 218**	**8 859**	**6 120**	**81 602**
Net assets as at 31/12/2010	**60 174**	**7 877**	**2 743**	**12 223**	**3 751**	**2 174**	**88 942**
Net assets as at 31/12/2009	**47 154**	**5 846**	**1 617**	**8 835**	**3 722**	**2 498**	**69 672**

23 DUE TO BANKS

	31/12/2010 LE 000	31/12/2009 LE 000
Current accounts	**82 901**	55 648
Deposits	**-**	80 087
	82 901	135 735
Central banks	**-**	-
Local banks	**2**	80 089
Foreign banks	**82 899**	55 646
	82 901	135 735
Balances without interest	**897**	545
Balances with variable interest	**82 004**	43 323
Balances with fixed interest	**-**	91 867
	82 901	135 735
Current balances	**82 901**	135 735
Noncurrent balances	**-**	-
	82 901	135 735

24 CUSTOMERS' DEPOSITS

	31/12/2010 LE 000	31/12/2009 LE 000
Demand deposits	**416 642**	339 672
Term and notice deposits	**2 033 360**	1 792 812
Certificates of deposits and savings	**790 882**	1 341 572
Savings deposits	**326 480**	308 746
Other deposits	**52 710**	57 512
	3 620 074	3 840 314
Corporate deposits	**2 355 346**	2 752 501
Retail deposits	**1 264 728**	1 087 813
	3 620 074	3 840 314
Balances without interest	**298 278**	254 420
Balances with variable interest	**1 054 854**	1 793 080
Balances with fixed interest	**2 266 942**	1 792 814
	3 620 074	3 840 314
Current balances	**2 951 353**	3 273 720
Non current balances	**668 721**	566 594
	3 620 074	3 840 314

25 OTHER LIABILITIES

	31/12/2010 LE 000	31/12/2009 LE 000
Accrued interest	**13 613**	20 020
Prepaid revenues	**1 572**	642
Accrued expenses	**20 471**	17 656
Creditors	**243 898**	176 623
Sundry credit balances	**29 708**	14 139
	309 262	229 080

26 OTHER PROVISIONS

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Balance at 1/1/2010	**26 034**	29 926
Foreign currencies valuation differences	**322**	(41)
Charged to income statement	**1 666**	1 293
The utilized during the year	**(25)**	(21)
Released provision	**(1 470)**	(5 123)
Balance at 31/12/2010	**26 527**	26 034

27 DEFERRED INCOME TAXES

The deferred income taxes have been computed in full on the deferred tax differences at the end of fiscal year.

	Deferred Tax liabilities 31/12/2010 LE 000	Deferred Tax liabilities 31/12/2009 LE 000
Fixed assets	**(338)**	(336)
Total deferred tax asset / (liability)	**(338)**	(336)
Net deferred tax asset / (liability)	**(338)**	(336)

	Deferred Tax liabilities 31/12/2010 LE 000	Deferred Tax liabilities 31/12/2009 LE 000
Balance at 1/1/2010	**336**	-
Additions	**2**	336
Balance at 31/12/2010	**338**	336

28 CAPITAL

The bank's authorized capital amounted to LE 1 billion and the issued and paid up capital amounted to LE 600 million and are represented in 60 million shares with a par value of LE 10 each.

29 RESERVES AND RETAINED EARNINGS

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Reserves		
Banking risks general reserve	**324**	269
Legal reserve	**33 285**	28 115
Capital reserve	**762**	762
Fair value reserve financial investments available -for- sale	**1 722**	1 921
General reserve	**175 945**	134 115
Total reserves	**212 038**	165 182

29 RESERVES AND RETAINED EARNINGS (continued)

The movement on reserves is as follows:

(29/a) Banking risks general reserve

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Balance at 1/1/2010	**269**	226
Transferred from the net profit	**55**	43
Balance at 31/12/2010	**324**	269

(29/b) Legal reserve

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Balance at 1/1/2010	**28 115**	21 854
Transferred from the net profit	**5 170**	6 261
Balance at 31/12/2010	**33 285**	28 115

(29/c) Fair value reserve- financial investments available-for-sale

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Balance at 1/1/2010	**1 921**	(1 086)
Net gains from change in fair value	**(199)**	3 007
Balance at 31/12/2010	**1 722**	1 921

(29/d) Retained earnings

The movement on retained earnings	**31/12/2010 LE 000**	(Restated) 31/12/2009 LE 000
Balance at the beginning of the year	**52 449**	6 844
Transferred from profit of the last year	**(47 000)**	(742)
Paid dividends	**(2 369)**	-
Impact of change in accounting policies	**-**	(1 044)
Transferred to retained earnings	**29 362**	47 391
Balance at the end of the year	**32 442**	52 449

30 EMPLOYEES SAVING FUND

The bank share amount in the registration of employees saving fund recorded into the general and administrative expenses account.

31 CASH AND CASH EQUIVALENT

For purposes of cash flow statement presentation, cash and cash equivalent include the following balance which does not exceed the following maturity dates of three months from the date of acquisition.

	31/12/2010 LE 000	31/12/2009 LE 000
Cash and Due from Central Bank Of Egypt (included in Note 15)	**526 147**	366 710
Due from banks (included in Note 16)	**1 930 426**	1 663 051
Treasury bills and other Governmental notes (included in Note 17)	**50**	54 162
	2 456 623	2 083 923

32 CONTINGENT LIABILITIES AND CORRELATIONS:

a) Legal Claims

There are a number of existing cases filed against the bank on 31 December 2010 and no provision for these cases has been established as it is not expected that the bank shall suffer any losses from it.

b) Capital Commitments

The value of the capital commitments amounted to LE 1 202 thousand as at 31 December 2010 according to the purchases of fixed assets and tangible assets and the management has a sufficient trust that the bank would approach a net profits to finance and cover these commitments.

c) Loans, guarantees and facilities commitments

The bank's commitments related to loans, guarantees and facilities are represented in the following:

	31/12/2010 LE 000	31/12/2009 LE 000
Letters of guarantees	**709 391**	554 300
Letter of credits "import"	**68 383**	55 182
Letter of credits "export"	**89 522**	170 412
Total	**867 296**	779 894

33 TRANSACTIONS WITH RELATED PARTIES

The bank follows the parent company Arab Banking Corporation – Bahrain (Head office, branches and affiliates) which owns 98.38% of ordinary shares where as the remaining percentage (1.62%) is owned by other shareholders.

The bank has entered into many transactions with the related parties within the context of its normal business with the same context basis with others. And there are no transactions dealings with the parent bank except payment of dividends for ordinary shares, the transactions and its balances at the end of year are as follow:

	31/12/2010 LE 000	(Restated) 31/12/2009 LE 000
Due from banks	**7 690**	15 992
Customers' Deposits	**520**	2 812
Due to banks	**459**	519

33 TRANSACTIONS WITH RELATED PARTIES (continued)

Board of directors and senior management benefits	**31/12/2010 LE 000**	31/12/2009 LE 000
Short term benefits (transportation expenses and board of directors committees allowances and other expenses)	**1 462 555**	1 521 196

34 MUTUAL FUNDS

A) The First Mutual Fund of Arab Banking Corporation (with capital growth in LE)
It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by Delta Rasmala investments fund management company, the certificates of the fund reached 456079 certificate with an amount of LE 100 per certificate the bank has purchased a number of 50000 certificates (their nominal value amounted to LE 100) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to LE 94.12 and the certificates outstanding at that date reached to 50000 certificates.

The Second Mutual Fund of Arab Banking Corporation (with daily accumulated return - Mazaya in LE)
It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by Belton investments fund management company, the certificates of the fund reached 25987333 certificate with an amount of LE 10 per certificate the bank has purchased a number of 500000 certificates (their nominal value amounted to LE 10) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to LE 11.34115 and the certificates outstanding at that date reached to 1200000 certificates.

35 SUBSEQUENT EVENTS

The Arab Republic of Egypt has encountered subsequent events after 25 January 2011 that might have an impact on the economic sectors in the foreseeable future; there is a possibility that the above mentioned events will have a significant impact on the assets, liabilities, its recoverable/ settlement amounts and the results of operations in the foreseeable future. Quantifying the effect of these events relies on the expected range and the time when these events, and its consequences, are expected to be finished on the bank future financial statements items to take it into consideration in case of there are any indicators that may an impact on the bank financial statements.

36 COMPARATIVE FIGURES

The preparation of the financial statements for the year ended 31 December 2010 in accordance with Central Bank of Egypt's rules, pertaining to the preparation and presentation and the financial statements, issued on 16 December 2008, the bank made an amendment in the comparative figures retroactively due to the changes in the accounting policies as shown in (note a/2) the below schedule consists of the significant accounting items which amended and the its effect:

36 COMPARATIVE FIGURES (continued)

	1/1/2009		31/12/2009	
	Balance before adjustments LE 000	Balance before adjustments LE 000	Balance before adjustments LE 000	Balance before adjustments LE 000
Balance sheet items				
Loans and advances to customers				
(net after deducting suspended interest)	-	-	1 512 900	1 520 136
Provisions of Loans and advances to customers	-	-	160 156	163 077
Other assets	-	-	74 128	49 768
Intangible assets	-	-	-	12 205
Other provisions	-	-	25 868	26 034
Owners' equity items				
Retained earnings	6 844	5 800	6 102	5 058
Banking risk reserve	-	226	-	269
Income statement items				
Impairment losses	-	-	(15 265)	(11 092)
Interest income on loans and similar income	-	-	370 465	371 616
Other operating income (expenses)	-	-	14 983	5 391
Net profit for the year	-	-	51 702	47 434

ABC - Egypt Directory

MANAGEMENT STRUCTURE

Mr. Akram Tinawi
Managing Director & Chief Executive Officer

Mr. Ahmed Samy
Correspondent Banking

Mr. Akram Naguib
Cash Management & Trade Head

Mr. Alaa Nosseir
Credit and Risk Head

Mr. Ashraf Kamal
Financial Control Head

Mr. Emad El Guindy
Central Operations Head

Ms. Fatima El Ibrashi
Business Development Head

Mr. Hesham Shoulkamy
Remedial Loans Head

Mr. Magdy Khallaf
Chief Operating Officer

Mr. Mariam Farid
Human Resources Head

Mr. Moataz Khalil
Administration Head

Mr. Mohamed Barakat
Corporate Governance & Compliance Head

Mr. Rafael Ajram
Retail Banking Head

Ms. Sahar Salah
IT Head

Mr. Sherif Othman
Treasury Head

Mr. Tarek Selim
Corporate Banking & SME's Head

Mr. Waleed Abdel Moneim
Legal Head

Mr. Yasser Fathy
Internal Audit Head

BRANCH LOCATIONS

6th of October
Hamees Mall, Next to Misr University for Science and Technology, El Hai
El Motamayez, 6th of October City
P.O.Box 62 El Hai El Motamayez (12568)
Tel: (202) 3836 7611
Fax: (202) 3836 7610

6th of October 2
Mogama Magda lelfenoon behind
El Hossary Mosque
Tel: (202) 38380061/62
Fax: (202) 38380059

Al Haram
400 Al Haram St. Giza
Tel: (202) 35866555
Fax: (202) 37815112

Alexandria
24, Bani El Abbas St., Bab Sharq,
Alexandria
P.O.Box 313 (21111) Alexandria
Tel: (203) 484 5430
Fax: (203) 487 9675

Assiut Branch
El-Nile Towers – block 60 – Salah Salem St., Assiut
Tel: (2088) 2286243
Fax: (2088) 2286246

Aswan
El Hakim Mall, El Sadat Road, in front of Radio & TV Corporation
Tel: (2097) 2328920/22/23
Fax: (2097) 2328921

Cairo (Bostan)
18, Youssef El Guendi St., El Bostan Center, Bab El Louk, Cairo
Tel: (202) 2391 1513
Fax: (202) 2392 6467

Damietta Branch
15 Corniche El Nile St., Damietta
Tel: (2057) 372606
Fax: (2057) 372632

Damietta Port Unit
Room 220, First Floor, Damietta Port investment Building, Damietta
Tel: (2057) 292192/3
Fax: (2057) 292203

Dokki
6 Nawal St., Agouza, Giza
Tel: (203) 3386643/29
Fax: (203) 3386659

Giza
94 El Bahr El Azam St.,Giza
Tel: (203) 35681772/53
Fax: (203) 35681793

Heliopolis
105 Merghany St., Heliopolis
Tel: (202) 22917299
Fax: (202) 22910393

Hurghada Branch
Sindbad Resort, Hurghada
Tel: (2065) 3443091
Fax: (2065) 3443093

Kattameya
El tessin st. El Madinah Center – plot 324 fifth avenue
Tel: (202) 29299822/23
Fax: (202) 29299825

Luxor Branch
Beginning of Joly Ville Road, Luxor 'Bandar'
Tel: (2095) 2282570
Fax: (2095) 2282571

Maadi
8, 257 St., New Maadi
Tel: (202) 27057030
Fax: (202) 27057028

Mansoura
Building 111 Al Gomhoreya Road,
Mansoura City
Tel: (2050) 2220854 / 847
Fax: (2050) 2220841

Massaken Sheraton
2, Khaled Ibn Elwaleed St. next to El Sedeek Mosque, Sheraton Heliopolis
Tel: (202) 22673160
Fax: (202) 22673117

Mohandessin
32, Syria St., Mohandessin, Giza,
P.O.Box 237 Embaba 12411
Tel: (202) 33385031
Fax: (202) 3761 5760

Nasr City
62, Makram Ebeid St., Area No.6, Nasr City
Tel: (202) 22877534
Fax: (202) 2287 7532

Obour Buildings
3, Obour Buildings, Salah Salem St.
Tel: (202) 22616890
Fax: (202) 22616860

Samouha
90 Fawzy Moaz St., Samouha, Alexandria
Tel: (203) 42900105/8
Fax: (203) 42900109

Sharm El Sheikh
Marriott Hotel, Commercial Annex
Sharm El Sheikh
Tel: (2069) 3603743
Fax: (2069) 3603741

Sharm El Sheikh Nabq
Oriental Resort Hotel, Nabq Bay, Beside Metro Market, Sharm El Sheikh
Tel: (2069) 3710448/449
Fax: (2069) 3710445

Shoubra
15 Dawlatian St., Shoubra, Cairo
Tel: (202) 2060741/39
Fax: (202) 2060729

Suez
6 El Barky St., Suez
Tel: (202) 3330089/81
Fax: (203) 3330078

ABC - Egypt Directory

Tanta
23 El Gueish St. (El Bahr St.), El Kasrawy Building, Tanta
Tel: (2040) 3288721
Fax: (2040) 3288632

Zamalek
1, El Saleh Ayoub St., Zamalek, Cairo
Tel: (202) 2736 3629
Fax: (202) 2736 3614

ATM NETWORK

Ain Shams University
Agriculture College, Ain shams University, Cairo

Al Wataneya
Al Watania Co., 6th of October City

Arakadia Mall
Arkadia Mall, Corniche El Nile, Cairo

Assiut Branch
El Nile Towers, Salah Salem St., Assiut

Aswan Branch
El Hakim Mall, El Sadat Road, Aswan

Aswan Medan
El Sayeda Nafissa, Aswan

Cairo Branch
18 Youssef El Guendy St., Cairo

Carrefour Alexandria
Carrefour Mall, Alexandria

City Centre
City Center, Makram Ebeid St., Nasr City, Cairo

City Stars Mall
City Stars Mall, Nasr City, Cairo

Damietta Branch
15 Corniche El Nile, Damietta

Dokki Branch
6 Nawal St., Dokki, Giza

Genina Mall
Genina Mall, Nasr City, Cairo

Giza Branch
96 Elbahr Elaazam St., Giza

Grand Hyatt
Grand Hyatt Hotel, Garden City, Cairo

Green Plaza
Alexandria Green Plaza Mall, Samouha Alexandria

Haram Branch
400 El Haram St., Giza

Heliopolis Branch
105 El Merghany St., Heliopolis, Cairo

Hilton El Nour
El Fayrouz Hilton, Sharm El Sheikh

Hilton Fayrouz
Hilton Fayrouz Hotel, Hurghada

Horizon Hotel
Horizon Hotel, Haram St., Giza

Hurghada Branch
Sindbad Resort, Hurghada

IL Mercato Mall
Mercato Hotel, Sharm el Sheikh

Kattameya Branch
El Tessin St. El Madinah Center
Fifth Avenue

Luxor Branch
Jolly Ville Road, Luxor "Bandar"

Maadi Branch
8, 257 Street, New Maadi

Maadi Grand Mall
Grand Mall, Maadi, Cairo

Mansoura Branch
Building111, El Gomhoreya St., Mansoura

Marriott Hotel
Marriott Hotel , Sharm El Sheikh

Metro Market
32 Syria St., Mohandessin, Giza

Nabq Branch
Oriental Resort Hotel, Nabq Bay, Sharm El Sheikh

Nagaty Serag
42 Nagaty Serag St., Nasr City, Cairo

Naguib Mall
Naguib Mall, Sharm El Sheikh

Nasr City Branch
62 Makram Ebeid St., Nasr City, Cairo

Nefertary School
Nefertary School-Misr, Ismailia Road

Obour Buildings
3 Obour buildings, Salah Salem St., Cairo

October 1 Branch
Hamees Mall, Next to Misr University,
6th Of October

October 2 Branch
Mogamaa Magda For Arts, 6th of October

Queen School
Queen School, Haram St., Giza

Radisson Hotel
Radisson Hotel, Sharm El Sheikh

Samouha Branch
90 Fawzy Moaz St., Samouha, Alexandria

San Stefano Mall
San Stefano Hotel, Horreya Road, Alexandria

Sharm El Sheikh
Marriott Hotel, Sharm El Sheikh

Sheraton Branch
2 Khaled Ibn El Walid St., Heliopolis, Cairo

Shoubra Branch
15 Dawlatian St., Shoubra, Cairo

Suez Branch
6 El Barky St., Suez

Talaat Harb Mall
Talaat Harb St., Down Town, Cairo

Tanta Branch
23 El Gueish St., El Kasrawy Building, Tanta

Zamalek Branch
1 El Saleh Ayoub St. Zamalek, Cairo

ATM GOVERNMENT

Ahmed Badawy
61 Ahmed Badawy St., Shoubra, Cairo

Ain Shams
Ahmed Esmat St., Gessr El Suez, Cairo

Damietta
Damietta Port

Dokki
Dr. Mohamed Henfany St From ELtah, Dokki, Giza

East Alex
41 El Sultan Hussein St., Azarita, Alexandria

El Darb El Ahmar
3 Mostafa Fadel St., New Helmeya, Cairo

El Kasr El Einy
2 Amin Samy St., El kasr El Ainy, Cairo

EL Maryland
4 El Maryland Buildings, Heliopolis, Cairo

Al Salam
16 El Nile Buildings, Al Salam City

Al Waily
8 Masr Sudan St.,Ramsis, Cairo

Al Alfy
3 Al Alfy St., Cairo

El Tanmeya
El Ektessadeya
13 Salah Salem St. Cairo

El Dhaher
10 Zaghlool St., El Daher, Cairo

Al Seyouf
340 Gamal Abd El Nasser St.
Seyouf, Alexandria

Faisal
6 Mahatet El tabaa steer, Faisal
Haram, Giza

ABC - Egypt Directory

Fliming 1
513 El Horreya Road, Fliming Building, Alexandria

Fliming 2
513 El Horreya Road, Fliming Building, Alexandria

Helwan 1
42 Mostafa El Maraghy St., Helwan

Helwan 2
Latif St., Next to Om EL Abtal School, Helwan

Kafr Dawood
Kafr Dawod Next to Post Office, Agriculture Road

Bashayer El Kheir
Bashayer El Kheir Buildings, Menoufeya

Tameenat Berket El Saba
9 Abd El Monem Riad St., Berket El Saba, Kalioubeya

Kalioubeya Banha
Mogama El Massaleh, Banha

Khazana 1
6 Mansour St. Bab El Louk, Cairo

Khazana 2
6 Mansour St, Bab El Louk, Cairo

Kobry El Kobba
New Kobba Buildings, Kobry El Kobba, Cairo

Port Said
329 Port Said St. El Sayeda Zeinab, Cairo

Sayem El Dahr
51 Sayem El Dahr St., Shoubra, Cairo

Sidy Gaber
18 El Shahid Mowafak Abaas St. Camp, Shezar, Alexandria

Suez 1
6 El Shahid Abd El Monem Riad St., Suez

Suez 2
2 Hoda Sharawy St., Suez

Tameen Embaba
El Warrak Next to Chairs Factory, Cairo

Taamenat Bahteem
Bahteem Service Building, Shoubra, Cairo

Tameenat Ashmoon 1
110 Abd El Monem Riad St., Menoufeya

Tameenat Ashmoon 2
32 Abd El Monem Riad St., Ashmoon

Tameenat Bassyoun
23 Palestine St., Bassyoun, Gharbia

Tameen El Mahalla
1 Manshyet Mobarak, El Mahalla

Tameenat Kotoor
Kotoor El Mahatta, El Shahat Building , Gharbia

Tameenat Menouf
El Tawonyat Buildings, Menouf

Tameenat Nasr City
El Hay El Thamen Behind El Manhal School, Nasr City

Tameenat Samanood
El Awkaf Buildings, Omar bn El Khattab, Samanood

Tameenat Shebine El Kom
76 Gamal Abd EL Nasser St., Shebin El Kom

Tameenat Tanta
4 Saeid St., Tanta

Tameenat Tanta 2
13 El Anwar St., Tanta

Tameenat Luxor
8 Maabad El Karnak St., Luxor

Toman Bai
149 Toman Bai

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