Translation of financial statements
Originally issued in Arabic

Al Watany Bank Of Egypt (S.A.E)

SEPARATE BALANCE SHEET
31 December 2010

	Note No.	31 December 2010 L.E	31 December 2009 Restated L.E
Assets			
Cash and Due from Central Bank	(13)	**1,176,073,942**	1,248,254,709
Due from banks	(14)	**1,629,852,818**	747,707,915
Treasury bills and other Governmental securities	(15)	**3,744,466,485**	3,100,163,700
Trading investments	(16)	**6,203,554**	803,756
Loans and facilities to banks	(17)	**-**	109,183,027
Loans and facilities to customers	(18)	**7,162,988,906**	6,206,802,968
Dreivatives	(19)	**-**	28,524
Available for sale investments	(20)	**2,663,342,213**	2,828,209,909
Held to maturity investments	(20)	**61,695,546**	51,970,126
Investments in subsidiaries and associates	(21)	**41,234,990**	41,234,990
Other assets	(22)	**380,150,699**	319,823,969
Deferred Tax Assets	(29)	**11,767,310**	10,212,033
Fixed assets (Net of accumulated depreciation)	(23)	**186,218,963**	161,880,650
Total assets		**17,063,995,426**	14,826,276,276
Liabilities and Equity			
Liabilities			
Due to banks	(24)	**1,405,098,436**	318,157,720
Customers' deposits	(25)	**12,913,251,411**	12,240,469,232
Other loans	(26)	**582,365,000**	154,566,219
Other liabilities	(27)	**236,181,960**	212,002,556
Other provisions	(28)	**97,033,591**	106,589,983
Current income tax liability		**29,573,634**	23,725,551
Total liabilities		**15,263,504,032**	13,055,511,261
Equity			
Issued and Paid-up capital	(30,B)	**1,000,000,000**	1,000,000,000
Reserves	(30,C)	**135,136,926**	117,387,371
Retained Earnings	(30,D)	**665,354,468**	653,377,644
Total Equity		**1,800,491,394**	1,770,765,015
Total Liabilities and Equity		**17,063,995,426**	14,826,276,276

Dr. Yasser Esmail Hassan — Managing Director

Sheikha Khaled El Bahr — Chairman

* The accompanying notes from (1) to (39) are integral part of these financial statements.
Auditors' report attached

Al Watany Bank Of Egypt (S.A.E)

SEPARATE STATEMENT OF INCOME
For The Year Ended 31 December 2010

	Note No.	31 December 2009 L.E	31 December 2009 Restated L.E
Interest income from loans and similar revenues	(5)	**1,174,439,312**	1,147,485,601
Cost of deposits and similar costs	(5)	**(651,326,164)**	(647,377,327)
Net interest Income		**523,113,148**	500,108,274
Fees and commissions revenues	(6)	**174,755,873**	159,633,918
Fees and commissions expenses	(6)	**(1,560,697)**	(1,638,073)
Net income from fees and commissions		**173,195,176**	157,995,845
Dividends income	(7)	**2,799,645**	2,218,084
Net trading income	(8)	**21,192,616**	28,235,253
Gains from financial investments	(9)	**29,789,710**	23,439,310
Net operating income		**750,090,295**	711,996,766
Provisions		**(9,520,760)**	(36,765,079)
General and administrative expenses and depreciation	(10)	**(220,976,615)**	(187,840,653)
Other operating income (expenses)	(11)	**16,178,687**	(9,704,580)
Net profits for the year before Tax		**535,771,607**	477,686,454
Current income tax	(12)	**(90,039,254)**	(71,309,456)
Deferred income tax	(12)	**1,255,635**	(1,028,418)
Net profits for the year		**446,987,988**	405,348,580
Earning per share	(31)	**4.47**	4.05

Managing Director

Dr. Yasser Esmail Hassan

Chairman

Sheikha Khaled El Bahr

* The accompanying notes from (1) to (39) are integral part of these financial statements.

Al Watany Bank Of Egypt (S.A.E)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2010

	Capital	Legal reserve	General reserve	Special reserve	Capital reserve	Fair value Reserve	General banking risk reserve	Difference Between Nominal amount and Fair Value of Subordinated Loan	Retained earnings	Net profits for the year	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Balance as at 31 December 2008 as previously issued	1,000,000,000	19,238,113	6,772,756	7,890,937	16,025,199	(11,981,561)	-	-	203,986,530	312,802,508	1,554,734,482
Net effect of change in accounting policies (after taxes)	-	-	-	-	-	-	-	-	1,314,546	-	1,314,546
Transferred to special reserve	-	-	-	1,314,546	-	-	-	-	(1,314,546)	-	-
Balance as of 1 January 2009 after restatement	**1,000,000,000**	**19,238,113**	**6,772,756**	**9,205,483**	**16,025,199**	**(11,981,561)**	**-**	**-**	**203,986,530**	**312,802,508**	**1,556,049,028**
Beginning balance as of 1 January 2009	1,000,000,000	19,238,113	6,772,756	9,205,483	16,025,199	(11,981,561)	-	-	203,986,530	312,802,508	1,556,049,028
Difference between nominal amount and fair value of subordinated Loan	-	-	-	-	-	-	-	71,186,411	-	-	71,186,411
Reversal of portion of differences between nominal amount and fair value of subordivated loan	-	-	-	-	-	-	-	(3,211,630)	3,211,630	-	-
Dividends distributions	-	-	-	-	-	-	-	-		(254,690,197)	(254,690,197)
Transferred to reserves and retained earning	-	15,626,420	-	-	274,117	-	-	-	42,211,774	(58,112,311)	-
Change in the fair value of the available for sale investments	-	-	-	-	-	2,932,263	-	-	-	-	2,932,263
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	(9,979,428)	-	-		-	(9,979,428)
Deferred tax	-	-	-	-	-	(81,642)	-	-	-	-	(81,642)
Net profit for the year before adjustments	-	-	-	-	-	-	-	-	-	408,441,866	408,441,866
Net effect of change in accounting policies	-	-	-	-	-	-	-	-	-	(3,093,286)	(3,093,286)
Transferred to reserves and retained earning	-	-	-	-	-	-	1,380,870	-	403,967,710	(405,348,580)	-
Balance as of 31 December 2009 after adjustment	**1,000,000,000**	**34,864,533**	**6,772,756**	**9,205,483**	**16,299,316**	**(19,110,368)**	**1,380,870**	**67,974,781**	**653,377,644**	**-**	**1,770,765,015**
Beginning balance as of 1 January 2010	1,000,000,000	34,864,533	6,772,756	9,205,483	16,299,316	(19,110,368)	1,380,870	67,974,781	653,377,644	-	1,770,765,015
Foreign currency translation differences	-	-	-	-	-	23,776	-	2,178,504	-	-	2,202,280
Dividends distributions	-	-	-	-	-	-	-	-	(364,326,300)	-	(364,326,300)
Transferred to reserves	-	20,398,053	50,000,000	-	480,811	-	-	-	(70,878,864)	-	-
Transferred to general banking risk reserve	-	-	-	-	-	-	4,000,000	-	(4,000,000)	-	-
used of general banking risk reserve	-	-	-	-	-	-	(1,380,870)	-	1,380,870	-	-
Reversal of portion of differences between nominal amount and fair value of subordinated loan	-	-	-	-	-	-	-	(2,813,130)	2,813,130	-	-
Payment of subordinated loan	-	-	-	-	-	-	-	(67,340,155)	-	-	(67,340,155)
Change in the fair value of the available for sale investments	-	-	-	-	-	34,633,115	-	-	-	-	34,633,115
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	(22,730,191)	-	-	-	-	(22,730,191)
Deferred tax	-	-	-	-	-	299,642	-	-	-	-	299,642
Net profit for the year	-	-	-	-	-	-	-	-	-	446,987,988	446,987,988
Transferred to reserves and retained earning	-	-	-	-	-	-	-	-	446,987,988	(446,987,988)	-
Ending balance as of 31 December 2010	**1,000,000,000**	**55,262,586**	**56,772,756**	**9,205,483**	**16,780,127**	**(6,884,026)**	**4,000,000**	**0**	**665,354,468**	**0**	**1,800,491,394**

* The accompanying notes from (1) to (39) are integral part of these financial statements.

Al Watany Bank Of Egypt (S.A.E)

SEPARATE STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2010

		31 December 2010 L.E	31 December 2009 Restated L.E
Cash flows from operating activities			
Net Profits before tax		**535,771,607**	477,686,454
Adjustments to reconcile net profit to net cash provided from operating activities			
Depreciation and amortization		**13,598,848**	11,034,877
Impairment of assets		**9,520,760**	36,765,079
Trading investments' revaluation differences		**3,215,364**	97,189
Other provisions used		-	(784,780)
Other provisions revaluation differences		**357,096**	19,890
Gains from sales of fixed assets		**(8,479,190)**	(3,900,000)
No longer required provisions		**(25,314,635)**	(480,811)
Operating profits before changes in assets and liabilities		**528,669,850**	520,437,898
Proceeds from operating activities			
Deposits at banks		**36,019,460**	2,607,090,907
Treasury bills		**(879,850,000)**	(1,740,200,000)
Trading investments		**(8,517,973)**	(205,479)
Loans and facilities to customers and banks		**(739,964,971)**	(195,613,109)
Other assets		**(24,655,736)**	(48,777,038)
Due to banks		**1,086,940,716**	3,728,119
Customers' deposits		**672,782,179**	1,351,139,213
Derivatives		-	28,524
Other liabilities		**11,474,649**	(88,303,160)
Income tax paid		**(84,191,170)**	(78,214,391)
Net cash flows provided from operating activities	**(1)**	**598,707,004**	2,331,111,484
Cash flows from Investing Activities			
Payments to acquire fixed assets and fixtures		**(66,410,344)**	(16,371,014)
Proceeds from sale of fixed assets		**5,000,000**	501,135
Proceeds from redemption of held to maturity investments		-	255,250,000
Payments to purchase of held to maturity investments		**(10,000,000)**	-
Proceeds from available for sale investments		**1,773,724,021**	1,020,475,760
Payments to purchase of available for sale investments		**(1,630,541,471)**	(2,279,659,025)
Payments to acquire investments in subsidiaries and associates		**(15,000,000)**	(4,999,980)
Proceeds from sale of investments in subsidiaries and associates		-	24,900,000
Dividends received		**1,856,905**	2,218,084
Net cash flows provided from (used in) investing activities	**(2)**	**58,629,111**	(997,685,040)
Cash flows from Financing Activities			
Increase long term loans		**427,798,781**	218,166,000
Dividends paid		**(364,326,300)**	(254,690,197)
Net cash flows provided from (used in) financing activities	**(3)**	**63,472,481**	(36,524,197)
Net Increase (decrease) in cash and cash equivalents during the year	**(1+2+3)**	**720,808,596**	1,296,902,247
Cash and cash equivalents at beginning of the year		**2,183,927,624**	887,025,377
Cash and cash equivalents at end of the year		**2,904,736,220**	2,183,927,624
Cash and cash equivalents are represented in :			
Cash and due from Central Bank		**1,176,073,942**	1,248,254,709
Due from banks		**1,629,852,818**	747,707,915
Treasury bills and other governmental securities		**3,987,250,000**	3,232,575,000
Deposits at banks with maturities of more than three months		**(16,015,540)**	(52,035,000)
Treasury bills and other governmental securities with maturities of more than three months		**(3,872,425,000)**	(2,992,575,000)
Cash and cash equivalents at the end of the year		**2,904,736,220**	2,183,927,624

* The accompanying notes from (1) to (39) are integral part of these financial statements.

Al Watany Bank Of Egypt (S.A.E)

SEPARATE STATEMENT OF PROPOSED DIVIDENDS
For The Year Ended 31 December 2010

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Net profit for the year (from the statement of income)	**446,987,988**	405,348,580
Deduct :		
Profits not related to the activities transferred to the capital reserve	**(155,730)**	(480,811)
General banking risk reserve	-	(1,380,870)
Net profit for the year available for distribution	**446,832,258**	403,486,899
Retained earnings at the beginning of the year (after adjustments)	**218,172,480**	249,409,934
Total	**665,004,738**	652,896,833
To be distributed as follows		
Legal Reserve	**22,341,613**	20,398,053
General Reserve	**50,000,000**	50,000,000
Shareholders' dividends :		
First tranche	**50,000,000**	50,000,000
Second tranche	**280,000,000**	280,000,000
Employees' profit share	**37,449,065**	33,756,300
Board of Directors remuneration	**570,000**	570,000
Retained earnings at the end of the year	**224,644,060**	218,172,480
Total	**665,004,738**	652,896,833

1. Background

Al Watany Bank of Egypt provides corporate, retail and investment banking services in Arab Republic of Egypt through 40 branches, and employs more than 1254 staff at the date of the Balance sheet.

Al Watany Bank of Egypt (S.A.E) was established as a commercial bank in Arab Republic of Egypt under the investment law No. 43 for 1974.

The head office is located in 13 Themar Street, Giza; the Bank is listed in Cairo and Alexandria stock exchange.

These financial statements were approved for issuance by the Board in March 16, 2011.

2. Significant Accounting Policies Applied

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

A - Basis of financial statements preparation

The financial statements are prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments and in accordance with Central Bank of Egypt rules approved by its Board of Directors on 16 December 2008, and on the historical cost convention basis, modified by the revaluation of financial assets and liabilities classified on initial recognition as fair value through profit or loss and available for sale and all derivative contracts.

The Separate financial statements are prepared in accordance with the relevant domestic laws; the Investments in associates and subsidiaries are presented and accounted for at cost less impairment losses.

The financial statements have been prepared until 31 December 2009 applying the CBE regulations prevailing until that date, which differ in some aspects from the new Egyptian Accounting Standards issued in 2006 and its related amendments. While preparing the financial statements for the year ended 31 December 2010, the management changed some accounting policies, and measurement basis to be in conformity with the new Egyptian Accounting Standards and CBE requirements for the preparation and presentation of the banks' financial statements and measurement and recognition basis as issued by CBE's Board of Directors on 16 December 2008.

Changes applicable for the financial years starting on or after 1 January 2010:

The Bank's management applied CBE rules to the financial statements preparation, presentation, measurement and recognition basis as well as the Egyptian Accounting Standards applicable to banking industry.

The comparative figures for the year ended 2009 have been restated to be in line with the new regulations and standards.

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

- The change in the disclosure requirements for the risk management objectives, policies and procedures and the capital adequacy management and other notes to the financial statements.

- The Bank has reassessed the residual value of fixed assets to estimate the significance of their impact on the depreciable amount, and did not result in significant effects on the financial statements, and starting from 2010, the Bank has identified useful lives of fixed assets additions on the level of significant components of each asset, the Bank was not able to analyze fixed assets that were acquired prior to 2010 to its significant components because it was not practical to estimate the value of those components in the dates of acquisition.

- The Bank identified related parties in accordance with the amended requirements and added new disclosures to the related parties' disclosure.

- The Bank has changed the method of measurement of impairment loss for loans, facilities, and other debt instruments measured at the amortized cost. The Bank formed collective impairment provisions for group of assets carrying similar credit risk and characteristic or individual provision instead of forming general provision for the loans and facilities. It also will not lead to changing the way of the formation of the increase or decrease allocations to specific provisions, which were configured to specific items on its own. Was deported overall increase in the existing allocations in the first of January 2009 on the provisions in accordance with the new method to a special reserve in equity.
- When determining the rate of return the actual purpose of applying the method of amortized cost to calculate the revenue and the cost of the return on debt instruments, have been identified, commissions and fees associated with the acquisition or issuance of debt instruments and added to or deducted from the value of the acquisition / release as part of the cost of treatment, resulting in the change rate of return Their actual tools. It was not practically be applied to the impact of this accounting change retroactively, but that change has been applied to debt instruments acquired or issued on or after the first of January 2009.
- Purchase accounting was applied to all acquisitions that took place on or after the first of January 2009 in accordance with the requirements of the new accounting rules and did not led to an impact on the separate financial statements of the Bank.
- The Bank reviewed the Assets transferred to the Bank in settlement of some customers' debts to ensure the correctness of its classification under non-current assets held for sale under other assets caption. This review did not result in change in classification or the values used to measure these assets.

B - Subsidiaries and Associates

B/ 1 Subsidiaries

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

B/ 2 Associates

- Associates are companies in which the Bank has, directly or indirectly, significant influence, but it does not reach to the extent of control, and usually the Bank owns from 20% to 50% of the voting rights.

Investments in subsidiaries and associates are accounted for in the separate financial statements using cost method. According to this method, investments recorded at cost of acquisition including goodwill if any and deducting impairment losses. Dividends are recorded in the income statement when dividends declaration is approved and affirming the Bank's right in collecting them has been recognized.

C- Segment reporting

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

D- Foreign currencies translation

D/1 Functional and presentation currency

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

D/2 Foreign currency transactions and balances

The Bank maintains its accounting records in Egyptian pound. Foreign currency transactions are translated and recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of each year at the exchange rates then prevailing. Foreign currencies gains and losses resulting from settlement of these transactions in addition to revaluation differences are recognized in the income statement in the following sections:

- Net trading income, if resulting from financial instruments designated as at fair value through profit or loss at initial recognition, for financial assets/liabilities held for trading or designated as at "fair value through profit or loss at initial recognition.
- Owner's equity if resulting from the financial derivatives used as cash flows hedge or net investment hedge.
- Other operating income (expenses) for other items.

The changes in fair value arising from monetary financial instruments classified as available for sale (Debt Instruments) should be analyzed into: differences arising from changes in the instruments amortized cost which is recognized in the income statement in "interest income on loans and similar income" and differences arises from changes in foreign exchange rate which is recorded in the income statement in "other operating revenues (expenses)" and differences arises from change in fair value which is recognized in owners' equity (fair value reserve for available for sale investments)

Translation differences of non-monetary items (equity securities) held at fair value through profit or loss also includes its fair value revaluation difference. Whereas for those classified as available-for-sale are recorded directly in equity in fair value reserve for available for sale investments.

E- Financial assets

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

E / 1 financial assets at fair value through profit or loss:

This category includes financial assets held for trading and financial assets designated at fair value through profit or loss at initial recognition.

Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near term or if is part financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized. Derivatives can be classified as held for trading unless they are identified as hedging instruments.

- Financials assets designated at fair value through profit or loss are recognized when:
  - Doing so significantly reduces measurement inconstancies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and facilities to customers or banks and issued debt securities.
  - Equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.
  - Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.

- Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the "net income from financial instruments classified at fair value though profit and loss"
- It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding period. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is designated at fair value through profit or loss at initial recognition.
- In all cases the Bank should not reclassify any financial instrument into financial instrument measured at fair value through profit and loss or to the held for trading financial assets.

E / 2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, or those that the Bank upon initial recognition designated as at fair value through profit or loss.
- Those that the Bank upon initial recognition classified as available for sale.
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

E / 3 Held to maturity financial assets:

Held to maturity financial assets are non-derivative assets which carry fixed or determinable payments and where the Bank has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity assets as available for sale except in cases of necessity.

E / 4 Available for sale financial assets

Available-for-sale assets are non-derivative financial assets that the bank’s management has intention to hold for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following applies to financial assets:

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

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

Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the bank has transferred substantially all the risk and rewards of ownership. Financial liabilities are disposed upon disposal or cancellation or expiration of its contractual term.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Held-to-maturity assets and loans and receivables are measured at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the income statement in the period it occurs. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

Interest income is recognized based on the amortized cost method in the income statement, the foreign currency revaluations differences related to monetary available for sale assets are recognized in the income statements, dividends from available for sale equity instruments are recognized in the income statement when the bank's right to receive the payment is established

Fair value are obtained from quoted market price in active market (bid price), where no active market exists, or quoted price are unobtainable, the fair value is estimated using a variety of valuation technique – including discounted cash flow , using recent sale prices, option pricing models or other valuation method used by market participants. When the bank is unable to estimate the fair value of equity available for sale instrument it is measured at cost less any impairment losses.

Debt instruments can be reclassified from the available-for-sale assets to held-to-maturity at fair value when the Bank has the intention and ability to hold the financial assets to maturity. Any related profits or losses that were previously recognized in equity are treated as follows:-

1. In case of financial assets with fixed and determinable payments and fixed maturity, gains and losses are amortized over the remaining life of the financial asset held to maturity using the effective interest method. The difference between the amortized cost and the maturity value is amortized over the remaining life of the financial asset, using the effective interest method. In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.

2. In case of financial assets without fixed or determinable maturity, gains and losses are held in equity until the asset is sold, then removed from equity and recognized in the income statement. In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.

- If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.

- In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

F- Offsetting financial instruments

Financial assets and liabilities can be offset when, there is a currently enforceable legal right to set-off the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

Treasury bills, repos and reveres repos agreements are netted, and presented on the balance sheet in treasury bills and other governmental securities.

G- Interest income and expense

Interest income and expense related to financial instruments except for held for trading assets or designated at fair value through profit and loss at initial recognition under "interest revenue and similar income" or Interest expense and similar charges.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the related instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate to reach the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties of the contract which is considered part of the effective interest rate, transaction costs include all other premiums or discounts.

When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues according to cash basis as per the following:

- When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans., mortgage loans for personal housing and small loans for businesses.
- For loans granted to corporate, interest income is recognized on cash basis after the Bank collects 25 % of the scheduling installments and after the installments continued to be regular for at least one year. Interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

H - Fees and commission income

Fees and commissions related to loan and facilities are recognized as income when the service is rendered. Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet and are recognized under income according to the cash basis, when interest income is recognized in accordance with note (G) above, fees and commissions which represent part of the financial asset effective rate is recognized as adjustment to the effective interest rate.

Commitment fees recognized as revenue when there is probability that this loan will be used by the customer, as commitment fees represent compensation for the continuing interfere to own the financial asset. Subsequently its recognized as adjustments to the effective interest rate of the loan. If the commitment year passed without issuing the loan, commitment fees is recognized as income at the end of the commitment year.

Fees and commission related to equity debts measured by fair value is recognized as income at initial recognition. Fees and commission related to marketing of syndicated loan is recognized as income when the marketing is completed and the loan is fully used or the Bank kept its share of the syndicated loan using the effective interest rate as used by the other participants.

Commission and fees arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed, commission and fees related to management advisory and other service are recognized as income based on the contract terms, usually on a time-appropriation basis. Asset management fees are recognized over the year in which the service is provided.

I- Dividend income

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

J- Impairment of financial assets

J / 1 Financial assets carried at amortized cost:

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

The indicators used by the bank to determine whether there is objective evidence that a financial assets or portfolio is impaired include the following:

- Significant financial difficulty of the issuer or obligor.

- Breach of the loan agreement, e.g. default
- It became probable the borrower will enter bankruptcy or other financial reorganization.
- Deterioration of competitive position of 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 the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

An objective evidence for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset.

The Bank estimates the period between identifying the loss event and its occurrence and it ranges from three to twelve months.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant taking into consideration the following:

- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, being individually significant or not, the Bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment.

- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will be separated from group of financial assets that are collectively evaluated for impairment.

- If the result of the previously test did not recognized impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment. Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recoverable cash flows, excluding future expected credit loss not charged yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".

If there is evidence that loan or other receivables, or financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument through its market rate.

For guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics according to the Bank classification taking into consideration type of asset, industry, geographical location, collateral, past-dues and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for that group of assets as they are indicators of the debtors' ability to pay all amounts due according to its contract terms for assets under study.

If historical impairment losses rates method is used for a group of financial assets that are collectively evaluated for impairment, future contractual cash flow will be used by the Bank in future and the historical loss for a group of assets with similar credit risk characteristics are considered. Historical impairment loss rates are adjusted to reflect the effects of current circumstances that did not affect the year on which the historical impairment loss rates is based and to remove the effects of circumstances in the historical year that are not currently exist.

The Bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from year to year, such as , changes in unemployment rates, real estate prices, settlement status, or other factors that may affect the probability and magnitude of losses. The Bank reviews the basis and methods of estimation regularly.

J / 2 Available for sale assets

At each balance sheet date, the Bank estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale or held to maturity is occurred. For listed equity instruments classified as available for sale investments, impairment is recognized if as it's significant and a prolonged decline it's price below it's acquisition cost is observed.

The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extends for a year of more than 9 months. When a decline in the fair value of an available for sale financial asset has been recognized directly in equity under fair value reserve and subsequent objective evidence of impairment emerges, the Bank recognizes the total accumulated loss previously recognized equity will be recognized in profit and loss. Impairment losses recognized on equity instruments on profit or loss are not subsequently reversed. Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

K- Fixed assets

They represent land and buildings related to head office, branches and offices. All fixed assets are reported at historical cost less depreciation and impairment losses. The historical cost includes all costs directly related to the acquisition of fixed assets items.

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

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

– Buildings	50 years
– Furniture and safes	from 10 years to 40 years
– Typewriters calculators and air conditions	10 years
– Motor vehicles	5 years
– Computers and core systems	5 years
– Fixtures and fittings	5 years

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

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

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

L- Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995, if the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset expected useful life, or the present value of the total lease payments represents at least 90% of the value of the asset then this lease is considered finance lease. Other leases are considered operating lease.

L/1 Leasing (lessee)

For finance lease contracts rent expense including maintenance cost related to the leased assets is recognized in the income statement in the period in which it occurred.

If the bank decides to exercise the rights to purchase the leased assets, the cost of this right will be capitalized as fixed asset and depreciated over the assets' expected remaining useful life using the same method used for similar assets.

Operating lease payments less any discounts granted to lessee is recognized as expenses in the income statement using the straight line method over the contract term.

L/2 Leasing (lessor)

Assets leased as finance lease are recorded in the fixed assets caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets. The rent income is recognized based on the rate of return on the lease plus an amount equal to the cost of depreciation for the period, and the difference between the rental income will be recognized in the income statement using the straight line method over the contract term and the total customer accounts and leasing it until the end of the lease where it is used to offset with a net book value of the leased asset. The maintenance expenses and insurance will be charged on the income statement when incurred to the extent they are not charged to the tenant.

And when there is objective evidence that the Bank will not be able to collect all balances of debtors a financial lease, be reduced to its recoverable amount.

Operating lease assets are accounted for at the fixed assets caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets. The lease rent income less any discount granted to the lessee will be recognized in the income statement using the straight line method over the contract term.

M- Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with banks and treasury bills and other governmental securities.

N- Other provisions

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

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determine taking into consideration the group of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

Provisions no longer required totally or partially are reversed in other operating income (expense). Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

O. Employees benefits

Defined contribution pension plan

Defined contribution pensions plans are pension regulations under which the Bank is to pay fixed contributions to a separate entity; the Bank shall not be legally or constructively obligated to pay further contributions if the separate entity was not maintaining assets sufficient to pay all employee benefits relating to their services in the current and previous periods.

According to the defined contribution pensions plans , the bank pays contributions according to the regulations of pensions in the public sector or private sector on the basis of mandatory contract or voluntary, and there are no additional commitments on the bank following the payment of contributions, contributions are recognized in the expenses of employee benefits when incurred, prepaid contributions are recognized within the assets to the extent that this payment will reduce future payments or cash will be recovered.

P- Income tax

The income tax of the year on the profit or loss includes current tax and deferred tax and is recognized in the income statement except for income tax relating to items of owners equity which are recognized directly in equity.

The income taxes recognized on the basis of net taxable profit using the tax rates enacted at the date of the Balance Sheet in addition to the tax adjustments related to previous years, and commitments in accordance with the principles of accounting and its value according to the tax regulations, The value of deferred tax is recognized based on the expected manner of realization or settlement of the values of the asset values and liabilities, using tax rates enacted at the date of the balance sheet.

The deferred tax assets of the Bank are recognized when that it is probable that taxable profit will be available against which the deferred tax asset can be utilized, The value of deferred tax assets is reduced by the portion that will result in expected tax benefit during the following years, however in the case of the increase of expected tax benefit, the deferred tax assets will increase to the extent previously reduced

Q- Borrowing

Loans obtained by the Bank are initially recognized at fair value less the cost of obtaining the loan, the loan is measured subsequently at amortized cost, and the difference between net proceeds and the value that will be paid are charged in the income statement over the period of the borrowings using the effective interest method.

R- Capital

R/1) Capital cost

Issuance cost directly related to issuing new shares or issuing shares related to acquisition or share options is charged to share holders' equity of total proceeds net of tax.

R/2) Dividends

Dividends are recognized when declared by the General Assembly of shareholders. Those dividends include employees’ share in the profits and the Board of Directors’ remuneration as prescribed by the articles of association and law.

Bank's net profits are distributed annually after deducting all general expenses and other costs as follows:

1 - Deducting an amount equivalent to 5% of the profits to form the legal reserve and stop such deduction when the total reserve amount equivalent to 100% of paid-up capital, and when lack of reserves the deduction returns.
2 - And then deduct the amount needed for the distribution of the first share of the profits of 5% paid to shareholders for the value of their shares if that did not allow the profit for one of the years, The distribution of this share is not permissible to claim the profits from the years following.

3 – After that allocate 10% of the profits to staff and workers in the bank and are distributed according to the rules proposed by the Board of Directors and adopted by the General Assembly and no more than the sum of annual wages for workers in the bank.

4 - After the above a rate not exceeding 10% of the rest is allocated to the reward the Board of Directors.

5 - Distributing the rest of the profits to shareholders after the additional share in profits or go on a proposal to the Board of Directors next year.

S- Custodial activities

The bank performs custodial activities that results in custody or management of assets on behalf of individuals, trusts, and retirement benefit plans. These assets and related income are excluded from the bank's financial statements, since these assets are not owned by the bank.

T- Comparative figures

The comparative figures shall be re-classified, when necessary, to be in conformity with the changes in the presentation used in the current year.

3. Financial Risk Management:

The bank, as a result of the activities it exercises, is exposed to various financial risks; acceptance of risks is a basis in the financial activities. Some risks or group of risks are analyzed, evaluated and managed together. The bank objective is to balance between the risk and return and to reduce the possible negative effects on the bank's financial performance.

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.

The risk management policies have been set to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated information systems.

The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications.

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and hedges the financial risks, in collaboration with the bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, such as credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non–derivative instruments. Moreover, the risk department is independently responsible for annual review of risk management and control environment.

A - Credit risk

The bank is exposed to credit risk, which is the risk resulting from failure of one party to meet its contractual obligations. Credit risk is considered the most significant risk for the bank therefore the management is conservative in managing this risk. Credit risks results mainly from lending activities that result in loans and facilities and from investment activities which results in obtaining debt instruments. Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in credit risk team management in risk management department who prepare reports to the Board of Directors and Head of operating units on regular basis.

A / 1 Credit risk measurement

Loans and facilities to Banks and customers

To measure credit risk on the loans and facilities to banks and customers, the Bank considers the following three components:

* Probability of default by the client or third parties to fulfill its contractual obligations.

* The current position and its future development from which the bank conclude the balance exposed to risk. (Exposure at default)

* Loss given default.

The daily management of the bank's activities involves measures of credit risk based on the Expected Loss Model required by the Basel Committee on Banking Supervision. Those operational measures could be inconsistent with the impairment loss according to IAS 26, which adopts the realized losses model and not the expected losses (Note A / 3).

The Bank evaluates the default risk for each customer using internal evaluation methods to determine the rating for the different customers' categories. These methods were improved taking into consideration statistical analysis and the professional judgment of the credit officers to reach the appropriate rating. The customers are classified into four ratings.

Rating scale (shown in the following table) reflects the possibility of defaults for each rating category, in which the credit positions may transfer from one rating to other depending on the change in the degree of possible risk. The customer's rating and the rating process are reviewed and improved when necessary. The Bank periodically evaluates the performance of the credit rating methods and their ability in expecting the customers' defaults.

Bank’s internal ratings scale

Rating description	Rating
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

The Position exposed to default depends on the outstanding balances expected at the time when a default occurs, for example, for the loans , the position is the book value, for commitments, the bank includes all actual withdrawals in addition to any expected withdrawals till the date of the late payment if any.

The expected losses or specific losses represent the Bank's expectation of loss as of the date when the settlement is due, which is loan loss percentage that differ according to the type of facility, the availability of guarantees and any other credit cover.

Debt instruments and treasury bills and other bills

For debt instruments and bills, the Bank is using the external classifications such as Standard & Poor's or equivalent to manage credit risk, in case such ratings are not available, methods similar to those applied to credit customers are used. Investments in securities and treasury bills are regarded as a way to get better credit quality at the same time provide a source available to meet funding requirements.

A / 2 Limiting and avoiding risks policies

The Bank manages and controls credit concentrations at the borrower’s level, groups of borrowers’ level, industries level and countries level.

The Bank manage the credit risk it undertakes by placing limits on the amount of risk accepted in relation to single borrower, or groups of borrowers, and to the geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. The top management reviews on quarterly basis the borrower, or groups of borrowers, geographical and industry segments and country credit concentration.

The lines of credit are divided ,to any borrower including banks, into sub limits include amounts inside and outside the balance sheet, the daily limit risk on trading items such as forward foreign exchange contracts, the actual amounts are compared with the limit every day.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits where appropriate.

The following are other controls used by the bank to limit the credit risk.

Collaterals

The bank use different methods to limit its credit risk. One of these methods is accepting collaterals against loans and facilities granted by the bank. The bank implements guidelines for collaterals to be accepted. The major types of collateral against loans and facilities are:

- Real estate mortgage
- Business assets mortgage such as machines and goods.
- Financial instruments mortgage such as debt and equity instruments.

The Bank keen to obtain the appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured.

In addition, to minimize the credit loss the bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

The Bank determine type of collaterals the Bank held by the bank as security for financial assets other than loans and facilities according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for asset-backed securities and similar instruments are secured by a financial instrument portfolio.

Derivatives

The bank maintains strict control limits over amounts and terms for the net value of opened derivative positions i.e., the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in which the Bank could gain a benefit from it (i.e., assets that have positive fair value), which represent small value of the contract, or the notional value. The Bank manage this credit risk which is considered part of the total customer limit with market changes risk all together. Generally no collateral obtained for credit risk related to these instruments, except for marginal deposits required by the bank from other parties.

Settlement risk arises when cash, equity instruments or other financial securities is used in the settlement process, or if there is expectation to receive cash, equity instruments or other financial securities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily Bank transactions.

Credit-related commitments

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit are of the same credit risks as loans.

Documentary and commercial letters of credit – which are issued by the Bank on behalf of customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan.

Credit related commitment represent the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit related commitments, the Bank is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments, as most commitments represent commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are of high credit risk than short-term commitments.

A /3 Impairment and provisioning policies

The internal rating systems described in Note (1-A) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below.

Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined from the expected loss models used.

The impairment provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last two ratings. The table below shows the percentage of in-balance sheet items relating to loans, facilities and the related impairment for each rating:

Bank's rating	**31 December 2010**		31 December 2009 (Restated)	
	Loans & facilities %	**Impairment provision %**	Loans & facilities %	Impairment provision %
Performing loans	80.0 %	7.6 %	81.2%	12.2%
Regular watching	3.6 %	0.8 %	2.7 %	0.5 %
Watch list	3.5 %	1.4 %	2.5 %	1.4 %
Non-performing loans	12.9%	90.2%	13.6%	85.9%
	100 %	**100 %**	100 %	100 %

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

- Payment delinquency of principal or interest.
- Breach of loan conditions
- Expectation of bankruptcy or entering a liquidation or finance restructure.
- Deterioration of the borrower's competitive position.
- For economical or legal reasons, the bank granted the borrower additional benefits that will not be done in normal circumstances.
- Deterioration in the value of collateral.
- Deterioration of customer credit status.

The Bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual losses. These policies applied on all accounts have specific materiality on individual basis. Valuation usually includes the existing collateral, the related enforcements on these collaterals and the expected collections from those accounts.

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods.

A /4 Banking general risk measurement module

In addition to the four categories of credit rating indicated in note (A/1) the management makes more detailed groups in accordance with the CBE requirements,

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, it's activities, financial position and payment schedules.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general Banking risk reserve" under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable.

The following are the categories of credit ratings for the institutions in accordance with the four internal rating grades compared to the bases of the Central Bank of Egypt assessment and provisions percentage required for the impairment of assets exposed to credit risk:

CBE Ratings	Rating indications	Provision percentage required	Internal Ratings	Internal Ratings Granting
1	Low risk	Zero	1	Performing loans
2	Moderate risk	1 %	1	Performing loans
3	Satisfactory risk	1 %	1	Performing loans
4	Appropriate risk	2 %	1	Performing loans
5	Acceptable risk	2 %	1	Performing loans
6	Marginally Acceptable risk	3 %	2	Regular watching
7	Risks that need special care	5 %	3	Watch list
8	Below the level	20 %	4	Non-performing loans
9	Doubtful	50 %	4	Non-performing loans
10	Bad debt	100 %	4	Non-performing loans

A /5 Maximum limits for credit risk before collaterals and after deducting the provision

	31 December 2010	31 December 2009 (Restated)
	L.E (000)	L.E (000)
Balance sheet items exposed to credit risks		
Treasury bills and other governmental securities	**3,744,466**	3,100,164
Loans and facilities to banks	**-**	109,183
Loans and facilities to customers:		
Retail loans:		
Credit cards	**14,264**	13,498
Personal loans	**569,276**	546,486
Mortgage loans	**13,884**	14,341
Corporate loans:		
Overdrafts	**1,268,677**	518,521
Direct loans	**3,906,496**	3,981,033
Syndicated loans	**1,390,393**	1,132,924
Financial derivative instruments	**-**	29
Financial investments:		
Debt instruments	**2,665,080**	2,830,217
Total	**13,572,536**	12,246,396
Off-balance sheet items exposed to credit risk		
Acceptance documents	**326,210**	233,443
Letters of credit	**1,417,770**	1,101,765
Letters of guarantee Import/Export	**548,212**	244,176
Guarantees upon other banks request or by their warranty	**123,632**	178,573
Total	**2,415,824**	1,757,957

A / 6 Loans and facilities

Loans and facilities status based on credit rating are summarized as follows:

	31 December 2010		31 December 2009 (Restated)	
	L.E (000)		L.E (000)	
	Loans and facilities to customers	**Loans and facilities to banks**	Loans and facilities to customers	Loans and facilities to banks
Neither past due nor impaired	**6,810,261**	-	6,282,837	109,183
past due but not impaired	**459,706**	-	167,468	-
impaired	**926,601**	-	1,012,976	-
Total	**8,196,568**	**-**	7,463,281	109,183
Less:				
Impairment loss provision	**914,608**	-	1,015,034	-
Interest in suspense	**21,597**	-	22,724	-
Interest received in advance	**97,374**	-	218,720	-
Net	**7,162,989**	**-**	6,206,803	109,183

Loans and facilities to banks and customers (neither past due nor impaired)

31 December 2010

	Retail				Corporate				L.E (000)
Rating	**Over-drafts**	**Credit cards**	**Personal loans**	**Mortgage**	**Over-drafts**	**Direct loans**	**Syndicated loans**	**Total loans and facilities to customers**	**Total loans and facilities to banks**
Performing loans	-	14,594	600,648	18,677	-	4,333,182	1,391,320	**6,358,421**	-
Regular follow up	-	202	14,736	541	235,910	-	-	**251,389**	-
Watch list	-	1,378	27,809	-	171,264	-	-	**200,451**	-
Total	**-**	**16,174**	**643,193**	**19,218**	**407,174**	**4,333,182**	**1,391,320**	**6,810,261**	**-**

The guaranteed loans were not considered impaired as to non performing loans after taking into consideration the collectability of such guarantees.

Loans and facilities to banks and customers (neither past due nor impaired)

31 December 2009 (Restated)

	Retail				Corporate				L.E(000)
Rating	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Total loans and facilities to customers	Total loans and facilities to banks
Performing loans	-	13,403	681,007	22,439	-	4,055,421	1,122,582	5,894,852	109,183
Regular follow up	-	-	-	-	202,463	-	-	202,463	-
Watch list	-	-	-	-	185,522	-	-	185,522	-
Total	-	13,403	681,007	22,439	387,985	4,055,421	1,122,582	6,282,837	109,183

Past due Loans and facilities and not impaired

They are loans and facilities having past due up to 90 days and not considered impaired, unless there is information to the contrary. Loans and facilities having past due and not subject to impairment are as follows**:**

31 December 2010

	Retail Over-drafts	**Credit cards**	**Personal loans**	**Mortgage**	**L.E (000) Total**
Past due up to 30 days	-	120	-	-	**120**
Past due 30 - 60 days	-	97	43,263	-	**43,360**
Past due 60-90 days	-	84	9,920	-	**10,004**
Total	**-**	**301**	**53,183**	**-**	**53,484**

	Corporate Credit cards	**Direct loans**	**Syndicated loans**	**Other loans**	**L.E (000) Total**
Past due up to 30 days	-	-	-	-	-
Past due 30 - 60 days	217,886	-	-	-	**217,886**
Past due 60-90 days	188,336	-	-	-	**188,336**
Total	**406,222**	**-**	**-**	**-**	**406,222**
Fair value of collateral	**355,450**	**-**	**-**	**-**	**355,450**

At the initial recording of loans and facilities, the fair value of guarantees is assessed based on valuation methods commonly used for similar assets. In subsequent periods, fair value is updated to reflect the market prices or prices of similar assets.

31 December 2009 (Restated)

	Retail Over-drafts	Credit cards	Personal loans	Mortgage	L.E(000) Total
Past due up to 30 days	-	-	-	-	-
Past due 30 - 60 days	-	1,018	-	-	1,018
Past due 60-90 days	-	460	17,552	-	18,012
Total	-	1,478	17,552	-	19,030

31 December 2009 (Restated)

	Corporate Over-drafts	Direct loans	Syndicated loans	Other loans	L.E(000) Total
Past due up to 30 days	690	1,144	-	-	1,834
Past due 30 - 60 days	124	-	-	-	124
Past due 60-90 days	105,989	29,653	10,838	-	146,480
Total	106,803	30,797	10,838	-	148,438
Fair value of collateral	120,941	-	10,838	-	131,779

Loans and facilities individually subject to impairment

***Loans and facilities to customers**

Loans and facilities individually subject to impairment before taking into consideration cash flows from guarantees amounted to L.E 926,601 thousand (L.E 1,012,976 thousand as at 31 December 2009).

The breakdown of the total loans and facilities individually subject to impairment including fair value of collateral obtained by the Bank are as follows:

31 December 2010

	Retail				Corporate				L.E (000)
Valuation	**Over-drafts**	**Credit cards**	**Personal loans**	**Mortgage**	**Over-drafts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Individual loans subject to impairment	-	1,362	27,809	-	886,396	-	11,034	**-**	**926,601**
Fair value of collateral	-	-	-	-	-	**-**	**-**	**-**	**-**
	-	1,362	27,809	-	886,396	**-**	11,034	**-**	**926,601**

31 December 2009 (Restated)

	Retail				Corporate				L.E (000)
Valuation	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Individual loans subject to impairment	-	601	15,471	-	986,066	-	10,838	-	1,012,976
Fair value of collateral	-	-	-	-	27,197	-	2,500	-	29,697
	-	601	15,471	-	986,066	-	10,838	-	1,012,976

***Loans and facilities to banks**

Loans and facilities to banks not subject to impairment equal Zero (L.E 109,183,027 as at 31 December 2009).

Re-structured loans and facilities

Restructuring activities include renegotiating in terms of payments extension, restructure of mandatory management policies, and modifying and postpone repayment terms. Renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability. These policies are subject to regular review. Long-term loans, especially loans to customers are usually subject to renegotiation.

	31 December 2010	31 December 2009
	L.E (000)	L.E (000)
Loans and facilities to customers		
Corporate		
Syndicated loans	**11,034**	10,838
	11,034	10,838

A /7 Debt instruments and treasury bills and other governmental securities

The table below shows an analysis of debt instruments and treasury bills and other governmental securities according to the rating agencies for the year ended at 31 December 2010.

	Treasury bills and other governmental securities	**Trading securities**	**Investments securities**	**Financial Assets by Fair value**	**Total**
	L.E (000)	**L.E (000)**	**L.E (000)**	**L.E (000)**	**L.E (000)**
AAA	-	-	-	-	**-**
AA- to AA+	3,744,466	-	-	-	**3,744,466**
A- to A+	-	-	-	-	**-**
Less than A-	-	-	2,665,080	-	**2,665,080**
Total	**3,744,466**	**-**	**2,665,080**	**-**	**6,409,546**

B - Market risk

The bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

Bank treasury is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two separate teams. Regular reports are submitted to the Board of Directors and each business unit head.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate relating to retail transactions. Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

B /1 Market risk measurement techniques

As part of market risk management the Bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option been applied. The major measurement techniques used to measure and control market risk are outlined below:

Value at Risk

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by the Bank for trading and non- trading portfolios and monitored by the Risk Management department in the bank.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding year is 10 days before closing the opening position. It also assumes that market movements during the holding year will be the same as 10-days before. The Bank's assessment of past movements is based on data for the past five years. The Bank applies these historical changes in rates, prices and indicators directly to its current positions this approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR considered a primary part of the Bank's market risk control technique VAR limits are established by the Board annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed daily by the Risk Management department in the bank.

The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

Stress Testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances Stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the Bank treasury. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and Board of directors.

B /2 Foreign exchange volatility risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis. The following table summarizes the Bank exposure to foreign exchange volatility risk at the end of the financial year. The following table includes the carrying amounts of the financial instruments in their currencies:

					Equivalent in L.E (000)	
	L.E	**USD**	**Euro**	**GBP**	**Other**	**Total**
31 December 2010						
Cash and balances with Central bank	**1,132,042**	**33,085**	**8,341**	**1,586**	**1,020**	**1,176,074**
Due from banks	**384,787**	**827,934**	**359,674**	**30,293**	**27,165**	**1,629,853**
Treasury bills and governmental securities	**3,744,466**	**-**	**-**	**-**	**-**	**3,744,466**
Financial assets for trading	**6,204**	**-**	**-**	**-**	**-**	**6,204**
Loans and facilities to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and facilities to customers (Gross)	**6,047,873**	**1,941,758**	**107,985**	**98,952**	**-**	**8,196,568**
Financial derivatives						
Financial investments:						
Available for sale	**2,494,229**	**169,113**	**-**	**-**	**-**	**2,663,342**
Held to maturity	**61,696**	**-**	**-**	**-**	**-**	**61,696**
Total financial assets	**13,871,297**	**2,971,890**	**476,000**	**130,831**	**28,185**	**17,478,203**
Financial liabilities						
Due to banks	**378,212**	**925,163**	**3,139**	**98,584**	**-**	**1,405,098**
Customer deposits	**10,990,812**	**1,387,023**	**474,490**	**32,506**	**28,420**	**12,913,251**
Other loans	**582,365**	**-**	**-**	**-**	**-**	**582,365**
Total financial liabilities	**11,951,389**	**2,312,186**	**477,629**	**131,090**	**28,420**	**14,900,714**
Net financial position	**1,919,908**	**659,704**	**(1,629)**	**(259)**	**(235)**	**2,577,489**
31 December 2009						
Total financial assets	**13,338,004**	**1,947,958**	**259,067**	**1,396**	**1,598**	**15,548,023**
Total financial liabilities	**10,225,705**	**2,000,052**	**415,030**	**45,526**	**26,880**	**12,713,193**
Net financial position	**3,112,299**	**(52,094)**	**(155,963)**	**(44,130)**	**(25,282)**	**2,834,830**

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B /3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by the bank`s Risk department.

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

At the end of the current year

L.E (000)

	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Without return	Total
Financial Asset							
Cash and balances with Central bank	-	-	-	-	-	1,176,074	**1,176,074**
Due from banks	1,202,905	184,891	237,329	-	-	4,727	**1,629,852**
Treasury bills and other governmental securities	-	114,058	3,630,408	-	-	-	**3,744,466**
Financial assets held for trading	6,204	-	-	-	-	-	**6,204**
Loans and facilities to banks	-	-	-	-	-	-	-
Loans and facilities to customers gross (before deducting provision)	1,220,476	640,895	3,189,998	2,861,238	283,961	-	**8,196,568**
Financial investments:							
Available for sale	-	-	-	1,786,756	876,586	-	**2,663,342**
Held to maturity	-	-	-	44,946	16,750	-	**61,696**
Total financial assets	**2,429,585**	**939,844**	**7,057,735**	**4,692,940**	**1,177,297**	**1,180,801**	**17,478,202**
Financial liabilities							
Due to banks	403,655	801,076	200,367	-	-	-	**1,405,098**
Customer deposits	5,886,222	4,466,564	1,059,915	1,451,262	1,808	47,481	**12,913,252**
Other Loans	-	-	-	1,875	580,490	-	**582,365**
Total financial liabilities	**6,289,877**	**5,267,640**	**1,260,282**	**1,453,137**	**582,298**	**47,481**	**14,900,715**
Interest re-pricing gap	**(3,860,292)**	**(4,327,796)**	**5,797,453**	**3,239,803**	**594,999**	**1,133,320**	**2,577,487**
At the end of the comparative year							
Total financial assets	1,398,875	978,722	5,835,687	3,763,757	2,263,943	1,307,040	15,548,024
Total financial liabilities	4,834,525	5,272,047	1,059,299	1,470,507	14,173	62,642	12,713,193
Interest re-pricing gap	**(3,435,650)**	**(4,293,325)**	**4,776,388**	**2,293,250**	**2,249,770**	**1,244,398**	**2,834,831**

C- Liquidity risk

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may results in failure in fulfilling the Bank obligation to repay to the depositors and fulfilling lending commitments.

Liquidity risk management process

The Bank's liquidity management process carried out by the Bank liquidity management department includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due this includes availability of liquidity as they due or to be borrowed to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow
- Monitoring liquidity ratios in relation with internal requirements and central bank of Egypt requirements.
- Managing loans concentration and dues.

The main period for liquidity management is the next day, week and month. The Bank calculates the expected cash flow for those years for monitoring and reporting purposes.

The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Credit risk department monitor the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

Funding approach

Sources of liquidity are regularly reviewed by bank treasury to maintain a wide diversification by currency geography source products and terms.

Cash flows derived

The following table presents cash flows paid by the bank in a financial obligations derived distributed on the basis of the remainder of the contractual entitlements at the balance sheet date, and represent the amounts listed in the table contractual cash flows is undiscounted, while the Bank manages liquidity risk on the basis of undiscounted cash flows expected and not a contractual:

At the end of current year **L.E (000)**

	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Financial liabilities						
Due to banks	624,241	780,857	-	-	-	**1,405,098**
Customers' deposits	5,933,703	4,466,564	1,059,915	1,451,262	1,808	**12,913,252**
Other loans	-	-	-	582,365	-	**582,365**
Total of financial liabilities according to contractual maturity date	**6,557,944**	**5,247,421**	**1,059,915**	**2,033,627**	**1,808**	**14,900,715**
Total of financial assets according to contractual maturity date	**3,769,097**	**1,123,076**	**6,826,492**	**5,035,228**	**724,309**	**17,478,202**

At the end of comparative year **L.E (000)**

	Up to 1 month	Over than 1 month to 3	Over than 3 months to 1	Over than 1 year to 5	More than 5 years	Total

		months	year	years		
Financial liabilities						
Due to banks	308,158	10,000	-	-	-	**318,158**
Customers' deposits	4,437,568	5,262,047	1,059,299	1,467,382	14,173	**12,240,469**
Other loans	-	-	-	3,125	151,441	**154,566**
Total of financial liabilities according to contractual maturity date	**4,745,726**	**5,272,047**	**1,059,299**	**1,470,507**	**165,614**	**12,713,193**
Total of financial assets according to contractual maturity date	**2,781,120**	**971,313**	**5,761,140**	**3,763,757**	**2,270,693**	**15,548,023**

Derivatives are settled in Gross amounts

Include the bank's derivatives which settled in gross amounts are as the following:

* Foreign exchange derivatives: currency forward contracts, and currency spot contracts.
* Derivatives at the rate of return: return swaps and currencies together.

The following table shows derivative financial obligations that will be settled in gross, distributed on the basis of the remainder of the contractual entitlements at the date of the balance sheet, the amounts listed in the table represent the undiscounted cash flows:

31 December 2010					L.E	
Financial liabilities	**Up to 1 month**	**Over than 1 month to 3 months**	**Over than 3 months to 1 year**	**Over than 1 year to 5 years**	**More than 5 years**	**Total**
Foreign exchange derivatives: Outflows	-	-	-	-	-	-
Total outflows	-	-	-	-	-	-

31 December 2009 (Restated)					L.E	
Financial liabilities	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Foreign exchange derivatives: Outflows	3,948,116	-	-	-	-	3,948,116
Total outflows available	3,948,116	-	-	-	-	3,948,116

Off balance sheet items

According to the following table as referred to in note (34):

31 December 2010

	Up to 1 year	**Over 1 year and less than 5 years**	**More than 5 years**	**Total**
Financial guarantees, and acceptable bills and other financial facilities	2,415,824,079	-	-	**2,415,824,079**
Operating Lease commitments	8,396,495	30,213,526	7,373,463	**45,983,484**
Capital commitments arising from the acquisition of fixed assets	81,667,287	201,508,515	-	**283,175,802**
Total	**2,505,887,861**	**231,722,041**	**7,373,463**	**2,744,983,365**

31 December 2009 (Restated)

	Up to 1 year	**Over 1 year and less than 5 years**	**More than 5 years**	**Total**
Financial guarantees, and acceptable bills and other financial facilities	1,757,957,415	-	-	**1,757,957,415**
Operating Lease commitments	6,103,601	22,316,199	11,335,208	**39,755,008**
Capital commitments arising from the acquisition of fixed assets	31,494,228	131,249,158	-	**162,743,386**
Total	**1,795,555,244**	**153,565,357**	**11,335,208**	**1,960,455,809**

D- Fair value of financial assets and liabilities

D/1 Financial instruments measured at fair value using a valuation method.

The bank does not have **f**inancial instruments measured at fair value using a valuation method.

D/2 Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value	Carrying value	**Fair value**	Fair value
	L.E	L.E	**L.E**	L.E
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
Financial assets				
Due from banks	**1,629,853**	747,708	**1,629,853**	747,708
Loans and facilities to banks	**-**	109,183	**-**	-
Loans and facilities to customers				
Retail	**678,588**	735,879	**-**	-
Corporate	**7,517,980**	5,470,924	**-**	-
Financial investments				
Equity instruments available for sale	**43,207**	41,809	**43,207**	41,809
Held to maturity	**61,696**	51,970	**65,008**	54,882
Financial liabilities				
Due to banks	**1,405,098**	218,158	**1,405,098**	218,158
Customer deposits				
Retail	**5,226,880**	4,185,637	**5,226,880**	4,185,637
Corporate	**7,686,372**	8,054,832	**7,686,372**	8,054,832
*Other loans	**582,365**	154,566	**-**	-

*The bank did not calculate the fair value of these items.

Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value. The expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of similar asset of similar credit risk and due dates.

Loans and facilities to banks

Loans and facilities to banks are loans other than due form banks. Fair value expected for loans and facilities represent the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

Loans and facilities to customers

Loans and facilities are net of provisions for impairment losses. Fair value expected for loans and facilities represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

Financial Investments

Financial investments shown in the above schedule includes only held to maturity assets investments; as available for sale investments are measured at fair value except for equity instruments that its market value can't be reliably determined. Fair value of held-to-maturity investments is based on market prices or broker/ prices. Fair value is estimated using quoted market prices for financial paper with similar credit maturity and yield characteristics where information is not available

Due to banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call.

The estimated fair value of fixed interest-bearing deposits and other loans not traded in an active market is based on discounted cash flows using interest rates for new debts of similar maturity dates.

Debt instruments issued

The fair value is calculated based on market prices of current financial markets. For securities that do not have active markets, the cash flows discounted at the current rate is used for the first time that is appropriate for the remaining period until the maturity date.

E- Capital management

The Bank's objectives behind managing capital include elements other than equity shown in the balance sheet are represented in the following:

- Compliance with capital legal requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base to enhance growth.

Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority's requirements (CBE) by the Bank's management through models based basel committee for banking control instructions, these data are submitted to CBE on quarterly basis.

CBE requires the following from the Bank:

- Maintaining L.E 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

The numerator in capital adequacy comprises the following two tiers:

- **Tier 1**: It is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks) retained earnings and reserves resulting from profit appropriations except the general reserve for banking risks less any goodwill previously recognized and any carried forward losses.
- **Tier 2**: It is the subordinate capital comprising of the equivalent of the general reserve according to CBE credit rating bases issued by CBE not exceeding 1.25% of total assets and contingent liabilities applying the risk weights subordinate loans/deposits of maturing over more than 5 years (20% amortization of its value each year of the last five years of their maturity term) and 45 % of the increase between the fair value and carrying amount for the available for sale investments held to maturity investments and investments in subsidiaries.

On calculating the total numerator of capital adequacy it is to be considered that tier 2 should not be greater than tier 1 and subordinate loans (deposits) should not be greater than half of basic capital.

Assets are weighted by risk in a range from zero to 100 %. Classification is made according to the debit party for each asset to reflect the related credit risk taking into consideration cash guarantees. Same treatment is used for the off-balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.

The Bank complied with all internal requirements during the last two years. The schedule below shows the calculation of capital adequacy ratio for the two years:

	31 December 2010 **L.E**	31 December 2009 (Restated) L.E
Capital		
Tier 1 (basic capital)		
Share capital (net of the treasury stocks)	**1,000,000**	1,000,000
General reserve	**56,772**	6,772
Legal reserve	**55,263**	34,865
Other reserves	**19,102**	94,860
Retained earnings	**218,366**	248,029
Total basic capital	**1,349,503**	1,384,526
Tier 2 (subordinated capital)		
Equivalent to general risk provision Loans/subordinated deposits	112,265	96,812
45% of the increase in fair value than the book value for investments	580,490	151,441
Available for sale , held to maturity , associates and subsidiaries	-	637
Total subordinated capital	**692,755**	248,890
Total capital	**2,042,258**	1,633,416
Assets and contingent liabilities risk weighted		
Assets	**7,888,458**	6,910,858
Contingent liabilities	**1,092,764**	834,095
Total risk weighted assets and contingent liabilities	**8,981,222**	7,744,953
Capital adequacy ratio (%)	**22.74 %**	21.09 %

4. Significant accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

A - Impairment losses for loans and facilities

The Bank reviews the portfolio of loans and facilities at least quarterly. The Bank uses professional judgment in determining whether it is necessary to recognize impairment loss in the income statement, to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. These evidence include data indicating negative changes in borrowers' portfolio ability to repay to the Bank, or local or economic circumstances related to default. On rescheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question.

The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on experience.

B - Impairment of available for sale equity investments

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

Had all the declines in fair value below cost been considered significant or prolonged, the Bank would suffer an additional LE 6,884,026 loss, being the transfer of the total fair value reserve to the income statement.

C - Fair value of derivatives

For the unquoted financial instruments, the fair value is determined using valuation techniques which are tested and reviewed periodically by high qualified staff who are independent of those who created the models.

The models used are validated prior put into use to ensure that its results reflect actual data and prices that can be compared to market. To extent practicable, inputs to pricing models are generally market-based when available and taken from reliable external data sources; while areas like bank credit risk, counter parties, volatility and correlations require management to make judgments and estimations. Change in the assumptions related to these factors may affect the financial instruments fair values which have been disclosed.

D - Held-to-maturity investments

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

If the entire held-to-maturity investments are tainted, the carrying value would increase by L.E 3,331,897 to reach the fair value, with a corresponding entry in the fair value reserve in equity.

E - Income tax

The income tax of the year on the profit or loss includes current tax and deferred tax and is recognized in the income statement except for income tax relating to items of owners equity which are recognized directly in equity.

The income taxes recognized on the basis of net taxable profit using the tax rates enacted at the date of the Balance Sheet in addition to the tax adjustments related to previous years, and commitments in accordance with the principles of accounting and its value according to the tax regulations, The value of deferred tax is recognized based on the expected manner of realization or settlement of the values of the asset values and liabilities, using tax rates enacted at the date of the balance sheet.

The deferred tax assets of the Bank are recognized when that it is probable that taxable profit will be available against which the deferred tax asset can be utilized, The value of deferred tax assets is reduced by the portion that will result in expected tax benefit during the following years, however in the case of the increase of expected tax benefit, the deferred tax assets will increase to the extent previously reduced

5. Net interest income

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Interest from loans and similar revenues:		
Loans and facilities :		
Banks	-	1,614,235
Customers	**604,463,498**	593,783,538
	604,463,498	595,397,773
Treasury bills	**267,347,829**	315,801,434
Deposits and current accounts	**43,284,062**	60,955,151
Investments in debt instruments held to maturity and available for sale	**259,343,923**	175,331,243
Total	**1,174,439,312**	1,147,485,601
Costs of Deposits and similar costs:		
Deposits and current accounts:		
Banks	**611,174,056**	638,780,521
Customers	**24,130,667**	5,344,268
	635,304,723	644,124,789
Other Loans	**16,021,441**	3,252,538
Total	**651,326,164**	647,377,327
Net	**523,113,148**	500,108,274

6. Net fees and commission income

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Fees and commission income:		
Fees and commissions related to credit	**139,199,782**	130,871,124
Custody fees	**1,275,765**	3,464,658
Other fees	**34,280,326**	25,298,136
	174,755,873	159,633,918
Fees and commission expenses:		
Other fees paid	**(1,560,697)**	(1,638,073)
Net	**173,195,176**	157,995,845

7. Dividends income

	31 December 2010 L.E	31 December 2009 Restated L.E
Trading investments	**942,740**	-
Available for sale investments	**1,334,513**	1,799,184
Subsidiaries and associates	**522,392**	418,900
	2,799,645	2,218,084

8. Net trading income

	31 December 2010 L.E	31 December 2009 Restated L.E
Foreign exchange operations:		
Forex profit	**22,361,552**	27,645,011
Equity instruments held for trading	**(1,168,936)**	590,242
	21,192,616	28,235,253

9. Gains from financial investments

	31 December 2010 L.E	31 December 2009 Restated L.E
Gains from treasury bills	**9,005,329**	3,597,205
Gains from available for sale investments	**20,784,381**	15,942,105
Gains from investments in subsidiary and joint venture	-	3,900,000
	29,789,710	23,439,310

10. Administrative expenses

	31 December 2010 L.E	31 December 2009 Restated L.E
Staff costs		
Wages and salaries	**118,933,173**	99,010,556
Social insurance	**5,690,266**	4,878,780
Pension and other benefits cost		
Defined contribution plan	**10,892,626**	8,917,604
	135,516,065	112,806,940
Other administrative expense	**85,460,550**	75,033,713
	220,976,615	187,840,653

11. Other operating income (expenses)

	31 December 2010 L.E	31 December 2009 Restated L.E
Gain from assets transferred to bank	**10,998,485**	8,766,384
Assets transferred to bank expenses	**(570,027)**	(530,319)
Gain from sale of fixed assets	**8,479,190**	480,811
Operating and financial lease expenses	**(28,043,596)**	(18,421,456)
Reversal of provisions no longer required	**25,314,635**	-
	16,178,687	(9,704,580)

12. Income tax expenses

	31 December 2010 L.E	31 December 2009 Restated L.E
Current taxes	**90,039,254**	71,309,456
Deferred tax	**(1,255,635)**	1,028,418
	88,783,619	72,337,874

(Note 29) shows additional information about deferred income tax، the taxes on bank profits differ when current applicable tax rates used as follows:

	31 December 2010 L.E	31 December 2009 L.E
Accounting profit before tax	**535,771,607**	477,686,454
Tax rate	**20%**	20%
Income tax calculated on accounting profit	**107,154,321**	95,537,291
Add (Deduct)		
Donations	**112,400**	50,000
Non deductible debit interest	**3,204,288**	650,507
Gains from dealing in securities	**(1,931,116)**	(2,906,164)
Tax exemptions	**(14,507,260)**	(24,748,744)
Provisions	**3,409,986**	6,091,471
Interest in suspense	**(225,404)**	175,206
Depreciations	**(1,776,333)**	(1,135,268)
Taxable provisions and reserves	**(5,062,927)**	-
Other deductions	-	(2,404,843)
Prior year's tax adjustments	**(338,701)**	-
Income tax according to the tax return	**90,039,254**	71,309,456
Effective tax rate	**16,81%**	14,93%

13. Cash and balances with the Central Bank of Egypt (CBE)

	31 December 2010 L.E	3 1 December 2009 Restated L.E
Cash	**156,054,066**	179,443,386
Due from central bank (within the required reserve percentage)	**1,020,019,876**	1,068,811,323
	1,176,073,942	1,248,254,709
Interest free balances	**1,176,073,942**	1,248,254,709

14. Due from banks

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Current accounts	62,629,716	79,869,894
Deposits	1,006,254,060	412,870,648
	1,068,883,776	492,740,542
Due from central bank (other than the required reserve percentage)	560,969,042	254,967,373
	1,629,852,818	747,707,915
Interest free balances	67,356,466	131,904,894
Variable interest rate balances	1,562,496,352	615,803,021
	1,629,852,818	747,707,915
Current balances	1,625,126,068	695,672,915
Noncurrent balances	4,726,750	52,035,000
	1,629,852,818	747,707,915

15. Treasury bills

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Treasury bills	3,744,466,485	3,100,163,700
	3,744,466,485	3,100,163,700

Treasury bills represent the following:

	31 December 2010	31 December 2009 Restated
	L.E	L.E
91 days maturity	114,825,000	240,000,000
182 days maturity	886,500,000	1,351,150,000
273 days maturity	816,700,000	590,175,000
364 days maturity	2,169,225,000	1,051,250,000
	3,987,250,000	3,232,575,000
Unearned interest	(242,783,515)	(132,411,300)
Total	3,744,466,485	3,100,163,700

16. Trading investments

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Funds certificates	6,203,554	803,756
	6,203,554	803,756

17. Loans and facilities to banks

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Loans - Current	-	109,183,027
	-	109,183,027

18. Customers Loans and facilities

	31 December 2010 L.E	31 December 2009 L.E
Retail:		
Credit cards	**16,176**	15,482
Personal loans	**643,194**	714,030
Mortgage loans	**19,218**	22,439
Total (1)	**678,588**	751,951
Corporate loans including small loans:		
Overdrafts	**2,061,929**	1,480,854
Direct loans	**4,064,731**	4,086,218
Syndicated loans	**1,391,320**	1,144,258
Total (2)	**7,517,980**	6,711,330
Total loans and advance to customers (1+2)	**8,196,568**	7,463,281
Less		
provision for impairment losses	**(914,608)**	(1,015,034)
Interest in suspense	**(21,597)**	(22,724)
Interest received in advance under settlements	**(97,374)**	(218,720)
Net	**7,162,989**	6,206,803

Provision for impairment losses:
The Provision for impairment losses analysis for loans and facilities to customers' as follows:

	31 December 2010 L.E	31 December 2009 Restated L.E
Balance at 31 December 2009	**1,015,034,581**	1,019,829,241
Impairment losses	**9,370,760**	6,931,037
Proceeds from loans previously written off	**1,060,185**	10,000
Foreign currency translation differences	**792,252**	(50,657)
Transferred to contingent liability provisions	**(15,776,168)**	-
	1,010,481,610	1,026,719,621
Used during the year	**(95,873,905)**	(11,685,040)
Balance at 31 December 2010	**914,607,705**	1,015,034,581

19. Derivatives financial instruments

Derivatives

The bank uses the following derivatives for hedging and non-hedging purposes:

- The forward currency contracts represent commitments to buy foreign and local currencies, including unexecuted spot transactions. Foreign currency and /or interest rates future contracts are contractual obligations to receive or pay net amount based on the change in foreign exchange or interest rates, and/or buy or sell foreign currency or financial instrument in a future date at a contractual determined price in an active financial market.

  The Bank's credit risk is considered minimal, forward interest rate contracts represent future interest rate contracts negotiated on case by case, these contracts require settlements in a future date of the difference between agreed interest rates and prevailing market interest rate based on agreed contractual amount (nominal value).

- Currency and/or interest rate swaps represent commitments to exchange cash flows. As a result of these contracts, currencies or interest rates (e.g.; fixed rate verses variable rate) or both (interest rate and currency swaps) are exchanged. Contractual amounts are not actually exchanged except for some currency swaps.

  Credit risks are represented in the contingent cost to change swap contracts in case the counter parties failed to perform their commitments. This risk is continuously monitored through comparisons of fair value and contractual amount, and to monitor the existing credit risk, the Bank evaluates counter parties using the same methods used in lending activities.

- Foreign currency options and/or interest rates options represent contractual agreements whereby the seller (issuer) gives the buyer (holders) a right not an obligations , to buy(call option) or to sell (put option) on a certain day or within a certain period , a certain amount of foreign currency or financial instrument at a predetermined price . The seller receives commissions in compensation for his acceptance of the foreign currency risk of interest rate risk. Options contracts are either traded in the market or negotiated between the bank and one of its clients. The bank is exposed to credit risk for purchased options contracts only and to extent of its carrying values which represent its fair value.

- The contractual value of some financial instruments are considered a base to compare with the recognized financial instruments on the balance sheet, however it does not necessarily provide an indicator for future cash flow or the fair value of the instruments, thus, those amounts doesn't reflect the credit risk or interest rate risk.

  Derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) as a result of changes in foreign exchange rates or interest rates related to these derivatives. Contractual /estimated amounts of financial derivatives can fluctuate from time to time, as well as, the range through which derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) and the total fair value of the financial assets and liabilities from derivative.

20. Financial investments

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Available for sale		
Debt Instruments – Fair Value:		
Quoted	**2,620,134,741**	2,784,996,667
Equity Instruments – Fair Value:		
Quoted	**-**	1,404,170
Unquoted	**43,207,472**	41,809,072
Total available for sale investments (1)	**2,663,342,213**	2,828,209,909
Held to maturity		
Debt instruments – Amortized Cost:		
Quoted	**44,945,546**	45,220,126
Unquoted:		
- Al Watany Bank of Egypt Fund	**6,750,000**	6,750,000
- Ishraq Fund	**5,000,000**	-
- Al Haya Fund	**5,000,000**	-
Total held to maturity investments (2)	**61,695,546**	51,970,126
Total financial investments (1+2)	**2,725,037,759**	2,880,180,035
Current Balances	**2,455,472,039**	2,830,222,563
Non-Current Balances	**209,608,248**	1,398,400
	2,665,080,287	2,831,620,963
Fixed inertest debt instruments	**2,455,472,039**	2,584,015,500
Variable interest debt instruments	**209,608,248**	246,201,293
	2,665,080,287	2,830,216,793

	Available for sale L.E	Held to maturity L.E	Total L.E
Balance as of 31 December 2009	**2,828,209,909**	**51,970,126**	**2,880,180,035**
Additions	**1,630,541,471**	**10,000,000**	**1,640,541,471**
Disposals (Sale / Redemption)	**(1,823,394,592)**	**-**	**(1,823,394,592)**
Monetary assets revaluation differences	**1,063,935**	**-**	**1,063,935**
Gain from change in FMV (Note 30)	**34,633,115**	**-**	**34,633,115**
Amortized cost during the year	**(7,711,625)**	**(274,580)**	**(7,986,205)**
Balance as of 31 December 2010	**2,663,342,213**	**61,695,546**	**2,725,037,759**
Balance as of 31 December 2008	972,680,584	307,362,477	1,280,043,061
Additions	2,279,659,025	-	2,279,659,025
Disposals (Sale / Redemption)	(421,071,739)	(255,007,741)	(676,079,480)
Gain from change in FMV	3,990,857	-	3,990,857
Amortized cost during the year	(7,048,818)	(384,610)	(7,433,428)
Balance as of 31 December 2009	2,828,209,909	51,970,126	2,880,180,035

21. Investments in subsidiaries and Associates

	31 December 2010		31 December 2009	
	amount	**Percentage**	amount	Percentage
	L.E	**%**	L.E	**%**
(A) Subsidiaries Companies				
Al Yasmain for touristic projects – under liquidation	**10**	**71.84**	10	71.84
Al Yasmain for hotels	**19,740,000**	**99.79**	19,740,000	99.79
Al Watany for hotels	**15,995,000**	**99.97**	15,995,000	99.97
(B) Associates Companies				
International company for postal services	**500,000**	**20.00**	500,000	20.00
Al Watany capital assets management	**4,999,980**	**49.99**	4,999,980	49.99
	41,234,990		41,234,990	

All investments in subsidiaries and associates are unquoted.

22. Other assets

	31 December 2010	31 December 2009
		Restated
	L.E	L.E
Accrued revenues	**118,371,976**	101,579,961
Prepaid expenses	**7,362,992**	5,926,284
Advances to purchase fixed assets	**93,305,162**	77,368,743
Assets transferred to bank (after deducting the impairment)	**74,983,207**	70,443,099
Insurance and impressments	**1,357,232**	1,250,696
Insurance collective policy	**31,135,172**	32,472,417
Stamp taxes duty	**3,730,961**	3,775,416
Speed Service company	**5,867,550**	4,271,160
Prepaid interest expense	**1,611,997**	2,580,376
Other	**42,424,450**	20,155,817
	380,150,699	319,823,969

23. Fixed Assets

	Land	Buildings	Core Systems	Vehicles	Fitting – out	Machines and Equipments	Furniture	Others	**Total**
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	**L.E**
Balance as of 1 January 2009									
Cost	18,867,388	101,057,153	25,442,845	5,915,908	5,588,703	4,427,457	10,232,226	8,385,373	**179,917,053**
Accumulated depreciation	-	(14,437,855)	(15,285,786)	(3,144,491)	-	(1,886,048)	(5,770,658)	(5,002,117)	**(45,526,955)**
Net book value as at 1 January 2009	**18,867,388**	**86,619,298**	**10,157,059**	**2,771,417**	**5,588,703**	**2,541,409**	**4,461,568**	**3,383,256**	**134,390,098**
Additions	4,771,003	21,762,040	6,831,721	33,800	1, 859,514	1,432,079	1,102,528	780,664	**38,573,349**
Disposals	-	-	(7,073)	-	(2,409,744)	(219)	(28,455)	(12,173)	**(2,457,664)**
Depreciation for the year	-	(2,343,262)	(3,589,731)	(811,494)	-	(547,709)	(647,948)	(684,989)	**(8,625,133)**
Transferred between assets	-	-	-	-	312,892	(905)	26,301	(338,288)	**-**
Restated net book value as at 31 December 2009	**23,638,391**	**106,038,076**	13,391,976	**1,993,723**	**5,351,365**	**3,424,655**	**4,913,994**	**3,128,470**	**161,880,650**
Balance as of 1 January 2010									
Cost	23,638,391	122,819,193	32,105,535	5,089,400	5,351,365	5,856,982	11,148,494	8,756,031	**214,765,391**
Accumulated depreciation	-	(16,781,117)	(18,713,559)	(3,095,677)	-	(2,432,327)	(6,234,500)	(5,627,561)	**(52,884,741)**
Net book value as at 1 January 2010	**23,638,391**	**106,038,076**	**13,391,976**	**1,993,723**	**5,351,365**	**3,424,655**	**4,913,994**	**3,128,470**	**161,880,650**
Additions	**-**	**18,242,674**	**8,734,828**	**410,000**	**17,611,547**	**1,981,595**	**2,465,095**	**2,099,960**	**51,545,699**
Transferred between assets	**-**	**-**	**-**	**-**	**(6,292)**	**(22,092)**	**6,292**	**22,092**	**-**
Disposals	**(710,100)**	**(12,817,540)**	**(5,530)**	**(27,916)**	**-**	**(19,140)**	**(11,124)**	**(17,188)**	**(13,608,538)**
Depreciation for the year	**-**	**(2,295,422)**	**(4,922,959)**	**(737,450)**	**(3,315,773)**	**(699,944)**	**(836,034)**	**(791,266)**	**(13,598,848)**
Net book value as at 31 December 2010	**22,928,291**	**109,167,788**	**17,198,315**	**1,638,357**	**19,640,847**	**4,665,074**	**6,538,223**	**4,442,068**	**186,218,963**
Balance as of 31 December 2010									
Cost	**22,928,291**	**128,004,967**	**38,647,031**	**5,164,400**	**19,640,847**	**7,710,624**	**12,856,854**	**10,323,526**	**245,276,540**
Accumulated depreciation	**-**	**(18,837,179)**	**(21,448,716)**	**(3,526,043)**	**-**	**(3,045,550)**	**(6,318,631)**	**(5,881,458)**	**(59,057,577)**
Net book value as at 31 December 2010	**22,928,291**	**109,167,788**	**17,198,315**	**1,638,357**	**19,640,847**	**4,665,074**	**6,538,223**	**4,442,068**	**186,218,963**

24. Due to banks

	31 December 2010	31 December 2009 Restated
	L.E	L.E
(A) Local Banks		
Current accounts	**9,240**	381,894
Deposits	**350,000,000**	60,000,000
	350,009,240	60,381,894
(B) Foreign Banks		
Local banks	**23,487,269**	46,587,926
Foreign banks	**1,031,601,927**	211,187,900
	1,055,089,196	257,775,826
	1,405,098,436	318,157,720
Interest free balances	**23,496,509**	46,969,820
Variable interest balances	**1,381,601,927**	271,187,900
	1,405,098,436	318,157,720
Current balances	**1,405,098,436**	318,157,720
	1,405,098,436	318,157,720

25. Customers' deposits

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Demand deposits	**1,570,569,903**	1,342,608,133
Time and call deposits	**7,230,879,370**	6,161,934,926
Certificates of deposits	**1,802,238,000**	2,094,935,000
Saving deposits	**1,801,856,908**	1,894,741,727
Other deposits	**507,707,230**	746,249,446
	12,913,251,411	12,240,469,232
Financial Institutions deposits	**7,686,371,590**	8,054,831,840
Individual and Corporate deposits	**5,226,879,821**	4,185,637,392
	12,913,251,411	12,240,469,232
Interest free balances	**47,460,086**	62,641,957
Variable interest balances	**12,865,791,325**	12,177,827,275
	12,913,251,411	12,240,469,232
Current balances	**11,460,182,202**	10,758,913,960
Non-current balances	**1,453,069,209**	1,481,555,272
	12,913,251,411	12,240,469,232

Customer deposits include deposits of L.E 460,247,144 as at 31 December 2010 against L.E 488,607,683 as at 31December 2009 which represent collateral for irrecoverable export letter of credit. There is no major difference between its carrying value and fair value.

26. Other Loans

	Interest Rates	31 December 2010	31December 2009 Restated
	%	L.E	L.E
Agricultural sector development program loan	**5.5**	**1,875,000**	3,125,000
Subordinated loan	**3.7**	**580,490,000**	151,441,219
Total		**582,365,000**	154,566,219

27. Other liabilities

	31 December 2010	31December 2009 Restated
	L.E	L.E
Accrued interest	**87,792,541**	83,617,502
Unearned revenue	**8,263,090**	8,559,873
Accrued expenses	**10,379,029**	9,921,229
Creditors	**124,823,872**	99,081,232
Other credit balances	**4,923,428**	10,822,720
Total	**236,181,960**	212,002,556

28. Other Provisions

	31 December 2010	31December 2009 Restated
	L.E	L.E
Balance at the beginning of the year	**106,589,983**	77,520,831
Foreign currency valuation difference	**357,096**	19,890
Charged to the income statement	**150,000**	29,834,042
Used during the year	**(525,021)**	(784,780)
Transferred to Loan provision	**15,776,168**	-
Surplus in provisions	**(25,314,635)**	-
Balance at the end of the year	**97,033,591**	106,589,983

29. Deferred tax

Deferred income taxes calculated entirely on the temporary differences in accordance with liabilities method using the enacted tax rate of 20% for the current financial year.
Deferred tax assets and liabilities can be offset where legally enforceable right to offset current tax assets against current tax liabilities, and deferred tax assets and liabilities are in the same tax jurisdiction.

Deferred tax assets and liabilities
The movement of deferred tax assets and liabilities is as follows:

Deferred tax assets and liabilities balances

	Deferred tax assets		Deferred tax liabilities	
	31 December 2010 L.E	31 December 2009 L.E	**31December 2010 L.E**	31 December 2009 L.E
Fixed assets	**-**	-	**(6,955,805)**	(5,059,792)
Provisions (other than loans provision)	**18,505,115**	15,353,467	**-**	-
Available for sale investments revaluation differences	**-**	-	**218,000**	(81,642)
Total tax assets (liabilities)	**18,505,115**	15,353,467	**(6,737,805)**	(5,141,434)
Net tax assets (liabilities)	**11,767,310**	10,212,033	**-**	-

Deferred tax assets and liabilities balances recognized in income statement

	Deferred tax assets		Deferred tax liabilities	
	31 December 2010 L.E	31 December 2009 L.E	**31 December 2010 L.E**	31 December 2009 L.E
Balance at the beginning of the year	**15,353,467**	15,246,617	**(5,059,792)**	(3,924,524)
Additions	**3,151,648**	106,850	**(1,896,013)**	(1,135,268)
Balance at the end of the year	**18,505,115**	15,353,468	**(6,955,805)**	(5,059,792)

Deferred tax assets and liabilities balances recognized in statement of owners' equity

	Deferred tax assets		Deferred tax liabilities	
	31 December 2010 L.E	31 December 2009 L.E	**31 December 2010 L.E**	31 December 2009 L.E
Balance at the beginning of the year	**-**	-	**(81,642)**	-
Additions	**299,642**	-	**-**	(81,642)
Balance at the end of the year	**299,642**	**-**	**(81,642)**	(81,642)

30. Owners Equity

(a) Authorized Capital

The authorized capital amounts to one billion Egyptian pounds.

(b) Issued and Paid up Capital

The issued and paid capital is one billion Egyptian pound divided on 100 million shares the par value per share is L.E.10

(c) Reserves

- According to the Bank's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 100% of the issued capital..
- According to Central Bank instructions, the bank cannot use the balance of the special reserve without the approval of the Central Bank.

- According to the regulations of the CBE on 16 December 2008 and the treatment of the financial investments for the comparative years, accordingly the retained earning balance and the fair value reserve for the available for sale investments were modified.

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Legal reserve	**55,262,586**	34,864,533
General reserve	**56,772,756**	6,772,756
Specific reserve	**9,205,483**	9,205,483
Capital reserve	**16,780,127**	16,299,316
Difference Between Nominal amount and Fair Value of Subordinated Loan reserve	**-**	67,974,781
General banking risk reserve	**4,000,000**	1,380,870
Fair value reserve – available for sale investments	**(6,884,026)**	(19,110,368)
Total Reserves	**135,136,926**	117,387,371

*** Fair value reserve – available for sale investments**

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Balance at the beginning of the year	**(19,110,368)**	(11,981,561)
Net gain (loss) of changes in the fair value	**34,633,115**	2,932,263
Foreign currencies exchange differences	**23,776**	-
Reversal of the available for sale financial investments fair value reserve transferred to the income statement due to sale	**(22,730,191)**	(9,979,428)
Deferred taxes	**299,642**	(81,642)
Balance at the end of the year	**(6,884,026)**	(19,110,368)

(d) Retained Earnings

Retained Earnings movement

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Balance at the beginning of the year	**653,377,644**	203,986,530
Transferred from profits of the year	**446,987,988**	405,348,580
Dividends	**(364,326,300)**	-
Transferred to reserves and retained earnings	**(70,878,864)**	42,211,774
Reversal of differences between nominal amount and fair value of subordinated loan	**2,813,130**	3,211,774
Transferred to general banking risk reserve	**(4,000,000)**	(1,380,870)
Used from general banking risk reserve	**1,380,870**	-
Balance at the end of the year	**665,354,468**	653,377,644

31. Earnings per share

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Net profit for the year	**446,987,988**	405,348,580
Board of directors remuneration	**(570,000)**	(570,000)
Employees' profit share	**(37,449,065)**	(33,756,300)
Shareholders' profit share	**408,968,923**	371,022,280
Common shares weighted average outstanding	**100,000,000**	100,000,000
Earnings per share/ L.E	**4.09**	3.71

32. Cash and cash equivalents

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balances of maturity dates within less than three months from the date of acquisition:

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Cash and due from Central Bank of Egypt (note 13)	**1,176,073,942**	1,248,254,709
Due from banks (note 14)	**1,613,837,278**	695,672,915
Treasury bills and other governmental securities (note 15)	**114,825,000**	240,000,000
	2,904,736,220	2,183,927,624

33. Related party transactions

The Bank is a subsidiary of parent National bank of Kuwait, which owns 93.94% of ordinary shares. The remaining percentage (5.07%) is owned by other shareholders.

Number of banking transactions with related parties has been conducted in the normal course of the business including loans deposits and foreign currency swaps. There is no related party transaction with the parent company other than the payment of dividends on ordinary shares.

Related parties transactions and balances at the end of the financial year are as follows:

A- Deposits from related parties

	Subsidiaries and Associates Companies	
	31 December 2010	31 December 2009 Restated
	L.E	L.E
Due to customers		
Deposits at the beginning of the year	**1,760,000**	1,510,000
Deposits received during the year	**3,544,477**	250,000
Deposits redeemed during the year	**(4,260,076)**	-
Deposits at the end of the year	**1,044,401**	1,760,000

B- Subordinated loan from National Bank of Kuwait

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Nominal amount	**580,490,000**	219,416,000
Less:		
Deposits redeemed during the financial year	**-**	(67,974,781)
Present value	**580,490,000**	151,441,,219

- The Bank obtained a subordinated loan amounting to U.S. Dollars 40 million , equivalent to L.E 232,196,000 using exchange rate as of 31 December 2010 5.8049 L.E per USD from National Bank of Kuwait, for a period of 10 years starting from 15 June 2009 until 15 June 2019 without interest, the loan agreement include the acceptance and commitment of National Bank of Kuwait to receive a subordinated priority following the depositors and creditors in case of liquidation, and the loan is at the disposal of Al Watany Bank of Egypt who is committed to pay the full amount of the loan at maturity date .The loan agreement has been amended in 15 June 2010 modifying interest rate to be 3.7% and as a result of that the difference between the nominal amount and present value has been settled and the interest expense was calculated starting from the date of amendment.
- The Bank obtained a subordinated loan amounting to U.S. Dollars 60 million , equivalent to L.E 348,294 K using exchange rate as of 31 December 2010 5.8049 L.E per USD from National Bank of Kuwait, for a period of 10 years starting from 11May 2010 until 11 May 2020 , the loan agreement include the acceptance and commitment of National Bank of Kuwait to receive a subordinated priority following the depositors and creditors in case of liquidation, and the loan is at the disposal of Al Watany Bank of Egypt who is committed to pay the full amount of the loan at maturity date with interest rate 3.7% .

C- Transactions with Al Watany Capital Assets Managements Company

Transactions with Al Watany Capital Assets Managements Company as follows:

	31 December 2010
	L.E
Mutual funds managements fess	**649,585**
Supporting services revenue	**100,000**
Interest expenses	**809,512**
Payments under increasing of paid up capital	**15,000,000**

34. Commitment and contingent liabilities

A- Legal claims
There are lawsuits filed against the Bank as at 31 December 2010 , provisions were charged for some of these lawsuits ,while no provisions were charged for the others since it is not expected that these lawsuits will result in loss.

B- Capital Commitment
The Bank's total capital commitments related to building and core systems purchase amounted to L.E 283,175,802 as at 31 December 2010, compared to L.E 162,742,686 as at 31 December 2009. The management is confident that net revenues will be generated and provides the sufficient finance to pay these commitments.

C- Commitments for loans, guarantees and facilities

Bank Commitments for loans guarantees and facilities are represented as follows:

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Acceptances	**326,209,931**	233,443,281
Letters of guarantee	**1,417,769,840**	1,101,765,098
Letters of credit (import and export)	**548,211,831**	244,176,388
Guarantees upon other banks' request or by their warranty	**123,632,477**	178,572,648
Total	**2,415,824,079**	1,757,957,415

D- Commitments for operating lease contracts

The total minimum lease payments for irrevocable operating leases are as follows:

	31 December 2010	31 December 2009 Restated
	L.E	L.E
Less than one year	**8,396,495**	6,103,601
More than one year and less than five years	**30,213,526**	22,316,199
More than five years	**7,373,463**	11,335,208
	45,983,484	39,755,008

35. Finance Lease Liabilities

The bank entered into sale agreement with International Company for Leasing (INCOLEASE), according to the agreements the bank sold real estate (lands) which had been transferred to the bank, in addition to some branches and the intangible assets and leased it back. The bank granted loans to the leasing company with the same sale amounts as follows:

Description	**Selling Amount**		**Finance Lease installment**		**Period**
	Amount	**Currency**	**Amount**	**Currency**	
Damanhour land	19,287,531	Egyptian Pounds	377,950	Egyptian Pounds	Monthly
Shoubra Branch	2,515,000	Egyptian Pounds	39,201	Egyptian Pounds	Monthly
Smouha Branch	2,969,967	Egyptian Pounds	46,292	Egyptian Pounds	Monthly
Nozha Branch	4,207,744	Egyptian Pounds	50,500	Egyptian Pounds	Monthly
El Hegaz Branch	5,076,376	Egyptian Pounds	60,926	Egyptian Pounds	Monthly
El Nasr Branch	8,262,188	Egyptian Pounds	81,106	Egyptian Pounds	Monthly
Mesadak Branch	11,573,137	Egyptian Pounds	113,608	Egyptian Pounds	Monthly
IT Improvement – 1	34,365,537	Egyptian Pounds	764,450	Egyptian Pounds	Monthly
IT Improvement – 2	11,452,301	Egyptian Pounds	244,166	Egyptian Pounds	Monthly
Envelopment Machine	79,620	Egyptian Pounds	1,327	Egyptian Pounds	Monthly
Printer	343,200	Egyptian Pounds	8,580	Egyptian Pounds	Monthly

36. Distribution of Assets , Liabilities , Contingent Liabilities and Commitments:

	L.E thousands Local Currency	L.E thousands Foreign Currency
First: Assets:		
A- Due from banks	**384,788**	1,245,065
	384,788	1,245,065
B- Loans to Customer and Banks		
Agriculture Sector	**1,162,245**	244,229
Industrial Sector	**1,650,247**	996,722
Commercial Sector	**848,716**	69,653
Services Sector	**1,235,611**	492,827
Family Sector	**1,151,095**	212,101
Other Sectors	-	133,122
	6,047,914	2,148,654
Loans Provision	**(882,586)**	(32,021)
Marginal Interest	**(21,597)**	-
Advance interest revenue under settlement	**(96,331)**	(1,044)
Net Loans	**5,047,400**	2,115,589
Second: Liabilities:		
A- Due to banks	**380,086**	1,607,377
	380,086	1,607,377
B- Customer Deposits		
Agriculture Sector	**162,827**	13,298
Industrial Sector	**553,782**	211,706
Commercial Sector	**762,041**	235,747
Services Sector	**1,539,367**	259,788
Family Sector	**7,411,484**	1,126,503
Other Sectors	**523,419**	113,289
	10,952,920	1,960,331
C- Contingent Liabilities		
Letter of guarantees	**1,159,630**	383,611
Letter of credit (Import & Export)	**16,282**	530,091
Accepted bills for suppliers facilities	**40,139**	286,071
	1,216,051	1,199,773

37. Mutual Funds

(A) Al Watany Bank Mutual Fund (with the periodic return and capital growth):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Hermes for Asset Management.
The certificates of the fund has reached 1,350,000 certificates amounted to L.E 135,000,000 of which 74,079 certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of L.E 7,407,900.

The bank purchased a number of 6,579 certificates (trading) of total amount of LE 657,900 and with a redeemable value amounted to L.E 851,095 as of Dec, 31, 2010.
The redeemable value of the certificate as of 31 December 2010 amounted to L.E 129.36 and the outstanding of the fund certificates at that date reached 775,962 certificates.

According to the Fund's management contract and Fund's prospectus, Al Watany Bank of Egypt obtains 0.0035 as fee and commission for supervision on the fund and other managerial services rendered by the bank.
Total commissions amounted to L.E 340,608 for the year ended 31 December 2010 included in fees and commissions income caption in the Income Statement

(B) Al Watany Bank of Egypt Mutual Fund (with the cumulative daily return "Ishraq"):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached 14,898,379 certificates amounted to LE 148,983,790 of which 500,000 certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of L.E 5,000,000.

The Bank purchased a number of 500,000 certificates (trading) of total amount of LE 5,272,369 and with a redeemable value amounted to L.E 5,352,495 as of 31 December 2010.

The redeemable value of the certificate as of 31 December 2010 amounted to L.E 10.70499 and the outstanding of the fund certificates at that date reached 45,848,562 certificates.

According to the Fund's management contract and Fund's prospectus, Al Watany Bank of Egypt obtains 0.0045 as fees and commissions for supervising the fund and other managerial services rendered by the Bank.
Total commissions amounted to L.E 1,141,808 for the year ended 31 December 2010 included in fees and commissions income caption in the Income Statement

(C) Al Hayat Mutual Fund (with the cumulative daily return and the periodic distribution – works according to Islamic Shariah):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached 5,000,000 certificates amounted to L.E 50,000,000 of which 500,000 certificates (Held) were allocated to the Bank to undertake the fund's activity with a nominal value of L.E 5,000,000.

The Bank purchased a number of 500,000 certificates of total amount of LE 5,000,000 and with a redeemable value amounted to L.E 5,042,585 as of 31 December 2010.

The redeemable value of the certificate as of 31 December 2010 amounted to L.E 10.08517 and the outstanding of the fund certificates at that date reached 1,789,350 certificates.
According to the Fund's management contract and Fund's prospectus, Al Watany Bank of Egypt obtains 0.006 as fees and commissions for supervising the fund and other managerial services rendered by the Bank. Total commissions amounted to L.E 15,247 for the year ended 31 December 2010 included in fees and commissions income caption in the Income Statement

38. Subsequent events

Subsequent to the balance sheet date, some substantial events took place in Egypt that impacted the economic environment which in turn could expose the Bank to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets. These events do not have an impact on the financial statements for the year ended December 31, 2010, but may impact the financial statements of future periods. While it is difficult to quantify this effect at this point of time, the impact will become visible in the future financial statements. The significance of such an impact will depend on extent and length until which these events and its effect will end.

39. Comparative Figures

Some comparative figures for year 2009 have been reclassified to conform to the current year’s presentation.