



The Ordinary General Assembly Meeting Bank of Alexandria



Chairman

Invitation to the Ordinary General Assembly
of Bank of Alexandria to be held on
Thursday the 19th of March 2009

دعوة لحضور اجتماع الجمعية العامة العادية لبنك
الإسكندرية والمقرر انعقادها يوم الخميس الموافق
١٩ مارس ٢٠٠٩

Sirs, Intesa Sanpaolo S.P.A.

السادة بنك انتيسا سان بولو اس بي ايه

I, Mahmoud Abdel Latif, in my capacity as the
Chairman of Bank of Alexandria, have the
pleasure to invite you to attend the Ordinary
General Assembly of the Bank to be held on
Thursday the 19th of March 2009 at Nevertity
hall in Semiramis Intercontinental hotel at 10
a.m., to discuss or as the case may be approve
the items of the following agenda:

أتشرف أنا محمود عبداللطيف، بصفتي رئيس مجلس إدارة
بنك الإسكندرية بدعوة سيادتكم لحضور اجتماع الجمعية
العامة العادية للبنك والمنعقدة في يوم الخميس الموافق
١٩ مارس ٢٠٠٩ وذلك بقاعة نفرتيتي بفندق سميراميس
إنتركونتننتل، في تمام الساعة العاشرة صباحا وذلك لمناقشة
أو الموافقة على بنود جدول الأعمال الآتي:

- 1 Ratifying the budget and financial statements for the financial year ending 31 December 2008 and the Auditors Report;
- 2 Ratifying the Board of Directors' Report for the Bank activities, its financial position and its profits and losses account for the financial year ending 31 December 2008;
- 3 Ratifying the profits distribution list for the financial year ending 31 December 2008;
- 4 Ratifying the activities of the Board of Directors and discharging the same of their activities done in the financial year ending 31 December 2008;
- 5 Reviewing remunerations and attendance allowance for the Board Members;
- 6 Approving the estimate budget for the year 2009;

- ١ المصادقة على الميزانية والقوائم المالية عن السنة المنتهية في ٣١ ديسمبر ٢٠٠٨ وكذلك تقرير السادة مراقبي حسابات البنك؛
- ٢ اعتماد تقرير مجلس الإدارة عن نشاط البنك ومركزه المالي وحساب الأرباح والخسائر عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٠٨؛
- ٣ المصادقة على قائمة توزيع الأرباح عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٠٨؛
- ٤ المصادقة على أعمال وإبراء ذمة السادة أعضاء مجلس الإدارة وإخلاء مسئوليتهم عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٠٨؛
- ٥ تحديد مكافآت وبدلات حضور السادة أعضاء مجلس الإدارة؛
- ٦ المصادقة على الموازنة التقديرية لعام ٢٠٠٩؛



Chairman

- | | | | |
|---|--|---|---|
| 7 | Ratifying the changes that took place in the board of directors' members of the bank; | المصادقة على التغييرات التي حدثت في مجلس إدارة البنك؛ | ٧ |
| 8 | Renewing the appointment of the auditors for the year 2009 and determining their fees; | تجديد تعيين السادة مراقبي الحسابات للعام المالي ٢٠٠٩ وتحديد أتعابهما؛ | ٨ |
| 9 | Authorising the Board of Directors to grant donations. | تفويض مجلس الإدارة في منح التبرعات. | ٩ |

Kind regards

Chairman of the Board

وتفضلوا بقبول فائق الاحترام،،

رئيس مجلس الإدارة

Bank of Alexandria
“ An Egyptian Joint Stock Company”

Financial Statements
For the year ended December 31, 2008
&
Auditor’s Report

KPMG Hazem Hassan
Public Accountants & Consultants

Allied for Accounting & Auditing (E&Y)
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants & Consultants

Allied for Accounting & Auditing (E&Y)
Public Accountants & Auditors

AUDITOR'S REPORT
To the shareholders of Bank of Alexandria

We have audited the accompanying financial statements of Bank of Alexandria (S.A.E.) which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Central Bank of Egypt's rules issued on 27 June 2002 and its amendments, including amendments that relate to financial investments issued on December 16, 2008 and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

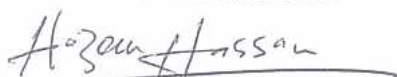
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E.) as of December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules issued on 27 June 2002 and its amendments, including amendments that relates to financial investments issued on December 16,2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

According to the information and explanations given to us – during the financial year ended December 31, 2008 no contravention of the central bank, banking and monetary institution law no.88 of 2003.

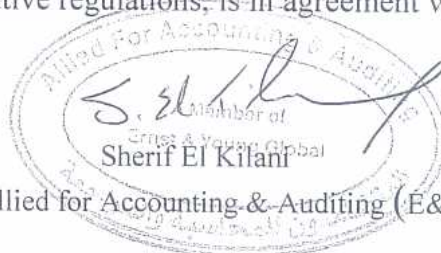
The Bank maintains proper books of account, which include all that is required by law and by the statutes of the Bank, the financial statements are in agreement thereto.

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



Hazem Hassan

KPMG Hazem Hassan



Allied for Accounting & Auditing (E&Y)

Cairo, February 25 ,2009


Balance Sheet
As at 31 December 2008

ASSETS	Note No	31/12/2008 LE	31/12/2007 LE
Cash and balances with the Central Bank of Egypt	(4)	1 002 933 574	458 190 843
Due from banks	(5)	8 016 787 219	16 785 698 114
Treasury bills and other bills eligible for rediscounting with the CBE	(6)	3 525 981 911	3 863 316 718
Financial assets - held for trading	(7)	164 451 878	1 156 860 575
Loans to customers and banks (net of provision)	(8,9)	13 114 245 344	10 196 506 560
financial dervatives	(10)	803 588	276 225
financial investments			
Available -for- sale investments	(11)	3 152 680 172	2 527 408 084
Held -to- maturity investments	(11)	1 783 067 315	1 676 900 941
Investments in associates	(12)	18 770 400	15 022 900
Debit balances and other assets (net)	(13)	494 300 197	894 106 228
Fixed assets (net of accumulated depreciation)	(14)	152 116 093	153 677 272
Total Assets		<u><u>31 426 137 691</u></u>	<u><u>37 727 964 460</u></u>
LIABILITIES & SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks	(15)	2 277 859 525	2 492 888 369
Customers' deposits	(16)	25 287 763 404	31 023 378 771
financial dervatives	(10)	803 588	202 658
Credit balances and other liabilities	(17)	718 020 526	704 273 920
Dividend payable		1 400 000	237 124 706
Long term loans	(18)	239 749 368	311 658 520
Other provisions	(19)	572 448 589	736 791 366
Total Liabilities		<u><u>29 098 045 000</u></u>	<u><u>35 506 318 310</u></u>
Shareholders' Equity			
Issued & paid-in capital	(20)	800 000 000	800 000 000
Reserves	(21)	709 084 143	1 009 187 531
Retained Earnings		412 458 619	412 458 619
Total Shareholders' equity		<u><u>1 921 542 762</u></u>	<u><u>2 221 646 150</u></u>
Net profit for the year		406 549 929	-
Total shareholders' equity (including net profit for the year)		<u><u>2 328 092 691</u></u>	<u><u>2 221 646 150</u></u>
Total shareholders' equity & liabilities		<u><u>31 426 137 691</u></u>	<u><u>37 727 964 460</u></u>
Contingent Liabilities & Commitments			
Liabilities for letters of guarantee, documentary credits and other commitments	(22)	<u><u>2 602 186 799</u></u>	<u><u>2 543 259 694</u></u>

The accompanying notes from page No. (6) to page No. (40) are an integral part of these financial statements and are to be read therewith.

Review Report "Attached" *H. Z. M.*


Chairman
Mahmoud Abd El Latif


First Deputy Chairman
Fatma Ibrahim Lotfy

Bank of Alexandria
(Egyptian Joint Stock Company)

Income Statement
For the year ended 31 December 2008

	Note No	For the year ended 31/12/2008 LE	For the year ended 31/12/2007 LE
Interest income		2 240 813 061	1 700 962 985
Income from treasury bills, other bills eligible for rediscounting with the CBE and bonds		572 041 065	917 432 911
Less: Interest expense		<u>(2 000 966 422)</u>	<u>(1 974 076 596)</u>
Net interest income		811 887 704	644 319 300
Fee and commission income		305 683 707	238 910 409
Dividend income	(23)	84 732 252	133 036 191
net trading income	(24)	(315 577 233)	289 048 593
Gains on sale of investments		30 548 879	48 740 021
foreign currencies valuation differences		(41 943 784)	5 214 768
Other operating revenues	(19+9)	<u>165 939 847</u>	<u>14 178 170</u>
Net operating income		1 041 271 372	1 373 447 452
Provisions	(19+9)	(31 300 000)	(177 139 311)
General administrative expenses, depreciation and amortization		<u>(601 991 669)</u>	<u>(561 763 094)</u>
Operating profits		407 979 703	634 545 047
Non operating profits		<u>2 161 430</u>	<u>10 989 297</u>
Net profit for the year before taxes		410 141 133	645 534 344
internal tax		<u>(3 591 204)</u>	<u>-</u>
Net profit for the year		<u><u>406 549 929</u></u>	<u><u>645 534 344</u></u>
Earnings per share	(27)	<u>0.92</u>	<u>1.45</u>

The accompanying notes from page No. (6) to page No. (40) are an integral part of these financial statements and are to be read therewith.


Chairman
Mahmoud Abd El Latif


First Deputy Chairman
Fatma Ibrahim Lotfy

Statement of Changes in Shareholders' Equity
For the year ended 31 December 2008

Note No	Issued & Paid - in Capital	Legal Reserve		General Reserve		Special Reserve	Reserve of Valuation Differences of Available-for-Sale Investments		Reserve of fair value/ Available-for-Sale Investments		Other Reserves	Retained Earnings	Net profit for the year	Total
		LE	LE	LE	LE		LE	LE	LE	LE				
	800 000 000	150 904 713	29 311 678	386 722 595	14 038 252	-	289 187 935	-	-	-	-	-	-	1 670 165 173
(21-A)	-	-	-	-	(14 038 252)	-	-	50 363 214	-	48 549 616	-	-	-	84 874 578
	800 000 000	150 904 713	29 311 678	386 722 595	-	-	289 187 935	50 363 214	-	48 549 616	-	-	-	1 755 039 751
(21-A)	-	-	-	-	-	-	-	58 196 761	-	-	-	-	-	58 196 761
(21-A)	-	-	-	-	-	-	-	-	-	-	-	-	645 534 344	645 534 344
	-	33 511 338	-	10 989 297	-	-	-	-	-	363 909 003	-	(408 409 638)	-	-
	-	-	-	-	-	-	-	-	-	-	-	(237 124 706)	-	(237 124 706)
	800 000 000	184 416 051	29 311 678	397 711 892	-	-	289 187 935	108 559 975	-	412 458 619	-	-	-	2 221 646 150
(21-A)	-	-	-	-	-	-	-	(300 103 388)	-	-	-	-	-	(300 103 388)
	-	-	-	-	-	-	-	-	-	-	-	-	406 549 929	406 549 929
	800 000 000	184 416 051	29 311 678	397 711 892	-	-	289 187 935	(191 543 413)	-	412 458 619	-	-	-	2 328 092 691

The accompanying notes from page No. (6) to page No. (40) are an integral part of these financial statements and are to be read therewith.

Chairman
Mahmoud Abd El Latif



First Deputy Chairman
Fatma Ibrahim Lotfy




(Egyptian Joint Stock Company)
Statement of Cash Flow
For the year ended 31 December 2008

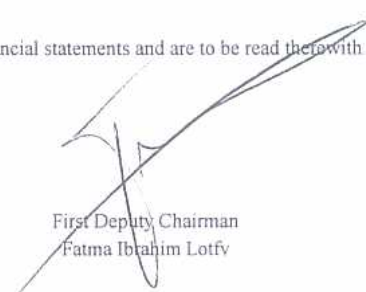
	For 1/1/2008 to31/12/2008	For 1/1/2007 to31/12/2007
	<u>LE.</u>	<u>LE.</u>
Cash flows from operating activities		
Net profit for the period before taxes	410 141 133	645 534 344
Adjustments to reconcile net profit to net cash provided from operating activities		
Fixed assets depreciation	39 012 495	37 321 347
Provisions	31 300 000	177 139 311
Provisions no longer needed	(157 476 280)	(11 994 000)
Valuation differences of trading investments	272 212 809	(241 330 225)
Amounts used from provisions (other than loans provision)	(17 417 947)	(37 391 707)
Foreign exchange differences for provisions (other than loans provision)	(4 907 016)	(3 106 813)
Foreign exchange differences for sale investments(other than trading investments)	430 546	57 694 026
paid taxes	(3 271 155)	-
gains from sale fixed assets	(2 161 430)	(10 989 297)
adjustment fixed assets	1 043 577	-
dividends profits of investments other than trading investments	(18 517 888)	(23 623 306)
gains from financial investments other than trading investments	(30 548 879)	(48 740 021)
operating profits before changes in assets and liabilities used in operating activities	<u>519 839 965</u>	<u>540 513 659</u>
Net decrease (increase) in assets		
Deposits with banks	8 796 589 346	(11 163 679 310)
Treasury bills and other bills eligible for rediscounting with CBE	754 300 370	2 269 959 278
Trading investments	275 629 600	551 904 112
Loans to customers and banks	(2 824 212 708)	(1 747 380 285)
financial derivatives(net)	73 567	(73 567)
Debit balances and other assets	231 618 931	(315 975 737)
Net increase (decrease) in liabilities		
Due to banks	(215 028 844)	1 347 129 902
Customers' deposits	(5 735 615 367)	-4 754 019 839
Credit balances and other liabilities	26 626 557	(49 023 863)
Net cash available from (used in) operating activities	<u>1 829 821 417</u>	<u>(3 812 605 972)</u>
Cash flows from investing activities		
Payments to purchase fixed assets & preparing branches	(27 534 036)	(37 460 089)
Proceeds from sale of fixed assets	2 569 430	9 463 775
Proceeds from sale of financial investments other than trading investments	877 059 261	1 685 674 435
Payments to purchase financial investments other than trading investments	(1 433 916 490)	(291 902 165)
Payments to purchase Investments in associates	(3 747 500)	-
Dividends proceeds	18 517 888	23 623 306
Net cash (used in) available investing activities	<u>(567 051 447)</u>	<u>1 389 399 262</u>
cash flows from financing activities		
Payments of long term loans	(71 909 152)	(351 055 010)
Dividends paid	(201 474 073)	-
Net cash used in financing activities	<u>(273 383 225)</u>	<u>(351 055 010)</u>
Net changes in cash and cash equivalent during the year	989 386 745	(2 774 261 720)
Cash & cash equivalent at the beginning of the year	604 612 343	3 378 874 063
Cash & cash equivalent at the end of the year	<u>1 593 999 088</u>	<u>604 612 343</u>
Cash and cash equivalent are represented in:		
Cash and due from Central Bank of Egypt	1 002 933 574	458 190 843
Due from banks	8 016 787 219	16 785 698 114
Treasury bills and other governmental bills eligible for rediscounting with the CBE	3 525 981 911	3 863 316 718
Deposits with banks	(7 897 871 123)	(16 694 460 470)
Treasury bills and other governmental bills eligible for rediscounting with the CBE (more than 3 months maturity)	(3 053 832 493)	(3 808 132 862)
Cash & cash equivalent in the end of the year	<u>1 593 999 088</u>	<u>604 612 343</u>

For the purpose of preparing the cash flow statement, the following amounts were eliminated:

- An amount of LE .	444 566 288	from both change in financial assets held for trading and available for sale investments which transferred from trading portfolio to available for sale portfolio
- An amount of LE .	13 200 000	from both change in debit balances and credit balances .
- An amount of LE .	7 605 923	from both payments to purchase fixed assets and the change in debit balances (payments under purchase of fixed assets).
- An amount of LE.	34 250 633	from both change in paid dividends and debit balances (settlement of the state's share in profits).
- An amount of LE.	13 536 693	from both the amounts used from provisions and changes in debit balances (settlement of the amount paid to the retirements and early pension employees for the year 2007).
- An amount of LE.	1 557 831	from Proceeds from sale of financial investments other than financial assets held for trading (valuation differences about sold investments).
- An amount of LE.	2 830 917	from both changes in debit balances and loans (assets reverted to the bank)
- An amount of LE.	300 103 388	from both changes fair value reserve and financial investments available for sale (investments valuation differences).

The accompanying notes from page No. (6) to page No. (40) are an integral part of these financial statements and are to be read therewith


Chairman
Mahmoud Abd El Latif



First Deputy Chairman
Fatma Ibrahim Lotfy

Bank of Alexandria
(Egyptian Joint Stock Company)

Profit Appropriation Statement (Proposed)
For the year ended December 31, 2008

	For the year ended <u>31/12/2008</u> <u>LE.000</u>	For the year ended <u>31/12/2007</u> <u>LE.000</u>
Net profit for the year (from the income statement)	406 549 929	645 534 344
<u>Less:</u>		
Capital gain transeferred to reserves according to the law	(2 161 430)	(10 989 297)
Appropriated profit for the year	404 388 499	634 545 047
Retained earnings (at year beginning)	412458619	48549616
Total	<u>816 847 118</u>	<u>683 094 663</u>
Appropriation		
Legal Reserves	20 219 425	33 511 338
Stock Divedends	68 710 433	171 253 164
Employees' profit share	38 416 907	63 671 542
Members of board of directors remuneration	2 200 000	2 200 000
Retained earnings	687 300 353	412 458 619
Total	<u>816 847 118</u>	<u>683 094 663</u>

The accompanying notes from page No. (6) to page No. (40) are an integral part of these financial statements and are to be read therewith.


Chairman
Mahmoud Abd El Latif


First Deputy Chairman
Fatma Ibrahim Lotfy

Bank of Alexandria
(An Egyptian Joint Stock Company)

Notes to the Financial Statements
-for the year ended 31 December 2008

1- ACTIVITY

- Bank of Alexandria (an Egyptian joint stock company) was established on 17 April 1957 as a commercial bank fully owned by the state till 31 October 2006 as Bank San Paolo I.M.I. (Italian Bank) acquired 80% of its issued share capital, on 1 January 2007 a merger done between San Paolo I.M.I S.P.A and Intesa Bank S.P.A and the name was amended to be Intesa San Paolo S.P.A .The Bank currently performs its activities in accordance with Central bank and Banking and Monetary Law no. 88/2003. The Bank renders all banking operations related to its activity through its head office in Cairo and 209 branches and banking unites.
- The Bank's extraordinary general assembly held on 12 June 2007 approved to change the Bank's physical year to end annually on 31 December instead of 30 June.

2- Significant accounting policies applied

2-a Basis of financial statements preparation

The financial statements are prepared in accordance with the Central Bank of Egypt regulations issued on 27 June 2002 and its amendments in addition to amendments made to the financial investments issued on 16 December 2008 and in accordance with the related laws and regulations, that related to preparing these statements and Based on the Historical cost Amended by revaluation of financial derivatives and assets and liabilities held for trading, the financial assets and liabilities that are classified on it's beginning by The fair value through the profits and losses and the financial investments Available for sale .

The available-for-sale investments measurement have been changed as at 1 January 2008 as explained in note (C), from the lower of cost (taking into consideration the FX valuations) or fair value with the differences to "Income Statement" to fair value with changes to equity. The reclassification impact appears on the "statement of changes in shareholders Equity" and the adjustments related to the previous years have been done retrospectively.

As a result of applying the new policies, all outstanding derivatives on 1 January 2008 have been recognized in the balance sheet and measured at fair value and the policy has been applied retrospectively.

2007 comparative figures have been restated accordingly.

2-b Foreign currencies transactions

- The Bank maintains its accounts in Egyptian Pound, transactions in foreign currencies are translated during the financial year at the exchange rates prevailing at the transaction date. At the financial year end, all monetary assets and liabilities in foreign currencies are revalued at the exchange rates prevailing at that date. Foreign currencies valuation

differences are charged to the income statement in the gains (losses) arising foreign currencies transactions item in the following sections:

* Net trading income or net income arising from financial instruments originally classified as change in fair value through profit or loss for financial assets/liabilities held for trading or originally recorded at fair value through profit or loss.

*Other operating income (loss) for other items.

- Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale (debt instruments) are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the current exchange rate and other change in the fair value in the financial instruments.

- Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity (fair value and reserve / financial instruments available-for-sale).

2-c Revenue recognition

Income is recognized on accrual basis except for the interest income on non-performing loans, which ceases when the recovery of interest or principal is in doubt. Dividend income of shares and mutual funds are recorded when declared.

2-d Treasury bills and other bills eligible for rediscounting with the Central Bank of Egypt

Treasury bills are recorded at nominal value, the unearned revenues are recognized in the creditors and other liabilities item. Treasury bills are presented in the balance sheet net of the issuance discount.

2-e Financial assets:

The bank classifies its financial assets in the following categories:

Financial assets at fair value through profit or loss; held to maturity investments; and available-for-sale financial assets. Management determines the classification at initial recognition.

a) Financial assets at fair value through profit or loss

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

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

Financial assets are designated at fair value through profit or loss when certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.

- 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 included in 'net income from financial instruments designated at fair value'.

Any derivative or financial instrument that was designated to be measured at fair value through profit or loss is not reclassified during the holding period from the group of financial instruments if it is initially classified as fair value through profit or loss.

As of 1st July 2008 up to 31st December 2008 only the bank applied the following policy:

The bank may reclassify financial assets held for trading, if a financial asset is no longer held for the purpose of selling or repurchasing in the near term (notwithstanding that the financial assets may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term). All reclassifications are made at the fair value of the financial asset at the date of reclassification to financial assets available-for-sale if the Bank has the intention and ability to hold that financial asset for the foreseeable future or to held-to-maturity financial assets or loans and receivables, if it meets the criteria of loans and receivables being having the intention and ability to hold that financial asset to maturity. Any previously recognized gains or losses cannot be reversed and no gain may be recognized before that date. The fair value at the date of reclassification becomes the new cost for available-for-sale financial asset or amortized cost of the held-to-maturity financial asset, and loans and facilities.

- At all other circumstances the Bank should not reclassify any financial instrument into financial instrument measured at fair value through profit or loss or to financial assets held-for-trading.

b) Held-to-maturity financial assets

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

c) Available-for-sale financial assets

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

- The following is applied to the 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.

- the recognition of the financial assets which are not classified with the fair value within profits and losses is firstly recognized with the fair value plus the transaction cost, and the financial assets that are classified at its beginning by the fair value within the profits and losses is recognized by only the fair value with carrying the cost of the transaction on the income statement (trading net income item).

-the financial assets are excluded when period of contractual right ends in getting cash flow from the monetary assets or when the bank transfer the most of risks & rights related to the

ownership to other party & when the liabilities end the exclusion is done by getting rid of it or canceling it or contractual period ends .

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

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

Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

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 to maturity. Any related profits or losses that were previously recognized in equity are treated as follows:-

- Financial assets with fixed and determinable payments and fixed maturity valued at amortized cost, using the effective interest method in case of impairment the profits or losses that has been previously recognized in equity is removed from equity and recognized in the income statement.
- Profit or loss related to financial assets without fixed or determinable maturity are held in equity till selling or dispose the asset then removed from equity and recognized in the income statement. In case of impairment the profits or losses that has been previously recognized directly in equity is removed from equity and recognized in the income statement.

2-f Investments in associates

Investments in associates are to be valued at cost. The book value is to be amended with any decline in the fair value compared to the book value for each individual investment and the decline is to be charged to the income statement as valuation differences of other investments item. Any recovery of such decline is to be recognized in the income statement within the limits of valuation differences recognized in the income statements in previous periods.

2-g Offsetting financial instruments

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

Treasury bills purchased under agreements to resell and treasury bills sold subject to repurchase agreements are recorded at net in the balance sheet under treasury bills and other government securities.

2-h Derivative financial instruments

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

2-i Valuation of assets reverted to the bank in settlement of some customers' debts

Assets reverted to the bank in settlement of some customers' debts item is presented in the balance sheet under the item of "debit balances and other assets" on the basis of their assigned value. If the assets' fair value falls below the value at which such assets have been reverted to the Bank on the balance sheet date, the differences will be charged to the income statement. In case of assets' fair value increase, the differences will be charged to the income statement within the limits of what had been charged to the income statement in previous periods.

2-j Defined benefits plans

- The bank applies a health care plan for its current and retired employees and values its obligations towards its employees according to this plan. These obligations represented in the present value of plan's obligations as at the balance sheet date less the present value of plan's assets including any adjustments resulted from the actuarial profits and losses and costs of previous services. The plan's obligations are valued through an independent actuary using the anticipated debt unit method. The obligations' present value is determined based on the expected future cash out flow using the interest rate on governmental bonds with similar maturities periods. These obligations are classified as credit balances and other liabilities item in the balance sheet.
- Actuarial profits/losses arising from adjustments resulted from experience, changes in actuarial assumptions and amendments in health care plans during the average of remaining periods for banks' employees are charged to the income statement.
- The bank was accounting for employees benefits related to the health care plans for current and retired employees based on payments the incurred costs.

2-k Impairment of non – monetary assets

- At the balance sheet date, the Bank reviews the value of its Non – Monetary assets to determine if there are any indications of impairment in the values of such assets. In case of any asset impairment indicators, the Bank determines the net redeemable value of such asset. When the net realizable value is less than the carrying amount of such asset, the reduction in the asset's value is charged to the income statement. Concerning the annual depreciation of fixed assets for incoming years, the asset is to be depreciated using the new fair value.
- The Bank regularly reviews the existence of any indicators which may result in the reversal of the impairment previously recognized and if any, the impairment is reversed so that assets' book value do not exceed their net original book value before the recognition of the impairment.

2-L Loans provision and contingent liabilities provision

- A provision is formed to specific loans and contingent liabilities in addition to a percentage for general risk in a range of 1 to 5% of total loans and other contingent liabilities according to valuation bases of customers' credit merits issued by the Central Bank of Egypt on 6 June, 2005.
- Loans are written off when it is no longer feasible to collect such loans by debiting the provision and any proceeds of bad debts that were previously written off are added thereto.

2-M Impairment of financial assets

m-1 Assets carried at amortized cost

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

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

- Financial difficulties experienced by the debtor;
- Initiation of bankruptcy proceedings.

m-2 Assets classified as available-for-sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as available-for-sale or held-to-maturity is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its book value is considered in determining whether the assets are impaired.

According to the Central Bank of Egypt's rules any decline in the fair value during the period from 1 July 2008 to 31 December 2008 is not considered to be impairment. Starting from 1 January 2009 a 10% decline in his fair value and a prolonged decline of nine months is considered to be impairment. If any such evidence exists for available for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale

Increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2-N Contingent liabilities and commitments

Contingent liabilities, in which the bank is a party, are presented off balance sheet under the item of "contingent liabilities and commitments" since they do not represent actual assets or liabilities on the balance sheet date.

2-P Cash and its equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent include cash and balances with the Central Bank of Egypt, current accounts with banks and treasury bills and other bills maturing within 3 months or less from the acquisition date.

2-Q Depreciation and amortization

- Fixed assets are recorded at acquisition cost and depreciated by the straight line method using appropriate depreciation rates which are determined based on the estimated useful life for each type of asset:

<u>Type of asset</u>	<u>Estimated useful lives</u>
Premises	20 Years
Furniture & equipment	10 Years
Computer and information systems	5 Years
Transportation equipment	5 Years

- Improvements expenditures of the Bank's leas holding and owned branches are depreciated over 4 years (25% annually) or lease term whichever is less.

2-R income Taxes

Income Tax on the profit or loss for the financial period comprises current and deferred tax is recognized in the Income statement except for income tax related to owner's equity items which is recognized directly at the owner's equity statement.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the financial position date in addition to the tax difference from previous years.

Deferred tax is provided for temporary differences between the book value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized during the upcoming periods.

3- Financial instrument, risk management and critical accounting estimates and judgments

3/1 Financial instruments

- (a) The Bank's financial instruments are represented in the financial assets and liabilities. The financial assets include cash and current accounts and deposits due from Banks, investments, loans to customers & Banks and financial derivatives , as also the financial liabilities include customers' deposits, due to Banks and financial derivatives, and rights and obligations to others stated in the contingent liabilities.
- (b) The fair value for the financial instruments
Note to the financial statements (2-significant accounting policies) sets out the accounting policies used to recognize and measure significant financial instruments and related revenues and expenses.
- (c) Forward exchange contracts
According to the instructions of the Central Bank of Egypt, the Bank does not execute forward exchange contracts except to cover its needs of foreign currencies or customers' needs to meet their foreign currencies obligations resulting from dealing through the Bank and also to meet the risks of exchange and interest rates related to balances and dealings of the Bank. All of the forward contracts are short - term transactions.

3/2 Management of risks relating the financial instruments

(a) Interest rate risk

The values of some financial instruments will fluctuate due to the changes in interest rates related thereto. The Bank follows some procedures to minimize the risk such as:-

- Correlating between the interest rates on borrowing and lending.
- Determining the applied interest rates considering the prevailing discount rates on various currencies.

Note No. (30) to the financial statements disclose the average interest rates applied by the Bank during the period on financial assets and liabilities.

(b) Credit risk

Loans to customers & banks, bond investments, due from Banks and rights and others' obligations are of the financial assets which can be exposed to the credit risk represented in customers' inability to repay part or full amount of the loan granted to them at maturity dates.

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

- Preparing credit studies about the customers & Banks before dealing with them and determining the credit risk rates related thereto.

- Obtaining the adequate guarantees in order to reduce the risks that might be created in case of failing of customers or Banks.
- Following up and continuous studies about customers and Banks in order to evaluate their financial & credit positions and estimate the required provisions to non - performing loans.
- Distribution of loans portfolio and other assets over various sectors. Note No (32) to the financial statements discloses the distribution of loans portfolio on various sectors.

(c) Foreign currency risk

The Bank's activity nature requires dealing in many foreign currencies which expose the Bank to the risk of fluctuation in the amounts of assets and liabilities as a result of the fluctuation in exchange rates. To minimize this risk, the Bank considers the balancing of foreign currencies positions according to the Central Bank of Egypt instructions in that respect. Note No. (33) to the financial statements discloses the significant foreign currencies positions on the balance sheet date.

3/3 critical accounting estimates and judgments:-

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

(a) 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 personal 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 health of the invested, industry and sector performance, changes in technology, and operational and financing cash flows.

According to the Central Bank of Egypt's rules any decline in the fair value during the period from 1 July 2008 to 31 December 2008 is not considered to be impairment.

Had all the declines in fair value below cost been considered significant or prolonged, the Bank would suffer an additional LE 191 453 413 loss in its 2008 financial statements, being the transfer of the total fair value reserve to the income statement.

(b) Fair value of derivatives

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

(e) 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 personal 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 plus suspending the investment classification with this item.

If the entire held-to-maturity investments are tainted, the fair value would increase by LE 2 850 720 with a corresponding entry in the fair value reserve in shareholders' equity.

4- Cash and balances with the Central Bank of Egypt

	31/12/2008	31/12/2007
	LE.	LE.
Cash on hand	476 691 807	464 353 792
Due from the Central Bank of Egypt (Reserve percentage) *	526 241 767	(6 162 949)
	<u>1 002 933 574</u>	<u>458 190 843</u>
	=====	=====

- * The Bank is required to apply the reserve percentage as required by the Central Bank of Egypt in accordance with Banking and credit regulations.

5- Due from banks

	31/12/2008	31/12/2007
	LE.	LE.
A- The Central Bank of Egypt		
- Current accounts	20 990 154	17 693 364
- Time deposits	6 758 679 943	15 865 545 700
	<u>6 779 670 097</u>	<u>15 883 239 064</u>
B- Local Banks		
- Current accounts	4 402 961	3 429 707
- Time deposits	170 000 000	98 368
	<u>174 402 961</u>	<u>3 528 075</u>
C- Foreign Banks		
- Current accounts	93 522 981	70 114 574
- Time deposits	969 191 180	828 816 401
	<u>1 062 714 161</u>	<u>898 930 975</u>
	<u>8 016 787 219</u>	<u>16 785 698 114</u>

6-Treasury bills and other bills eligible for rediscounting with the Central Bank of Egypt

	31/12/2008	31/12/2007
	LE.	LE.
Treasury bills		
Treasury bills 91 days maturity	482 950 000	55 625 000
Treasury bills 182 days maturity	836 375 000	886 950 000
Treasury bills 273 days maturity	830 950 000	-
Treasury bills 364 days maturity	1 575 000 000	3 040 525 000
	<u>3 725 275 000</u>	<u>3 983 100 000</u>
Total	3 725 275 000	3 983 100 000
Less: unearned interest	(199 293 089)	(119 783 282)
	<u>3 525 981 911</u>	<u>3 863 316 718</u>

7- Financial assets held for trading.

	31/12/2008 LE	31/12/2007 LE
Debts Instruments		
- Bonds	<u>148 460 493</u>	<u>131 963 576</u>
Total Debts Instruments	<u>148 460 493</u>	<u>131 963 576</u>
Owner's equity instruments listed		
- Stocks	5 594 385	96 703 264
- Mutual funds certificates*	<u>10 397 000</u>	<u>928 193 735</u>
Total owner's equity	<u>15 991 385</u>	<u>1 024 896 999</u>
Total trading investment	<u><u>164 451 878</u></u>	<u><u>1 156 860 575</u></u>

* According to the basis of preparation and presentation rules of financial statements for Banks and in accordance with the recognition and measurement basis approved by the Central Bank of Egypt Board of Directors on 16 December 2008 , the bank has reclassified the certificates of First and Second mutual funds, and Misr Alexandria for Financial Investments fund from trading portfolio to available-for-sale portfolio (note 11) on the basis that these are no longer held for the purpose of selling or repurchasing in the near term. The reclassification was made at redemption value at 1/7/2008 amounting to L.E 444 566 288.

Revaluation losses that would have been recognized in the income statement had the bank not reclassified these investments amounted to L.E 151 550 065 at 31/12/2008.

8- Loans to customers and banks (net of loans provision)

	31/12/2008	31/12/2007
	LE.	LE.
Discounted commercial papers	15 790 396	3 496 608
Loans to customers	14 727 057 050	12 088 569 245
Loans to banks *	500 000 000	500 000 000
	<hr/>	<hr/>
Total	15 242 847 446	12 592 065 853
Less:		
Unearned discount	(33 628)	(228 963)
Interest under settlement	(120 405 454)	(210 907 573)
Interest in - suspense	(75 284 962)	(78 378 292)
Loans provision	(1 932 878 058)	(2 106 044 465)
	<hr/>	<hr/>
	<u>13 114 245 344</u>	<u>10 196 506 560</u>
	<hr/> <hr/>	<hr/> <hr/>

* Represents the loan granted to the Arab African International Bank according to the loan contract dated 5 February 2007. The loan will be fully repaid at the end of loan period which is 7 years. The loan is subject to constant annual interest rate of 9.75%. The interest is to be paid every three or six months according to borrower's discretion. The loan is subject to management fee of 1% and commitment fee of 0.5% due on the unused portion of the loan. The borrower has withdrawn an amount of LE 100 Million on 22 February 2007 and an amount of LE 400 Million on 25 February 2007.

9- Loans provision (performing /nonperforming)

	31 December 2008		
	Specific	General	Total
	LE.	LE.	LE.
Provision at the beginning of the year	1 959 847 987	146 196 478	2 106 044 465
Proceeds from debts previously written off	10 860 316	--	10 860 316
Provisions no longer needed*	(90 695 159)	--	(90 695 159)
Transfers between provisions	(83 259 182)	83 259 182	--
Foreign currencies valuation differences	(1 014 000)	(50 339)	(1 064 339)
	<hr/>	<hr/>	<hr/>
	1 795 739 962	229 405 321	2 025 145 283
Amounts used during the year	(92 243 942)	(23 283)	(92 267 225)
	<hr/>	<hr/>	<hr/>
Provision at the end of the year	1 703 496 020	229 382 038	1 932 878 058
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* proved with other operating revenues in the income statement.

	31 December 2007		
	Specific	General	Total
	LE.	LE.	LE.
Provision at the beginning of the year	1 896 410 865	125 712 000	2 022 122 865
Formed during the year	86 069 172	21 284 328	107 353 500
Proceeds from debts previously written off	25 407 578	--	25 407 578
Foreign currencies valuation differences	(2 115 742)	(799 850)	(2 915 592)
	<hr/>	<hr/>	<hr/>
	2005 771 873	146 196 478	2 151 968 351
Amounts used during the year	(45 923 886)	--	(45 923 886)
	<hr/>	<hr/>	<hr/>
Provision at the end of the year	1 959 847 987	146 196 478	2 106 044 465
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10- Financial derivatives

The Bank uses the following derivative instruments for non-hedging purposes.

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions on a future date at a specified price, established in an organized financial market. The credit risk is negligible. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on contractual / notional principal amount.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the contractual amount of the contracts. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The contractual amounts of certain types of financial instrument provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

Derivatives held for trading	The Assumption Contractual Amount LE.	31/12/2008	
		Fair Value	
		Assets LE.	Liabilities LE.
Foreign Currencies derivatives			
Forward contracts	66 475 495	803 588	803 588
	<u>66 475 495</u>	<u>803 588</u>	<u>803 588</u>
	=====	=====	=====
		31/12/2007	
Return rates derivatives			
Exchange return contracts	55 145 000	276 225	202 658
	<u>55 145 000</u>	<u>276 225</u>	<u>202 658</u>
	=====	=====	=====

11- Financial investments

	31/12/2008 LE.	31/12/2007 LE.
Securities available –for- sale		
Debt securities-at fair value:		
–Listed	2 699 726 844	2 375 660 373
Equity securities-at fair value:		
– Listed	64 524 622	63 209 503
–Unlisted	388 428 706	88 538 208
Total securities available-for-sale	<u>3 152 680 172</u>	<u>2 527 408 084</u>
Securities held –to- maturity		
Debt securities:		
–Listed	100 000 000	--
–Unlisted	1 683 067 315	1 676 900 941
Total securities held-to-maturity	<u>1 783 067 315</u>	<u>1 676 900 941</u>
Total investment securities	<u>4 935 747 487</u>	<u>4 204 309 025</u>
– Current	2 864 251 466	2 438 869 876
– Non-current	<u>2 071 496 021</u>	<u>1 765 439 149</u>
	<u>4 935 747 487</u>	<u>4 204 309 025</u>
– Debt securities-fixed coupons	2 818 992 495	2 368 241 371
– Debt securities-variable coupons	1 663 801 664	1 684 319 943
	<u>4 482 794 159</u>	<u>4 052 561 314</u>

	Available-for-sale investments	Held-to-maturity investments	total
	LE	LE	LE
Restated balance after change in accounting policies as at 1/1/2008 (note no. 2a)	2 527 408 084	1 676 900 941	4 204 309 025
Additions	1 305 548 235	128 368 255	1 433 916 490
Disposals (sale/redeemed)	(822 973 701)	(21 978 850)	(844 952 551)
Transfers (Note no.7)	444 566 288	---	444 566 288
Valuation difference of monetary assets dominated in foreign currencies	(207 515)	(223 031)	(430 546)
Losses from changes in fair values	(301 661 219)	---	(301 661 219)
Balance as at 31/12/2008	<u>3 152 680 172</u>	<u>1 783 067 315</u>	<u>4 935 747 487</u>
Restated balance after change in accounting policies as at 1/1/2007 (note no. 2a)	<u>3 817 991 928</u>	<u>1 730 846 612</u>	<u>5 548 838 540</u>
Additions	291 902 165	---	291 902 165
Disposals (sale)	(1 633 843 285)	---	(1 633 843 285)
Valuation difference of monetary assets dominated in foreign currencies	(3 748 355)	(53 945 671)	(57 694 026)
Gains from changes in fair values	55 105 631	---	55 105 631
Restated balance after change in accounting policies as at 31/12/2007 (note no. 2a)	<u>2 527 408 084</u>	<u>1 676 900 941</u>	<u>4 204 309 025</u>
	=====	=====	=====

12-Investments in associates

	31 December 2008		31 December 2007	
	Amount LE.	Sharing Percentage %	Amount LE.	Sharing Percentage %
Abrag Misr ElAlamaya Company	11 270 400	28	7 522 900	28
Misr Alexandria Fund for Financial Investment Co.	7 500 000	25	7 500 000	25
United Company for Valves (butterfly)	--	25	--	25
	<u>18 770 400</u>		<u>15 022 900</u>	

- Investments in associates represents investments not listed in the Stock Exchange.

13-Debit balances and other assets (net)

	31/12/2008 LE.	31/12/2007 LE.
Accrued revenues	311 697 020	603 058 902
Prepaid expenses	41 458 279	20 272 607
Assets reverted to the Bank in settlement of debts	26 936 475	29 767 392
Payments under purchase of fixed assets	29 984 954	15 894 675
Deposits with others	8 528 317	1 781 314
Selling debtors of financial investments	-	24 090 009
Other debit balances *	325 695 152	356 241 329
	<u>744 300 197</u>	<u>1 051 106 228</u>
Less: Provision for doubtful amounts	(250 000 000)	(157 000 000)
Net	<u>494 300 197</u>	<u>894 106 228</u>

* Other debit balances includes the following:

- An amount of LE. 242 million as at 31 December 2008 versus LE. 148 million as at 31 December 2007 represents disputed amounts paid to the Tax Authority and a provision with the total amount has been formed.
- An amount of LE 8 million as at 31 December 2008 versus LE 9 million as at 31 December 2007 represents disputed amounts due to the Bank and a provision for the total amount has been formed.
- An amount of LE. 38 million as at 31 December 2008 versus LE 73 million as at 31 December 2007 represents overpayments to the Ministry of Finance as down payments under the State's share in Bank's estimated profits according to previous years' budgets.

14- Fixed assets (net of accumulated depreciation)

	<u>Land*</u>	<u>Premises and decorations</u>	<u>Computers information Systems</u>	<u>Transportation means</u>	<u>Installation</u>	<u>Equipment</u>	<u>Furniture</u>	<u>Total</u>
	<u>LE.</u>	<u>LE.</u>	<u>LE.</u>	<u>LE.</u>	<u>LE.</u>	<u>LE.</u>	<u>LE.</u>	<u>LE.</u>
Cost as at 1/1/2008	11 395 841	82 022 086	145 973 668	12 810 244	3 738 797	59 922 484	28 171 652	344 034 772
Additions during the year	10 502	5 300 201	15 609 963	809 400	--	6 362 539	7 047 354	35 139 959
adjustment	--	(11 629)	(988 183)	--	(40 136)	(3 129)	(500)	(1 043 577)
Disposals during the year	(103 847)	(492 127)	--	(375 584)	--	(10 692)	(36 935)	(1 019 185)
Cost as at 31/12/2008	<u>11 302 496</u>	<u>86 818 531</u>	<u>160 595 448</u>	<u>13 244 060</u>	<u>3 698 661</u>	<u>66 271 202</u>	<u>35 181 571</u>	<u>377 111 969</u>
Accumulated depreciation as at 1/1/2008	--	56 103 826	88 314 455	7 119 120	3 590 942	21 349 418	13 879 739	190 357 500
Depreciation for the year	--	2 526 604	22 838 680	1 553 915	9 814	5 755 663	2 564 885	35 249 561
Disposals' accumulated depreciation	--	(201 615)	--	(375 584)	--	(10 692)	(23 294)	(611 185)
Accumulated depreciation as at 31/12/2008	--	<u>58 428 815</u>	<u>111 153 135</u>	<u>8 297 451</u>	<u>3 600 756</u>	<u>27 094 389</u>	<u>16 421 330</u>	<u>224 995 876</u>
Net assets as at 31/12/2008	<u>11 302 496</u>	<u>28 389 716</u>	<u>49 442 313</u>	<u>4 946 609</u>	<u>97 905</u>	<u>39 176 813</u>	<u>18 760 241</u>	<u>152 116 093</u>
Net assets as at 31/12/2007	<u>11 395 841</u>	<u>25 918 260</u>	<u>57 659 213</u>	<u>5 691 124</u>	<u>147 855</u>	<u>38 573 066</u>	<u>14 291 913</u>	<u>153 677 272</u>

* Fixed assets at the balance sheet date (net of accumulated depreciation) include an amount of LE. 7 704 979 represents assets (lands) not registered in Bank's name and the legal procedures to register these assets are currently taking place.

15. Due to banks

	31/12/2008	31/12/2007
	LE.	LE.
A- Local banks		
Current accounts	16 586 297	18 748 477
Time deposits	1 229 593 042	1 979 862 780
	<u>1 246 179 339</u>	<u>1 998 611 257</u>
B- Foreign banks		
Current accounts	80 413 150	52 683 855
Time deposits	951 267 036	441 593 257
	<u>1 031 680 186</u>	<u>494 277 112</u>
	<u>2 277 859 525</u>	<u>2 492 888 369</u>
	=====	=====

16. Customers' deposits

	31/12/2008	31/12/2007
	LE.	LE.
Demand deposits	2 331 412 444	1 995 986 361
Time deposits and call accounts	4 757 084 897	10 006 503 928
Saving and deposits certificates	2 755 966 149	2 839 308 329
Saving deposits	15 030 273 789	15 674 251 836
Other deposits	413 026 125	507 328 317
	<u>25 287 763 404</u>	<u>31 023 378 771</u>
	=====	=====

17. Credit balances and other liabilities

	31/12/2008	31/12/2007
	LE.	LE.
Accrued interest	108 038 202	104 406 082
Unearned revenue	17 064 280	17 377 294
Accrued expenses	46 376 095	58 582 397
Creditors and other credit balances *	546 541 949	523 908 147
	<u>718 020 526</u>	<u>704 273 920</u>

* Includes an amount of LE. 213 million as at 31 December 2008 and an amount of LE 200 million as at 31 December 2007 representing the present value of the bank's expected obligations for the post retirement medical expense and the health care services provided by the bank to its employees represent all health care services provided to Bank's employees during their employment period and for retired employees including those who retired as they have reached the retirement age or have retired for health problem or those who early and discretionary retired according to the early retirement program rules. This program does not include the employees' families. An amount of LE 10.9 million represents the payment of medical expenses provided to the Bank's employees and retired employees during the year.

- The most important assumptions used by the actuary in his estimate represented in the followings:

Interest rate used for discount	11.5%
Inflation rate of health care costs	9%
Turn-over of employees that will not get any benefits from health care services	0.5%
Retirement rate due to health causes	0.2%

The following table clarifies the effect of changes in these assumptions on the present value of the expected liabilities:

	Changes in assumptions	Effect in LE. Million
Interest rate used for discount	+/- 0.50 %	+/-1 7
Inflation rate of health care costs	+/- 0.50 %	+/- 17
Turn-over of employees deaths within the year	+/- 0.50 %	+/- 6
	-	- 9

18. Long term loans

Description	Interest Rate %	Maturity Date LE	Amounts maturing during the next year LE	Balance as at	
				31/12/2008 LE	31/12/2007 LE
European Investment Bank loan *	4.2	2010	55 976 494	114 752 081	170 613 116
Social Development Fund **	4.0 -10.0	2009/2013	24 683 200	55 762 104	85 845 305
Loan within the framework of the Agricultural Sector Development Program***	3.5 – 4.5	2011	24 943 218	69 235 183	55 200 099
Total of long term loans			105 602 912	239 749 368	311 658 520

* This item is represented in the loan agreement concluded between the Bank and the European Investment Bank on 19 October 1995 with an amount equivalent to Euro 70 million. According to the agreement, the Bank shall re-lend the loan to Misr Company for Aluminum to finance the investment plan of the company within the limit of the amount paid by the European Investment Bank to the Bank from time to time by virtue of the finance contract. The loan term is 15 years with grace period of 5 years and repayment shall be made on 20 semi-annual installments. First installment due on 15 April 2001 while the last installment will due on 15 October 2010. The annual interest rate on the loan is 4.2% and the interest due every six months. According to the agreement, Misr Company for Aluminum shall pay a commission of 0.25% to the Bank upon the repayment of each installment.

** The balance of Social Development loan represented in 7 contracts with a total amount of LE 197 million, there is an amount of LE 167.5 million transferred to the bank of which an amount of LE 111.7 million has been settled till 31 December 2008.

*** This item is represented in the participation contract signed between the Bank and the Commercial International Bank aiming to the development of the Nutritious Security Sector and reducing the deficit in the Disbursement Balance by supporting and increasing the production through 5 sub agricultural sectors. According to this contract, the European Union granted a credit line to the program with an amount of Euro 98 million to be used in forming a revolving fund and Commercial International Bank is the loan manager.

19-Other provisions

Description	31/12/2008						
	Balance at the beginning of the year	Formed during the year	Transfers among Provisions (*)	Provisions no longer needed (**)	Foreign currencies valuation difference	Amounts used during the year	Balance at the end of the year
	LE.	LE.	LE.	LE.	LE	LE.	LE.
Expected claims provision	393 594 574	31 300 000	(93 000 000)	--	(471 499)	(22 179 247)	309 243 828
Contingent liabilities provision	335 838 239	--	--	(66 746 371)	(4 435 517)	(8 357 311)	256 299 040
Other provision	7 358 553	--	--	(34 750)	--	(418 082)	6 905 721
Balance	736 791 366	31 300 000	(93 000 000)	(66 781 121)	(4 907 016)	(30 954 640)	572 448 589

* Transferred to doubtful debits (Note no.13).

** Recognized in other operating revenues in the income statement.

- Contingent liabilities provision includes an amount of LE. 39 259 039 provision of performing contingent liabilities.

31/12/2007

Description	Balance at the beginning of the year	Formed during the year	Provisions no longer needed	Foreign currencies valuation differences	Amounts used during the year	Balance at the end of the year
	LE.	LE.	LE.	LE.	LE.	LE.
Expected claims provision	352 076 962	69 057 743	--	(1 712 547)	(25 827 584)	393 594 574
Contingent liabilities provision	360 419 877	--	(11 994 000)	(1 394 266)	(11 193 372)	335 838 239
Other provision	7 001 236	728 068	--	--	(370 751)	7 358 553
Balance	719 498 075	69 785 811	(11 994 000)	(3 106 813)	(37 391 707)	736 791 366

- Contingent liabilities provision includes an amount of LE 37 759 776 as provision for performing contingent liabilities.

20. Shareholders' equity

A) Authorized capital

The Bank's authorized capital amounts LE. 1 000 million.

B) Issued and paid-in-Capital

- The issued capital amounts to LE. 800 million and are represented in 400 million shares having a par value of LE.2 each and it has been fully subscribed and paid.
- The Bank's ordinary general assembly has approved in its session held on 22 March 2006 some amendments on Bank's Statutes. Accordingly, the issued and paid - in capital which amounts LE. 800 million became distributed on 160 million shares with par value of LE. 5 each.
- On 31 October 2006 San Paolo – I.M.I. (an Italian Bank) has acquired a percentage of 80% of Bank's issued capital within the frame of developing the Banking sector program approached by the government. The Central Bank of Egypt approved the acquisition process in its session held on 5 December 2006 and the process was executed in Cairo Stock Exchange on 12 December 2006 and on 1 January 2007 a merger done between San Paolo I.M.I S.P.A and Intesa Bank S.P.A and the name was amended to be Intesa San Paolo /S.P.A .
- On 23 February 2007 the Ministry of Investment (State owned assets management program) has invited the investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Bank of Alexandria's employees.
- The bank's unordinary general assembly has approved in its session held on 26 March 2008 on dividing of share with percentage 1:2.5 thereby issued and paid-in capital which amounts L.E 800 million distributed on 400 million shares with par value of L.E 2 each.

21-Reserves

	31/12/2008	31/12/2007
	LE	LE
Legal reserve	184 416 051	184 416 051
General reserve	29 311 678	29 311 678
Special capital reserve	397 711 892	397 711 892
Fair value reserve / available for sale investment (note - A)	(191 543 413)	108 559 975
Other reserve	<u>289 187 935</u>	<u>289 187 935</u>
	<u>709 084 143</u>	<u>1 009 187 531</u>

-According to the Bank's statutes a sum equal to 5% of annual net profit is retained to form the legal reserve, which ceases when its balance amounts to 50% of the issued and paid in capital.

According to preparation and presentation rules of financial statements for banks and measurement and recognition basis issued on 16 December 2008 accounting for available-for-sale investments measurement have been changed from the lower of cost (taking into consideration the FX valuations) or fair value with the differences to "Income Statement" to fair value with changes to equity. The reclassification impact appears on the "statement of changes in shareholders Equity" and the adjustments related to the previous years have been done retrospectively (note no. 2A). Below is the effect of the change in accounting policies on the fair value reserve/available-for-sale investment:

(21- A) Fair value reserve / available – for -sale investment

	31/12/2008	31/12/2007
	LE	LE
Balance as at 1/1	108 559 975	50 363 214
Net (losses) / gains from change in fair value (note no.11)	(301 661 219)	55 105 631
Net losses transferred to income statement resulting from disposals	<u>1 557 831</u>	<u>3 091 130</u>
	<u>(191 543 413)</u>	<u>108 559 975</u>

22. Contingent liabilities and commitments

	31/12/2008	31/12/2007
	LE.	LE.
Letters of guarantee	2 146 593 498	1 926 260 795
Documentary credits (export and import)	391 354 118	552 272 184
Rediscounted Bills	64 239 183	64 726 715
	<u>2 602 186 799</u>	<u>2 543 259 694</u>

23- Dividend income

	For the year ended 31/12/2008 LE	For the year ended 31/12/2007 LE
Trading investments	66 214 364	109 412 885
Available - for – sale investments	7 278 388	9 453 556
Held – to – maturity investments	8 250 000	11 925 000
Investments in associates	<u>2 989 500</u>	<u>2 244 750</u>
	84 732 252	133 036 191
	=====	=====

24- Net trading income

	For the year ended 31/12/2008 LE	For the year ended 31/12/2007 LE
Foreign monetary transaction		
Gains arising from dealing in foreign currencies	65 325 030	13 642 363
Gains arising from revaluation of forward and swap contracts	8 000 221	135 998
(losses) profits Debt trading instruments	(6 560 059)	6 101 282
(losses) profits Owner's equity trading instruments	<u>(382 342 425)</u>	<u>269 168 950</u>
	(315 577 233)	289 048 593
	=====	=====

25. Reconciliation of effective tax rate

	31/12/2008	
	LE.	LE.
Accounting profit before tax		410 141 133
Tax rate		20%
Income tax calculated on the accounting profit		<u>82 028 227</u>
Non deductible expenses	(4 360 333)	
Tax exemptions	(107 033 432)	
Effect of provisions	<u>(6 427 141)</u>	
		(117 820 906)
Deferred asset tax not recognized resulted from taxation losses		<u>(35 792 679)</u>
Income tax according to tax return		--
		=====

26. Deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items:

	Deferred tax assets		Deferred tax liabilities	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	LE.	LE.	LE.	LE.
Fixed assets (depreciation)	--	--	(3 388 344)	(1 292 552)
Provisions (other than loans, contingent liabilities and taxes provision)	59 496 310	62 924 225	--	--
Fair value differences	60 020 678	--	--	(21 711 995)
retained tax losses for years ended at 2006, 2007 (*)	559 228 950	628 350 892	--	--
Total deferred tax asset (liability)	<u>678 745 938</u>	<u>691 275 117</u>	<u>(3 388 344)</u>	<u>(23 004 547)</u>
Net deferred tax asset	<u>675 357 594</u>	<u>668 270 570</u>		

(*)In the light of starting work by law no., 114 for year 2008 so the losses available to forward till year 2012.

In the light of the Bank's budgets for the following years, and calculation of taxable profits, no corporate tax will due after deducting the amounts exempted according to tax No. 91/2005 and the retained taxes losses due to the report's handed by large taxpayer center until 2007 before acting under the law no. 114 of year 2008, so deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the bank can utilize the benefits arising there from.

27. Earnings per share

	For the year Ended 31/12/2008	For the period Ended 31/12/2007
	LE.	LE.
Net profit for the year	406 549 929	645 534 344
The employees' share in the net profit for the year	<u>(38 416 907)</u>	<u>(63 671 542)</u>
The shareholders' share in the net profit for the year	<u>368 133 022</u>	<u>581 862 802</u>
The weighted average number of shares	<u>400 000 000</u>	<u>400 000 000</u>
Earnings per share from the shareholders' share in the net profit for the year	<u>0.92</u>	<u>1.45</u>

28 – Capital expenditures commitments

A –financial Investments

The value of the capital commitments related to financial investments and not paid until balance sheet date amounted to L.E 700 000 and USD 7 695 652 represented as follow:

Available – for – sale investments (local currency)	Investment value L.E	Paid amount L.E	Unpaid amount L.E
Egypt Pay Co.	2 800 000	2 100 000	700 000
	-----	-----	-----
	<u>2 800 000</u>	<u>2 100 000</u>	<u>700 000</u>
	=====	=====	=====
Available – for – sale investments (foreign currency)	Investment value US\$	Paid amount US\$	Unpaid amount US\$
Horus Fund for Investment in Agricultural and Food Sector	4 444 850	2 749 198	1 695 652
African Bank for Import and Export (Afrexim)	10 000 000	4 000 000	6 000 000
	-----	-----	-----
	<u>14 444 850</u>	<u>6 749 198</u>	<u>7 695 652</u>
	=====	=====	=====

B – Fixed assets and preparing branches

The value of the capital commitments related to contracts to purchase fixed assets and preparing branches that not yet executed, amounted L.E. 117 275 507 on 31 December 2008 versus LE. 23 964 020 on 31 December 2007 .

29. Maturities of assets and liabilities

Description	Due within one year	Due within more than one year
	Figures in Thousands LE.	Figures in Thousands LE.
A- <u>Assets</u>		
Due from banks	8 016 787	--
Treasury bills and other bills eligible for rediscounting with The Central Bank of Egypt	3 525 982	--
Trading investments	164 452	--
Available - for- sale investments	141 679	3 011 001
Loans to customers and banks	8 164 052	7 078 795
Held - to- maturity investments	--	1 783 067
Investments in associates	--	18 770
Debit balances and other assets	453 977	40 323
	20 466 929	11 931 956
B- <u>Liabilities</u>		
Due to banks	2 245 038	32 822
Customers' deposits	12 206 194	13 081 569
Long term loans	105 603	134 146
Other credit balances	290 311	427 710
Dividends payable	1 400	--
	14 848 546	13 676 247

30. Effective interest rates within the year

The average interest rates on assets and liabilities amounted to 8.1%, 6.3% respectively.

31. Tax status

A- Corporate Tax

The Tax Authority has inspected the years till 2004/2005 and the taxes due was paid for all years according to the decisions of the Internal and Appeal committees, and the years which have not settled with the Tax Authority (the disputed points are mainly the interests in - suspense and the share of the sport activities) are as follows:

- As for years 1981/1982, 1982/1983 the appeal that was established by the Bank against the Tax Authority was stopped to settle the dispute in accordance with law No. 159 / 1997 and because of disagreement with the Tax Authority the case has been returned back to the court.
- As for the years 1990/1991, 1991/1992, 1997/1998, 1999/2000 till, 2003/2004, the bank established legal cases against the Tax Authority.
- The bank has paid the due taxes for all years according to the Internal and the Appeal Committees' decisions and has formed the required provision for these issues.
- As for the year 2004/2005, the Bank has settled all the disputes with the large taxpayer center and paid the due tax including the due tax on the share of the sport activities transferred to the Appeal Committee.
- As for the year 2005/2006, and the period ended December 31, 2006 the tax return resulted to the large taxpayer center for the both years in tax losses in the lights of the exemptions under law No. 91 / 2005 and received inspection model no. 32 from large taxpayer center dated 23/04/2008 and given them all the demanded data for inspection purpose and following it.
- As for the period ended December 31, 2007, the tax return presented to the large taxpayer center resulted in tax losses in the lights of the exemptions under law No. 91 / 2005.

B- Salaries Tax

The tax Authority has inspected the years till 2004 and the due tax was settled, the years 2005/2006/2007 have not been inspected yet by tax authority.

C- Stamp Duty Tax

The Bank computes the due stamp taxes and remit them to Tax Authority according to applicable laws and regulations, further, the Bank forms provision for all tax liabilities after making the necessary study in the light of actual and expected tax claims.

32. Distribution of assets, liabilities, contingent liabilities and commitments

	31/12/2008	31/12/2007
	figures in	figures in
	thousands	thousands
	LE.	LE.
A. Distribution of loans to customers according to Business sectors		
Public Business Sector	210 589	315 223
Private Business Sector	9 097 235	8 434 254
Household Sector	5 434 983	3 342 589
Non resident sector	40	--
Banks	500 000	500 000
	<u>15 242 847</u>	<u>12 592 066</u>
	=====	=====
B. Distribution of customers' deposits according to business sectors		
Public Service Sector	892 548	850 857
Public Business Sector	1 067 568	1 250 665
Private and Household Sector	22 432 889	23 353 078
Non Resident Sector	28	947
Financial Institutions Sector	753 419	5 427 667
Other Deposits	141 311	140 165
	<u>25 287 763</u>	<u>31 023 379</u>
	=====	=====
C. Distribution of net contingent liabilities and commitments according to Business sector		
Public Business Sector	415 145	486 750
Private and Household Sector	1 845 968	1 798 499
Public Service Sector	105 864	41 519
Other Sectors	235 210	216 492
	<u>2 602 187</u>	<u>2 543 260</u>
	=====	=====

33. Significant currencies positions

	31/12/2008	31/12/2007
	Surplus (deficit)	Surplus (deficit)
	figures in	figures in
	thousands	thousands
	LE.	LE.
Egyptian Pound	(27 525)	(3 864)
US Dollar	23 622	1 521
GBP	(639)	(34)
Euro	(2 962)	(258)
S.F	3 272	39
JPY	(12)	(204)
SAR	1 107	(122)
Other	3 137	2 922

34. Mutual funds

- A- First Mutual Fund of the bank (with periodical return and capital growth)
- It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.
The Fund is managed by EFG- Hermes Fund Management Company. The certificates of the fund reached 3 million with an amount of LE. 300 million (after increasing the capital of the mutual fund on 26 March 2006 with an amount of L.E 100 million). Out of these 50 thousand certificates were allocated to the Bank to undertake the fund's activity and this is after item(6) was amended from prospectus by the agreements of the money market authority , the percentage will be 2% instead of 5% and that was amended by article no. 150 with minister decision no. 209 for year 2007 from money market article law.
 - The Bank has purchased a number of 136 257 certificates (including certificates have direct activities), their redeemable value in 31/12/2008 amounted to LE. 30 million,
The redeemable value of the certificate at the balance sheet date amounted LE 219.40 and the certificates outstanding at that date reached 385 875 certificates.
 - According to the fund's management contract and its prospectus, the Bank shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission during the year amounted to LE. 32.2 million presented under the item of fee and commission income caption in the income statement.

- B- Monetary mutual fund of the bank (with daily accumulated return in LE.)
- It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.
The Fund is managed by EFG- Hermes Fund Management Company. The certificates of the fund reached 20 million certificates with an amount of LE. 200 million of which 3.2 million certificates were allocated to the Bank as it is an open fund to undertake the fund's activity with an amount of LE 35.7 million.
 - The Bank has purchased a number of 7.4 million certificates (including certificates have direct activities), and their redeemable value amounted to LE 92 million at the balance sheet date. The redeemable value of the certificate at the balance sheet date amounted to LE 12.45 and the certificates outstanding at that date reached 156 959 714 certificates.
 - According to the fund's management contract and its prospectus, the Bank will obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission during the year amounted to LE. 6.8 million presented under the item of fee and commission income caption in the income statement.

35. Related party transactions

The Bank deals with its related parties on the same basis as with others. The nature of these transactions and its balances are represented on the balance sheet date in the following:

	31/12/2008	31/12/2007
	LE.	LE.
Due from banks	76 961 112	25 881 543
Investments in associates	18 770 400	15 022 900
Debit balances and other assets	661 425	--
Due to banks	381 536 090	190 250 250
Customers' deposits	14 647	124 732
Other credit balances	2 484 464	--

36. Comparative figures

- Comparative figures have been affected by the dividends decision approved by Bank's Ordinary General Assembly held on 26 March, 2008.
- Comparative figures have been restated in respect of investments (except for investments in associates) as a result of the new regulations by the Central Bank of Egypt as approved by its Board of Directors on 16 December 2008 (note no. 2a)

1. The following is the effect of changes in accounting policies on fair value reserve of financial investments available for sale as of 31 December 2006:

	L.E
Balance at 31/12/2006 before change in accounting policies	--
Difference between fair value and book value of financial investments available-for-sale	84 874 578
Transfer from reserve of valuation difference of available-for-sale investments in foreign currencies.	14 038 252
Transfer to retained earnings (fair valuation Difference of available-for-sale investments of 2006)	<u>(48 549 616)</u>
Restated balance at 31/12/2006 after change in accounting policies	<u>50 363 214</u>

2. The following is the effect of change in accounting policies on net income for the year ended 31 December 2007:

	L.E
Net profits for 2007-before change in accounting policies	681 216 056
Valuation difference of available-for-sale investments	(28 845 296)
Profit / Losses of available-for-sale investments	(3 088 061)
Foreign currencies valuation difference	<u>(3 748 355)</u>
Net profits 2007 as restated	<u>645 534 344</u>

3. The following is the effect of change in accounting policies on investments available-for-sale as for the year ended 31 December 2007:

	L.E
Financial investments available-for-sale at 31/12/2007 before changes in accounting policies	2 418 937 206
Financial investments available-for-sale valuation differences	<u>108 470 878</u>
Restated financial investments available for sale at 31/12/2007 after change in accounting policies	<u>2 527 408 084</u>



Chairman
Mahmoud Abd El Latif



First Deputy Chairman
Fatma Ibrahim Lotfy

Bank of Alexandria
(Egyptian Joint Stock Company)

Profit Appropriation Statement (Proposed)

For the year ended December 31, 2008

	<u>LE</u>
Net profit for the year	406 549 929
<u>Less:</u>	
Capital gain transeferred to reserves according to the law	(2 161 430)
Appropriated profit for the year	<u>404 388 499</u>
Retained earnings (at year beginning)	<u>412 458 619</u>
Total	<u><u>816 847 118</u></u>
<u>Appropriation</u>	
Legal Reserves	20 219 425
Stock Divedends	68 710 433
Employees' profit share	38 416 907
Board of Directors Remuneration	2 200 000
Retained earnings	<u>687 300 353</u>
Total	<u><u>816 847 118</u></u>



BANK
OF ALEXANDRIA

بنك الإسكندرية



BANK
OF ALEXANDRIA

بنك الإسكندرية

Budget 2009

Approved
T.C. - GA
H. El-Dars

Cairo, 19th March, 2009

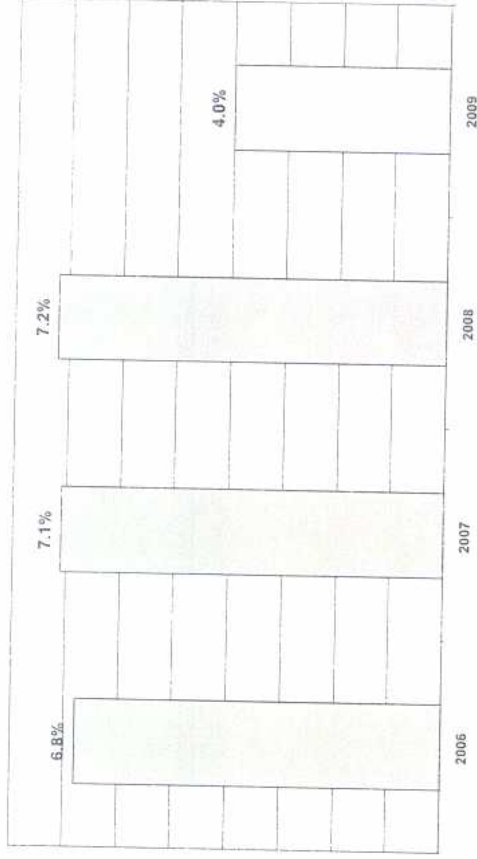
Macroeconomic Forecast



BANK OF ALEXANDRIA

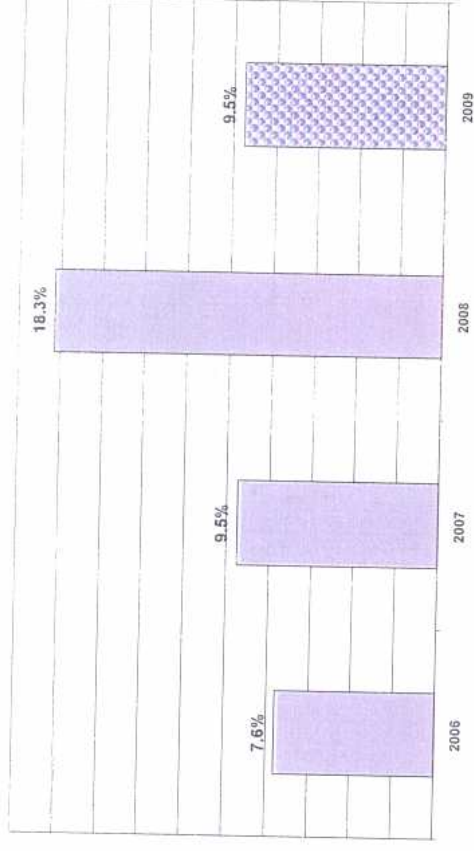
بنك الإسكندرية

GDP Growth



- The Egyptian economy is expected to slowdown during 2009 as consequence of the international turmoil.
- GDP growth is expected to decrease to 4%.
- The decrease will be mainly driven by a decrease in the sectors driving the Egyptian economy (tourism, Suez Canal, Oil and Gas).
- Lower FDI will have also an impact in the 2009 growth.

CPI % Change



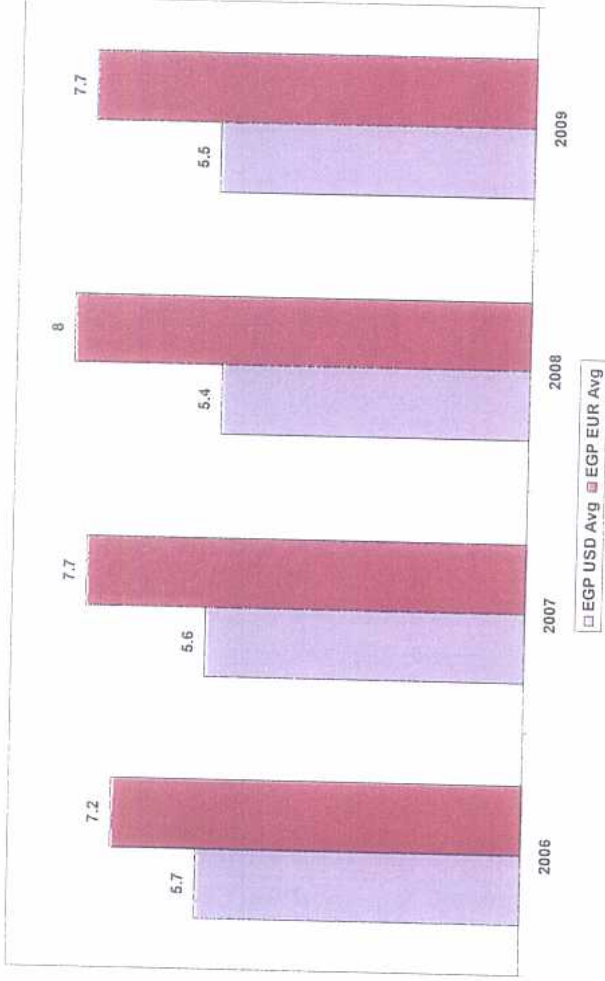
- In 2008 inflation surged up to 22% high fuelled by the increase in the international food prices with an average of 18.3%.
- In 2009 it is expected a significant decrease of the inflation rate as consequence of the decrease of the demand as confirmed by the first data of the year.

Exchange and Interest Rates

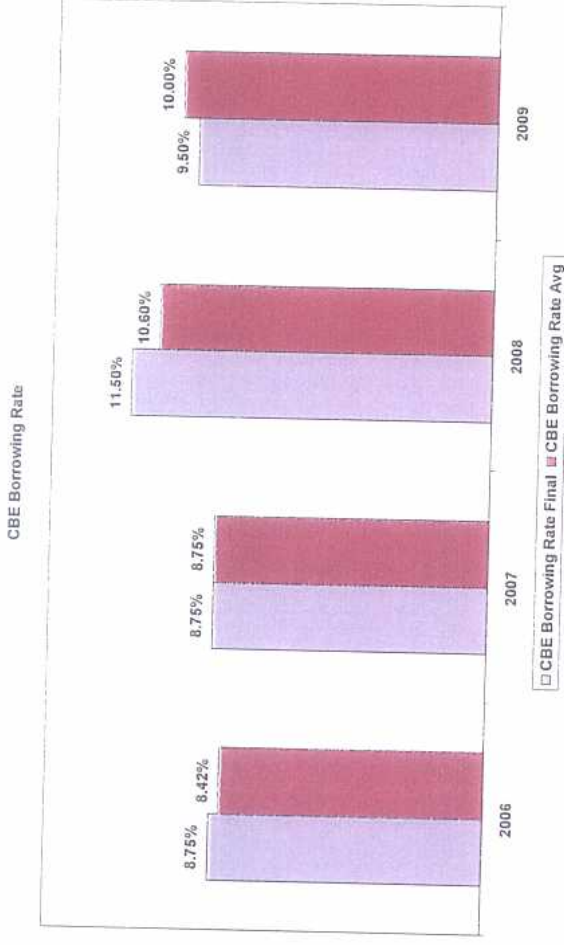


BANK OF ALEXANDRIA

بنك الإسكندرية



- ◆ With high domestic inflation and a large cushion of Foreign Exchange Reserves the authorities have left EGP to appreciate vs. USD slightly during the first part of 2008.
- ◆ In 2009 EGP will depreciate slightly vs USD.
- ◆ In 2009 EGP will appreciate vs EUR



- ◆ CBE Borrowing rate will be slightly decreasing following the inflation pattern.
- ◆ However a high level of interest rates will probably continue in order to increase the real rate of return and avoid turbulences on the exchange rate

- ❑ The Budget 2009 follows the guidelines of the plan 2008 -2010 focused on a sustainable growth of the bank with a particular focus in developing the Retail Business
- ❑ In order to sustain growth in the market, the bank is planning to spend 187.4 mln as CAPEX during the year 2009, to support upgrading the IT infrastructure and to complete our branch network renovation.

However:

- ❑ The international crisis will slow down the growth in 2009 which might affect the growth of the banking sector and of Bank of Alexandria.
- ❑ Regulatory constrain recently introduced (Branch to Capital Ratio) Will hamper the development of the bank.

- Total assets will remain substantially unchanged in 2009 compared to the end of 2008.
- The loan portfolio is expected to increase by 17.9% compared to end of 2008 with corporate and SMEs raising by 59.1% and Retail Loans by 45.1%.
- Due from banks consists mainly of deposits with the central bank which represent the investment of the excess liquidity.
- The loss of financial institutions deposits (Mutual Funds) will be compensated by the increase in corporate & retail deposits.
- Due to banks reflect the policy of keeping to a minimum the borrowing from the banking system in local currency. The due to banks includes only deposits for funding in FX (mainly USD).

Balance Sheet

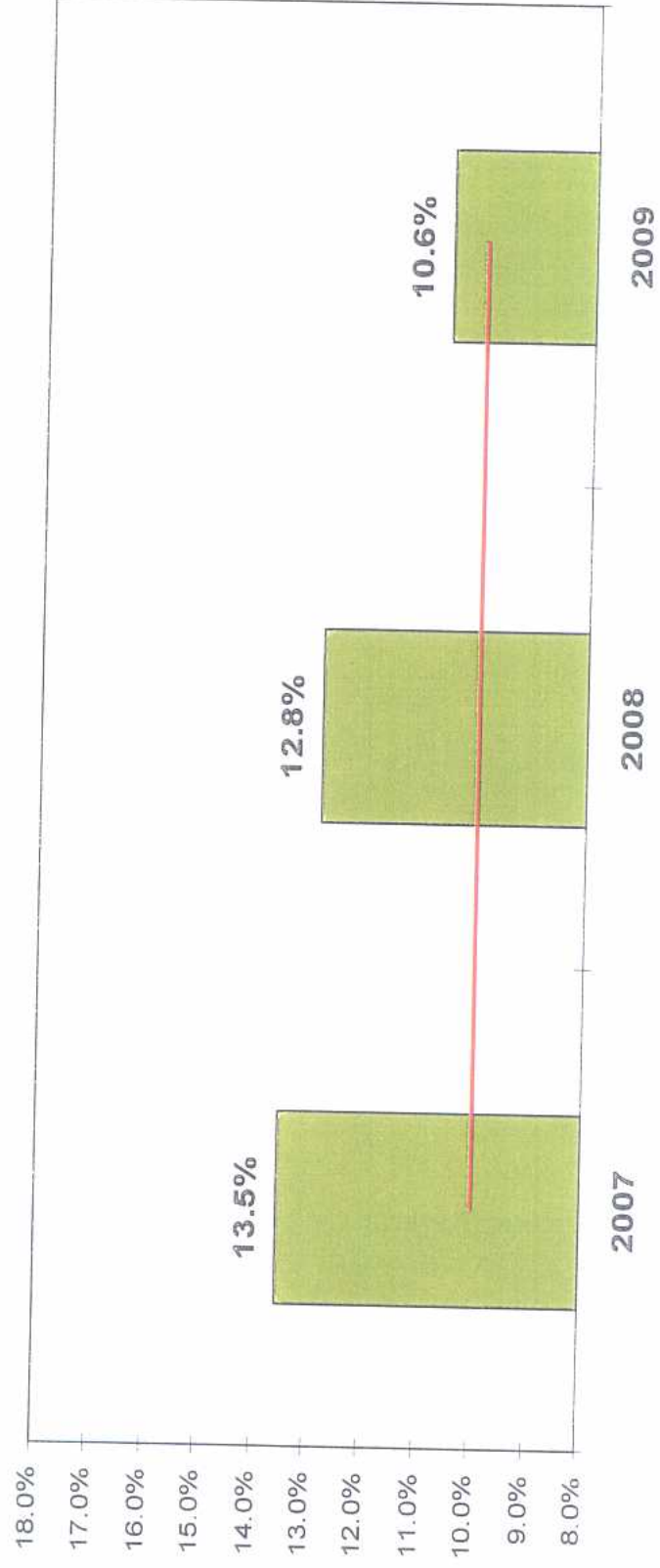
	Fact. 2007		Fact. 2008		2008 vs. 2007		2009 vs. 2008		
					Abs.	%	2009	Abs.	%
ASSETS									
- Corporate Loans	6,176	7,190	1,014	16.4%	8,474	1,284	17.9%		
- SME Loans	461	509	48	10.4%	810	301	59.1%		
- Retail Loans	2,909	4,882	1,973	67.8%	7,082	2,201	45.1%		
Customer loans - performing	9,546	12,580	3,034	31.8%	16,366	3,786	30.1%		
Non performing loans (gross)	2,347	2,042	-305	-13.0%	2,056	14	0.7%		
Total Loans to Customers	11,893	14,622	2,730	23.0%	18,422	3,800	26.0%		
- Bonds HFT	4,115	3,674	-441	-10.7%	1,550	-2,124	-57.8%		
- Bonds AFS	2,415	2,736	321	13.3%	2,469	-267	-9.8%		
- Bonds HTM	1,637	1,737	100	6.1%	1,724	-13	-0.8%		
Bonds / other fixed-income sec	8,168	8,148	-20	-0.2%	5,743	-2,405	-29.5%		
Regulatory reserve	489	985	495	101.3%	3,248	2,263	229.8%		
Due from banks	16,796	8,058	-8,738	-52.0%	6,357	-1,701	-21.1%		
Net result from hedging activities				n.r.			n.r.		
Total interest-bearing assets	37,346	31,813	-5,533	-14.8%	33,769	1,956	6.1%		
Shares & Mutual Funds HFT	1,025	16	-1,009	-98.4%	16	0	0.0%		
Shares & Mutual Funds AFS	232	505	273	117.4%	504	-1	-0.3%		
Other non int.-bearing assets	2,139	1,795	-344	-16.1%	1,956	161	9.0%		
Total assets	40,742	34,129	-6,613	-16.2%	36,245	2,116	6.2%		
LIABILITIES									
- Corporate & SME Deposits	5,338	4,677	-661	-12.4%	5,072	395	8.4%		
- Retail Deposits	20,486	19,654	-833	-4.1%	21,312	1,659	8.4%		
- Financial Institutions & Others	5,199	957	-4,242	-81.6%	800	-157	-16.4%		
Customer deposits	31,023	25,288	-5,736	-18.5%	27,184	1,897	7.5%		
Due to banks	2,805	2,518	-287	-10.2%	1,700	-818	-32.5%		
Other interest-bearing liabilities		530	530	n.r.	617	87	16.4%		
Net result from hedging activities				n.r.			n.r.		
Total interest-bearing liabilities	33,828	28,335	-5,493	-16.2%	29,501	1,166	4.1%		
Loans Provisions	2,185	2,008	-176	-8.1%	2,093	85	4.2%		
Non interest-bearing liabilities	1,955	1,172	-784	-40.1%	1,672	500	42.7%		
Shareholders' equity	2,774	2,614	-161	-5.8%	2,978	365	14.0%		
Total liabilities	40,742	34,129	-6,613	-16.2%	36,245	2,116	6.2%		
Loans to Deposit Ratio	31.3%	49.9%	18.6%		60.1%	10.2%			
636	1266	630	99.2%	1,767	501	39.5%			

Profit and loss

- ❑ Net interest income will increase by 22.8% driven mainly by the growth of loan portfolio and the reallocation of the funding.
- ❑ Commission Income & Expense will increase by 4.7%. However on a normalized basis (excluding the performance fee on mutual funds) it will increase by 17.6%.
- ❑ Profit and loss on trading activity will be generated mainly by the commercial activity of the bank (FX trading).
- ❑ Personnel expenses will grow by 15% (14.3% excluding the profit distribution scheme).
- ❑ Other Administrative expenses will increase by 14.4%.
- ❑ Depreciation (+16.2%) keeps into account the capital expenditure the bank is planning to carry out.
- ❑ Cost income ratio expected to reach 54.5% in year 2009 Vs 82.9% in Year 2008
- ❑ Net write downs of loans includes 70 mil. EGP of expected reversal of provision due to collection on bad loans (100 mil. EGP).

Fact	2008 Vs 2007		2009 Vs 2008		PROFIT AND LOSS IFRS (Magnitude)	Plan 2009	2009 Vs 2008	
	2008	ABS	ABS	%			ABS	%
628.9	783.6	154.7	24.6%	962.1	178.5	22.8%		
3.0	3.0	n.r.		0.6	-2.4	-81.4%		
233.8	298.8	65.1	27.8%	312.9	14.1	4.7%		
450.2	-331.4	-781.6	-173.6%	52.4	383.8	115.8%		
2.2	5.7	3.5	161.4%		-5.7	-100.0%		
1,315.1	759.7	-555.4	-42.2%	1,328.0	568.3	74.8%		
-423.8	-399.7	-24.1	-5.7%	-459.9	60.2	15.0%		
-139.5	-181.0	41.6	29.8%	-207.1	26.0	14.4%		
-51.5	-49.4	-2.1	-4.0%	-57.4	8.0	16.2%		
-614.8	-630.2	15.4	2.5%	-724.3	94.2	14.9%		
700.3	129.5	-540.0	-77.1%	603.7	474.1	366.0%		
-69.8	-31.3	38.5	55.1%		-31.3	-100.0%		n.r.
-95.4	157.4	252.8	265.1%		268.5	170.5%		
-4.1	4.1	4.1	100.0%					n.r.
11.0	4.0	-7.0	-63.3%		4.0	100.0%		
542.0	259.7	-251.6	-46.4%	492.7	232.9	89.7%		
-3.6	-3.6	-3.6	n.r.	-59.3	55.7	1552.5%		
542.0	256.1	-255.2	-47.1%	433.3	177.2	69.2%		
46.8%	82.9%			54.5%				
				12.0%				
862.6	1,052.5	189.9	22.0%	1,275.0	222.5	21.1%		
452.4	-292.8	-745.2	-164.7%	53.0	345.8	118.1%		
-360.1	-361.3	1.2	0.3%	-412.9	51.6	14.3%		

Capital Adequacy



□ The Capital Adequacy Ratio will decline during 2009 to 10.6%, in any case above the regulatory limit of 10%



Republic of Egypt
Ministry of Finance
The Minister

For Board APPROVAL

Mr. Mahmoud Abdel Latif,
Bank of Alexandria Chairman,

Dear Sir,

With reference to the appointment of Mr. Amr Ali El Garhy and Mr. Basel Mohamed Bahaa El Din El Hini as state representatives on the Board of the Bank of Alexandria, please be informed that the appointment of the latter at the Ministry of Finance has terminated and that he will be replaced as state representative on the Board of the Bank of Alexandria by Mr. Mohamed Ahmed Ahmed Allam, Tax Audit Advisor to the Minister of Finance.

Please accept my highest consideration.

Ministry of Finance
Youssef Botros Ghali

16/10/2008

INTESA  SANPAOLO

DIREZIONE AFFARI SOCIETARI E PARTECIPAZIONI

Prot. 58 /09/CD

24th February 2009

Bank of Alexandria
No. 49 at Kasr El Nil Street
CAIRO (Egitto)

e, p.c. Al Responsabile
Direzione Banche Area South
Mediterranean e Asia

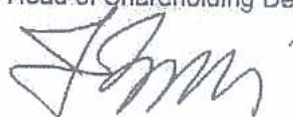
Dear Sirs,

We are pleased to inform you that Intesa Sanpaolo adopted the following resolution with regard to the composition of the Board of Directors of your Company:


- Appointment of Mr. Marcello Sala, in substitution of Mr. Pietro Modiano.

Yours faithfully,

Mauro Rossi
Head of Shareholding Dept



For G.M.
APPROVAL

 Chairman

for your approval



BANK
OF ALEXANDRIA

بنك الاسكندرية

To: Mrs. First Deputy Chairman

From: Andrea De Michelis - CFO

Date: 5th March 2009

Subject: General Assembly 19th March 2009 – Auditing fees

On of the point in the agenda of the General Assembly is the approval of the fees for the Auditors Services.

Herewith the tables of the fees indicated in the draft of Engagement letters that we have requested.

	2009	2008	2007
ERNST & YOUNG			
Auditing Local Standard (Annual & Quarterly)	550,000	500,000	450,000
Auditing Magnitude Package IFRS	110,000	100,000	65,000
Total Auditing	660,000	600,000	515,000
KPMG			
Auditing Annual Financial Statement	550,000	500,000	450,000
Proposed to General Assembly	1,210,000	1,100,000	965,000
Quarterly Financial Statements	150,000	150,000	150,000
Total Auditing	1,360,000	1,250,000	1,115,000

Kindly note that KPMG fees (as in the previous years) do not include the quarterly reviews. These fees amounted for 2008 to 150 000 EGP.

The amount requested are within our budget.

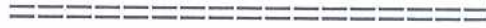
I wait for Mr.Chairman's and yours kind approval in order to prepare the documentation for the General Assembly.





Subject:

**Proposal For Donations
For The Financial Year
From 1-1-2009 Till 31-12-2009**



It is Proposed to authorize the Board of Directors to grant donations up to a maximum EGP 3 000 000.