



BANK
OF ALEXANDRIA

بنك الإسكندرية

Chairman

**Invitation to the Ordinary General
Assembly No. (5) of Bank of Alexandria to be
held on Monday the 15th of March 2010**

دعوة لحضور اجتماع الجمعية العامة العادية رقم (٥) لبنك
الإسكندرية والمقرر انعقادها يوم الاثنين الموافق
١٥ مارس ٢٠١٠

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 Monday the 15th of March 2010 at Laylaty (2) hall in Grand Hyatt Hotel at 10 A.M, to discuss or as the case may be, approve the items of the following agenda:

أتشرف أنا محمود عبد اللطيف، بصفتي رئيس مجلس إدارة بنك الإسكندرية بدعوة سيادتكم لحضور اجتماع الجمعية العامة العادية للبنك والمنعقدة في يوم الاثنين الموافق ١٥ مارس ٢٠١٠ وذلك بقاعة ليلاي (٢) - بفندق جراند حياة- 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 2009 and the Auditor's Report; المصادقة على الميزانية والقوائم المالية عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٠٩ وكذلك تقرير السادة مراقبي حسابات البنك. ١
- 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 2009; اعتماد تقرير مجلس الإدارة عن نشاط البنك ومركزه المالي وحساب الأرباح والخسائر عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٠٩. ٢
- 3 Ratifying the profits distribution list for the financial year ending 31 December 2009; المصادقة على قائمة توزيع الأرباح عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٠٩. ٣
- 4 Ratifying the activities of the Board of Directors and discharging the same of their activities done in the financial year ending 31 December 2009; المصادقة على أعمال وإبراء ذمة السادة أعضاء مجلس الإدارة وإخلاء مسئوليتهم عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٠٩. ٤
- 5 Reviewing remunerations and attendance allowance for the Board Members; تحديد المكافآت وبدلات حضور السادة أعضاء مجلس الإدارة. ٥



BANK
OF ALEXANDRIA

بنك الإسكندرية

Chairman

- | | | | |
|---|--|---|---|
| 6 | Approving the estimate budget for the year 2010; | المصادقة على الموازنة التقديرية لعام ٢٠١٠. | ٦ |
| 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 2010 and determining their fees. | تجديد تعيين السادة مراقبي الحسابات للعام المالي ٢٠١٠ 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



The Ordinary General Assembly Meeting Bank of Alexandria



**BANK
OF ALEXANDRIA**

بنك الاسكندرية

“Egyptian Joint Stock Company”

**Financial Statements
For the year ended December 31,2009
&
Auditor’s Report**

Bank of Alexandria
“Egyptian Joint Stock Company”

Financial Statements
for the year ended December 31, 2009
&
Auditor’s Report

KPMG Hazem Hassan
Public Accountants & Consultants

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

KPMG Hazem Hassan
Public Accountants & Consultants

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

AUDITORS' 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 2009, 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 relates 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

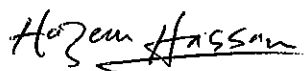
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E.) as of December 31, 2009 and of its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's 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, 2009 no contravention of the central bank, banking and monetary institution law no.88 of 2003.

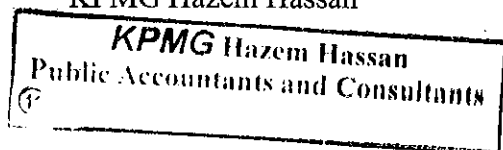
The Bank maintains proper books of account, which include all that is required by law and by the statutes of the Bank; the financial statements are in agreement thereto.

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.

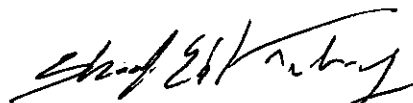


Hazem Hassan

KPMG Hazem Hassan

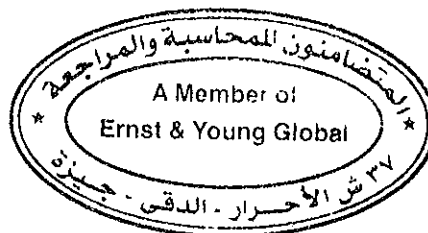


Cairo February, 2010



Sherif El Kilani

Allied for Accounting & Auditing (E&Y)



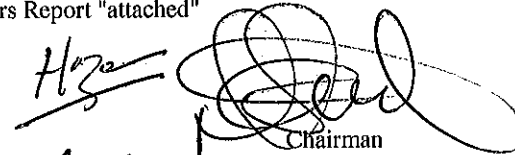
Bank of Alexandria
(Egyptian Joint Stock Company)

Balance Sheet
As at 31 December 2009

Assets	Note no.	31/12/2009 LE	31/12/2008 LE
Cash and balances with the Central Bank of Egypt	(4)	4 961 695 910	1 002 933 574
Due from banks	(5)	2 338 867 574	8 016 787 219
Treasury bills and other governmental bills eligible for rediscounting with the CBE	(6)	4 527 433 600	3 525 981 911
Financial assets - held for trading	(7)	45 478 354	164 451 878
Loans to customers and banks (net of provision)	(8,9)	16 141 215 309	13 114 245 344
Financial derivatives	(10)		803 588
Financial investments			
Available -for- sale investments	(11)	1 774 450 005	3 152 680 172
Held -to- maturity investments	(11)	1 788 390 746	1 783 067 315
Investments in associates	(12)	18 770 400	18 770 400
Debit balances and other assets (net)	(13)	356 273 063	494 300 197
Fixed assets (net of accumulated depreciation)	(14)	183 009 309	152 116 093
Total Assets		32 135 584 270	31 426 137 691
Liabilities & Shareholders' Equity			
Liabilities			
Due to banks	(15)	2 710 806 937	2 277 859 525
Customers' deposits	(16)	25 090 708 735	25 287 763 404
Financial derivatives	(10)	-	803 588
Credit balances and other liabilities	(17)	769 807 472	728 820 526
Dividend payable		-	110 727 340
Long term loans	(18)	168 140 498	239 749 368
Other provisions	(19)	523 569 542	561 648 589
Total Liabilities		29 263 033 184	29 207 372 340
Shareholders' Equity			
Issued & paid-in capital	(20)	800 000 000	800 000 000
Reserves	(21)	878 278 377	731 464 998
Retained Earnings		669 820 376	687 300 353
Total Shareholders' equity		2 348 098 753	2 218 765 351
Net profit for the year		524 452 333	-
Total shareholders' equity (including net profit for the year)		2 872 551 086	2 218 765 351
Total shareholders' equity & liabilities		32 135 584 270	31 426 137 691
Contingent Liabilities & Commitments			
Liabilities for letters of guarantee			
Documentary credits and other commitments	(22)	2 180 053 409	2 602 186 799

The accompanying notes from page (6) to page (42) are an integral part of these financial statements and are to be read therewith.

Auditors Report "attached"


Chairman
Mahmoud Abd El Latif

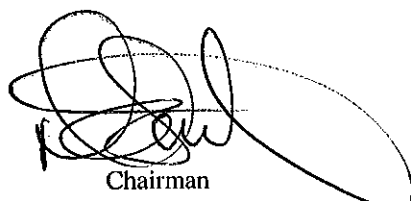

First Deputy Chairman
Fatma Ibrahim Lotfy

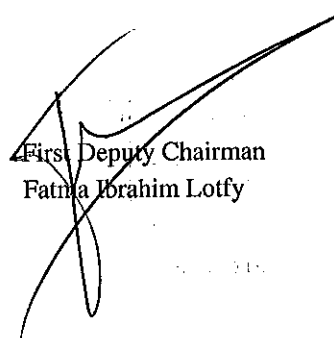
Bank of Alexandria
(Egyptian Joint Stock Company)

Income Statement
for the year ended 31 December 2009

	Note no.	For the year ended 31/12/2009 LE	For the year ended 31/12/2008 LE
Interest income		1 695 768 809	2 240 813 061
Income from treasury bills and bonds		673 256 772	572 041 065
Interest expense		<u>(1 263 497 936)</u>	<u>(2 000 966 422)</u>
Net interest income		1 105 527 645	811 887 704
Fees and commissions income		252 260 364	305 683 707
Dividend income	(23)	11 117 886	84 732 252
Net trading income	(24)	67 277 916	(315 577 233)
Gains on sale of investments	(11)	18 989 638	30 548 879
Foreign currencies valuation differences		(18 826 991)	(41 943 784)
Other operating revenues	(19)	<u>41 225 791</u>	<u>165 939 847</u>
Net operating income		1 477 572 249	1 041 271 372
Provisions	(19,13,9)	(66 630 718)	(20 500 000)
General administrative expenses, depreciation and amortization	(17)	<u>(800 205 438)</u>	<u>(612 791 669)</u>
Operating profits		610 736 093	407 979 703
Non operating profits		<u>2 696 352</u>	<u>2 161 430</u>
Net profit before tax		613 432 445	410 141 133
Income tax		<u>(88 980 112)</u>	<u>(3 591 204)</u>
Net profit for the year		<u>524 452 333</u>	<u>406 549 929</u>
Earnings per share	(27)	<u>1.18</u>	<u>0.91</u>

The accompanying notes from page (6) to page (42) are an integral part of these financial statements and are to be read therewith.


Chairman
Mahmoud Abd El Latif

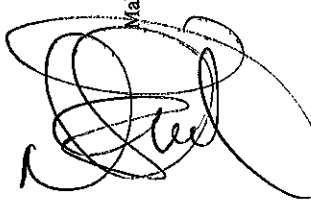

First Deputy Chairman
Fatma Ibrahim Lotfy

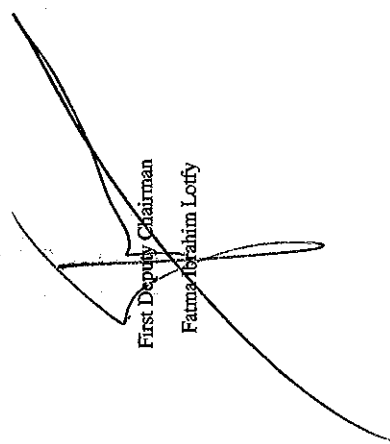
Bank of Alexandria
(Egyptian Joint Stock Company)

Statement of Changes in Shareholders' Equity
for the year ended 31 December 2009

	Note no.	Issued & Paid - in Capital		Legal Reserve	General Reserve		Special Reserve	Reserve of fair value/ Available-for-Sale Investments		Other Reserves	Retained Earnings	Net profit for the year	Total
		LE	LE		LE	LE		LE	LE				
Balance as at 31 December, 2007 (adjusted)	(2-A)	800 000 000	184 416 051	29 311 678	397 711 892	108 559 975	289 187 935	412 458 619	-	-	2 221 646 150		
Changes in fair value of the available-for-sale investments	(21-A)	-	-	-	-	(300 103 388)	-	-	-	-	(300 103 388)		
Net profit for the year 2008		-	-	-	-	-	-	-	-	406 549 929	406 549 929		
Transfers to reserves and retained earnings		-	20 219 425	-	2 161 430	-	-	274 841 734	-	(297 222 589)	-		
Dividends payout		-	-	-	-	-	-	-	-	(109 327 340)	(109 327 340)		
Balance as at 31 December, 2008		800 000 000	204 635 476	29 311 678	399 873 322	(191 543 413)	289 187 935	687 300 353	-	-	2 218 765 351		
Adjustments	(21-A)	-	-	-	-	-	-	(17 479 977)	-	-	(17 479 977)		
Changes in fair value during the year	(21-A)	-	-	-	-	146 813 379	-	-	-	-	146 813 379		
Net profit for the year 2009		-	-	-	-	-	-	-	-	524 452 333	524 452 333		
Balance as at 31 December 2009		800 000 000	204 635 476	29 311 678	399 873 322	(44 730 034)	289 187 935	669 820 376	524 452 333	-	2 872 551 086		

The accompanying notes from page (6) to page (42) are an integral part of these financial statements and are to be read therewith.


 Chairman
 Mahmoud Abd El Latif


 First Deputy Chairman
 Farma Ibrahim Lotfy

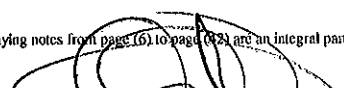
Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of Cash Flows
for the year ended 31 December 2009

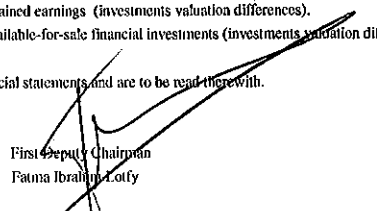
	For the year ended 31/12/2009 L.E	For the year ended 31/12/2008 L.E
Cash flows from operating activities		
Net profit for the year before taxes	613 432 445	410 141 133
Adjustments to reconcile net profit to net cash provided from operating activities		
Fixed assets depreciation and Amortisation	45 545 044	39 012 495
Provisions	66 630 718	20 500 000
Provisions no longer needed	(29 146 765)	(157 476 280)
Valuation differences of financial assets - held for trading	(1 544 466)	272 212 809
Amounts used from provisions (other than loans provision)	(24 928 630)	(17 417 947)
Proceeds from amounts previously written off	15 691	-
Foreign exchange differences for provisions (other than loans provision)	(1 767 161)	(4 907 016)
Foreign exchange differences for sale investments (other than trading investments)	8 279 474	430 546
Foreign exchange differences in fair value reserves / available-for-sale investments	(3 482)	-
Interest income from bonds - effect of recalculation according to amortised cost rate of treasury bills and bonds	1 730 965	-
Paid taxes	(57 211 008)	(3 271 155)
Gains from sale of fixed assets	(2 696 352)	(2 161 430)
Adjustments on fixed assets	95 511	1 043 577
Dividends proceeds from investments other than trading investments	(10 952 886)	(18 517 888)
Gains on sale of investments (other than trading investments)	(18 989 638)	(30 548 879)
Losses of transferred investments from reserve of fair value account	(23 787 536)	-
Operating profits before changes in assets and liabilities used in operating activities	564 701 924	509 039 965
Net decrease (Increase) in assets		
Deposits with banks	5 633 602 512	8 796 589 346
Treasury bills and other governmental bills eligible for rediscounting with CBE	(1 350 063 563)	754 300 370
Financial assets - held for trading	120 517 990	275 629 600
Loans to customers and banks	(3 066 276 842)	(2 824 212 708)
Financial derivatives (net)	-	73 567
Debit balances and other assets	84 603 716	231 618 931
Net Increase (decrease) in liabilities		
Due to banks	432 947 412	(215 028 844)
Customers' deposits	(197 054 669)	(5 735 615 367)
Credit balances and other liabilities	9 217 842	37 426 557
Net cash provided from operating activities	<u>2 232 196 322</u>	<u>1 829 821 417</u>
Cash flows from investing activities		
Payments to purchase fixed assets & preparation of branches	(47 248 146)	(27 534 036)
Proceeds from sale of fixed assets	3 516 035	2 569 430
Proceeds from sale of financial investments other than trading investments	1 714 429 428	877 059 261
Payments to purchase financial investments other than trading investments	(179 419 073)	(1 433 916 490)
Payments to purchase Investments in associates & subsidiaries	-	(3 747 500)
Dividends proceeds	10 952 886	18 517 888
Net cash provided from (used in) investing activities	<u>1 502 231 130</u>	<u>(567 051 447)</u>
Cash flow from financing activities		
Payments of long term loans	(71 608 870)	(71 909 152)
Dividends paid	(96 985 253)	(201 474 073)
Net cash used in financing activities	<u>(168 594 123)</u>	<u>(273 383 225)</u>
Net changes in cash and cash equivalents during the year	3 565 833 329	989 386 745
Cash & cash equivalents at the beginning of the year	1 593 999 088	604 612 343
Cash & cash equivalents at the end of the year	<u>5 159 832 417</u>	<u>1 593 999 088</u>
Cash and cash equivalents are represented in:		
Cash and due from Central Bank of Egypt	4 961 695 910	1 002 933 574
Due from banks	2 338 867 574	8 016 787 219
Treasury bills and other governmental bills eligible for rediscounting with the CBE	4 527 433 600	3 525 981 911
Deposits with banks	(2 264 268 611)	(7 897 871 123)
Treasury bills and other governmental bills eligible for rediscounting with the CBE (more than 3 months maturity)	(4 403 896 056)	(3 053 832 493)
Cash & cash equivalents at the end of the year	<u>5 159 832 417</u>	<u>1 593 999 088</u>

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

- An amount of L.E. 26 167 285 from both payments to purchase fixed assets and the changes in debit balances (payments under purchase of fixed assets).
- An amount of L.E. 13 742 087 from both changes in paid dividends and debit balances (settlement of the states share in profits).
- An amount of L.E. 3 876 023 from both changes in debit balances and loans (assets reverted to the bank).
- An amount of L.E. 17 479 977 from both changes in fair value reserve and retained earnings (investments valuation differences).
- An amount of L.E. 151 393 455 from both changes in fair value reserve and available-for-sale financial investments (investments valuation differences).

The accompanying notes from page (6) to page (22) are an integral part of these financial statements and are to be read therewith.


Chairman
Mamoud Abd El Lah

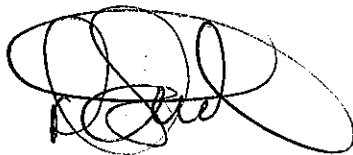

First Deputy Chairman
Fatma Ibrahim Lotfy

Bank of Alexandria
(Egyptian Joint Stock Company)

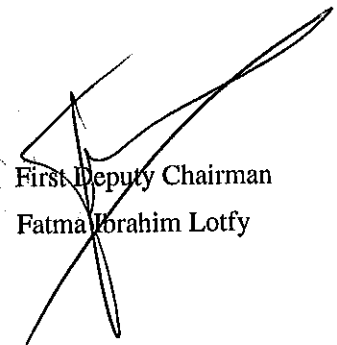
Profit Appropriation Statement (Proposed)
For the year ended 31 December 2009

	For the year ended 31/12/2009 LE	For the year ended 31/12/2008 LE
Net profit for the year	524 452 333	406 549 929
Less:		
Capital gains transeferred to reserves according to the law	<u>(2 696 352)</u>	<u>(2 161 430)</u>
Appropriated profit for the year	521 755 981	404 388 499
Retained earnings at the beginning of the year	<u>669 820 376</u>	<u>412 458 619</u>
Total	<u>1 191 576 357</u>	<u>816 847 118</u>
Appropriation		
Legal Reserves	26 087 799	20 219 425
Shareholders' Divedends	40 000 000	68 710 433
Employees' share	49 566 818	38 416 907
Board of directors members remuneration	2 200 000	2 200 000
Retained earnings at the end of the year	<u>1 073 721 740</u>	<u>687 300 353</u>
	<u>1 191 576 357</u>	<u>816 847 118</u>

The accompanying notes from page (6) to page (42) 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)

Notes to the financial statements
for the year ended 31 December 2009

1- Activity

- Bank of Alexandria (Egyptian joint stock company) was established on 17 April 1957 as a commercial bank fully owned by the State till 31 October 2006 then Bank San Paolo I.M.I. (Italian Bank) acquired 80% of its issued share capital.
- On 1 January 2007 a merger undertaken between San Paolo I.M.I and Intesa Bank S.P.A and the name was amended to be Intesa San Paolo S.P.A.
- The Bank of Alexandria 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 210 branches and units.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa San Paolo S.P.A stake became 70.25%.

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 Egyptian laws and regulation of preparing these statements and based on the historical cost amended by revaluation of financial derivatives and assets and liabilities held for trading and, the financial assets and liabilities that are classified at inception by the fair value through the profits and losses and the financial investments available for sale .

The measurement of available-for-sale investments have been changed as at 1 January 2008 as explained in note (C), from the lower of cost (taking into consideration the FX valuations charged) or fair value with the differences charged 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.

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 governmental 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.

For the period starting from -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 sale or disposal of 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 Off-setting of 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 and actual 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 on 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 equivalents

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

2-Q Depreciation and amortization

- Fixed assets are recorded at historical 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:

Type of asset	Estimated useful lives
Premises and buildings	20 years
Tools and equipment	10 years
Furniture	10 years
Integrated automated systems	5 years
Transportation means	5 years

- Improvements expenditures of the Bank's lease holdings 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 comprising current and deferred tax is recognized in the Income statement except for

income tax related to owner's equity items which is recognized directly to 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 no. 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 related to 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:

- Preparation of credit studies on 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 uses 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 regulations any decline in the fair value during the period from 1 July 2008 to 31 December 2008 is not considered an impairment.

Had all the declines in fair value below cost been considered significant or prolonged, the Bank would suffer an additional LE 114 481 202 loss, being transfer of the negative fair value reserve balance 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 independent personnel of the area that created them. All models are certified before usage, 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 bank's and counterparty), volatilities and correlations require estimations by management thus changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) 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 9 518 963 with a corresponding entry in the fair value reserve in shareholders' equity.

4- **Cash and due from Central Bank of Egypt**

	31/12/2009	31/12/2008
	LE	LE
Cash on hand	480 252 561	476 691 807
Due from Central Bank of Egypt "reserve percentage" *	4 481 443 349	526 241 767
	<u>4 961 695 910</u>	<u>1 002 933 574</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**

	31/12/2009	31/12/2008
	LE	LE
A- The Central Bank of Egypt		
- Current accounts	7 654 775	20 990 154
- Time deposits	436 551 337	6 758 679 943
	<u>444 206 112</u>	<u>6 779 670 097</u>
	-----	-----
B- Local Banks		
- Current accounts	5 264 411	4 402 961
- Time deposits	500 000 000	170 000 000
	<u>505 264 411</u>	<u>174 402 961</u>
	-----	-----
C- Foreign Banks		
- Current accounts	61 679 777	93 522 981
- Time deposits	1 327 717 274	969 191 180
	<u>1 389 397 051</u>	<u>1 062 714 161</u>
	-----	-----
	<u>2 338 867 574</u>	<u>8 016 787 219</u>
	=====	=====

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

	31/12/2009	31/12/2008
	LE	LE
Treasury bills 91 days maturity	126 475 000	482 950 000
Treasury bills 182 days maturity	1 312 225 000	836 375 000
Treasury bills 273 days maturity	1 854 650 000	830 950 000
Treasury bills 364 days maturity	1 469 450 000	1 575 000 000
	<hr/>	<hr/>
Total	4 762 800 000	3 725 275 000
Less: unearned interest	(235 366 400)	(199 293 089)
	<hr/>	<hr/>
	4 527 433 600	3 525 981 911
	<hr/> <hr/>	<hr/> <hr/>

7- Financial assets held for trading

	31/12/2009	31/12/2008
	LE	LE
Debt - securities		
- Governmental bonds	45 478 354	148 460 493
	<hr/>	<hr/>
Total debt - securities	45 478 354	148 460 493
	<hr/>	<hr/>
Equity – securities (listed)		
- Local companies stocks	--	5 594 385
- Mutual funds certificates	--	10 397 000
	<hr/>	<hr/>
Total equity	--	15 991 385
	<hr/>	<hr/>
Total financial assets held for trading	45 478 354	164 451 878
	<hr/> <hr/>	<hr/> <hr/>

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

	31/12/2009	31/12/2008
	LE	LE
Discounted commercial papers	991 349	15 790 396
Loans to customers	17 753 684 817	14 727 057 050
Loans to banks *	500 000 000	500 000 000
Total	18 254 676 166	15 242 847 446
Unearned discount	--	(33 628)
Interest on settlement	(71 362 723)	(120 405 454)
Interest in - suspense	(74 436 092)	(75 284 962)
Loans provision	(1 967 662 042)	(1 932 878 058)
	16 141 215 309	13 114 245 344

* 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 7 years period. The loan is subject to fixed 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 withdrawn LE 100 million on 22 February 2007 and LE 400 million on 25 February 2007.

9- Loans provision (performing /non-performing)

	31 December 2009		
	Specific	General	Total
	LE	LE	LE
Provisions at the beginning of the year	1 703 496 020	229 382 038	1 932 878 058
Amounts formed during the year	--	43 182 900	43 182 900
Transfers between provisions	(67 827 829)	67 827 829	--
Proceeds from debts previously written off	699 536	--	699 536
Foreign currencies valuation differences	(30 519)	20 316	(10 203)
	1 636 337 208	340 413 083	1 976 750 291
Amounts used during the year	(9 088 249)	--	(9 088 249)
Provisions at the end of the year	1 627 248 959	340 413 083	1 967 662 042

31 December 2008

	Specific	General	Total
	LE	LE	LE
Provisions 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/>
Amounts used during the year	1 795 739 962	229 405 321	2 025 145 283
	(92 243 942)	(23 283)	(92 267 225)
	<hr/>	<hr/>	<hr/>
Provisions 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.

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, does 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	31/12/2009 Fair Value			31/12/2008 Fair Value		
		Assets LE	Liabilities LE	The Assumption Contractual Amount LE	Assets LE	Liabilities LE	
Foreign Currencies derivatives							
Forward contracts	--	--	--	66 475 495	803 588	803 588	
	--	--	--	66 475 495	803 588	803 588	

11- Financial investments

	31/12/2009 LE	31/12/2008 LE
Available --for- sale investments		
Debt securities-at fair value:		
- Listed	1 302 354 524	2 699 726 844
Equity securities-at fair value:		
- Listed	61 214 479	61 886 598
- Unlisted	410 881 002	391 066 730
Total available-for-sale investments	1 774 450 005	3 152 680 172
Held --to- maturity investments		
Debt securities:		
- Listed	100 000 000	100 000 000
- Unlisted	1 688 390 746	1 683 067 315
Total held-to-maturity investments	1 788 390 746	1 783 067 315
Total investments	3 562 840 751	4 935 747 487
	31/12/2009	31/12/2008

	LE	LE
- Current	1 463 569 003	2 861 613 442
- Non-current	2 099 271 748	2 074 134 045
	<u>3 562 840 751</u>	<u>4 935 747 487</u>
	=====	=====
- Debt securities-fixed income	1 397 897 575	2 818 992 495
- Debt securities-variable income	1 692 847 695	1 663 801 664
	<u>3 090 745 270</u>	<u>4 482 794 159</u>
	=====	=====

	Available-for- sale investments	Held-to- maturity investments	Total
	LE	LE	LE
Balance as at 1/1/2009	3 152 680 172	1 783 067 315	4 935 747 487
Additions	158 869 237	20 549 836	179 419 073
Disposals (sell/redeem)	(1 677 078 944)	(7 336 676)	(1 684 415 620)
Valuation difference of monetary assets dominated in foreign currencies	(389 745)	(7 889 729)	(8 279 474)
Changes in the fair value	151 393 455	--	151 393 455
Impairment loss	(11 024 170)	--	(11 024 170)
	<u>1 774 450 005</u>	<u>1 788 390 746</u>	<u>3 562 840 751</u>
	=====	=====	=====
Balance as at 1/1/2008 restated after changes in accounting policies (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 (sell/redeem)	(822 973 701)	(21 978 850)	(844 952 551)
Transfers	444 566 288	--	444 566 288
Valuation difference of monetary assets dominated in foreign currencies	(207 515)	(223 031)	(430 546)
Changes in the fair value	(301 661 219)	--	(301 661 219)
	<u>3 152 680 172</u>	<u>1 783 067 315</u>	<u>4 935 747 487</u>
	=====	=====	=====

Gains on financial investments

	For the year ended 31/12/2009 LE	For the year ended 31/12/2008 LE
Gains from sale of available - for – sale investments	29 082 783	9 466 759
Impairment loss on debt securities available-for – sale	(11 024 170)	--
Gains from sale of held – to – maturity investments	931 025	21 082 120
	<u>18 989 638</u>	<u>30 548 879</u>
	=====	=====

12- Investments in associates

	31 December 2009		31 December 2008	
	Amount LE	Sharing Percentage %	Amount LE	Sharing Percentage %
Abrag Misr ElAlamaya Company	11 270 400	28	11 270 400	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>18 770 400</u>	
	=====		=====	

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

13- Debit balances and other assets (net)

	31/12/2009 LE	31/12/2008 LE
Accrued revenues	172 922 394	311 697 020
Prepaid expenses	58 794 611	41 458 279
Assets reverted to the Bank in settlement of debts	19 783 219	26 936 475
Payments under purchase of fixed assets	41 604 741	29 984 954
Deposits with others	8 564 890	8 528 317
Other debit balances *	310 303 208	325 695 152
	<u>611 973 063</u>	<u>744 300 197</u>
Provisions for doubtful amounts	(255 700 000)	(250 000 000)
Net	<u>356 273 063</u>	<u>494 300 197</u>
	=====	=====

* Other debit balances includes the following:

- An amount of LE 239 million as at 31 December 2009 compared to LE 242 million on 31 December 2008 represents disputed amounts paid to the Tax Authority and a provision with the total amount has been formed.
- An amount of LE 17 million as at 31 December 2009 compared to LE 8 million on 31 December 2008 represents disputed amounts due to the Bank and a provision for the total amount has been formed.
- An amount of LE 25 million on 31 December 2009 compared to LE 38 million on 31 December 2008 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)

	Land*	Premises and Buildings	Integrated automated Systems	Transportation Means	Installation and Preparations	Tools and Equipment	Furniture	Total
	LE	LE	LE	LE	LE	LE	LE	LE
Cost as at 1/1/2009	11 302 496	86 818 531	160 595 448	13 244 060	3 698 661	66 271 202	35 181 571	377 111 969
Additions during the year	--	14 776 729	42 758 647	3 694 000	9 200	9 370 725	2 806 130	73 415 431
Adjustments	--	--	--	--	--	(5 396)	(90 115)	(95 511)
Disposals during the year	(20 941)	(1 500)	--	(2 311 322)	--	(16 600)	--	(2 350 363)
Cost as at 31/12/2009	11 281 555	101 593 760	203 354 095	14 626 738	3 707 861	75 619 931	37 897 586	448 081 526
Accumulated depreciation as at 1/1/2009	--	58 428 815	111 153 135	8 297 451	3 600 756	27 094 389	16 421 330	224 995 876
Depreciation for the year	--	3 529 308	27 012 752	1 815 876	14 114	6 322 690	2 912 281	41 607 021
Disposals accumulated Depreciation	--	(1 500)	--	(1 521 710)	--	(7 470)	--	(1 530 680)
Accumulated depreciation as at 31/12/2009	--	61 956 623	138 165 887	8 591 617	3 614 870	33 409 609	19 333 611	265 072 217
Net assets as at 31/12/2009	11 281 555	39 637 137	65 188 208	6 035 121	92 991	42 210 322	18 563 975	183 009 309
Net assets as at 31/12/2008	11 302 496	28 389 716	49 442 313	4 946 609	97 905	39 176 813	18 760 241	152 116 093

* Fixed assets include an amount of LE 7 704 979 representing lands not registered in the Bank's name, the legal procedures for registration of these assets are currently taking place.

15. Due to banks

	31/12/2009	31/12/2008
	LE	LE
A- Local banks		
Current accounts	20 729 407	16 586 297
Time deposits	1 397 569 835	1 229 593 042
	<u>1 418 299 242</u>	<u>1 246 179 339</u>
B- Foreign banks		
Current accounts	110 651 729	80 413 150
Time deposits	1 181 855 966	951 267 036
	<u>1 292 507 695</u>	<u>1 031 680 186</u>
	<u>2 710 806 937</u>	<u>2 277 859 525</u>

16. Customers' deposits

	31/12/2009	31/12/2008
	LE	LE
Demand deposits	2 655 126 915	2 331 412 444
Time deposits and call accounts	4 311 584 138	4 757 084 897
Saving and deposits certificates	2 566 912 048	2 755 966 149
Saving deposits	15 138 732 339	15 030 273 789
Other deposits	418 353 295	413 026 125
	<u>25 090 708 735</u>	<u>25 287 763 404</u>

17. Credit balances and other liabilities

	31/12/2009	31/12/2008
	LE	LE
Accrued interest	49 469 744	108 038 202
Unearned revenue	20 516 660	17 064 280
Accrued expenses	52 895 961	57 176 095
Creditors and other credit balances *	646 925 107	546 541 949
	<u>769 807 472</u>	<u>728 820 526</u>

* Includes an amount of LE 256 million as at 31 December 2009 versus LE 213 million as at 31 December 2008 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, representing 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. Hence, this program does not include the employees' families. An amount of LE 19 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% yearly
Inflation rate of health care costs	9% yearly
Turn-over of employees that will not get any benefits from health care services	0.5% yearly
Retirement rate due to health causes	0.2% yearly

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 % yearly	+/- 1.7
Inflation rate of health care costs	+/- 0.50 % yearly	+/- 1.7
Turn-over of employees	+/- 0.50 % yearly	+/- 0.6
Deaths within the year	-	- 0.9

- On 10 June 2009 the bank's management announced an early retirement plan for its employees under specific conditions for which around 350 employees enrolled in the plan and the general and administrative expenses were affected by an amount of LE 66.5 million.

18. Long term loans

Description	Interest	Maturity	Amounts	Balance as at	
	rate	date	maturing	31/12/2009	31/12/2008
	%	LE	next year LE	LE	LE
European Investment Bank loan *	4.2	2010	59 205 907	59 205 907	114 752 081
Social Development Fund **	4.0 -10.0	2009/2013	15 438 200	31 047 339	55 762 104
Loan within the framework of the Agricultural Sector Development Program***	3.5 – 4.5	2011	28 227 256	77 887 252	69 235 183
Total long term loans			<u>102 871 363</u>	<u>168 140 498</u>	<u>239 749 368</u>

* 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 136.5 million has been settled till 31 December 2009.

*** 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

31/12/2009

Description	Balance at	Formed	Proceeds	Provisions *	Foreign	Amounts used	Balance at the
	the beginning of the year	during the year	from amounts previously written off	no longer needed	currencies valuation difference	during the year	end of the year
	LE	LE	LE	LE	LE	LE	LE
Expected claims provision	298 443 828	17 061 703	--	--	(163 579)	(16 771 026)	298 570 926
Contingent liabilities provision	256 299 040	--	15 691	(29 146 765)	(1 603 582)	(7 377 332)	218 187 052
Other provision	6 905 721	686 115	--	--	--	(780 272)	6 811 564
Balance	561 648 589	17 747 818	15 691	(29 146 765)	(1 767 161)	(24 928 630)	523 569 542

* Recorded in other operating revenues in the income statement.

- Contingent liabilities provision includes an amount of LE 31 740 705 as a provision of performing contingent liabilities.

31/12/2008

Description	Balance at	Formed	Transfers	Provisions no	Foreign	Amounts	Balance at
	the beginning of the year	during the year	among provisions	longer needed	currencies valuation differences	used during the year	the end of the year
	LE	LE	LE	LE	LE	LE	LE
Expected claims provision	393 594 574	20 500 000	(93 000000)	--	(471 499)	(22 179 247)	298 443 828
Contingent liabilities provision	335 838 239	--	--	(66 746 371)	(4 435 517)	(8 357 311)	256 299 040
Other provisions	7 358 553	--	--	(34 750)	--	(418 082)	6 905 721
Balance	736 791 366	20 500 000	(93 000000)	(66 781 121)	(4 907 016)	(30 954 640)	561 648 589

- Contingent liabilities provision includes an amount of LE 39 259 039 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 to 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 undertaken between San Paolo I.M.I 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 to L.E 800 million distributed on 400 million shares with par value of L.E 2 per share.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the Bank's shares, so Intesa San Paolo S.P.A share became 70.25%.

21- Reserves

	31/12/2009	31/12/2008
	LE	LE
Legal reserve	204 635 476	204 635 476
General reserve	29 311 678	29 311 678
Special capital reserve	399 873 322	399 873 322
Fair value reserve / available for sale investment (note - A)	(44 730 034)	(191 543 413)
Other reserve	289 187 935	289 187 935
	<hr/>	<hr/>
	878 278 377	731 464 998
	<hr/> <hr/>	<hr/> <hr/>

- 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.
- It is not permitted to distribute from the special reserve without the Central Bank of Egypt's approval.
- 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 charged 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 investments:

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

	31/12/2009	31/12/2008
	LE	LE
Balance as at 1/1	(191 543 413)	108 559 975
Change in the fair value (note no.11)	151 393 455	(301 661 219)
Net (gains) losses transferred to income statement on disposals	(23 787 536)	1 557 831
Net losses transferred to retained earnings on disposals	17 479 977	--
Revaluation reserve by foreign currencies	(3 482)	--
Reserve after recalculating the bonds by amortized cost	1 730 965	--
	<u>(44 730 034)</u>	<u>(191 543 413)</u>
	=====	=====

22. Contingent liabilities and commitments

	31/12/2009	31/12/2008
	LE	LE
Letters of guarantee	1 752 001 474	2 146 593 498
Documentary credits (export and import)	381 408 385	391 354 118
Rediscounted Bills	46 643 550	64 239 183
	<u>2 180 053 409</u>	<u>2 602 186 799</u>
	=====	=====

23. Dividend income

	For the year ended	For the year ended
	31/12/2009	31/12/2008
	LE	LE
Trading investments	165 000	66 214 364
Available - for – sale investments	7 957 155	7 278 388
Held – to – maturity investments	537 500	8 250 000
Investments in associates	2 458 231	2 989 500
	<u>11 117 886</u>	<u>84 732 252</u>
	=====	=====

24- Net trading income

	For the year ended 31/12/2009 LE	For the year ended 31/12/2008 LE
Gains on dealing in foreign currencies	60 427 862	65 325 030
(losses) gains on revaluation balances of forward and swap contracts	(3 421 249)	8 000 221
Profits (losses) on trading debt securities	9 081 770	(6 560 059)
Profits (losses) on trading equity securities	1 189 533	(382 342 425)
	<u>67 277 916</u>	<u>(315 577 233)</u>
	=====	=====

25. Reconciliation of effective tax rate

	31/12/2009 LE.	LE.
Accounting profit before tax		613 432 445
Tax rate		20%
Income tax calculated on the accounting profit		<u>122 686 489</u>
Non deductible expenses	8 977 369	
Tax exemptions	(52 449 485)	
Effect of provisions	(1 793 744)	
		<u>(45 265 860)</u>
Income tax		<u>77 420 629</u>
		=====
Tax on the income from treasury bills and bonds		88 980 112
Accrued taxes		<u>--</u>
		=====

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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	LE	LE	LE	LE
Fixed assets (depreciation)	--	--	(5 718 597)	(3 388 344)
Provisions (other than loans and taxes provision)	102 050 908	110 756 118	--	--
Fair value differences	30 658 002	60 020 678	--	--
Retained tax losses (*)	499 370 771	499 370 771	--	--
Total deferred tax asset (liability)	632 079 681	670 147 567	(5 718 597)	(3 388 344)
Net deferred tax asset	626 361 084	666 759 223		

* In the light of initiating work by law no. 114 for the year 2008 the losses are available to be carried forward till year 2012.

In the light of the Bank's adjusted budgets for the next years, and calculation of the bank taxable profits, the bank will not liable for corporate taxes after deducting the exempted due amounts according to tax law No. 91/2005 and the retained taxes losses in accordance to the reports handled to Large Taxpayers Center untill 2007 before acting under law no. 114/2008, thus deferred tax assets have not been recognized in respect to these items due to lack of assurance of sufficient future taxable profits for which the bank can utilize the benefits from assets therewith.

27. Earnings per share

	For the year ended 31/12/2009 LE	For the year ended 31/12/2008 LE
Net profit for the year	524 452 333	406 549 929
Board of directors remuneration	(2 200 000)	(2 200 000)
Employees' share	(49 566 818)	(38 416 907)
	<hr/>	<hr/>
Shareholders' share in the net profit for the year	472 685 515	365 933 022
	<hr/>	<hr/>
Weighted average of number of shares	400 000 000	400 000 000
	<hr/>	<hr/>
Earnings per share	1.18	0.91
	<hr/> <hr/>	<hr/> <hr/>

28- Capital commitments

A. Financial investments

The capital commitments related to financial investments that not paid until balance sheet date amounted to USD 7 150 652 represented as follow:

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	3 294 198	1 150 652
African Bank for Import and Export (Afrexim)	10 000 000	4 000 000	6 000 000
	<hr/>	<hr/>	<hr/>
	14 444 850	7 294 198	7 150 652
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

B. Fixed assets and preparation of branches

The capital commitments related to contracts to purchase fixed assets and prepare branches that are not yet executed, amounted to LE 106 739 710 on 31 December 2009 versus LE 117 275 507 on 31 December 2008.

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- Assets		
Due from banks	1 902 316	436 552
Treasury bills and other bills eligible for rediscounting with The Central Bank of Egypt	4 527 434	--
Financial assets held for trading	45 478	--
Available - for- sale investments	1 463 569	310 881
Loans to customers and banks	6 758 153	11 496 523
Held - to- maturity investments	--	1 788 391
Investments in associates	--	18 770
Debit balances and other assets	312 292	43 981
	<u>15 009 242</u>	<u>14 095 098</u>
B- Liabilities		
Due to banks	2 710 752	55
Customers' deposits	11 308 126	13 782 583
Long term loans	102 871	65 269
Credit balance and other credit balances	407 227	362 581
	<u>14 528 976</u>	<u>14 210 488</u>

30. Applied interest rates during the year

The average interest rates on assets and liabilities amounted to 7.3%, 4.6% respectively.

31. Tax status

The Bank computes the due taxes and remits them to the 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.

A- Corporate tax

- The Tax Authority has inspected till the year ended 31/12/2006 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, 2004/2005, 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.

- On 5/8/2009 an agreement has been signed between head of Tax Authority and chairman of the bank for the settlement of disputes for the years stated above, and coordination with Large Taxpayers Center to view the draft reconciliation on the issues.
- As for the year ended December 31, 2007 and 2008 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 results are still pending although they were inspected. the years 2005/2008 have not been inspected yet by tax authority.

C- Stamp duty tax

Calculation and deliverance of stamp tax that is made according to law no. 143 / 2006.

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

	31/12/2009 figures in thousands LE	31/12/2008 figures in thousands LE
A. Allocation of loans to customers according to		
Business sectors		
Public business sector	556 862	210 589
Private business Sector	9 006 723	9 097 235
Household sector	7 538 016	5 434 983
Non resident sector	653 075	40
Banks	500 000	500 000
	<hr/> 18 254 676 <hr/> <hr/>	<hr/> 15 242 847 <hr/> <hr/>
B. Allocation of customers' deposits		
According to business sectors		
Public service Sector	918 844	892 548
Public business Sector	639 624	1 067 568
Private and household sector	23 018 786	22 432 889
Non resident Sector	9 409	28
Financial institutions sector	364 575	753 419
Other deposits	139 471	141 311
	<hr/> 25 090 709 <hr/> <hr/>	<hr/> 25 287 763 <hr/> <hr/>
C. Allocation of net contingent liabilities and Commitments according to business sector		
Public business sector	245 199	415 145
Private and household sector	1 614 796	1 845 968
Public service sector	73 288	105 864
Other sectors	246 770	235 210
	<hr/> 2 180 053 <hr/> <hr/>	<hr/> 2 602 187 <hr/> <hr/>

33. Significant currencies positions

	31/12/2009	31/12/2008
	Surplus (deficit)	Surplus (deficit)
	figures in	figures in
	thousands	thousands
	LE	LE
Egyptian Pound	(126 860)	(27 525)
US Dollar	112 796	23 622
GBP	1 779	(639)
Euro	6 224	(2 962)
CHF	1 695	3 272
JPY	755	(12)
SAR	931	1 107
Other	2 680	3 137

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 31/12/2009 amounted to LE 30.6 million,

The redeemable value of the certificate at the date of 31/12/2009 amounted to LE 224.62 and the certificates outstanding at that date reached 459 612 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 507 thousands presented under the item of fee and commission income caption in the income statement.

B- Monetary mutual fund of the bank (with accumulated daily 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. The Bank - as an open fund has to adjust weekly the percentage allocated.
- The Bank has purchased a number of 4.1 million certificates (certificates have direct activities), and their redeemable value amounted to LE 55.4 million at the balance sheet date. The redeemable value of the certificate at the date of 31/12/2009 amounted to LE 13.53 and the certificates outstanding at that date reached 201 747 023 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 8.2 million presented under the item of fee and commission income caption in the income statement.

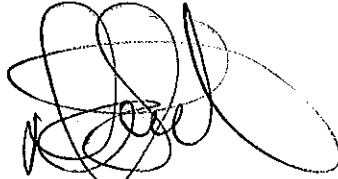
35. Related party transactions

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:

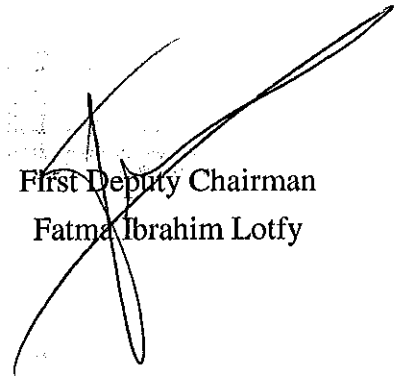
	31/12/2009	31/12/2008
	LE	LE
Due from banks	116 498 634	76 961 112
Investments in associates	18 770 400	18 770 400
Debit balances and other assets	548 198	661 425
Due to banks	296 814 196	381 536 090
Customers' deposits	14 560	14 647
Other credit balances	1 262 182	2 484 464

36. Comparative figures

- Comparative figures have been affected by the profit appropriation resolution as approved by bank's ordinary general assembly held on 19 March 2009.



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, 2009

	<u>LE</u>
Net profit for the year	524 452 333
<u>Less:</u>	
Capital gain transeferred to reserves according to the law	(2 696 352)
Appropriated profit for the year	<u>521 755 981</u>
Retained earnings (at year beginning)	<u>669 820 376</u>
Total	<u><u>1 191 576 357</u></u>
<u>Appropriation</u>	
Legal Reserves	26 087 799
Stock Dividends	40 000 000
Employees' profit share	49 566 818
Board of Directors Remuneration	2 200 000
Retained earnings	<u>1 073 721 740</u>
Total	<u><u>1 191 576 357</u></u>



BANK
OF ALEXANDRIA

بنك الإسكندرية

Budget 2010

Cairo 15th , March 2010

Contents

- **Macroeconomic environment**
- **Guidelines and Main Actions**
- **Budget 2010**
 - **Highlights**
 - **Balance Sheet**
 - **Profit and Loss**
 - **CAPEX**

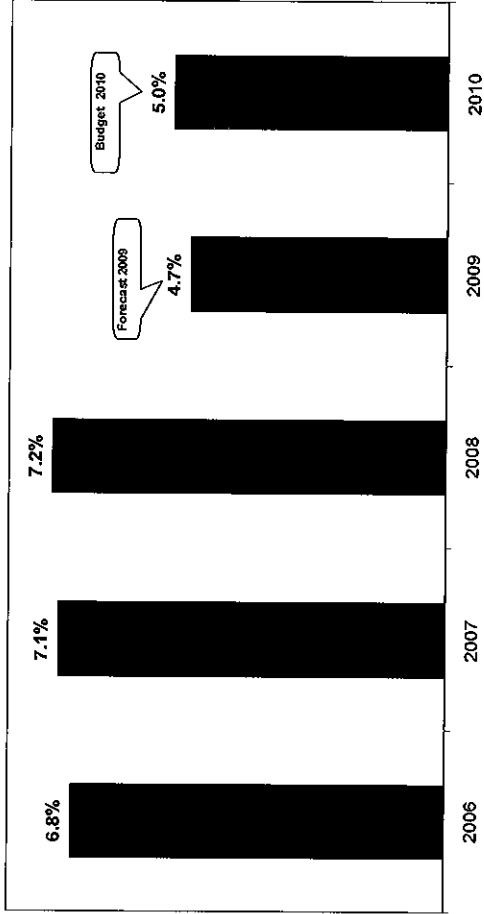


Macroeconomic Forecast

Contents

- **Macroeconomic Environment**
- Guidelines and Main Actions
- Budget 2010

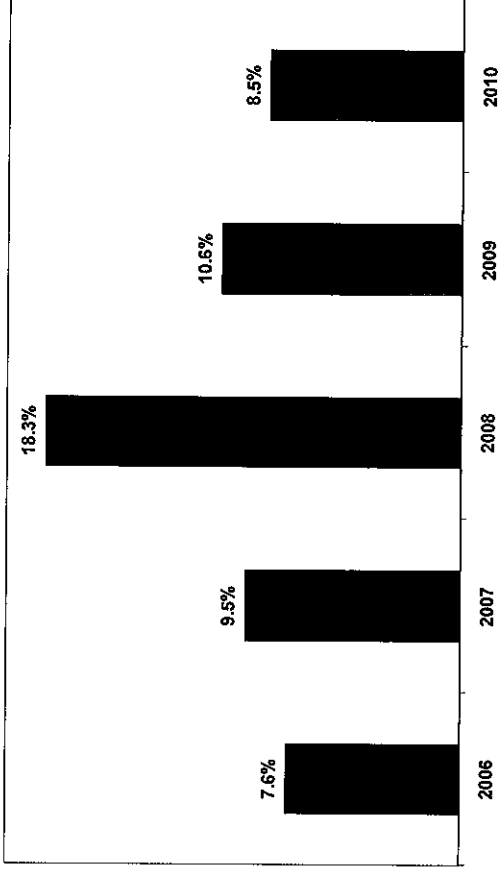
GDP Growth



- In 2009 The Egyptian economy has slowed down in line with the expectation. The last 2 quarters are showing some sign of moderate recovery.
- In 2010 GDP is expected to grow at the always sustainable rate of 5%.

Economic Forecast by BA
Economic Research and
ISP Economic Research

CPI Average



- In 2008 inflation surged to 22% high fuelled by the increase in the international food & fuel prices.
- In 2009 it is expected a significant decrease of the inflation rate as consequence of the decrease of the demand.
- In 2010 inflationary pressure should ease further although it might see some return due to the high prices for food.

Stable Economic Environment in 2010



BANK
OF ALEXANDRIA

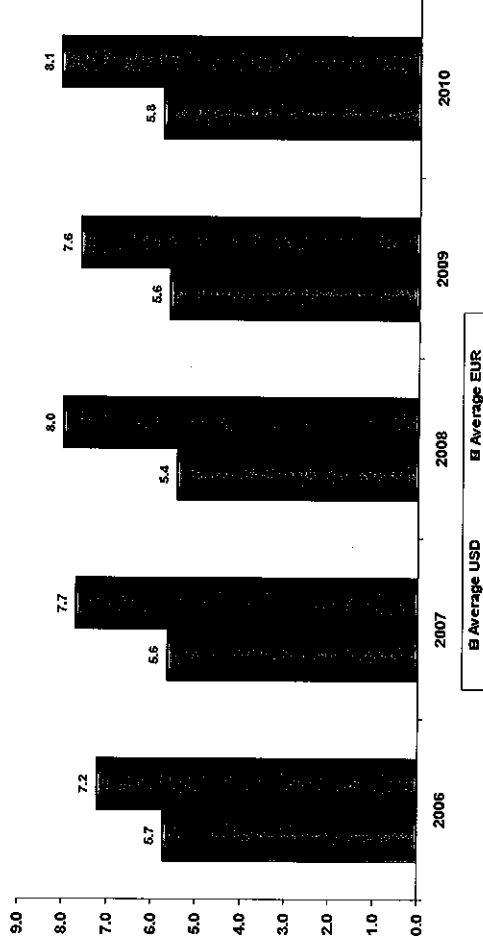
بنك
الإسكندرية

Exchange and Interest Rates

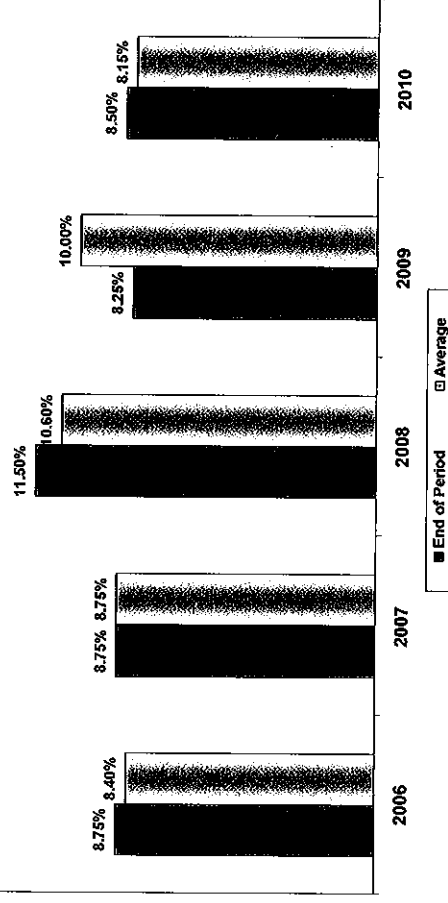
Contents

- **Macroeconomic Environment**
- Guidelines and Main Actions
- Budget 2010

USD & EUR Average Exchange Rate



CBE Borrowing Rate



- In 2010 EGP will depreciate slightly vs USD.
- In 2010 EGP will depreciate 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.



BANK OF ALEXANDRIA

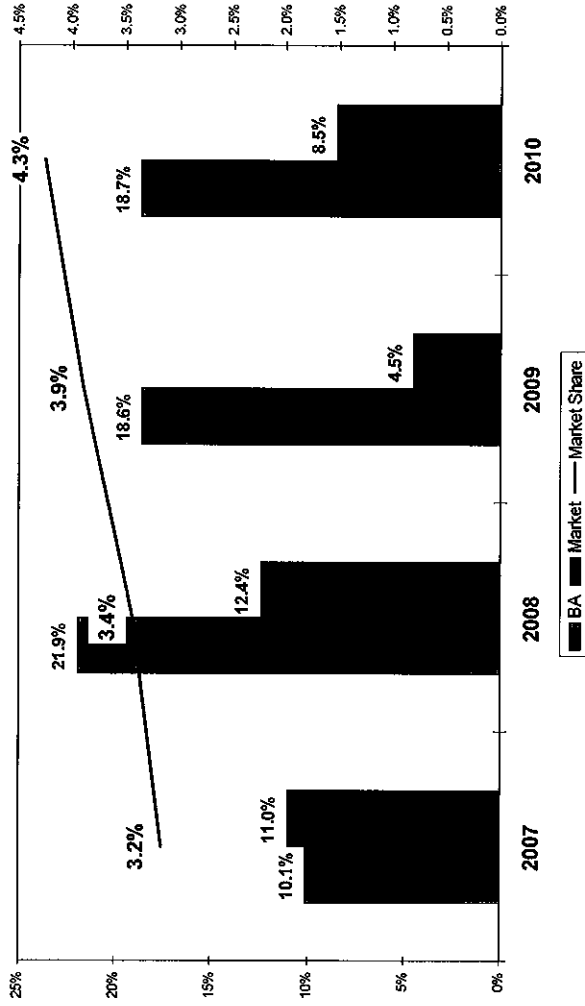
بنك الإسكندرية

Banking System/BA Growth

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- Budget 2010

Loans Volume Growth and Market Share



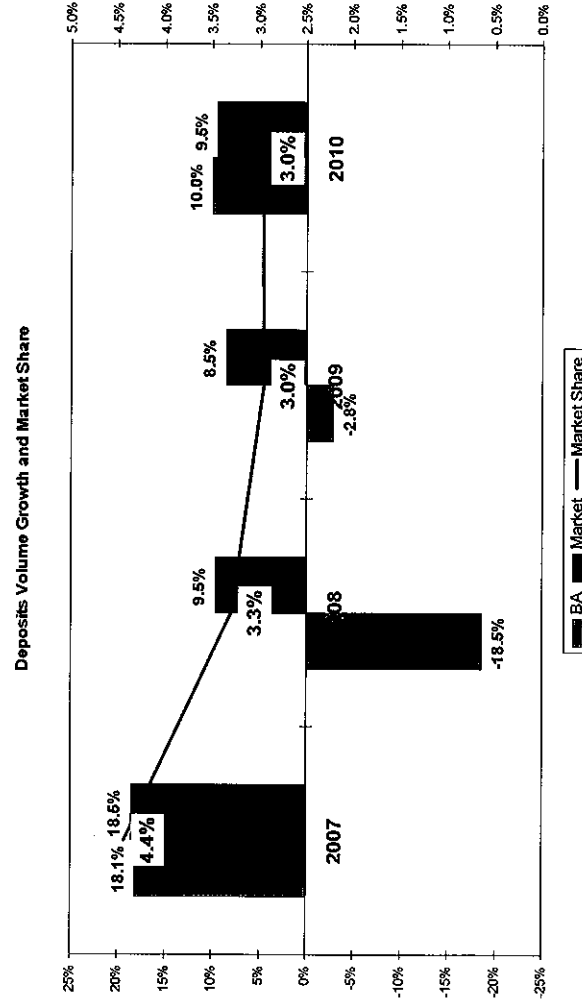
BA has shown a significant growth in the loan portfolio reaching a market share of 3.9% (6% if we consider only the Retail Loans).

Fundamental credit conditions are expected to remain stable, reflecting the considerable progress made on the banking sector reform programme and still limited impact of the global financial crisis and economic slowdown. The banking system is now more resilient and better positioned to withstand pressures. The stable economic growth has a positive impact on banks' loan growth (8.5% in 2010)

BA Deposits have decreased vs. 2007 mainly due to the expiry of deposits from mutual funds.

Households deposits comprise the largest component of total customer deposits. Egyptian banks show large mismatches in the maturity profile of their assets and liabilities, but risks are mitigated by their sizeable liquidity reserves as well as the "fidelity" of customer deposits.

Egyptian banks rely almost exclusively on customer deposits to fund their activities: the banks' aggregate loans-to-deposits ratio is expected to stay at around 55%.



BANK OF ALEXANDRIA

بنك الإسكندرية

Budget Guidelines

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- Budget 2010

- During 2010 the bank will continue its steady development to exploit the expected more stable macroeconomic situation.
- In 2010 the bank will move to position itself towards a higher market segment with:
 - Refurbishing branches and allocating premium areas for affluent clients.
 - Introducing new products.
 - Further developing the image of the bank with intensive advertising.
- A very strict cost control will be applied across all the organization.

However:

- A slower economic recovery might affect the growth
- Sudden increase of the local interest rate level might affect the profitability of the bank.
- No outlets will be opened in 2010 due to regulatory constrain (20 mil. Tier 1 Capital per Branch) [Deficit : 435 Mil EGP]



BANK
OF ALEXANDRIA

بنك الإسكندرية

Budget 2010 Main Actions (1/2)

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- Budget 2010

New Bundle Account

Sale of AlexPlus accounts during 2010

New call center

25 new Customer Services
20 New Telesales

Launch of the POS

BA will start the sale of POS in Feb. 2010 to Local merchant

Re-pricing of Retail Fee & Commissions

A new fee and commission structure will be introduced in Q1 2010

Participation to the Fawri Payment Network

BA is one of the three which will participate to this payment network

Re-pricing of Consumer Loan

1H 2010 after market testing

SME Development

Growth based on leveraging on suppliers' of BA Corporate Customers and Branch Network

Introduction of Platinum Master Card

New Card for Affluent Customer Base



BANK OF ALEXANDRIA

بنك الإسكندرية

Budget 2010 Main Actions (2/2)

Completion of Smart Village.

In H2 some HO divisions will be transferred to Smart Village

New Telecommunication Network

BA will change its TLC network in order to be able to improve business quality

Renovation of 9 branches & relocation of 15 branches

15 Branches will be moved to more visible and prestigious areas

Further Development of Business Process Management

Extension of BPM to all Network and to SME and Corporate Process

Start preparation on **Basel 2**

CBE has indicated that intend to start to move towards the application of Basel 2

Completion of HR Restructuring Project

In H1 2010 is forecasted the completion of HR project with the support of Pro-mark Co.

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- Budget 2010



BANK OF ALEXANDRIA

بنك الإسكندرية

Highlights

Contents	
•	Macroeconomic Environment
•	Guidelines and Main Actions
•	Budget 2010
	➤ Highlights

	Fact 2009	Δ vs Dec.08 abs.	%	IFRS (magnitude) Mil, EGP	Budget 2010	2010 Vs 2009 abs.	%
Economics							
	1,417.9	658.2	86.6%	Net Operating Margin	1,538.4	120.5	8.5%
	1,316.8	264.3	25.1%	<i>of which Core Business</i>	1,466.3	149.5	11.4%
	-824.1	-193.9	-30.8%	Total Operating Costs	-808.0	16.1	1.9%
	593.9	464.3	358.4%	Net Operating Profit	730.4	136.5	23.0%
	466.7	210.6	82.2%	Net Profit	506.3	39.5	8.5%
	58.1%	-24.8%		Cost/income ratio	52.5%	-5.6%	
O/S Volumes							
	32,484	666	2.1%	Total Assets	35,572	3,088	9.5%
	15,641	3,027	24.0%	Loans to Customers (Net)	18,623	2,981	19.1%
	25,091	-197	-0.8%	Deposits (Including CD's)	27,038	1,947	7.8%
	1,962	-384	-16.4%	LGs & LCs and Commitments	2,300	338	17.2%
	1,676	410	32.4%	Indirect Deposits	1,534	-142	-8.5%
Other							
	5,379	-236	-4.2%	Human Resources (EoM)	5,470	91	1.7%
	200			Branches	200		



BANK
OF ALEXANDRIA

بنك الإسكندرية

Balance sheet

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- **Budget 2010**
- Balance Sheet

- Total assets will increase in 2010 by 9.5% compared to the end of 2009.
- The loan portfolio is expected to increase by 19.1% compared to end of 2009 with Corporate increasing by 16.9%, SMEs by 58.9% and Retail loans by 18.6%.
- The investment of the excess liquidity position in securities and due from banks (consists mainly of deposits with the CBE) will be maintained around the same level as 2009.
- Customer deposits will increase by 7.8% affected partially by introducing two new products, CDs in EGP at a fixed rate and Alex Plus (Bundle Accounts).
- Due to banks reflect the policy of keeping to a minimum the borrowing from the banking system in local currency.



Balance Sheet – Budget 2010

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- **Budget 2010**
- Balance Sheet

As of	Fact	Δ vs Dec 08	Dec. 09	BALANCE SHEET	Budget	Δ Bdg.10 vs Fact.09
Dec.08	Dec.09	abs.	Budget	IFRS (Magnitude) Mil, EGP	Dec.10	abs.
		%				%
477	480	4	370	ASSETS		
3,690	4,573	882	1,566	Cash and cash equivalents	601	121
3,241	1,848	-1,393	2,973	Financial Assets HFT	3,035	-1,538
1,737	1,729	-8	1,724	Financial Assets AFS	2,207	359
9,043	7,320	-1,723	9,605	Financial Assets HTM	1,726	-3
12,614	15,641	3,027	16,328	Due from Banks	8,253	933
				Loans to Customers (Net)	18,623	2,981
36	36		32	Derivative Financial Instruments		
473	465	-8	469	Equity Investments	32	-4
10	34	23		Fixed assets	618	153
495	356	-139	777	Intangible Assets		-34
31,818	32,484	666	33,844	Other Assets	477	121
				TOTAL ASSETS	35,572	3,088
						9.5%
2,518	2,879	361	1,700	Due to banks	3,006	127
22,532	22,524	-8	23,584	Customer deposits	23,712	1,189
2,756	2,567	-189	3,600	Issued securities (CDs)	3,325	758
				Derivative financial instruments		
66	95	29		Tax liabilities		-95
803	750	-53	1,364	Other Liabilities	1,223	473
529	563	34	617	Allowance for risk and charges	520	-43
-64	26	90	-64	Revaluation reserves	132	106
1,621	1,813	192	1,809	Reserves	2,347	534
800	800		800	Share Capital	800	
256	467	211	433	Net Profit (Loss)	506	40
31,818	32,484	666	33,844	TOTAL LIABILITIES	35,572	3,088
						9.5%
2,346	1,962	-384	3,343	LGs & LCs and Commitments	2,300	338
1,266	1,676	410	1,767	Indirect Deposits	1,534	-142
						17.2%
						-8.5%



BANK
OF ALEXANDRIA

بنك الإسكندرية

Balance Sheet – Budget 2010 – Commercial Volumes

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- Budget 2010
 - > Balance Sheet

As of Dec.08	Fact Dec.09	Δ vs Dec.08 Abs.	%	Budget Dec.09	Ending Volumes Mil, EGP	Budget Dec.10	Δ vs Fact. Dec.09 Abs.	%
7,189	8,658	1,469	20.4%	8,474	LOANS	10,124	1,466	16.9%
374	513	139	37.1%	555	Corporate	816	302	58.9%
7,563	9,171	1,608	21.3%	9,029	Corporate & SME	10,940	1,769	19.3%
4,882	6,449	1,568	32.1%	7,082	Retail	7,648	1,199	18.6%
135	166	31	22.7%	255	Very Small Business	220	53	32.2%
5,017	6,615	1,598	31.9%	7,337	Retail & Micro Business	7,867	1,252	18.9%
12,580	15,786	3,206	25.5%	16,366	Total Performing Loans	18,807	3,021	19.1%
876	1,354	479	54.7%	1,001	DEPOSITS	1,738	384	28.4%
247	499	252	101.9%	359	Corporate	519	19	3.9%
1,123	1,854	731	65.1%	1,360	Corporate & SME	2,257	403	21.8%
19,654	20,026	373	1.9%	21,312	Retail	21,427	1,400	7.0%
3,555	2,765	-790	-22.2%	3,712	Very Small Business	3,059	294	10.6%
23,208	22,791	-417	-1.8%	25,024	Retail & Micro Business	24,486	1,694	7.4%
957	446	-511	-53.4%	800	FI & Other Deposits	296	-150	-33.6%
25,288	25,091	-197	-0.8%	27,184	Total Deposits	27,038	1,948	7.8%
2,346	1,962	-384	-16.4%	3,343	LGs LCs & Commitments	2,300	338	17.2%
49.7%	62.9%	13.2%		60.2%	Loans to Deposits %	69.6%	6.6%	



BANK
OF ALEXANDRIA

بنك الإسكندرية

Profit and loss

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- Budget 2010
 - Profit and Loss

- ❑ Net Interest Income will increase by 10.9 % driven mainly by the growth in volumes.
- ❑ Commission income & expense will increase by 13.5 % driven by the repricing of Retail commissions & fees.
- ❑ Profit and loss from trading activity will be generated mainly by the commercial activity of the bank (FX trading).
- ❑ Personnel expenses will decrease by 5.5% vs. 2009.
- ❑ Other Administrative expenses will increase by 3.1%.
- ❑ Depreciation (+11.5%) keeps into account the capital expenditure the bank is planning to carry out.
- ❑ Net write downs of loans includes 96 mil. EGP of expected reversal of provision due to recoveries.



BANK
OF ALEXANDRIA

بنك الإسكندرية

Profit and loss

Contents

- Macroeconomic Environment
 - Guidelines and Main Actions
 - Budget 2010
- Profit and Loss

Fact	2009 Vs 2008		2009		PROFIT AND LOSS		Budget		2010 Vs 2009	
	2008	2009	ABS	%	Budget	IFRS (Magnitude) MIL EGP	2009	2010	ABS	%
783.6	1,072.0	288.5	36.8%	962.1	Net interest income	1,188.6	116.5	10.9%		
3.0	2.5	-0.5	-17.8%	0.6	Dividends and other revenues	2.4	0.0	-1.1%		
298.8	244.8	-54.1	-18.1%	312.9	Commission income / expense	277.7	33.0	13.5%		
-331.4	93.2	424.6	128.1%	52.4	Profit (loss) from trading activities	65.7	-27.5	-29.5%		
5.7	5.5	-0.2	-4.3%		Other Operating Income (Expenses)	4.0	-1.5	-26.8%		
759.7	1,417.9	658.2	86.6%	1,328.0	NET OPERATING MARGIN	1,538.4	120.5	8.5%		
-399.7	-538.8	139.1	34.8%	-459.9	Personnel Expenses	-509.3	-29.6	-5.5%		
-181.0	-229.5	48.4	26.7%	-207.1	Other general and administrative expenses	-236.6	7.1	3.1%		
-49.4	-55.8	6.4	12.9%	-57.4	Amortization of fixed / intangible assets	-62.1	6.4	11.5%		
-630.2	-824.1	-193.9	-30.8%	-724.4	TOTAL OPERATING COSTS	-808.0	-16.1	-1.9%		
129.5	593.9	464.3	358.4%	603.6	NET OPERATING PROFIT (LOSS)	730.4	136.5	23.0%		
					Impairment on Goodwill			n.r.		
-31.3	-23.4	-7.9	-25.1%		Net Provisions for risks and charges		-23.4	-100.0%		
157.4	-14.0	171.5	108.9%	-111.0	Net write-ups/ downs of loans	-99.1	85.0	605.9%		
	-10.9	10.9	n.r.		Net write-ups/ downs for assets		-10.9	-100.0%		
4.0	10.2	-6.2	-153.6%		Profit (loss) from investments and HTM		10.2	100.0%		
259.7	555.7	296.0	114.0%	492.6	NET PROFIT (LOSS) BEFORE INCOME TAXES	631.3	75.6	13.6%		
-3.6	-89.0	85.4	2378.6%	-59.3	Income taxes	-125.1	-36.1	-40.6%		
256.1	466.7	210.6	82.2%	433.3	NET PROFIT (LOSS)	506.3	39.5	8.5%		
82.9%	58.1%	-24.8%		54.5%	Cost / Income	52.5%	-5.6%			
					Total Revenues					
1,052.5	1,316.8	264.3	25.1%	1,275.0	- Core business revenues	1,466.3	149.5	11.4%		
-292.8	101.1	393.9	134.5%	53.0	- Other revenues	72.1	-29.0	-28.7%		
361.3	489.3	128.0	35.4%	412.9	Total pers. exp. w/o profit distribution (p.d.)	454.5	-34.7	-7.1%		
406.6	524.5	117.9	29.0%	494.8	Egyptian Standard Profit	576.0	51.5	9.8%		



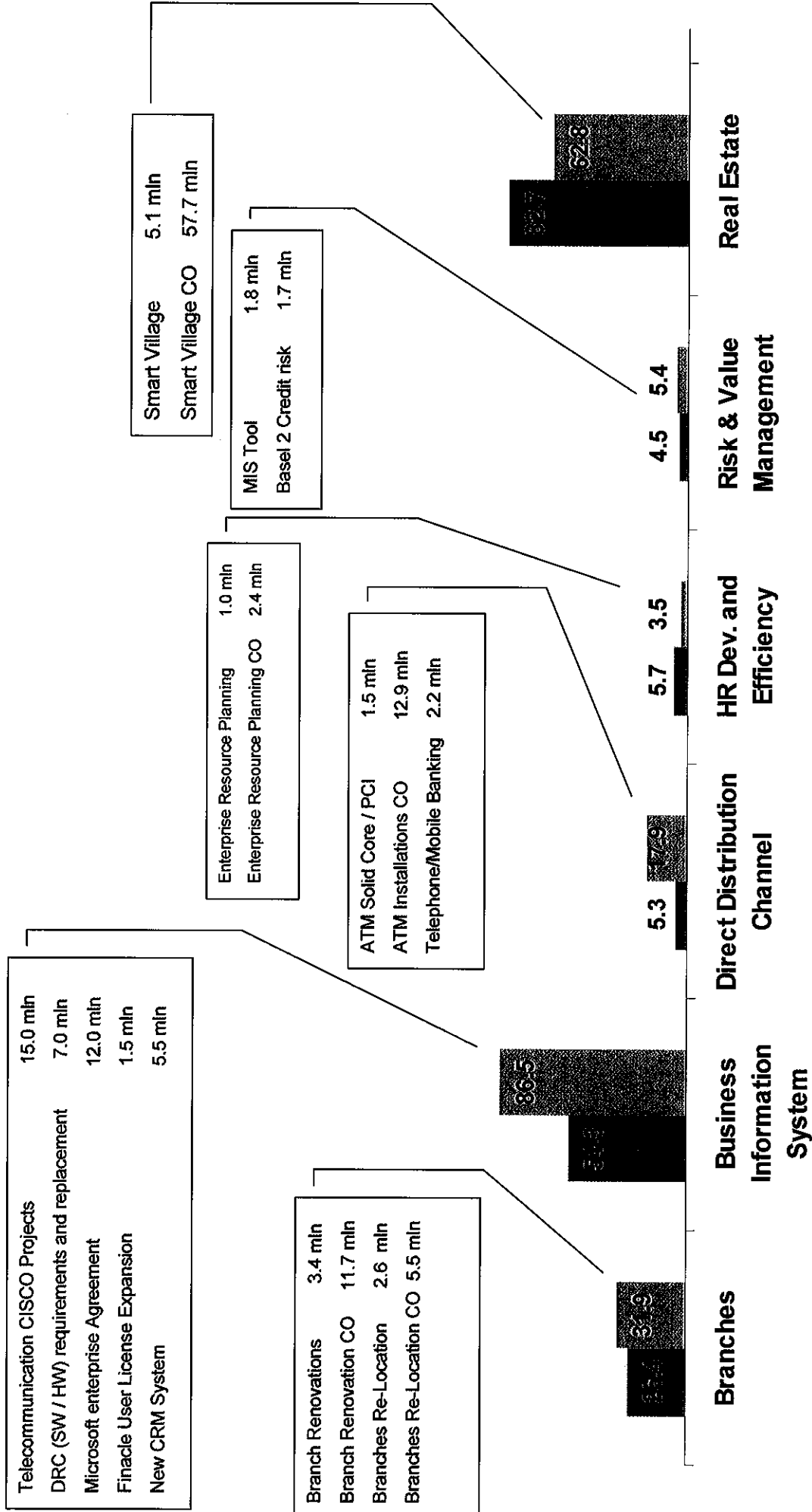
BANK
OF ALEXANDRIA

بنك الاسكندرية

CAPEX 2010

Contents

- Macroeconomic Environment
- Guidelines and Main Actions
- Budget 2010 Capex



■ Commitment 2009 ■ Budget 2010 + Carry Over 2010

CO : Carry Over



BANK OF ALEXANDRIA

بنك الإسكندرية

Decree of the President of the Council of Ministers

No. 2684 of the Year 2009

The President of the Council of Ministers,

Having reviewed the Constitution,

And the Central Bank, the Banking Sector and Money Law No.88 of the year 2003
and amendments thereto,

And upon recommendation of the Minister of Finance,

Decided

(Article 1)

Mr. Alaa El-Din Ahmed Samaha shall hereby replace Mr. Amr Ali El-Garhy as State
Representative on the Board of Directors of the Bank of Alexandria.

(Article 2)

The competent authorities shall implement the present decree.

President of the Council of Ministers

Ahmad Nazif

The Presidency of the Council of Ministers

29th of Shawwal, 1430 A.H.

18th of October, 2009 A.D.

Secretary General of the Council of Ministers

Sami Sa'd Zaghlul

INTESA SANPAOLO

International Subsidiary Banks Division
Piazza Paolo Ferrari, 10
20121 Milan

Milan

To
The Chairman of the Board
of Bank of Alexandria

Resignation

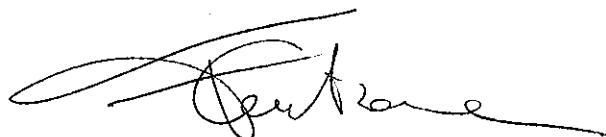
Dear Mahmoud,

It is with deep regret that I hereby inform you that I resign from my position as a member of the Board of Bank of Alexandria.

I appreciate having had the opportunity to be a member of the Board; I wish you, the Bank and the Board's members continued success.

I would like to take the opportunity to ask you also to convey my personal gratitude to the Management of the bank for the efforts made in the last years.

Sincerely yours,



Fabrizio Centrone
Head of Area
Central Eastern Europe (CEE)
International Subsidiary Banks Division



BANK
OF ALEXANDRIA

بنك الإسكندرية

Subject:

Engagement of External Auditors for the financial year From 1-1-2010 till 31-12-2010

الموضوع:

تعيين مراقبي الحسابات عن السنة المالية

من ٢٠١٠/١/١ إلى ٢٠١٠/١٢/٣١

It is proposed that the Bank re-engage the offices of Hazem Hassan (KPMG) and Allied for Accounting and Auditing (Ernst & Young) as the external auditors for the period from 1-1-2010 till 31-12-2010 proposed fees for the assignments are as follows:

المقترح إعادة تعيين كل من السادة KPMG حازم حسن و

إرنست ويونج كمراقبي حسابات البنك عن الفترة من ٢٠١٠/١/١

إلى ٢٠١٠/١٢/٣١ والأتعاب المقترحة على النحو التالي:

KPMG Hazem Hassan:

KPMG حازم حسن :

Egyptian Pounds:

جنية مصرى

- ❖ 750,000 Audit fees of the Financial Statement according to local GAAP
- ❖ 150,000 Audit fees lists interim (quarterly)
- ❖ 55,000 Audit fees tax returns

❖ ٧٥٠,٠٠٠ أتعاب مراجعة الميزانية السنوية

❖ ١٥٠,٠٠٠ أتعاب مراجعة القوائم المرحلية (ربع سنوية)

❖ ٥٥,٠٠٠ أتعاب مراجعة الإقرار الضريبي

Ernst & Young:

إرنست و يونج:

Egyptian Pounds:

جنية مصرى

- ❖ 750,000 Audit fees of the Financial Statement according to local GAAP
- ❖ 150,000 Audit fees lists interim (quarterly)
- ❖ 115,000 Review of Group Consolidated Financial Statement

❖ ٧٥٠,٠٠٠ أتعاب مراجعة الميزانية السنوية

❖ ١٥٠,٠٠٠ أتعاب مراجعة القوائم المرحلية (ربع سنوية)

❖ ١١٥,٠٠٠ مراجعة البيانات المجمعة للمركز الرئيسي بإيطاليا

Looking forward for your kind consideration and approval.

و الأمر معروض للتفضل بالنظر و الموافقة



BANK
OF ALEXANDRIA

بنك الإسكندرية

Subject:

**Proposal for donations for the financial year
from 01.01.2010 till 31.12.2010**

الموضوع:

إقتراح منح التبرعات عن السنة المالية من ٢٠١٠/١/١ حتى

٢٠١٠/١٢/٣١

It is proposed to authorize the Board of
Directors to grant donations up to maximum
EGP 5,000,000.

المقترح الموافقة على تفويض مجلس الإدارة في منح
التبرعات بحد أقصى ٥,٠٠٠,٠٠٠ جنيهاً مصرياً.