

FAISAL ISLAMIC BANK OF EGYPT

The Board of Directors' Annual Report

For the year ended 31 December 2010

Correspondent to
25 Muharram 1432

Presented to

The Bank's Ordinary General Assembly Meeting

Dated 25 March 2011

Correspondent to
20 Rabie Al Akhar 1432

Board of Directors

His Royal Highness Prince/ Mohamed Al-Faisal Aal Saud
Chairman

Sheikh/ Ibrahim Ben Khalifa Al Khalifa
Representing Faisal Islamic Bank, Jersey

Dr. Ibrahim Gamil Badran

Dr. Eng. Ibrahim Fouad Al-Essays

Eng. Ahmed Helmy Abd El-Mageed

Mr. Khalid Abdullah Janahi
Representing the Islamic Investment Company of the Gulf, Al-Sharja

Mr. Ziad Hassan El-Rawashdeh
Representing the Gulf Company for Financial Investments

Mr. Abdel Hamid Aboumoussa
(Bank's Governor)

Mr. Omar Abdi Ali

His Royal Highness Prince Amr Mohamed Al-Faisal

Mr. Maged Ghaleb Mohamed Ghaleb
Representing Egyptian Wakfs Authority

Mr. Mohamed Abdel Rahman Hussein Abdallah Bougairi
Representing Faisal Investment Bank - Bahrain

Mr. Mohamed Kamal Abd El-Aziz Hashem

Mr. Mostafa Abo Bakr Azzam
Representing Egyptian Company For Investments

Governor

Mr. Abdel Hamid Aboumoussa

- Board members are arranged in Arabic alphabetic order

Religious Supervisory Board

Dr. Nasr Farid Wassel	Chairman
Mr. Abd El-Atti Mahmoud El-Shafei	Member
Mr. Ali Ahmed Hamdy	Member
Dr. Mohamed El-Shahat El-Gendy	Member
Dr. Mohamed Raafat Osman	Member

AUDITORS

Dr. Hazem Ahmed Yassin

Mr. Emad Hafez Ragheb

Chairman's Report

Dear shareholders,

Peace, mercy and blessings of Allah be upon you.

It's my pleasure to present to you the bank's annual report and highlight the main achievements of the Bank during the FY 2010 reflecting the efforts exerted by the Bank's management and its staff within this year that witnessed privileged outcome under severe challenges and difficulties particularly the global financial crisis and consequent negative impact on the world as well as local markets. Eventually such efforts have contributed to other achievements over the past 3 decades.

Success of the Bank within the reporting period was supported by certain policies and business pillars that essentially aspire to improve competitiveness aiming to sustain and develop the historical and performance leading role of the Bank's locally, and to sustain its position in the Islamic Banking Industry regionally and internationally.

The reported year concentrated in enhancing the customer care services by changing the work culture; transferring to innovative thinking; and increasing loyalty, integrity, efficiency, and performance of the employees. In addition, the Bank targeted strategic sectors such as SMEs, retail banking, and electronic services; with the aim of enhancing expansion, and reducing concentration risks. During 2010, the Banks management sought to build and support marketing capacities, raising operation and finance of capital, managing risks to sustain the quality of portfolio. Certain investments have been restructured in order to put them on the right track in terms of production, capacity, and financial adequacy. The bank has also resumed development and modernization of the IT system to comply with the international standards of Basel II, and IFRS.

Fruitful results have been emerged from these policies. With regard to the key performance indicator, total assets of the bank amounted to LE (31.7) billion by the end of 2010 recording an annual increase of L.E. (3.9) billions equivalent to (%14.3). As the bank seeks to present various saving pools in local and foreign currency fitting for all customer levels with attractive competitive return rate; the total balances of saving certificates and pools (managed funds) increased by L.E. (3.4) billions to reach the equivalent to LE (28,8) billions; at a rate of (%13.2). These are distributed over about one million accounts managed by the bank to its customers.

The Bank successfully invested and deployed funds which the Bank manages on behalf of their holders in modes adhering to the legitimate rules to satisfy the customers' needs in the private sector, corporations, companies and medium and small scale enterprises, retail banking for individuals and family business customers On 31/12/2010, net finance and investment balances (net of provisions) amounted to the equivalent of L.E. (28) billions; as against L.E. (24.1) billion during previous year. The Bank succeeded during 2010 in covering ineffective balances (nonperforming facilities) in its investment portfolio with adequate provisions.

At the end of 2010, the number of subsidiaries and associates invested-in by the bank reached (64) companies covering all sectors of economic activity. Total capital of these companies amounted to the equivalent to L.E. (17.2) billions, with Bank's participation share of L.E. (1.9) billion; (%11.1).

Within the reporting year, the bank succeeded in reforming structures of a number of its companies that suffered from financial, administrative, or technical default. The bank has subscribed more than (%40) of its share in these companies to strategic investors in application of the supervisory authority that forbids banks to own more than (%40) of commercial companies' capitals.

Ismailia National Company for Food Industries (Foodico.) is considered one of the most important subsidiaries of the bank, which was interested in its technical and financial restructure in order to comply with the conditions of the Egyptian Financial Supervisory Authority and the Egyptian Stock market. Such reform resulted in relisting the company in the Stock Market, table "a"....

Complementary to the achieved accomplishments in the field of direct investments, the Bank has established "Faisal Financial Investments" Company in the last quarter of the review year to act as investment shield for the bank. Faisal Financial Investments Company is a shareholding company incorporated according to the provisions of the Capital Law no. 95 of 1992 with authorized capital of LE (1.5) billions and issued and fully paid capital of LE (350) millions. The company aims at executing different investment operations such as establishing and managing financial portfolios, mutual funds, participation in incorporation of companies, and increasing their capitals, as well as risk capital projects. The company started its activities by the end of December 2010.

As for the IT system and electronic services, the bank has within 2010 signed cooperation agreement with “ERNST & YOUNG” Office for obtaining consultative services related to integrated project to replace and develop the banking system by evaluation and selection of a new system replacing the current one and monitoring the replacement and development operation. The project is based on acquisition of “Core Banking Package” with aggregate estimated cost of approximately \$ (5) millions, and is expected to be completed within 18 months. On the other hand, the Bank continued to issue more ATM cards within the reporting year and issued (74800) cards during the year. The first electronic chamber for ATM was established and operated in Nasr City branch, and it is to be operational in Heliopolis branch. Similarly, the number of "ATMs" rose to (61) machine installed outside the Bank branches and in the public squares. It is worth to mention that services available on the bank website witnessed during the review year major development through comprehensive upgrading process including treatment, design, and content methods. For these efforts, the bank gained a reward of the best interactive website among other Islamic banks for 2010 within the ceremony held by Arab Electronic Banks Shield reward in November 2010, Beirut.

Based on the above and as a result of such achievements the bank businesses have reported positive distinguished developments during the reporting year. The bank realized total revenue of LE (1860.9) millions, of which LE (1185) millions were distributed as return on investment accounts and saving certificates against only LE (1041) millions during 2009. The bank recorded total year profit of LE (409) millions including retained earnings of LE (71.2), banking risk reserves of LE (83) millions, LE (1.3) millions credited to the capital reserve... the residual amount of LE (253.5) millions represents net profits available for distribution for 2010, which is more than double the profit recorded in 2009, with an increase of LE (129.9) millions (% 105.2).

Fellow shareholders, these are the accomplishments of your bank during a year of severe competition, and global events with effects reflected locally and internationally. However, the outcome met aspirations and expectations of all stakeholders of this distinguished structure. Rather, I am committed to refer to the future challenges facing our bank as one of the banks operating in the Egyptian market. The bank has already started facing these challenges within the latest months of the review year by the commencement of applying the rules and conditions of Basel II, as well as the CBE decision no. 1205 dated 22/6/2010 on the country risks.... As I confirm that our commitment towards the supervisory rules and conditions will curb the management with regard to directing available operable funds to income generating investments, and will Limit the management’s ability to maximize the operations’ profitability within the relative stability of the bank capital base, that does not change in similar rates of the growth of the bank resources and utilization. However, I wish to assure that we will exert our utmost sincere efforts to go through such challenges with your support and all our customers as you have always been supportive to us.

I would like to seize the opportunity of this occasion to extend my sincere gratitude and appreciation to the Bank's customers and correspondents worldwide for their confidence and ongoing support. Tribute is also extended to the Bank's management and staff for their relentless efforts, the Central Bank of Egypt for their sincere cooperation and the Religious Supervisory Board of the Bank.

Peace, mercy and blessings of Allah be upon you.

Mohamed Al-Faisal Aal Saud
Chairman

Domestic Economic development

The Egyptian economy has recovered during the year 2010 from the effects of the international financial crisis, supported by the domestic demand increase through the growth of family as well as governmental expenditures. Hence, the total actual annual GDP recorded a real economic growth of around (%5.3), and is expected to grow rapidly within 2011 to reach (%6.3). It is worth to mention that the average economic growth of all other emerging economies was (%4.5) within the same period. Based on the consumer prices index, the inflation rate decreased during the review period to (%11.4) against (%16.2) during 2009. The net international reserve increased with an amount of \$ (1.5) billions for the period October 2009/2010, to reach \$ (35.5) billions on 31/10/2010.

The general budget deficit of Egypt recorded (%8.2) of the GDP against (%7) in 2009. The budget deficit is expected to decrease within 2011 to (%7.3) then to (%6.7) in 2012 due to the estimates of the governmental revenue increase by the expected increase of Suez Canal revenue and petrol proceedings. Also, foreign transactions results reflected relative stability of the Egyptian economy. Although exports declined between 2009 and 2010, also imports declined with the same amount that led to stable deficit of the balance of trade.

On the other hand, the current account witnessed mere improvement by remittances of the Egyptians working abroad, tourism revenues against the decline of Suez Canal revenues, there the deficit of the current account reached \$ (4.3) billions against \$ (4.4) billions in 2009.

With regard to the exchange rate, 2010 witnessed decrease of the Egyptian Pound against the US dollar affected by the decrease of the Suez Canal revenues, export proceedings, and foreign investments inflows; from LE (5.4)/ \$ 1 in January 2010 to LE (5.79)/ \$ 1 in December 2010.

Performance Evaluation of the Bank's over the Year 2010

The efforts of the Bank and the financial policies adopted during the FY 2010 have led to achieving a group of positive results notably the increase of the total balance sheet by L.E. (3947.7) millions and earning a total revenue of L.E. (1860.9) millions. These revenues led the Bank to distribute returns to the saving pools' holders at an annual average rate of (%4.90) for the General Investment Accounts held in local currency, (%7.70) for the three years saving certificates, (%9.55) for "Nam'a" saving certificates, (%0.75) for investment accounts in EURO currency, and (%0.40) for Investment Accounts in other foreign currencies. This, in addition to meeting the various liabilities represented in contingency provisions to tackle investment risks and current expenses (General and Administrative expenses, Depreciation, Zakat legitimately due on the Bank's funds).

After the fulfillment of mentioned obligations, a surplus of L.E. (337.8) millions is maintained as Net Profit; of which L.E. (1.3) millions is credited to the Capital Reserve Account (representing value of sale proceeds of some of the Bank's fixed assets by the law) and LE 83 millions as banking risk reserves; thus resulting in Net Distributable Profit of L.E. (253.5) millions.

It is worth mentioning that the financial statements of the Bank as at end of the FY ending as of 31/12/2010 are prepared according to the instructions of the Central Bank of Egypt dated 16 December 2008; amending the rules of preparing banks financial statements and basis of recognition and measurement.

1. Operating Activity Results:

Net profits of the year amounted to L.E. (337.8) millions. These profits are realized of the revenues and expenses elements as stated in the income statement as follows:

1.1 Revenues:

Total revenues during the year under review amounted to L.E. (1860.9) millions; resulting from different Bank activities as stated herein-after:

	LE millions
- Return from Musharaka, Modaraba, Morabaha	1837.0
- Fees and commissions revenues	88.3
- Dividends earned	67.8
- Net income from trading	7.0
- Profit (loss) from financial investments	(188.9)
- Other operational revenues (expenses)	49.7
Total	1860.9

1.2 Expenses:

1.2.1 Cost of saving pools :

Total returns distributed to the saving pools' holders amounted to L.E. (1185.00) millions.

1.2.2 Current expenses :

Total current expenses (General and Administrative Expenses, Depreciation and Zakat legitimately due on the Bank's Funds) amounted to L.E. (242.5) millions.

1.2.3 Provisions:

Total impairment losses of finance and investment amounted to LE 18.9 millions, directed to consolidate the Bank's financial position against any probable risks.

1.2.4 Income Tax expenses

The income tax paid amounts LE 76.7 millions.

2. Volume of Business and Main Activities :

2.1 Volume of Business :

Total balance sheet as at the end of December 2010 amounted to the equivalent of L.E. (31654.1) millions increased with an amount of LE (3947.7) millions with growth rate of %14.25.

2.2 Saving Pools :

Total current & investment accounts and saving certificates rose by the equivalent of L.E. (3352.00) millions during the year to reach L.E. (28808.2) millions with growth rate of %13.17 as at end of December 2010.

2.3 Finance & Investment Balances:

Finance and investment balances (net of provisions) amounted to the equivalent of L.E. (28032.7) million as of December 2010, recording an increase of L.E. (3957.9) millions. These balances represent total finance and investment of funds rated for (%88.6) of total balance sheet.

The Bank is keen to finance various productive and services sectors in conformity with the objectives of the Socio-Economic plan of the country.

2.4 Bank Companies:

The Bank invests part of its funds to establish subsidiary companies that operate in accordance with the Islamic Sharia principles, or to participate in the capital of similar companies with others; in a manner covering all sectors of economic activity. The Bank also finances their activities by Islamic instruments.

These companies positively contribute to the Egyptian economy and provide thousands of job opportunities.

Total capitals of these companies amounted to L.E. (17191) millions, of which the Bank's share amounted to L.E. (1899) millions, out of which an amount of L.E. (1742) millions is paid-up as at end of the year under review.

In application to the rules issued by the CBE limiting deployed share of the banks registered therein, in States, financial institutions and financial groups; and releasing more than %40 of the shares of the banks in capitals of non-financial companies; the bank established Faisal Financial Investment Company with capital amounted to LE 350 millions, as a corporation under the provisions of Law no. 95 of 1992.

3. Banking Criteria and Ratios:

The Bank has a reasonable position according to the acknowledged banking criteria. It also adheres to all instructions issued by the Central Bank of Egypt.

4. Personnel, Training and Branches:

4.1 Personnel and Training:

Improving and developing the Bank's performance is closely linked to the human element. Hence, due care and attention is given to personnel so as to improve their capabilities, increasing their expertise and providing them with continued training as being the effective factor in fulfilling the Bank's objectives and strategy.

In this context, Bank's personnel reached the number of (1702) as at end of 2010 against (1699) during previous fiscal year.

Tailored training programs are given internally and externally to enhance the personnel efficiency. Training activity during the period under review involved about (667) trainees for a number of (55) training programs covering all job levels.

4.2 Branches:

Number of Bank's operating branches reached (24) branches all over the country. Arrangements are being taken to open extra new branches during 2011.

5. Budget plan for the fiscal Year 2011:

The year 2011 budget has been prepared to reflect the Bank's targets and policies as well as the business plans for the said year. The budget estimates have been based on actual historical data of the Bank's activities and results, as well as the prevailing and expected circumstances that may affect the economic and banking climate. The draft budget plan deals with the following features:

5.1 Saving Pools: An increase of approximately (%12.00).

5.2 Finance and investments activities: A growth of (%13.6) in the investment operations.

5.3 Net profit: An increase of (%9.5) in the net profit of the year over the previous year.

Faisal Islamic Bank of Egypt (S.A.E.)

**The Balance Sheet as of 31 December 2010
Corresponding to
25 Muharram 1432**

	Note	31 December 2010 Thousand LE	31 December 2009 Thousand LE
Assets			
Cash and balances with Central Bank of Egypt	(14)	2,953,746	3,187,801
Due from banks	(15)	5,964,998	10,255,279
Financial assets held for trading	(16)	426,329	347,811
Mudaraba and Murabaha with banks	(17)	4,172,491	3,583,461
Musharaka, Murabaha, and Mudaraba with customers	(18)	3,004,835	3,306,172
Financial investments			
Financial investments available for sale	(19/a)	13,199,489	5,593,226
Financial investments held to maturity	(19/b)	21,153	20,524
Investments in subsidiaries and associates	(19/c)	735,954	460,183
Other assets	(20)	701,001	476,184
Fixed assets	(21)	474,108	475,749
Total assets		31,654,104	27,706,390
Liabilities and equity			
Liabilities			
Due to banks	(22)	84,767	103,649
Saving pools and saving certificates	(23)	28,808,163	25,456,195
Other liabilities	(24)	592,959	513,221
Other provisions	(25)	6,574	23,526
Total liabilities		29,492,463	26,096,591
Equity			
Paid up capital	(26)	1,059,355	1,059,355
Reserves	(27)	776,256	355,424
Net profits of the year and retained earnings	(27/d)	326,030	195,020
Total equity		2,161,641	1,609,799
Total liabilities and equity		31,654,104	27,706,390

Auditors

Governor

Chairman of the Board

Dr. Hazem Ahmed Yassin Emad Hafez Ragheb

Abdel Hamid Aboumoussa

Mohamed Al-Faisal Aal Saud

- The accompanying notes from (1) to (32) are integral part of these financial statements.
- Auditors' report attached.

The Income Statement for the year ended 31 December 2010
Corresponding to
25 Muharram 1432

	Note	31 December 2010 Thousand LE	31 December 2009 Thousand LE
Return from Musharaka, Murabaha, and Mudaraba and similar revenues	(6)	1,836,968	1,541,184
Cost of saving pools and similar costs	(6)	(1,185,015)	(1,040,930)
Net income from returns	(6)	651,953	500,254
Fees and commissions revenues	(7)	88,313	74,335
Dividends earned	(8)	67,794	79,945
Net income from trading	(9)	6,998	(200)
Gain (loss) from financial investments	(19/d)	(188,865)	12,472
Impairment loss from finance and investment transactions	(10)	(18,906)	(278,908)
Administrative expenses	(11)	(239,672)	(230,198)
Zakat legitimately due		(2,768)	(6,494)
Other operational revenues (expenses)	(12)	49,741	(8,644)
Profits before tax		414,588	142,562
Revenue (expenses) of the income tax		(76,741)	(16,992)
Net profit of the year		337,847	125,570
Earnings per share (LE)	(13)	5.401	1.891

Governor

Abdel Hamid Aboumoussa

Chairman of the Board

Mohamed Al-Faisal Aal Saud

- The accompanying notes from (1) to (32) are integral part of the financial statements.

The Statement of Changes in Equity for the year ended 31 December 2010
Corresponding to
25 Muharram 1432

	Note	Paid-up capital Thousand LE	Reserves Thousand LE	Retained earnings Thousand LE	Net profit Thousand LE	Total Thousand LE
Balance as of 1 January 2010		1,059,355	355,424	71,000	124,020	1,609,799
Net changes in financial investment available for sale		--	324,991	--	--	324,991
Net income directly recognized in equity			680,415			1,934,790
Current year dividends		--	--	--	(110,996)	(110,996)
Transferred to legal reserve (general)		--	12,333	--	(12,333)	--
Transferred to other reserves		--	460	--	(460)	--
Transferred to retained earnings		--	--	231	(231)	--
Net profit of the year		--	--	--	337,847	337,847
Balances as of 31 December 2010 before amendment to banking risk reserves		1,059,355	693,208	71,231	337,847	2,161,641
Transferred to general banking risk reserves		--	83,048	--	(83,048)	--
Balances as of 31 December 2010	(26), (27)	1,059,355	776,256	71,231	254,799	2,161,641
Balances as of 1 January 2009 as previously issued		1,059,355	235,365	71,000	85,239	1,450,959
Effect of change in accounting policies		--	33,661	--	--	33,661
Balances as of 1 January 2009 after amendment		1,059,355	269,026	71,000	85,239	1,484,620
Net change (s) in financial investment available for sale		--	75,202	--	--	75,202
Net income directly recognized in equity		1,059,355	344,228	71,000	85,239	1,559,822
dividends		--	--	--	(75,593)	(75,593)
Transferred to legal reserve (general)		--	8,399	--	(8,399)	--
Transferred to other reserves		--	1,247	--	(1,247)	--
Net profit of the year		--	--	--	125,570	125,570
Balances as of 31 December 2009 before amendment to banking risk reserves		1,059,355	353,874	71,000	125,570	1,609,799
Transferred to general banking risk reserves		--	1,550	--	(1,550)	--
Balances as of 31 December 2009	(26), (27)	1,059,355	355,424	71,000	124,020	1,609,799

- The accompanying notes from (1) to (32) are integral part of the financial statements.

The Statement of Cash Flows for the year ended 31 December 2010
Corresponding to
25 Muharram 1432

	31 December 2010 Thousand LE	31 December 2009 Thousand LE
Cash flow from operating activities		
Profits before tax	414,588	142,562
Adjustments to reconcile net profit to net cash flows from operating activities		
Depreciation and amortization	92,971	25,991
Impairment of assets	359,619	293,388
Revaluation differences for provisions other than finances provision	61	5
Provision no longer required	(17,013)	--
(Gain) losses from financial investments	(201,894)	(12,472)
Gain on sale of fixed assets	(1,313)	--
Income tax paid	(76,741)	(16,992)
Dividends earned	(67,794)	(79,945)
Operating income before changes in assets and liabilities from operating activities	502,484	352,537
Net decrease (increase) in assets and liabilities		
Bank deposits	212,244	(1,043,857)
Financial assets held for trading	(78,518)	(53,390)
Musharaka, Murabaha, and Mudaraba with banks	(650,854)	(582,458)
Musharaka, Murabaha, and Mudaraba with customers	383,625	(486,966)
Other assets	(214,170)	(13,981)
Dues to banks	(18,882)	(10,678)
Saving pools and saving certificates	3,351,968	3,555,904
Other liabilities	79,738	164,477
Net cash flow Provided from operating activities	3,567,635	1,881,588
Cash flow from investing activities		
(Payments) to purchase fixed assets and branches equipment	(14,849)	(24,101)
Dividends earned	67,794	79,945
Financial investments available for sale	(7,584,774)	(545,361)
Proceeds from sale of fixed assets	1,313	--
Investments in subsidiaries and associates	(237,615)	(27,810)
Financial investments held to maturity	(600)	(10,568)
Net cash flow (used in) investing activities	(7,768,731)	(527,895)
Cash flow from financing activities		
Dividends paid	(110,996)	(75,593)
Net cash flow (used in) financing activities	(110,996)	(75,593)
Net increase (decrease) in cash and cash equivalent during the year	(4,312,092)	1,278,100
Cash and cash equivalent- beginning of the year	10,473,254	9,195,154
Cash and cash equivalent- end of the year	6,161,162	10,473,254
Cash and cash equivalent are represented in (note 28):		
Cash and balances with the Central Bank of Egypt	2,953,746	3,187,801
Due from banks	5,964,998	10,255,279
Balances with the Central Bank of Egypt as statutory reserve	(2,757,582)	(2,969,826)
	6,161,162	10,473,254

- The accompanying notes from (1) to (32) are integral part of the financial statements.

**Proposed Statement of Profit of Appropriation for the year ended 31 December 2010
Corresponding to
25 Muharram 1432**

	31 December 2010	31 December 2009
	Thousand	Thousand
	LE	LE
Net profit of the year (from the income statement)	337,847	125,570
Deduct:		
Gain on sale of fixed assets credited to the capital reserve by Law	(1,313)	(460)
General banking risk reserve	(83,048)	(1,550)
Net Profit available for appropriation *	253,486	123,560
Add:		
Retained earnings at the beginning of the year	71,231	71,000
Total	324,717	194,560
Distributed as follows:		
Legal reserve (general)	25,349	12,333
Dividends **	120,598	97,681
Employee's profit shares	13,231	9,815
Remuneration of the directors (Board of director's Remuneration)	4,000	3,500
Retained earnings at the end of the year	161,539	71,231
Total	324,717	194,560

* Distributed according to the provisions of Article 59 of the of the bank's statute. Distribution process is based on CBE decision in accordance with the provisions of Article 84 of the Law no. 88 of 2003 issuing the CBE Law, the banking and monetary system.

** Dividends per share amounts \$ 0.35 equivalent to LE 2.032 (after deducting Zakat) at a rate of % 7 at the end of 2010; against \$ 0.30 equivalent to LE 1,646 (after deducting Zakat) at a rate of % 6.

Faisal Islamic Bank of Egypt (S.A.E.)

Notes to the Financial Statements for the year ended 31 December 2010 Corresponding to 25 Muharram 1432

1. Background:

Faisal Islamic Bank performs all retail and corporate banking services, and investment activities in the Arab Republic of Egypt and abroad, through its head office located at 3, 26th of July Street Cairo city and its 24 branches.

Faisal Islamic Bank of Egypt (Egyptian Joint Stock Company) was established under Law 48 of the year 1977, amended by Law 142 of the year 1981 and its Executive Regulations. The Bank is listed in Cairo and Alexandria Stock Exchange Markets.

2. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

a- Basis of Preparation:

The separate financial statements are prepared in accordance with the Egyptian Accounting Standards issued in 2006 and its amendments, and in accordance with the Central bank of Egypt instructions approved by its Board of Directors on 16 December 2008 complying with the mentioned standards and the historical cost conversion basis, modified by the revaluation of the trading financial assets and liabilities, available for sale investments, and all financial derivatives contracts in addition to the compliance with the related applicable Egyptian laws.

The bank separate financial statements are prepared under the provisions of the related applicable Egyptian laws. Consolidated financial statements will be also prepared for the bank and its subsidiaries in accordance with the Egyptian Accounting Standards. All subsidiaries will be consolidated in the consolidated financial statements that are the companies in which the bank - directly or indirectly - has more than %50 of the voting share, and can control their financial and operational policies regardless the type of activities. The Consolidated Financial statements can be obtained from the Bank's Management. Investments in subsidiaries and associates are disclosed in the separate financial statements and recorded at cost minus impairment losses.

The Separate financial statements are to be read with the consolidated financial statements (being prepared) for the year ended 31 December 2010, to help better understanding for the Bank's financial position as well as its financial performance and its cash flows, and changes in Equity for the year then ended.

The bank has prepared the financial statements on 31 December 2010 using the CBE applicable instructions till that date, that may differ in certain aspects from the Egyptian Accounting Standards issued in 2006 and amendments; as well as the amendment of number of policies in order to comply with the new accounting standards, and the Banks financial statements Preparation and presentation requirements, recognition and measurement bases issued by the Central Bank of Egypt on 16 December 2008.

Amendments to the CBE instructions issued and applicable as of 1 January 2010

The Bank's management has applied the CBE instructions regarding the basis of preparation and presentation of banks financial statements, recognition and measurements, and the Egyptian Accounting Standards related to the banks activities. Comparative figures for the year 2010 are amended to be in line with these new instructions and standards.

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

- Recognition method of impairment loss from Murabaha, Mudaraba, and Musharaka transactions and other debt tools recognized at amortized cost has changed. Consequently, the general provision charged for Murabaha, Mudaraba, and Musharaka transactions is replaced with aggregate provisions for groups of assets related to credit risks and having similar specifications; or with individual provisions. The change in the applied method for recognizing provisions resulted in increase of the specified provisions charged for certain items amounted to LE 33,481 for direct liabilities. The total increase in the provisions charged for direct liabilities as of 1 January 2009 are transferred from the provisions according to the new method to a special reserve within the equity.

The method applied in calculating returns of the debt instruments by the amortized cost using the effective rate of return. The special reserve item as of 1 January 2009 amounted to LE 180,000 was affected by such treatment.

b- Subsidiaries and associates

b/1 Subsidiaries

Are the companies over which the bank has owned -directly or indirectly- the power to govern financial and operating policies, generally the bank own more than one half of the voting rights.

b/2 Associates

Are the companies in which the bank -directly or indirectly- has the ability to influence but not control their financial and operating policies, and generally owns %20 - %50 of the voting rights.

Purchase method is used by the bank to account for acquisition of companies. The acquisition cost is measured as the fair value of assets, or the equivalent assets presented by the bank in return, or issued equities and/or liabilities incurred by the bank and/or liabilities accepted by the bank on behalf of the acquired company in the offset date adding any costs directly related to the acquisition process. Net identifiable acquired assets including potential liabilities are measured at fair value on the date of acquisition irrespective of minority interest. The excess of acquisition cost over the bank's share of fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the stated fair value of the net assets, the difference is recognized directly in the income statement under "Other operational revenue/expenses" item.

Investments in subsidiaries and associates in the separate financial statements are accounted for at cost; investments are recorded at the acquisition cost inclusive any goodwill and net of any impairment losses. Dividends are recorded in the income statement when dividends are approved, and affirming the bank's right in its collection is recognized.

c- Segment reports

A business segment is a group of assets and operation engaged in providing products or services subjected to risks and returns that differs from those of other business Sectors. The geographical sector is engaged in providing products or services in particular economic environment subjected to risks and returns that differs from those of other geographical sectors operating in a different economic environment.

d- Foreign Currency Transactions and Balances:

The Bank's accounts are maintained in Egyptian pounds. Foreign currency transactions are translated during the year using the prevailing exchange rates at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the end of each year using the exchange rates then prevailing. Foreign exchange gain or loss resulted from settlement of these transactions and valuation differences are recorded in the income statement for the following items:

- Net income from trading (for assets and liabilities held for trading)
- Other operational revenue (expenses) (for other items)

Change in the fair value of monetary financial instruments held in foreign currency and classified as investments available for sale (debt instruments) are analyzed between valuation differences resulted from changes in the amortized cost of the instrument, differences resulted from change in the prevailing exchange rate, and differences from change in the fair value of the instrument. Valuation differences resulted from changes in the amortized cost of the instrument are recognized in the income statement under finance returns and similar income. While differences resulted from change in the prevailing exchange rate are recognized under other operational revenues (expenses). Differences from the change in the fair value (fair value

reserve/financial investments available for sale) are recognized in the equity section.

Valuation difference resulted from nonmonetary items include profits and losses from the change in the fair value such as equity instrument at fair value through profits and losses. Valuation differences resulted from equity instrument classified as financial investments available for sale are recognized as fair value reserves in equity section.

e- Financial Assets:

Financial assets are classified in the following categories: financial assets recognized at the fair value through profits and losses, finance for customers and banks (Mosharaka, Morabaha, and Modaraba transactions for customers and banks), financial investments held to maturity, financial investments available for sale. The management identifies classification of its investments at initial recognition.

e/1 Financial assets recognized at the fair value through profits and losses

This category includes financial assets held for trading. The financial assets classified as held for trading if acquired and its value charged mainly for the purpose of short-term selling, or if being a part of a specific financial portfolio with indications that it shall yield good profits on the short term. Derivatives are classified as being for trading purpose unless specified as being hedging instruments.

Financial derivative designated as financial instruments recognized at fair value through profit & loss can't be re-classified during its custody or validity period.

No financial instrument shifted from the category of financial instruments recognized at fair value through profit and loss may be reclassified in case this instrument is classified by the bank at the initial recognition as recognized at fair value through profit and loss.

In all cases, the Bank never reclassifies any financial instrument and shift it to the financial instruments recognized at fair value through profit & loss or to the financial assets held for trading.

e/2 Musharaka, Murabaha, and Mudaraba for Customers and Banks

Represent non-derivative financial assets of fixed or identifiable amounts, that are not negotiable in active market, except:

- Assets intended to be sold immediately or in the short term, are classified as held for trading,
- Assets classified by the bank as available for sale at initial recognition,
- Assets of which the bank will not significantly be able to recover its original investments for other reasons than downgrading the credit capacity.

e/3 Financial Investments Held to Maturity Date:

Financial investments held to maturity represent non-derivatives financial assets having fixed/identifiable payment amount and maturity date with the Bank's intention and capability to hold till maturity. The whole group is re-classified as investments available for sale whenever the Bank sells a substantial amount of the financial assets held to maturity date except in emergency cases.

e/4 Financial Investments Available for Sale:

Financial investments available for sale represent non-derivative financial assets that

are intended to be held for un-specified period and may be sold for liquidity reasons or due to changes in share prices, foreign exchange rates, or return rates.

The following applies to financial assets:

Regular-way purchases and sales of financial assets are recognized on the trade date which is the date on which the Bank is committed to purchase or sell the asset, and this applies to the financial investments held to maturity date as well as financial investments available for sale.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired, or where the Bank has transferred substantially all risks and rewards of ownership. Liabilities are derecognized when they are discharged by disposal, cancellation, or expiry.

Financial investments available for sale and at amortized cost for investments held to maturity subsequently measured at fair value.

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

Yields calculated at amortized costs, as well as profit and loss of foreign currencies revaluation differences of monetary assets classified as available for sale are recognized in the statement of income. Dividends from available for sale equity instruments are recognized in income statement when declared.

The fair value of quoted investments in active market is based on current Bid Prices. If there is no active market for such financial asset, or no Bid Prices are available, the Bank establishes fair values using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, options pricing module and other valuation techniques used by other participants. In case the fair value of the available for sale equity instruments cannot be reliably determined by the Bank, it should be valued at cost after deducting any impairment.

The Bank reclassifies the financial asset within the financial instruments available for sale defined as - Debts (Bonds); transferred from the financial instruments available for sale to financial assets held to maturity - whenever the Bank has the intention and capability to hold these financial assets during the near future or maturity. Re-classification is carried out at fair value on date and any related profits or losses previously recognized in the equity are treated as follows:

1. Financial asset with fixed maturity date, profits and losses are amortized over the remaining life of the investment held to maturity date using the effective rate of return method. Any difference in value between the amortized cost using effective rate of return method and repayment value is amortized using the effective rate of return method. In case of subsequent impairment, any profits or losses that are previously recognized directly in equity should be recognized in the profits and losses.
2. Profits or losses related to financial asset with no fixed maturity are recorded in

equity until the asset is sold or disposed; only then they are recognized in the profits and losses.

In case of impairment, profits or losses that are previously recognized directly in equity; are recognized in the profits and losses.

In case the bank changed its estimates regarding payments and proceeds, the book value of the financial asset (or group of assets) is adjusted to reflect the actual cash flows and the change in estimates through calculating the present value of the future cash flow using the effective rate of return of the financial instrument. The adjustment is recognized as either income or expenses in the profit and loss.

In all cases, if the bank reclassified a financial asset as previously stated, and the bank subsequently increased its estimates of the future cash proceeds as a result of the increase of the recoverable amount from its cash receipts, such increase is recognized as adjustments to the effective rate of return as at the date of the change in estimates, and not as adjustments of the book value of the asset at the date of change in estimates.

f- Offsetting financial instruments:

Financial assets and financial liabilities are offset if there is an enforceable legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Treasury bills, Repos and Reverse Repos agreements are netted in the financial position under treasury bills.

g- Financial derivatives and hedge accounting:

Derivatives are recognized at fair value at the date of concluding the derivative contract, and are subsequently revaluated at fair value emerged from quoted market prices in active market, recent market transactions, or other valuation methods such as discounted cash flow module, and option pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives embedded in other financial instruments, such as conversion option in an acquired convertible bond, are treated as separate derivatives if their economic characteristics and risks are not closely related to those of the host contract and the host contract itself is not carried at fair value through profit or loss. Changes in fair value are recognized in the income statement under net trading income.

Embedded derivatives are not separated in case the bank chooses to classify the contract fully carried at fair value through profit or loss.

Recognition of fair value through profit or loss depends on using the derivative as hedging tool and the type of the hedged item. Derivatives are classified by the bank as follows:

- Hedging risks of the fair value of recognized assets and liabilities or definite liabilities (fair value hedging)
- Hedging risks of highly expected future cash flows attributed to a recognized asset or liability, or to predicted transaction (cash flow hedging).
- Hedging net investments in foreign currencies (net investment hedging).

Hedge accounting is used for derivatives specified for this purpose whenever the required conditions are fulfilled.

At the initiation of the transaction, the bank document such relation between the hedged items and hedging tools, as well as the relation between risk the management and strategy objectives of entering various hedging transactions. The banks also consistently document the estimation of the effectiveness of derivatives used in hedging transactions in facing changes in the fair value or cash flows of the hedged item.

g/1 Fair Value hedging

Changes in the fair value of derivatives qualified for fair value hedging are recognized in the income statement along with any changes in the fair value related to risks of the hedged asset or liability.

The effect of the effective changes in the fair value of swap contracts and related hedged items are recorded in “net income from return”. The effect of the effective changes in the fair value of forward are recorded in “net trading income”.

Ineffectiveness of all hedge contracts and related items stated in the previous paragraph are recorded “net trading income”.

In case the derivative do not meet hedge account conditions, the carrying amount adjustments of the hedged item is amortized using amortized cost method through charging to profit and loss over the year till the date of maturity. Adjustments to the carrying amount of the hedged equity instrument should continue to be charged to the equity till disposed.

g/2 Cash flow hedging

The effective part of the changes in the fair value of derivatives specialized qualified for cash flow hedging is recognized in equity. Profit and loss of the ineffective part are recognized directly in the income statement as “net trading income”.

Accumulated balances in equity should be charged to the income statement in the same periods in which the hedged item affects profits and losses of the effective part of the swaps and options as “net trading income”.

When hedge instrument is mature, sold or no longer meet hedge account conditions, profit and loss accumulated in equity stays in equity, and recognized in the income statement when the projected transaction is finally recognized. When the projected transaction is not likely to occur, profit and loss accumulated in the equity should be charged immediately to the income statement

g/3 Net investment hedging

Net investment hedging is accounted for based on the cash flow hedging. Profit or loss related to the effective part of the hedging from the hedge tool should be recognized in equity; while, profit or loss of the ineffective part should be recognized immediately in the income statement. Profit or loss accumulated in the equity should be immediately charged to the income statement when foreign transactions are excluded.

g/4 Derivatives do not qualify for hedge accounting

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement under “net trading income”. Gains and losses from changes in the fair value of derivatives that are manage in conjunction with financial assets and liabilities are included in “Net income from financial instruments initially recognized at fair value through profit or loss”.

h- Return income and expenses.

Return income and expenses are recognized in the income statement under “return from Musharaka, Modaraba, Morabaha, and similar revenues” or “cost of saving pools and similar costs” using the effective rate of return for all return-bearing financial instruments, except for those classified as held for trading, or initially recognized at fair value through profit or loss.

Effective rate of return is the method of calculating the amortized cost of financial asset or liability, and allocating the income or expenses of such return over the life of the related instrument. Effective rate of return is the rate used to discount the estimated future cash flows received or paid over the expected life of a financial instrument, or a shorter period whenever appropriate to accurately reach the carrying amount of the financial asset or liability. While calculating the effective rate of return, the bank estimates the expected cash flows taking into consideration all the contractual terms of the financial instrument (such as early retirement option) notwithstanding potential credit losses. The calculation method includes all paid or received fees between the agreement parties that are considered part of the effective rate of return, as it contains transaction cost and other premiums or discounts. When classifying finance (Musharaka, Morabaha, and Modaraba) as non-performing or impaired – as the case may be – the return from such is discontinued to be recognized as revenue.

The bank recognizes the return income and expenses in the income statement on the accrual basis using the nominal return as differences between the nominal return and effective return under this item are insignificant.

i- Fees and commission income

Fees due for finance operations or facilities are recognized as income when service is rendered. Fees and commission income related to non-performing or impaired debts are suspended and carried off balance sheet and recognized as return income on a cash basis. Fees and commissions which represent part of the financial asset effective rate are recognized as adjustments to the effective rate of return.

Commitment fees on finance are suspended if there is a probability that such finance will be withdrawn as this commission represents compensation to the bank for the continuous interference for acquiring the financial instrument. Such commission is recognized by adjusting the finance effective rate of return. In case the commitment is expired, without issuing the finance process, fees are recognized as revenue after the commitment expiry.

Fees related to debt instruments measured at fair value are recognized as income at initial recognition. Fees from marketing syndicated finance are recognized as income upon completion of the marketing process, and the finance is fully used by the bank, or preserves its share using the effective rate of return available for other participants.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of business are recognized as income upon completion of the underlying transaction. Fees and commissions from management consulting and other services rendered over a period of time are usually recognized as income over that period. Fees from financial modeling and archive services that rendered over a long period of time are usually recognized over that period.

j- Dividend income

Dividends are recognized in the income statement when the bank's right to receive those dividends is established upon declaration by the General assembly of the investee.

k- Impairment of Financial Assets:

1/k Financial assets recognized at amortized cost:

At each balance sheet date, the bank assesses whether there is any objective evidence that any financial asset or group of financial assets is impaired. A financial investment or group of financial investments is deemed to be impaired, and impairment losses are charged when there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the investment (loss event) and that loss event has an impact on the future cash flow of the financial investment or group of financial investments that can reliably estimated.

The criteria used by the Bank to assess the objective evidence of the impairment loss include:

- Significant financial difficulties are experienced by the borrower.
- Breach any of the terms of the finance agreement such as default.
- Expected bankruptcy of the borrower or subject to Liquidation Claim, or restructure of the funds granted.
- Deterioration of the competitive position of the borrower.

- Granting privileges or assignment by the bank to the borrower, due to economic or legal reasons, which are not granted by the bank in the normal course of business.
- Impairment of guarantee,
- Downgrading of creditworthiness.

A substantive proof for the impairment loss of a group of financial assets, where observable data indicates that a measureable decrease in the estimated future cash flows from this group since the initial recognition although this decrease may not be identified for each individual asset, such as payment default for a banking product.

The bank estimates the year between identifying the loss event and its occurrence ranges from three to twelve months.

The bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. In this concern, the following should be considered:

- If the bank determines that no objective evidence of impairment exists for individually assessed financial asset, it includes the asset in a group of financial assets with similar finance and investment risk characteristics, and collectively assesses them for impairment according to historical default rates.
- If the bank determines that no objective evidence of impairment exists for individually assessed financial asset, it should be individually studied. If such study resulted in impairment losses, this asset is not included in the group of financial assets for which impairment losses are calculated collectively.
- If the result of the previously test did not recognized impairment loss, then this asset will be added to the group of financial assets.

The amount of the impairment loss provision is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected finance and investment losses that have not yet been incurred) discounted through the use of the original effective rate of return of the financial asset. The carrying amount of the asset is reduced through an allowance account of the impairment loss. Finance and investment Impairment losses are recognized in the income statement.

If there is evidence that finance and held investment classified as held to maturity carry variable rate, the discount rate will be the contract effective rate of return when there is objective evidence that an impairment loss has been incurred. For practical purposes, the bank may measure the impairment loss using the fair value of the instrument through its market rate. For guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

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

Future cash flow on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with finance and investment characteristics similar to those in the group. Historical impairment loss rates are adjusted to reflect the effects of current circumstances that did not affect the year on which the historical impairment loss rates is based and to remove the effects of circumstances in the historical year that are not currently exist.

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

2/k Financial Investments Available for Sale :

At each balance sheet date, the Bank estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale. In case of the investments in the equity instruments classified as available for sale, the the significant and a prolonged decline below the book value of the fair value of the instrument, should be taken into consideration to assess whether there is impairment in the asset or not.

Within the periods starting January 1st, 2009, impairment loss is deemed to be significant in case it recorded %10 of the carrying value, impairment should be considered as “prolonged” for period greater than 9 months. Where there is evidence of impairment, the cumulative loss is transferred from the equity to the income statement. Impairment loss recognized in the income statement is not reversed with regard to equity instruments in case of consequent raise in the fair value of debt instruments available for sale. Increases should have been objectively linked to an event occurred after recognizing the impairment in the income statement, such impairment is revered through the income statement.

l- Investment property:

Investment property represents investments in lands and property owned by the bank for generating lease income, or capital increase. Therefore, these do not contain property assets used for bank operation, or such properties acquired against debts, real estate investments are calculated by the same method applicable to fixed assets.

m- Fixed assets

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

Consequent expenses are recognized within the carrying value of the asset or as a separate asset –as the case may be- when future economic benefits related to the asset are potentially gained by the bank, and these expenses can be reliably measured. Repair and maintenance expenses are charged to other operating expenses during the financial year in which they are incurred. Land is not depreciated.

Depreciation is calculated using straight-line method to write down the cost to their residual values over the estimated useful life as follows:

Buildings	50 years
Leasehold Improvements	lesser of 50 years or lease period
Office furniture and safe boxes	10 years
Typewriters, calculators, and air conditions	5 years
Vehicles	5 years
Computers/Software	5 years

The salvage value and useful life of the fixed assets are reviewed at the date of each financial position, and are adjusted when appropriate. Depreciated assets are reviewed for identification of the impairment in case events or changes occurred indicating that the carrying value may not be recoverable. The asset carrying amount is immediately declined to the recoverable value of the asset if the carrying value exceeds the recoverable value.

The recoverable value of an asset represents the higher of the net selling value or the value in use. Profit or loss of disposal of fixed assets are identified by comparing the net proceeds against the carrying value.

Gain and losses are included in other operating income profit/loss in the income statement.

n- Leases

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

o- Cash and Cash Equivalents

For the purpose of the preparation of the cash flows statement, the cash and cash equivalent account comprise balances due within three months from date of acquisition, cash and balances due from Central Bank of Egypt other than the mandatory reserve, and current accounts with banks and treasury bills.

p- Other provisions

Provisions for restructuring costs and legal claims are recognized when the bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required from the bank to settle these obligations, and the amount has been reliably estimated.

In case of similar obligations, the outflow used for settlement should be identified taking into account this group of obligations. The provision is recognized even under minor probability that it will be linked with outflow for an item of the group.

Provisions no longer required are reversed in other operating income (expense).

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect; then the obligation is stated at the present value thereof.

q- Income Taxes

Income tax on the Bank's income or loss at the end of year includes both the current and deferred taxes. Income tax is recognized in the income statement except income taxes related to shareholders equity items that are recognized directly in the shareholders equity.

Income tax is calculated on the net taxable income, using the effective tax rate at the balance sheet date, in addition to prior year tax adjustments.

Deferred tax is recognized due to the temporary differences resulting from reporting the value of assets and liabilities in one year for tax purpose, and in another year for financial accounting purpose.

Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax prevailing at the balance sheet date.

Deferred tax assets shall be recognized if it is probable that sufficient taxable profits shall be realized in the future whereby the asset can be utilized and the value of deferred tax assets shall be reduced by the value of portion not yielding the expected tax benefit. However in case tax benefit is highly expected, the deferred tax assets shall increase to the extent of previous reduction.

r- Financing

Finances gained by the bank should be initially recognized at fair value less cost of financing. Consequent recognition should be stated by amortized cost. The difference between the proceeds and the value paid over the borrowing period using ERR method should be charged to the income statement.

s- Capital

s/1 Cost of Capital

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

s/2 Dividends

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

t- Trust activities

The Bank practices the trust activities that result in ownerships or management of assets on behalf of individuals, trust, and retirement benefit plans. these assets and related income are excluded from the bank's financial statements ,as they are assets not owned by the bank..

u- Comparative figures

Comparative figures shall be reclassified when necessary to be in conformity with the changes to presentation used in the current year.

3. Financial Risk Management:

The bank, as result of the activities it exercise , is exposed to various financial risks. Since the basis of financial activity to accept risks, some risks or group of risks are analyzed ,evaluated and managed all together .the bank intends to strike a balance between the risk and return and to reduce the probable adverse effects on the bank's financial performance.

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

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

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and covers the financial risks, in collaboration with the bank's various operating unites, and the Board of Directors provides written policies for management of risks as a whole in addition to written policies covering specific risk areas, like credit risk ,foreign exchange rate risk ,return rate risk and using the financial derivatives and non- derivative instrument .moreover, the risk department is independently responsible for annual review of risk management and control environment.

3/a Credit Risk:

The bank is exposed to credit risk which it is the risk resulting from failure of one party to meet its contractual obligations towards the bank. The credit risk is considered to be the most significant risks for the bank. The bank set specific procedures to manage that risk . the credit risk in the lending and investments activities which are represented bank's assets contain debt instruments. The credit risk is also found in off balance sheet financial instrument .the managing and monitoring process on credit risk is centralized at credit risk team management at credit risk department that prepare reports to Board of Directors and head unites on regular basis.

a/1 Credit risk measurement

Finances, facilities to banks and customers

In order to measure credit risks related to finances, bank facilities, and customers; the following three factors should be considered:

- Probability of default by a customer or third party in fulfilling contractual obligations,

- The current status and probable future finance indicating exposure at default,
- Loss given default.

These factors are inherent in the day-to-day business of the bank that reflect expected loss (the expected loss model) required by Basel Banking Supervisory Committee. Operational standards could conflict with the impairment loss according to the Egyptian Accounting Standard 26, that depends on losses recognized as at the date of the balance sheet (recognized loss model) and not the expected loss model (note 3/a).

The bank assesses the delay probability at the level of each customer using internal evaluation methods to evaluate the separate rating for various classes of customers. These methods were developed for internal assessment, as to consider statistical analysis, as well as judgment of the credit officials in order to identify the appropriate used rating structure. Customers of the bank were divided into four rating categories. As clarified in the following table, the rating structure applicable in the bank reflects the delay probability.

Rating methods are reviewed as necessary, and the bank conducts periodic assessment to the performance of the rating and its capacity to forecast any delay cases.

Internal rating of the bank:

Rating	Indicator
1	Performing
2	Regular follow up
3	Watch list
4	Non – performing

The amount of default represents the outstanding balances at the time when a late settlement occurred for example the finance expected amount of default represent its book value. for commitments the default amount represents all actual withdrawals in addition to any withdrawals occurred till the date of the late payment if any.

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

Debt instruments, treasury bills and other bills

As for debt instruments and bills, the bank uses external rating such as Standard's and Poor's or similar rating in order to manage credit risk, although they may not be available as these ratings. The bank uses methods similar to those applicable to credit customers. These investments in securities and bills are considered a method to have better credit quality, they also save available resource for financing requirements.

a/2 Risk mitigation and prevention policies

The Bank manages and controls credit concentration at the borrowers' level , group of borrowers level, industries level and countries level.

The bank manages acceptable credit risk levels using limits for the risk exposure for each borrower, group of borrowers, and at the level of economic activities and geographical sectors. Risks should be continuously monitored and should be annually or repeatedly audited as the case may be. Credit risk limits should be adopted quarterly at the level of the borrower/group, the product, sector, and state by the board. Credit risk limit of any borrower, including banks, should be divided into sub-limits that include amounts in and out of the balance sheet, daily risk limits related to trading items such as term exchange agreements. Actual amounts should be daily compared with the limits.

Exposure to credit risks should be also managed by conducting periodic analysis of the capacity of borrowers' and potential borrowers for paying their liabilities as well as amendment of the finance limits as the case may be.

Following are certain tools of credit risk limits:

Collaterals:

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

- Real estate mortgage,
- Business assets mortgage such as machinery and goods,
- Mortgage of financial instruments such as debt and equity instruments.

The bank is keen to obtain the appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured. In addition, to minimize the credit loss the bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a facility or advance. The bank determine type of collaterals the bank held by the bank as security for financial assets other than facilities and advances according to the nature of the instrument ,generally debt securities, and treasury bills are unsecured ,except for assets-backed securities and similar instruments are secured by a financial instrument portfolio

Derivatives

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

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

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties of significant volume of transactions. Generally, no netting between assets and liabilities at the balance sheet date relating to the master netting arrangements, as aggregate settlements are made. However, the credit risk related to contracts to the favor of the bank is reduced by a master netting arrangement as netting will be made with the counterparty to settle all transactions. The value of credit risk faced by the Bank changed substantially within a short period of time as it is affected by each transaction occur in the arrangement.

Commitments related to credits

The main purpose of commitments related to credits is to verify the availability of funds to customers upon request. Financial guarantee contracts and standby letters of credit related to credit risks of finance. Documentary and commercial letters of credit issued by the bank on behalf of the customer to grant third party withdrawal right from the bank limited to certain amounts under specified terms and conditions mostly guaranteed by fright goods; consequently it holds less risks than the direct facilities.

Commitments of granting credit the unused part of the authorization for granting finance, guarantees, or documentary credits. The bank is exposed to potential loss with an amount equal to total unused commitments for credit risks emerged from credit commitments. Rather, the probable loss amount is actually less than unused commitments as most of these commitments represent potential liabilities of customers with specific credit characteristics. The bank monitors the period of time till the maturity date of these commitments as long term commitments usually hold higher rate of credit risk compared to short term commitments.

a/3 Impairment and provisions policies

Internal valuation methods highly concentrate on modeling credit quality planning at the commencement of the lending and investment activities. Otherwise, only impairment loss incurred as at the date of the balance sheet should be recognized for the purpose of financial assets based on objective evidence on the impairment as later on stated in this note. Taking into consideration the difference of the applied methods, credit losses charged to the financial assets are usually less than the loss amount estimated using expected loss model of the credit rating, and for the purpose of the CBE rules.

Impairment losses provision stated in the balance sheet at the end of the year is derived from the four internal rating. Nevertheless, most of the provision emerges from the last rating.

The following table illustrates the percentage of these items in the balance sheet with regard to finance, facilities, and impairment related to each internal rating classes of the bank:

Bank rating	31 December 2010		31 December 2009	
	Finance and facilities %	Impairment loss provision %	Finance and facilities %	Impairment loss provision %
Performing	54.8	3.2	34	0.5
Regular follow up	3.5	0.6	13	1.6
Watch list	1.5	1.4	15	2.9
Non – performing	40.2	94.8	38	95
	<u>% 100</u>	<u>% 100</u>	<u>% 100</u>	<u>% 100</u>

Internal valuation tools help the management to identify whether there are objective evidence that impairment losses exist in accordance with the Egyptian Accounting Standard no. 26, and based on the following indicators specified by the bank:

- Significant financial difficulties are experienced by the finance customer or the borrower,
- Breach any of the terms of the finance agreement such as non-payment,
- Expectations that the debtor may be bankrupted or entered into Liquidation Claim, or restructure of the funds borrowed to him,
- Deterioration of the competitiveness position of the finance customer,
- In case the bank, for economic or legal reasons in the light of the difficulties faced by the borrower, grant the latter concessions or exemptions that the bank may not accept in normal position,
- Impairment of the collateral.

- Downgrading the credit state.

Bank policies require reviewing all financial assets that exceed limited relative significance at least annually or as required. Impairment losses on accounts assessed is identified at individual basis by evaluating incurred losses at the date of the balance sheet case by case. These are applied to all accounts of relative significance; such includes usual valuation of the standing collateral including execution on collateral and expected proceeds from these accounts.

The impairment loss provision should be established based on similar assets using available historical experience, judgment, and statistical methods.

a/4 General model for measuring banking risks

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

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

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general banking risk reserve" under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable. Note (27/a) shows the "general banking risk reserve" movement during the year.

CBE rating	Indicator	Required provision %	Internal rating	Indicator of the internal rating
1	Low	0	1	Performing
2	Moderate	1%	1	Performing
3	Satisfactory	1%	1	Performing
4	Adequate	2%	1	Performing
5	Acceptable	2%	1	Performing
6	Marginally acceptable	3%	2	Regular follow up
7	Watch List	5%	3	Watch list
8	Substandard	20%	4	Non-performing
9	Doubtful	50%	4	Non-performing
10	Loss	100%	4	Non-performing

a/5 Maximum limits for credit risk before collaterals

	31 December 2010	31 December 2009	
	Thousand	Thousand	
	LE	LE	
Balance sheet Items exposed to credit risk			
*Musharaka, Morabaha and Modaraba with banks and customers			
-Musharaka, Murabaha and Mudaraba with banks	4,470,305	3,805,686	
- Return in suspense and unearned revenues	(13,765)	-	
- Impairment losses provision of finance and investment held at certain currencies	(284,049)	(222,225)	3,583,461
- Musharaka, Murabaha and Mudaraba with customers			
Individuals			
-Personal Murabaha	780,850	656,963	
-Property Murabaha	260,282	237,038	
Corporations			
-Murabaha and Mudaraba with customers	3,341,283	3,664,784	
-Syndicated Murabaha (companies)	789,968	957,332	
-Other Murabaha	3,807	1,834	
- Return in suspense and unearned revenues	(589,321)	(570,359)	
-Impairment losses provision of finance and investment	(1,582,034)	(1,641,420)	3,306,172
*Financial investments			
Held to maturity	-	-	
Available for sale	10,054,164	2,509,446	
Other assets	701,001	476,184	2,985,630
Total	17,932,491	9,875,263	
*Off-balance sheet items exposed to credit risk			
Finance's commitments	72,684	22,545	
Accepted securities	7,846	13,827	
Letters of guarantee	87,835	123,785	
Import documentary credits	7,278	36,102	
Export documentary credits	11,064	7,594	
Customers of export/ import local credits	-	-	
Total	186,707	203,853	

The above table represents the maximum exposure limit on 31 December 2010, and 31 December 2009 regardless any collaterals. As for the balance sheet items, the stated amounts depend on the net carrying value presented in the balance sheet.

a/6 Musharaka, Murabaha and Mudaraba with customers

The following table represents the status of balances of Musharaka, Murabaha and Mudaraba with the customers in terms of finance and investments:

Bank evaluation	Musharaka, Murabaha and Mudaraba with customers	Musharaka, Murabaha and Mudaraba with customers
	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Neither subjected to impairment or past dues	2,983,131	3,239,328
Past dues not subjected to impairment	175,985	219,215
subjected to impairment	2,017,074	2,059,408
Total	5,176,190	5,517,951
Less:		
Return in suspense and future revenues	(589,321)	(570,359)
Impairment loss provision	(1,582,034)	(1,641,420)
Net	3,004,835	3,306,172

Musharaka, Murabaha and Mudaraba with customers (Neither subjected to impairment or past dues)

Finance and investment quality of the portfolio of Musharaka, Murabaha and Mudaraba of neither subjected to impairment or past dues are evaluated by the internal rating of the bank.

Rating	31 December 2010			(Thousand LE)
	Individuals		Corporations	Total of Musharaka, Murabaha and Mudaraba with customers
	Personal Murabaha	Property Murabaha	Direct, syndicated Murabaha, and other	
Performing	500,439	150,266	2,061,501	2,712,206
Regular follow up	187,404	83,521	-	270,925
Watch list	-	-	-	-
Non performing	-	-	-	-
Total	687,843	233,787	2,061,501	2,983,131

Rating	31 December 2009			Thousands LE
	Individuals		Corporations	Total of Musharaka, Murabaha and Mudaraba with customers
	Personal Murabaha	Property Murabaha	direct, syndicated and other Murabaha	
Performing	180,167	105,236	2,238,494	2,523,897
Regular follow up	360,332	52,617	302,482	715,431
Watch list	-	-	-	-
Non performing	-	-	-	-
	540,499	157,853	2,540,976	3,239,328

Musharaka, Murabaha and Mudaraba with customers having past dues and not subjected to impairment

Musharaka, Morabaha, and Modaraba having past dues of 90 days but not subjected to impairment, unless contradicting information are provided. The following table illustrates Musharaka, Morabaha, and Modaraba with customers that having past dues and not subjected to impairment, as well as fair value of collaterals:

	31 December 2010			(Thousand LE)	
	Individuals		Total	Corporations	
	Personal Murabaha	Property Murabaha		Direct and other Murabaha	Total
Past dues up to 31 days	27,353	1,878	29,231	26,773	56,004
Past dues from 31 to 60	15,258	592	15,850	28,596	44,446
Past dues from 61 to 90	8,315	463	8,788	66,757	75,535
Total	50,926	2,933	53,859	122,126	175,985
The fair value of collaterals	30,617	19,382	49,999	219,443	269,442

	31 December 2009			Thousand LE	
	Individuals		Total	Corporations	
	Personal Murabaha	Property Murabaha		Direct and other Murabaha	Total
Past dues up to 31 days	23,592	7,188	30,780	120,483	151,263
Past dues from 31 to 60	16,488	4,428	20,916	12,054	32,970
Past dues from 61 to 90	11,900	2,984	14,884	20,098	34,982
Total	51,980	14,600	66,580	152,635	219,215
The fair value of collaterals	31,149	23,482	54,631	186,834	241,465

Musharaka, Murabaha and Mudaraba with customers subjected to individual impairment

*** Musharaka, Murabaha and Mudaraba with customers**

Musharaka, Morabaha, and Modaraba subjected to individual impairment regardless any cash flows from collaterals amounted to LE 2,017,074. Following is the total value of Musharaka, Morabaha, and Modaraba subjected to individual impairment including fair value of the collaterals obtained by the bank against these finances:

	31 December 2010		Thousand LE	
	Individuals		Corporations	
	Personal Murabaha	Property Murabaha	Direct and syndicated Murabaha	Total
Current period evaluation				
Musharaka, Murabaha and Mudaraba subjected to individual impairment	20,844	23,562	1,972,668	2,017,074
fair value of collaterals	-	-	263,314	263,314

	31 December 2009		Thousand LE	
	Individuals		Corporations	
	Personal Murabaha	Property Murabaha	Direct and syndicated Murabaha	Total
Current period evaluation				
Musharaka, Murabaha and Mudaraba subjected to individual impairment	32,669	31,394	1,995,345	2,059,408

fair value of collaterals	7,569	5,906	87,153	100,628
		31 December 2010	31 December 2009	
		Thousand LE	Thousand LE	
Musharaka, Murabaha and Mudaraba with customers				
Corporations				
Murabaha and Mudaraba with customers		3,341,283	3,664,784	
Syndicated Murabaha		789,968	957,332	
Other Murabaha		3,807	1,834	
Individuals				
-Personal Murabaha		780,850	656,963	
-Property Murabaha		260,282	237,038	
Total		5,176,190	5,517,951	
Less: return in suspense and unearned revenues		(589,321)	(570,359)	
Less: impairment losses provision		(1,582,034)	(1,641,420)	
Net		3,004,835	3,306,172	

a/7 Debt instruments and treasury bills

The following table represents analysis of debt instruments and treasury bills according to rating agencies at the end of the fiscal year, and based on Standards' and Boors' rating and equivalent.

	31 December 2010			Total
	Treasury bills	Investments in financial securities	Financial assets recognized at fair value	
	Thousand LE	Thousand LE	Thousand LE	Thousand LE
AA- to AA+	105,011	-	-	105,011
A- to A+	-	-	-	-
Less than A-	80,378	440,081	-	520,459
Unclassified	-	-	-	-
Total	185,389	440,081	-	625,470

a/8 Acquisition of collaterals

During the current period, the bank has been provided with the assets by the acquisition of certain collaterals, as follows:

Asset's nature	Carrying amount
Land	15,190
Stores	2,338
Housing units	2,250
(-) Impairment losses provision	(9,131)
Net	10,647

Acquired assets are classified as "other assets" in the financial position, and they are sold as practical.

a/9 Concentration of risks of financial assets exposed to investment and finance risk

Geographical sectors

The following table represents an analysis of the most significant finances and investments of the bank in the carrying amounts, distributed by geographical sector at the end of the current year. For preparing this table, risks are distributed on geographical sectors based on regions of customers:

	Arab Republic of Egypt			Europe	(Thousand LE)		Total
	Greater Cairo	Alexandria, Delta and Sinai	Upper Egypt		Arab Gulf countries	Other countries	
Financial assets held for trading	202,313			186,065		37,951	426,329
Musharaka, Murabaha and Mudaraba with banks	2,126,856			829,774	1,165,981	49,880	4,172,491
Musharaka, Murabaha and Mudaraba with customers :							
Murabaha transactions for individuals:							
-personal Murabaha transactions	462,890	249,872	46,851	-	-	-	759,613
-property Murabaha transactions	182,198	54,659	23,425	-	-	-	260,282
-Murabaha transactions for Corporations:							
-Direct Murabaha	2,226,484	1,035,798	100,238	-	-	-	3,362,520
-Syndicated Murabaha	619,227	-	-	51,415	-	119,326	789,968
-Other Murabaha	3,284	523	-	-	-	-	3,807
Total	3,494,083	1,340,852	170,514	51,415	-	119,326	5,176,190
Less: Unearned revenues and retained returns	(397,809)	(152,659)	(19,413)	(5,854)	-	(13,586)	(589,321)
Less: impairment losses provision	(1,067,921)	(409,814)	(52,115)	(15,714)	-	(36,470)	(1,582,034)
Net	2,028,353	778,379	98,986	29,847	-	69,270	3,004,835
Financial investments:							
Held to maturity	21,153	-	-	-	-	-	21,153
Available for sale	10,613,247	112,456	5,690	1,439,742	483,950	544,404	13,199,489
Other assets	700,243	-	-	508	-	250	701,001
Current year total	15,692,165	890,835	104,676	2,485,936	1,649,931	701,755	21,525,298
Comparative year total	8,187,074	783,578	76,878	1,969,505	1,393,150	917,193	13,327,378

Business sectors

The following table presents analysis of the most significant finance and investment risk limits of the bank stated at carrying amount, and distributed according to the customer's practiced business:

	Financial institutions	Industrial institution	Property activity	Wholesale and retail trade	Governmental sector	Other activities	(Thousand LE) Individual	Total
Financial assets held for trading	7,393	37,951	134,533	-	-	246,452	-	426,329
Musharaka, Murabaha and Mudaraba with banks	4,172,491	-	-	-	-	-	-	4,172,491
Musharaka, Murabaha and Mudaraba with customers :								
Murabaha with individuals:								
-personal Murabaha	-	-	-	-	-	-	759,613	759,613
-property Murabaha	-	-	-	-	-	-	260,282	260,282
-Murabaha with Corporations:								
-Direct Murabaha	-	1,169,449	217,183	1,069,211	-	906,677	-	3,362,520
-Syndicated Murabaha	119,326	114,440	-	-	-	556,202	-	789,968
-Other Murabaha	-	-	-	-	-	3,807	-	3,807
Total	119,326	1,283,889	217,183	1,069,211	-	1,466,686	1,019,895	5,176,190
Less: Unearned revenues and retained returns	(13,586)	(146,174)	(24,727)	(121,732)	-	(166,986)	(116,116)	(589,321)
Less: impairment losses provision	(36,470)	(392,404)	(66,379)	(326,790)	-	(448,273)	(311,718)	(1,582,034)
Net	69,270	745,311	126,077	620,689	-	851,427	592,061	3,004,835
Financial investments:								
Held to maturity	21,153	-	-	-	-	-	-	21,153
Available for sale	730,705	266,171	1,034,260	14,264	9,602,427	1,551,662	-	13,199,489
Other assets	417,532	-	283,469	-	-	-	-	701,001
Current year total	5,418,544	1,049,433	1,578,339	634,953	9,602,427	2,649,541	592,061	21,525,298
Comparative year total	5,123,025	1,126,161	1,266,721	727,211	2,062,309	2,570,306	451,645	13,327,378

3/b Market risks

The bank is exposed to market risks that the fair value or future cash flows of financial instruments will fluctuate due to change in the market variables. Market risks emerge from open positions of return rates, currency, equity instruments; those are exposed to public and private movements of the market as well as sensitivity levels to market rates or prices such as return rates, exchange rates, and equity instruments. The bank separates market risks to trading or non-trading portfolios.

b/1 Value at risk summary

Total Value at risk according to risk type:

	(Thousand LE)					
	12 month till the end of December 2010			12 month till the end of December 2009		
	Average	High	Low	Average	High	Low
Foreign exchange risk	818,076	977,814	688,759	914,920	1,260,376	611,759
Return rate risk	2,619,031	3,428,862	1,547,755	1,453,777	1,625,368	1,323,990
Equity instruments risk	7,091,058	7,962,086	6,440,296	6,461,168	6,616,672	6,336,904
Total value at risk	10,528,165	12,368,762	8,676,810	8,829,865	9,502,416	8,272,653

Trading portfolio Value at risk by risk type:

	(Thousand LE)					
	12 month till the end of December 2010			12 month till the end of December 2009		
	Average	High	Low	Average	High	Low
Foreign exchange risk	226,207	239,457	212,034	235,022	242,944	223,887
Return rate risk	--	--	--	--	--	--
Equity instruments risk	440,183	459,558	416,558	467,538	479,916	447,758
Total value at risk	666,390	699,015	628,592	702,560	722,860	671,645

Non-trading portfolio Value at risk by risk type:

	(Thousand LE)					
	12 month till the end of December 2010			12 month till the end of December 2009		
	Average	High	Low	Average	High	Low
Foreign exchange risk	990,214	1,210,987	838,448	1,125,597	1,485,458	821,413
Return rate risk	2,619,031	3,428,862	1,547,755	1,453,777	1,625,368	1,323,990
Equity instruments risk	6,650,874	7,502,528	6,009,102	5,993,713	6,150,522	5,885,314
Total value at risk	10,260,119	12,142,377	8,395,305	8,573,087	9,261,348	8,030,717

Increase in the value at risk, particularly the return rate, depends on sensitivity of return rate in international money markets.

The above three Value at risk results are calculated independently from the underlying positions and historical market movements. The aggregate of the trading and non-trading Value at risk results does not represent the bank's Value at risk due to correlations of risk types and portfolio types and their effect.

b/2 Foreign currency risk

The bank is exposed to the risk of fluctuation in foreign currency exchange rates and its impact on the financial position and cash flows. The Board of Directors has set aggregate limits for foreign exchange for each position at the end of the day and during the day that is being timely monitored. The following table summarizes the bank exposure to foreign currency risks at the end of the fiscal year. The table includes carrying amounts of the financial instrument distributed between currencies:

	Thousand LE					
	LE	US\$	EURO	GBP	Other	Total
Financial assets						
Cash and balances with central bank	2,290,236	633,027	20,303	1,507	8,673	2,953,746
Due from banks	5,917,869	24,243	8,161	3,711	11,014	5,964,998
Financial assets held for trading	193,156	47,108	134,533	51,532	--	426,329
Musharaka, morabaha, and modaraba with banks	809,588	2,791,454	117,018	29,813	424,618	4,172,491
Musharaka, morabaha, modaraba with customers	2,783,137	221,667	30	1	--	3,004,835
Investment property						
Financial investments						
Available for sale	10,144,991	2,361,910	570,492	71,702	50,394	13,199,489
Held to maturity	21,153	--	--	--	--	21,153
Other financial assets	667,951	29,542	3,065	(20)	463	701,001
Total financial assets	22,828,081	6,108,951	853,602	158,246	495,162	30,444,042
Financial liabilities						
Due to banks	16,430	67,802	174	2	359	84,767
Saving pools	22,658,584	4,911,949	694,766	93,569	449,295	28,808,163
Other financial liabilities	570,596	20,446	1,097	144	676	592,959
Total financial liabilities	23,245,610	5,000,197	696,037	93,715	450,330	29,485,889
Net balance sheet	(417,529)	1,108,754	157,565	64,531	44,832	958,153
Commitments related to finance	81,332	29,619	73,337	252	2,167	18,707
End of the comparative year						
Total financial assets	19,787,694	5,394,953	891,028	168,468	528,315	26,770,458
Total financial liabilities	20,074,131	4,884,014	594,780	92,348	427,792	26,073,065
Net balance sheet	(286,437)	510,939	296,248	76,120	100,523	697,393

b/3 Return rate risk

The bank is exposed to risk of fluctuation of return rate prevailing in the market, that is the possibility that changes in the return rates will affect future cash flows or fair value of a financial instrument. Fair value return rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market return rates. The return margin could increase as a result of these changes, and profits may be decreased in case of sudden movements. The board sets limits to the difference level of re-pricing return rate that the bank could apply.

The following table summarizes the bank exposure to return rate risk that includes carrying value of financial instruments distributed to the nearer of re-pricing dates, and maturity dates:

	31 December 2010					Thousand LE	
	Up to one month	More than one month and up to 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Non- return bearing	Total
Financial assets							
Cash and balances with central bank	885,560	689,396	689,395	689,395	--	--	2,953,746
Due to banks	1,612,076	1,459,293	1,452,358	1,441,271	--	--	5,964,998
Financial assets held for trading	--	202,313	--	--	224,016	--	426,329
Musharaka, morabaha, and modaraba with banks	2,457,450	1,377,155	--	--	--	337,886	4,172,491
Musharaka, morabaha, modaraba with customers	50,054	90,098	920,198	1,742,532	592,352	1,780,956	5,176,491
Unearned revenues and retained returns	(5,698)	(10,258)	(104,767)	(198,391)	(67,441)	(202,766)	(589,321)
Deducting impairment loss provision							
	(15,298)	(27,537)	(281,246)	(532,582)	(181,045)	(544,326)	(1,582,024)
Net	29,058	52,303	534,185	1,011,559	343,866	1,033,864	3,004,835
Financial investments							
Available for sale	--	276,582	--	9,175,440	2,938,449	809,018	13,199,489
Held at maturity	--	--	21,153	--	--	--	21,153
Other financial assets	145,140	185,287	185,287	185,287	--	--	701,001
Total financial assets	5,129,284	4,242,329	2,882,378	12,502,952	3,505,331	2,180,768	30,444,042

	Up to one month	More than one month and up to 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Non- return bearing	Total
Financial liabilities							
Due to banks	84,767	--	--	--	--	--	84,767
Saving pools and other deposits	4,198,507	1,552,273	3,104,746	10,896,709	9,055,828	--	28,808,163
Other financial liabilities	148,240	148,240	148,240	148,239	--	--	592,959
Total financial liabilities	4,431,514	1,700,613	3,252,986	11,044,948	9,055,828	--	29,485,889
Re-pricing gab	697,770	2,541,716	(370,608)	1,458,004	(5,549,497)	2,180,768	958,153
End of the comparative year							
Total financial assets	13,440,507	2,565,145	1,994,135	1,675,206	4,894,052	2,201,413	26,770,458
Total financial liabilities	3,914,489	1,565,803	2,870,629	9,655,735	7,988,119	78,290	26,073,065
Re-pricing gab	9,526,018	999,342	(876,494)	7,980,529)	(3,094,067)	2,123,123	697,393

3/c Liquidity risk

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

Liquidity risk management

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

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

The main year for liquidity management is the next day, week and month. The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Credit risk department monitor the mismatch between medium term assets, level and type of the unused part of the finance commitments, usage of the debit current account facilities, and effect of the contingent liabilities such as letters of guarantee, and letters of credit.

Financing approach

Liquidity resources are reviewed by separate teamwork of the bank treasury department to maintain a wide diversification by currency, geography source products and terms.

Non-derivative cash flows

The following table represents paid cash flows by the Bank under Non-derivative financial instruments distributed to the residual period of contractual maturity at the date of the balance sheet. Amounts stated in the table represent undiscounted cash flows, while the Bank manages liquidity risks on the basis of expected –and not contractual- undiscounted cash flows.

	31 December 2010					Total
	Up to one month	More than one month and up to 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	
(Thousand LE)						
Financial liabilities						
Due to banks	84,767	--	--	--	--	84,767
Saving pools and other deposits	4,198,507	1,552,373	3,104,746	10,896,709	9,055,828	28,808,163
Other financial liabilities	148,240	148,240	148,240	148,239	--	592,959
Total financial liabilities on the contractual maturity date	<u>4,431,514</u>	<u>1,700,613</u>	<u>3,252,986</u>	<u>11,044,948</u>	<u>9,055,828</u>	<u>29,485,889</u>
Total financial assets on the contractual maturity date	<u>5,129,284</u>	<u>4,242,329</u>	<u>2,882,378</u>	<u>12,502,952</u>	<u>5,687,099</u>	<u>30,444,042</u>

	31 December 2009					Total
	Up to one month	More than one month and up to 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	
(Thousand LE)						
Financial liabilities						
Due to banks	192	--	--	103,457	--	103,649
Saving pools and other deposits	3,811,652	1,463,159	2,767,985	9,449,634	7,963,765	25,456,195
Other financial liabilities	102,645	102,644	102,644	102,644	102,644	513,221
Total financial liabilities on the contractual maturity date	<u>3,914,489</u>	<u>1,565,803</u>	<u>2,870,629</u>	<u>9,655,735</u>	<u>8,066,409</u>	<u>26,073,065</u>
Total financial assets on the contractual maturity date	<u>13,440,507</u>	<u>2,565,145</u>	<u>1,994,135</u>	<u>1,675,206</u>	<u>7,095,465</u>	<u>26,770,458</u>

3/d Capital management

The primary objective the capital management by the bank, that includes other elements in addition to the equity items exposed in the financial position, as follows:

- Compliance with capital legal requirements of the capital in the Arab Republic of Egypt, and in other states hosting bank branches,
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yields for shareholders and other parties dealing with the Bank.
- Conserving strong capital base that supports the growth of activities.

The bank reviews the capital adequacy and usage on a daily basis according to the regulatory authority's requirements (CBE) using models based on Basel Banking Supervisory Committee guidelines. The required data as well as deposits at the CBE are submitted quarterly.

The bank is required by the CBE to perform the following:

- Maintaining minimum of LE 500 millions as issued and paid up capital,
- Maintaining a percentage between capital elements and elements of contingent assets and liabilities stated at risk value, equivalent to 10% or more.

Bank branches working outside A.R.E. are subject to supervisory rules regulating banking business in the hosting states. In this regard, the dominator of the adequacy rate includes the two following tiers:

Tier 1: Is the principal capital that contains paid up capital (after deducting the carrying amount of the treasury stocks), retained earnings, and reserves from dividends excluding the general banking risk reserve. Goodwill previously recognized and any carried forward losses are also deducted from the principal capital.

Tier 2: Is the subordinate capital that contains general banking risk reserve according to the CBE credit rating rules not exceeding 1,25% of the total probable contingent assets and liabilities stated at risk value; subordinate finances/deposits with maturity of more than 5 years (with a depreciation of 20% for each year of the last five years of the mentor), and 45% of the increase between the fair value and carrying value for financial investments available for sale, and held to maturity in subsidiaries and associates.

When calculating the dominator of the capital adequacy standard, it should be taken into consideration that the subordinate capital may not be more than the principal capital, subordinate finances (deposits) may not also exceed half of the principal capital.

Assets are stated in risk value from Zero to 100% as per each relation type of the debtor with the asset that reflects related finance and investments taking into consideration cash guarantees. Amounts outside the balance sheet should be handled after inserting the necessary adjustments in order to reflect the contingent nature and potential losses of these

amounts.

The bank complied to all local capital requirements, as well as other requirements imposed on its foreign branches for the past two years. The following table summarizes components of the principal and subordinate capitals, and capital adequacy ratings at the end of the year:

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Capital		
First tranche (principal capital)		
Share capital	1,059,355	1,059,355
Reserves	182,594	136,140
Retained earnings	71,231	71,000
Total principal capital	1,313,180	1,266,495
Tier 2 (subordinate capital)		
General risk provision equivalent	81,000	81,000
Subordinated finances/ deposits	--	--
45% of the increase in fair value than book value of financial investments available for sale and held to maturity	333,136	200,973
Total subordinated capital	414,136	281,973
Total capital	1,727,316	1,548,468
Assets and contingent liabilities risk weighted		
Assets in the balance sheet	9,954,447	9,447,044
Contingent liabilities	38,856	69,254
Total Assets and Assets and contingent liabilities risk weighted	9,993,303	9,516,298
Capital Adequacy Ratio (%)	17,28%	16,27%

4. Significant accounting judgments, estimates, and assumptions

4/a Impairment losses of Musharaka, Modaraba, and Morabaha

The bank reviews its portfolio of Musharaka, Modaraba, and Morabaha transactions in order to evaluate impairment, on quarterly basis at least. The bank depends on judgments to identify whether the impairment losses should be stated in the income statement or not, and to verify any reliable information indicating that measureable impairment occurred in the future cash flows of the portfolio of Morabaha to recognize the impairment at the level of each Morabaha in the portfolio. These evidences might include indicators that a negative change affected the capacity of the bank portfolio of finance customers to repayment; or local or economic events are linked to the default of bank assets. When rescheduling the future cash flows, the management uses assumptions based on past

experiences to estimate impairment of assets having characteristics of finance and investment transactions at the existence of objective evidences of the impairment of such grouped in the portfolio. The method and assumptions used to estimate the amount and period of the future cash flows should be regularly reviewed in order to eliminate any differences between estimated losses and actual losses based on experiences.

4/b Impairment of available for sale equity investment

The Bank recognizes impairment loss relating to available for sale equity investment when there is a significant or prolonged decline in the fair value below its cost. A judgment is required to determine that the decline is significant or prolonged .in making this judgment the Bank evaluates among other factors the volatility in share price. In addition impairment loss recognized when there is evidence of deterioration in the investee financial position or operating/finance cash flow industry and sector performance technology changes.

4/c Impairment of financial investments held to maturity

Non-derivative financial assets of installments, fixed/identifiable maturity dates are classified as investments held to maturity. This classification requires high degree personal judgment. In return, the bank evaluates the intent and ability to hold such these investments to maturity. In case the bank failed to hold such investment to maturity – except in certain events as selling insignificant volume ahead with the maturity date-, these investments should be reclassified as available for sale. Hence, these investments will be measured at fair value and will not be amortized at cost in addition to suspending any other investments under this item.

4/d Fair value of derivatives

Fair value of the financial instruments not quoted in an active market is determined using valuation techniques. These techniques as models are tested and reviewed on a regular basis using qualified personnel other than those who prepared the techniques. Results depend relatively on experience.

4/e Income tax

The Bank is subject to income tax when requires the use of estimate the total income tax provision. There are a number of complicated processes and calculation to determine final income tax. The bank records liabilities of the expected results of the tax review based on estimation of probable addition tax required. Difference between final and estimated tax will affect the income tax.

5. Segment analysis

By activity segment

Activity segment includes operations processes and assets used in rendering banking services, management of inherent risks and the return rate of this activity that might be different from

other activities. The segmentation analysis of operations according to the Banking activities are as follows:

Large, medium, and small enterprises

Current accounts, deposits, debited current accounts, finance, investment, and financial derivatives.

Investment

Includes mergers, purchase of investments, and financing company's restructure and financial instruments.

Individuals

Includes current accounts, saving pools, deposits, personal Morabaha, and property Morabaha.

Other activities

Includes other banking activities such as fund management.

Inter-segment transactions occur at the normal course of business of the Bank. Assets and liabilities at the balance sheet include operating assets and liabilities.

6. Net income from return

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Return from Musharaka, Morabaha, and Modaraba, and similar revenues from:		
The CBE	528,654	594,111
Other banks	240,967	306,350
Customers	297,694	374,919
Total	1,067,315	1,275,380
Governmental securities yield	--	27,163
Investment in debt instruments held to maturity and available for sale	769,653	238,641
Total	1,836,968	1,541,184
Cost of Saving pools and similar costs from:		
Deposits and current accounts:		
Banks	(9,382)	(235)
Customers	(1,175,633)	(1,040,695)
Total	(1,185,015)	(1,040,930)
Net	651,953	500,254

7. Fees and commissions revenues

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Fees and commissions related to finance and investment transactions	15,920	16,123
Fees of corporation financing services	9,480	7,128
Custody and reservation fees	1,944	2,976
Other fees	60,969	48,108
Total	88,313	74,335

8. Dividends earned

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Trading securities	5,363	13,908
Available for sale Investments	59,996	47,210
Subsidiaries and associates	2,029	18,827
Mutual funds certificates	406	--
Total	67,794	79,945

9. Net trading income

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Foreign currency transactions		
Profits (losses) from foreign currency transactions	12,740	9779
Profits (losses) from valuation of asset and liability balances	(1,265)	398
Debt instruments held for trading	--	--
Equity instruments held for trading	(4,477)	(10,377)
Total	6,998	(200)

10. Charge (Reverse) impairment losses from losses of finances and investments

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Musharaka, modaraba, and morabaha with banks	(31,309)	(1,424)
Musharaka, modaraba, and morabaha with customers	12,374	(271,361)

Financial investments held to maturity	29	(6,123)
Total	(18,906)	(278,908)

11. Administrative expenses

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Labor cost		
Salaries and wages	(101,331)	(88,020)
Social security	(4,751)	(3,969)
Retirement costs		
Cost of identified installment methods	(2,072)	(1,926)
	(108,154)	(93,915)
Other administrative expenses	(131,518)	(136,283)
Total	(239,672)	(230,198)

12. Other operational revenues/expenses

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Profits (losses) from revaluation of monetary assets and liabilities determined in foreign currency other than those classified as trading	30,820	2,089
Profit (loss) of selling property and equipments	1,313	460
Operating lease	(369)	(647)
Other	964	(10,546)
Reverse (charge) of other provisions' losses	17,013	--
Total	49,741	(8,644)

13. Earnings per share

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Net profit of the year	337,847	125,570
Employee shares	(13,231)	(9,815)
Board of Directors' remuneration	(4,000)	(3,500)
	320,616	112,255
Weighted average of issued shares	59,358	59,358
Earnings per share (LE)	5.401	1.891

14. Cash and balances with the CBE

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Cash	196,164	217,975
Balances with the CBE within the statutory reserve rate	2,757,582	2,969,826
Total	2,953,746	3,187,801
Non-return bearing balances	2,356,431	2,624,379
Return bearing balances	597,315	563,422
Total	2,953,746	3,187,801

15. Due from banks

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Current accounts	89,837	55,279
Deposits (Modaraba)	5,875,161	10,200,000
Less: impairment loss provision	--	--
Total	5,964,998	10,255,279
Held with the CBE aside from the statutory reserve	5,915,308	10,200,000
Local banks	16,430	21,760
Foreign banks	33,260	33,519
Total	5,964,988	10,255,279
Non-return bearing balances	89,837	55,279
return bearing balances	5,875,161	10,200,000
Total	5,964,998	10,255,279
Current balances	5,964,998	10,255,279
Non-current balances	--	--
Total	5,964,998	10,255,279

16. Financial assets held for trading

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Portfolios managed by others	224,016	233,074
<u>Equity instruments listed in the stock market</u>		
Shares of local companies	191,887	107,445
Instruments of mutual funds	10,426	7,292
Total	426,329	347,811

17. Morabaha and Modaraba with banks

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Modaraba transactions with local banks	2,467,520	711,663
Finance operations (Modaraba with foreign banks)	2,002,785	3,094,023
Less: impairment losses	(284,049)	(222,225)
Less: future revenues and suspended returns	(13,765)	--
Total	4,172,491	3,583,461
Current balances	4,172,491	3,583,461
Non-current balances	--	--
Total	4,172,491	3,583,461

Analysis of the impairment loss provision of Morabaha and Modaraba with banks:

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Balance at the beginning of the financial year	222,225	181,907
Charge (reverse) impairment losses if the year (+) (-)	32,579	1,424
Amounts no longer required	(1,270)	--
Amounts Written off	--	(1,480)
Foreign currency revaluation (+) (-)	30,515	40,374
Balance at the end of the year	284,049	222,225

18. Morabaha and Modaraba with customers

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Individuals:		
Personal morabaha	780,850	656,963
Property morabaha	260,282	237,038
Total (1)	1,041,132	894,001
Corporation including small Morabaha for economic activities		
Direct Morabaha	3,341,283	3,664,784
Syndicated Morabaha	789,968	957,332
Other Morabaha	3,807	1,834
Total (2)	4,135,058	4,623,950
Total Musharaka, Modaraba and Morabaha transactions with customers (1+2)	5,176,190	5,517,951
Less: impairment losses	(589,321)	(570,359)
Less: future revenues and suspended returns	(1,582,034)	(1,641,420)
The net distributed to:	3,004,835	3,306,172
Current balances	3,004,835	3,306,172
Non-current balances	--	--
Total	3,004,835	3,306,172

The fair value of negotiable securities that may be disposed only with the approval of the bank – to guarantee commercial finance – amount to LE 171,178 on 31 December 2010 against LE

441,850 on the comparative date.

Provision of impairment losses

The following table present analysis of the impairment loss provision for musharaka, morabaha, and modaraba transactions with customers based on the type of each:

	31 December 2010			Thousand LE
	Retail/individuals			Total
	Auto morabaha	Personal morabaha	Property morabaha	
Balance at the beginning of the year	8,898	--	10,904	19,802
Charge (reverse) impairment during the year	5,997	--	4,887	10,884
Balance as of 31/12/2010	14,895	--	15,791	30,686

	Corporations		Total
	Direct morabaha	Syndicated morabaha	
Beginning balance	1,614,075	7,543	1,621,618
Charge (reverse) impairment during the year	52,274	4	52,278
Amounts written off during the year	(33,549)	--	(33,549)
Provision no longer required	(75,536)	--	(75,536)
Foreign exchange revaluation differences	(13,463)	--	(13,463)
Balance as of 31/12/2010	1,543,801	7,547	1,551,348

	Thousand LE		31/12/2009
	Retail/individuals		Total
	Personal morabaha	Property morabaha	
Beginning balance	8,898	10,904	19,802
Charge (reverse) impairment during the year	--	--	--
Balance as of 31/12/2009	8,898	10,904	19,802

	Corporations	
	Direct morabaha	Total
Beginning balance	1,365,465	1,365,465
Charge impairment during the year (+) (-)	379,677	379,677
Provisions no longer required	(108,316)	(108,316)
Amounts written off during the year	(6,156)	(6,156)
Foreign exchange revaluation differences	(9,052)	(9,052)
Balance as of 31/12/2009	1,621,618	1,621,618

19. Financial investments

	31 December 2010 Thousand LE	31 December 2009 Thousand LE
19/a available for sale:		
Equity instruments at fair value:		
- listed in the stock market *	10,742,210	3,438,589
- unlisted in the stock market	2,457,279	2,154,637
Total investments available for sale (1)	13,199,489	5,593,226
19/b held to maturity		
Debt instruments at amortized cost:		
- listed in the stock market	--	--
- unlisted in the stock market	27,247	26,647
Less: impairment loss provision:	(6,094)	(6,123)
Total investments held to maturity	21,153	20,524
Total financial investments (1+2)	13,220,642	5,613,750

* On October 2010, all financial investments held to maturity of LE 7426689 were transferred to available for sale item keeping the legal percentage of investments from mutual funds established by the bank within held-to-maturity investments. It should be noted that the bank is not allowed to include any new investments under the held-to-maturity investments for two years following the transfer date according to the CBE rules.

19/c Investments in subsidiary and associate companies

Shares of the bank in subsidiary and associate companies are as follows:

	Resident country	Assets of the company	31 December 2010 Liabilities of the company (without equity)	Revenue of the company	Profits/(losses) of the company	Book value	percentage
a- Subsidiaries							
Islamic Co. for Packing Materials (ICOPACK)	Egypt	122,373	36,701	59,023	11,884	39,406	51,38%
Egypt Co. for Packing Materials (EGR)	Egypt	189,794	63,028	103,281	13,475	24,147	51,38%
Islamic Foreign Trade Co.	Egypt	278,348	254,835	6,837	3,234	--	78,80%
Faisal Bank Exchange	Egypt	5,294	168	84,151	53	4,350	87%
Al-Alamia Import & Export Co.*	Egypt	8,230	45,350	114	(3,795)	--	50,70%
Faisal Financial Investments (under incorporation)	Egypt	--	--	--	--	349,965	99,99%
Animal Production Islamic Co.	Egypt	3,915	4,499	1,503	246	--	85,22%
Standard Shoes	Egypt	64,526	72,887	761	(837)	--	94,80%
Total (A)		672,480	477,468	255,670	24,260	417,868	

b- Associates

Ismailia National Co. for Food Industries (FOODICO).		112,939	20,524	36,302	1,924	32,030	34,72%
Horizon for Investment and Industrial Development		267,718	174,734	104,670	9966	35,200	40,00%
Al-Khelood Company for Real Estate and Tourism Development		495,161	1,327	--	(14,473)	152,008	40,00%
Islamic Co. for Production of Flooring Materials*		32,985	19,922	679	10	2,020	20,00%
Islamic Investment & Development Co		7,069	52	547	35	2,077	43,80%
Arab Co. for Disinfection works (ARADIS)**	Egypt	622	68	192	24	209	39,80%
Modern National Co. for Wood Industry	Egypt	43,578	32,388	20,207	107	4,262	44,40%
Islamic Detergent Co	Egypt	6,997	30,590	11,034	(657)	--	41,75%
Giza Paint & Chemical Industries	Egypt	13,210	2,958	2,592	111	2,978	48,60%
Misr International Hospital**	Egypt	130,978	72,732	79,919	6,533	18,587	24,20%
Cairo Carton Industry (Copack)**	Egypt	338,756	141,648	177,445	26,832	68,715	31,37
Total (B)		1,450,013	496,943	433,587	30,412	318,086	
Total (A+B)		2,122,493	974,411	689,257	54,672	735,954	

* The stated data is issued from financial statements of 31/12/2009

** The stated data is issued from financial statements of 31/12/2008

	Resident country	Assets of the company	31 December 2009			Carrying value	Shareholding percentage
			Liabilities of the company (without equity)	Revenues of the company	Profits/(losses) of the company		
a- Subsidiaries							
Horizon for Investment and Industrial Development	Egypt	273,781	86,079	103,668	1,968	41,786	69,1%
Ismailia National Co. for Food Industries (FOODICO).	Egypt	104,316	14,131	54,442	1,688	62,319	67,6%
Islamic Foreign Trade Co.	Egypt	279,349	259,070	3,987	105	1	78,8%
Animal Production Islamic Co.	Egypt	2,764	2,391	3,105	(350)	1	85,2%
Standard Shoes		61,539	26,719	432	(3,024)	1	94,8%
Al-Alamia Import & Export Co.*	Egypt	12,797	46,127	11	(44)	1	50,7%
Al-Khelood Company for Real Estate and Tourism Development	Egypt	508,794	954	--	(707)	266,000	70%
Faisal Bank Exchange	Egypt	5,351	81	151,564	157	4,350	87%
United for Industry & Management	Egypt	--	--	--	--	1	94,7%
Total (A)		1,248,691	435,552	317,209	(207)	374,460	
b- Associates							
Islamic Co. for Packing Materials (ICOPACK).	Egypt	116,833	40,492	66,908	10,456	8,044	20,1%
Egypt Co. for Packing Materials (EGR)	Egypt	171,624	56,408	117,167	12,955	14,550	36,4%
Islamic Investment &	Egypt	32,985	19,922	679	10	2,273	43,8%

Development Co							
Modern National Co. for							
Wood Industry	Egypt	43,578	32,388	20,207	107	5,082	44,4%
Islamic Detergent Co	Egypt	7,265	30,643	7,424	(441)	1	41,75%
Giza Paint & Chemical							
Industries	Egypt	13,210	2,958	2,592	111	3,616	48,6
Misr International							
Hospital**	Egypt	123,347	52,080	56,073	3,021	18,587	24,2%
Cairo Carton Industry							
(Copack)**	Egypt	288,199	82,803	198,025	27,334	31,340	25,1%
Arab Co. for Disinfection							
works (ARADIS)**	Egypt	--	--	--	--	209	40%
Holding Co. for							
Investments	Egypt	--	--	--	--	1	24%
Islamic Co. for Production							
of Flooring Materials*	Egypt	--	--	--	--	2,020	20%
Total (B)		<u>797,041</u>	<u>317,694</u>	<u>469,075</u>	<u>53,553</u>	<u>85,723</u>	
Total (A+B)		<u>2,045,732</u>	<u>753,246</u>	<u>786,284</u>	<u>53,346</u>	<u>460,183</u>	

* The stated data is issued from financial statements of 31/12/2009

** The stated data is issued from financial statements of 31/12/2008

19/d Profits (losses) of financial investments

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Profits/losses of selling financial assets available for sale *	154,998	36,721
Profits/(losses) of selling shares in subsidiaries and associates	46,896	--
Impairment (losses) of shares in subsidiaries and associates	(8,740)	--
Impairment losses of financial assets available for sale	(382,019)	(24,249)
Total	<u>(188,865)</u>	<u>12,472</u>

* profits/(losses) of financial investments in the income statement include an amount of LE 156692 as profits of selling a group of investments in subsidiaries, associates and investments available for sale amounted to LE 245309 for Faisal Financial Investments Co. (a bank subsidiary)

Settlements of impairment losses of financial investments held to maturity:

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Beginning balance	(6,123)	--
Charge (reverse) of impairment of mutual fund investments	29	(6,123)
Total	<u>(6,094)</u>	<u>(6,123)</u>

20. Other assets

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Accrued revenue	318,824	81,076
Prepaid expense	5,046	5,112
Advance payments under purchase of fixed assets	11,433	9,872
Assets transferred to the bank against debts (after deducting impairment losses)	10,647	--
Insurance and imperests	11,641	11,527
Others	22,340	67,983
Concessional finance	158	176
Projects under construction	72,630	43,560
Units available for sale	188,760	197,356
Prepaid under tax	59,522	59,522
Total	701,001	476,184

21. Fixed assets

	Land and building	Leasehold improvements	Machinery and tools	Other	Total
	Thousand LE	Thousand LE	Thousand LE	Thousand LE	Thousand LE
Balance as of 1/1/2009					
Cost	471,757	--	25,249	66,958	563,964
Accumulated depreciation	(45,075)	--	(20,590)	(45,254)	(110,919)
Net book value as of 1/1/2009	426,682	--	4,659	21,704	453,045
Additions	41,499	310	4,297	8,138	54,244
Disposals	(16,610)	--	--	(67)	(16,677)
Depreciation	(6,786)	(22)	(908)	(7,147)	(14,863)
Net book value as of 31/12/2009	444,785	288	8,048	22,628	475,749
Balance as of 1/1/2009					
Cost	496,646	310	29,546	75,029	601,531
Accumulated depreciation	(51,861)	(22)	(21,498)	(52,401)	(125,782)
Net book value as of 31/12/2009	444,785	288	8,048	22,628	475,749
Balance of the current fiscal year					
Net book value as of 1/1/2010	444,785	288	8,048	22,628	475,749
Additions	5,650	23	2,022	7,154	14,849
Depreciation	(7,432)	(76)	(1,135)	(7,847)	(16,490)
Net book value as of 31/12/2010	443,003	235	8,935	21,935	474,108
Balance as of 31/12/2010					
Cost	502,296	333	31,568	82,183	616,380
Accumulated depreciation	(59,293)	(98)	(22,633)	(60,248)	(142,272)
Net book value as of 31/12/2010	443,003	235	8,935	21,935	474,108

22. Dues to banks

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Current accounts	51,610	52,816
Deposits	33,157	50,833
Total	84,767	103,649
Central banks	359	192
Foreign banks	84,408	103,457
Total	84,767	103,649
Non-return bearing balances	51,610	52,816
Variable return balances	33,157	50,833
Fixed return balances	--	--
Total	84,767	103,649
Current balances	84,767	103,649
Non-current balances	--	--
Total	84,767	103,649

23. Saving pools and saving certificates

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Demand deposits	544,579	505,912
Time deposits and callable accounts	20,729,986	18,072,109
Saving certificates	7,454,777	6,803,585
Other	78,821	74,589
Total	28,808,163	25,456,195
Corporate accounts	1,182,629	1,045,024
Individual accounts	27,625,534	24,411,171
Total	28,808,163	25,456,195
Non-return bearing balances	623,400	580,501
Variable return balances	28,184,763	24,875,694
Total	28,808,163	25,456,195
Current balances	28,808,163	25,456,195
Non-current balances	--	--
Total	28,808,163	25,456,195

Customers' accounts include deposits of LE 5.081 thousands as of 31 December 2010 (LE 11.261 thousands as of 31 December 2009) which represent collateral for irrevocable letters of credit - export and there is no major difference between its carrying value and fair value.

24. Other liabilities

31 December 2010	31 December 2009
------------------	------------------

	Thousand LE	Thousand LE
Accrued earnings	487,646	386,737
Accrued expenses	1,280	1,443
Zakat legitimately due	2,768	6,494
Other credit balance	101,265	118,547
Total	592,959	513,221

25. Other provisions

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Balance at the beginning of the year	23,526	1,614
Foreign exchange differences	61	(5)
Utilized during the year	--	--
Contingent liabilities' provisions	--	4,925
Provisions no longer required	(17,013)	--
Tax provision	--	16,992
Balance at the end of the year	6,574	23,526

26. Capital

The authorized capital amounts to LE 1,059,355 Thousand as of 31 December 2010, the par value for share is 5 Dollar which is paid in full.

	Number of share (Million)	Common stocks Thousand LE	Total Thousand LE
Beginning balance	59	1,059,355	1,059,355
Ending balance	59	1,059,355	1,059,355

27. Reserves and retained earnings

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Reserves *		
General banking risk reserve	84,598	1,550
Statuary reserve	147,226	134,893
Special reserve	33,661	33,661
Fair value reserve- financial investments available for sale	509,064	184,073
Capital reserve	1,707	1,247
Total reserves at the end of the year	776,256	355,424

a. General banking risk reserve

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Balance as of 1/1/2010	1,550	--

Transferred to general banking risk reserve	83,048	1,550
Balance as of 31/12/2010	84,598	1,550

31 December 2010	31 December 2009
Thousand LE	Thousand LE

b. Legal (general) and capital reserve

Balance as of 1/1/2010	136,140	126,494
Transferred to legal reserve (general)	12,333	8,399
Transferred to capital reserve	460	1,247
Balance as of 31/12/2010	148,933	136,140

31 December 2010	31 December 2009
Thousand LE	Thousand LE

c. Fair value reserve financial investments available for sale

Balance as of 1/1/2010	184,073	108,871
Profit of the change in fair value	324,991	75,202
Balance as of 31/12/2010	509,064	184,073

31 December 2010	31 December 2009
Thousand LE	Thousand LE

d. Net profit of the year and retained earnings

Balance as of 1/1/2010	71,000	71,000
Transferred to retained earnings during the year value	231	--
Balance as of 31/12/2010	71,231	71,000
Net profit of the year before general banking risk reserve	337,847	125,570
Transferred to general banking risk reserve	(83,048)	(1,550)
Net profit of the year	254,799	124,020
Net profit of the year and retained earnings	326,030	195,020

28. Cash and cash equivalent

For the purpose of presenting the statement of cash flow, cash and cash equivalent include the following balances that do not exceed maturity of three month from date of the acquisition:

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Cash and balances with the CBE	2,953,746	3,187,801
Due from banks	5,964,998	10,255,279
Cash and balances with the CBE within the statutory reserve ratio	(2,757,582)	(2,969,826)
	6,161,162	10,473,254

29. Contingent liabilities and commitments

a. Legal claims

There are lawsuits are filed against the bank as of 31 December 2010, a provision has been formed for these lawsuits as no losses are expected to be incurred.

b. Capital commitments

Contracts of the bank for capital commitments amounted to LE 25,445 Thousand as of 31 December 2010 which represented in financial investments available for sale in subsidiaries and associates. The management is confident that net revenue will be recognized and available to cover these commitments.

c. Commitments of finances and investment

Bank commitments represent commitments of finances and investments as follows:

	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Finance commitments	72,684	22,545
Acceptance	7,846	13,827
Letters of guarantee	87,835	123,785
Letters credit- import	7,278	36,102
Letters credit- export	11,064	7,594
Total	<u>186,707</u>	<u>203,853</u>

30. Related party transactions

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

a- Musharaka, Morabaha, and Modaraba with related parties

	Senior management members and direct relatives		Subsidiaries and associates	
	31 December 2010 Thousand LE	31 December 2009 Thousand LE	31 December 2010 Thousand LE	31 December 2009 Thousand LE
Musharaka, morabaha, and modaraba, and facilities for customers at the begging of the fiscal year				
At the beginning of the financial year	3,241	3,305	509,264	556,462
Musharaka, morabaha, and modaraba issued during the year	3,317	1,029	45,706	--
Musharaka, morabaha, and modaraba collected during the year	(3,712)	(1,093)	(107,193)	(47,198)
At the end of the year	<u>2,846</u>	<u>3,241</u>	<u>447,777</u>	<u>509,264</u>
Return of musharaka, morabaha, and modaraba *	<u>398</u>	<u>468</u>	<u>71,645</u>	<u>86,065</u>

* The mentioned return included in the debit balance of the transactions

- Musharaka, morabaha, and modaraba granted to board members and their direct relatives during 2010 amounted LE 3,317 thousands (against LE 1,029 thousands during the comparison year) to be paid in monthly/quarterly installments with return rate of 14% (against 14% in the comparison year).

b- Related party deposits

	Subsidiaries and associates	
	31 December 2010	31 December 2009
	Thousand LE	Thousand LE
Due to customers		
Deposits at the beginning of the fiscal year	4,134	3,284
Deposits charged at the beginning of the year	19	850
Deposits recovered during the year	--	--
Deposits at the end of the year	4,153	4,134
Deposit expenses and similar expenses	--	--

c- Transactions with related parties

Profit (loss) of financial investments in the income statement includes an amount LE 155,625 Thousand representing the profits of a group from selling investments in subsidiaries and associates and available for sale which its carrying value amounted LE 254309 thousands for Faisal Financial Investments company (bank's subsidiary).

d- Mutual fund of Faisal Islamic Bank of Egypt (periodic return and capital growth)

- **Mutual fund of Faisal Islamic Bank of Egypt (periodic return)**

The fund is one of the banking activities which authorized to the bank by virtue of Capital Market Law no. 95 of 1992 and its executive regulations. The fund is managed by Hermes for mutual funds' Management. The certificates of the fund reached 500000 certificates with an amount LE 50,000,000, of which the bank allocated 50000 certificates (of nominal value of LE 100) to undertake the fund activities.

The bank purchased 162420 held with an amount of LE 22,928,496, with redeemable value at the date of preparing the balance sheet of LE 18,411,931.

The redeemable value of the certificate at the date of the balance sheet amounts LE 113,36; while the outstanding certificate of the fund at the same date are 2009390.

- **Mutual fund of Faisal Islamic Bank of Egypt and the CIB (capital growth)**

The fund is considered one of the banking activities licensed to the bank jointly with the CIB under the Capital Market Law no. 95 of 1992 and executive regulations. The fund is managed by CHI Asset Management for Mutual Funds' Management. Investment certificates of this fund reached 100,000,000 certificates, of which the bank allocated 25000 (of nominal value of LE 2,500,000) directly to the activities of the fund.

The bank purchased 45000 held with an amount of LE 4,185,962, with redeemable value at the date of preparing the balance sheet of LE 2,740,950.

The redeemable value of the certificates at the date of the balance sheet amounted to LE 60,9, while the outstanding certificates of the fund at the same date are 760909.

According to the fund's management contract and subscription bulletin; Faisal bank obtains fees and commissions in return for the supervision on both funds, in addition to other administrative services rendered to the fund. Total fees and commissions gained by the bank amounted to LE 2,495,251 for the financial year ending as of 31/12/2010; those fees and commissions are stated in the income statement.

31. Subsequent events

Egypt has been exposed to significant unexceptional events that had material impact generally on the Egyptian economy and particularly on financial investments and foreign exchange rates starting 25 January 2011.

These events do not have an impact on the financial statements for the year ended 31 December 2010, but may impact the financial statements of future periods. While it is difficult to quantify this effect at this point in time, the impact will become visible in the future financial statements. The significance of such an impact will depend on extent and length until which these events and its effect will end.

32. Comparative Figures:

Certain comparative figures in the income statement and balance sheet were retrospectively reclassified and amended in the light of the preparation and presentation rules of the banks' financial statements issued by the Central Bank of Egypt on 16 December 2008.

AUDITORS' REPORT

Dr. Hazem Ahmed Yassin
Egyptian Accountants

Emad Hafez Ragheb
Allied for Accounting and Auditing E&Y

**To The
Shareh**

olders of Faisal Islamic Bank of Egypt (S.A.E.)

Report on the Separate Financial Statements

We have audited the attached separate financial statements of **Faisal Islamic Bank of Egypt (S.A.E.)**, represented in the balance sheet as of 31 December 2010, and the related separate statements of income, changes in equity and cash flows for the 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 the Bank's management, as management is responsible for the preparation and fair presentation of the financial statements in a fair and clear manner in accordance with the rules of preparing and presenting the financial statements issued by the Central Bank of Egypt on 27 June 2002 and its amendments including those related to the financial investments issued on 16 December 2008 and the applicable 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. This 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 Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 professional 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 these financial statements.

Opinion

In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Faisal Islamic Bank of Egypt (S.A.E.)**, as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the rules of preparing and presenting the financial statements of the Central Bank of Egypt issued on 27 June 2002 and its amendments including those related to the financial investments which issued on 16 December 2008 and related applicable Egyptian laws and regulations.

Report on other legal and regulatory requirements

According to the information and explanations given to us during the financial year ended 31 December 2010, no contravention of the Central Bank, banking and monetary institutions Law no. 88 of 2003 and articles of incorporation were noted.

The Bank maintains proper accounting records that comply with the laws and the bank's articles of association and the separate financial statements agree with the Company's records.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

As indicated in note (19c) the Bank has investments in subsidiaries. Accordingly, the accompanying separate financial statements are not considered consolidated financial

statements and do not represent the consolidated financial position of the Bank as of 31 December 2010, its financial performance and its cash flows for the year then ended

Cairo: 13 February 2011

Auditors

Dr. Hazem Ahmed Yassin
FESAA – FEST
(RAA 4186)
(CMAR.48)
Egyptian Accountants

Emad Hafez Ragheb
FESAA - FEST
(RAA 3678)
(CMAR.42)
Allied for Accounting & Auditing E&Y

**Report of the Bank's Religious Supervisory Board
For the financial year ending 31 December 2010
25 Muharram 1432**

In the name of Allah the compassionate, and the Merciful. Praise to Allah for his manifold blessings. Prayers and peace be on the Prophet, the messenger of Allah our sire Mohamed the last of all prophets and messengers.

The Religious Supervisory Board of Faisal Islamic Bank of Egypt assembled on Sunday 10 Rabie Al Awal 1432 corresponding to 13 February 2011, at the Bank's head office – Cairo (149 Tahrir Street Galaa square, Dokki, Giza - Cairo); headed by Chairman of the Religious Supervisory Board Dr. Nasr Farid Wassel in order to address the balance sheet and income statement of the bank for the financial year ending at 31 December 2010 corresponding to 28 January 2011. The Religious Supervisory Board discussed with the Bank's competent representatives of financial, administrative and investment fields the contents of the Balance Sheet and the statement of income as shown in detail in the minutes of the meeting.

In the light of the discussions and clarifications raised on the balance sheet and statement of income with the competent representatives of the bank, It has been observed that Faisal Islamic Bank of Egypt conducts its mission in full efficiency and honesty in managing funds and related banking and investment activities in accordance with the rulings and provisions of Islamic Shariaa. The Board has delegated its chairman to prepare the final report to be submitted to the general assembly members of the bank.

For This:

The Religious Supervisory Board believe that Faisal Islamic Bank's operations from financing, investing , banking service , sociality and charity during the year mentioned in this report are carried out under the framework of the provisions of the Islamic Shariaa and are based on the Fatwas and rulings issued by the Religious Supervisory Board.

Our last prayers are in gratitude to Allah, the God of the whole universe.

**Chairman of the Religious Supervisory Board
Dr. Nasr Farid Wassel**

Member of the Islamic Research Academy of Azhar

Member of the Jurisprudents of the Islamic World League-Mecca Al-Mokarama

Former Mufti of the Arab Republic of Egypt,

10 Rabie Al Awal 1432
13 February 2011

Zakat Fund

The activity of the Zakat Fund in the field of social solidarity since the Bank's inception is considered one of the main features that distinguish the Bank from any other similar institutions. That the linkage between the social and economic activities has always a positive and effective impacts on the realization of the development efforts in the society.

According to the operation volume of Zakat Fund during the year, we found its resources amounted to L.E. 17,8 millions, in addition to an amount of L.E. 1.5 million representing the balance at the beginning of the year, against L.E. 387 thousand, 1401 H. In this concern, cumulative resources of the fund at the end of 2010 amounted to L.E. 177 millions; of which L.E. 42,9 millions represents the accrued Zakat which legitimately due on the Bank's funds, and the remaining balance represents Zakat from investment accounts' holders, individuals, grants, donations, returns on charity investment accounts and others.

These resources have been directed to the beneficiaries of individuals, families, care donations for students in cash and in kind or through construction of students housing at the university's cities in some governorates and Islamic Beaaoth City (Islamic Missions City).

Disbursements also included the rehabilitation of mosques, charity societies and supplying governmental hospitals and medical dispensaries at public quarters in all governorates with medical equipments, in addition to Holy Koran competitions and the orphanage. Total actual disbursements during the year under review amounted to L.E. 16126 thousand distributed as follows:

Aspects of Spending	Individuals	Students	Mosques and Tuition schools	Medical entities, charity associations	Holy Koran Competitions	Transferred to charity investment	General & Managerial Expenses	Balances under settlement	Total
Thousand LE	11657	237	82	2559	157	100	1323	11	16126

Due to the trust in the Zakat Fund of the Bank, benevolent and bountiful persons have deposited funds in blocked charity accounts amounting to L.E. 80 millions at end of 2010. Returns on these accounts are disbursed in the Zakat legitimate channels and other charity purposes.

It is also worth mentioning that the fund has established an Orphanage at Al-Moqatam Zone on an area of 2200 Square Meters, to host a number of 160 children. The orphanage has an independent account No. 262500 - Cairo branch.

Faisal Islamic Bank of Egypt (S.A.E)
Zakat Fund
The balance sheet
As of 31 December 2010
25 Muharram 1432

	Note	31 December 2010	31 December 2009
		LE	LE
Assets			
Cash and bank balances		3,214,072	1,480,861
Fixed assets (after deducting accumulated depreciation)		5,153,142	5,321,605
Charity investment account	(1)	80,413,461	75,151,488
Charitable student housing	(2)	2,103,810	2,103,810
Total assets		90,884,485	84,057,764
Liabilities:			
Zakat beneficiaries rights	(3)	8,367,214	6,802,466
Returns on Charity investment account		80,413,461	75,151,488
Return on Charitable student housing		2,103,810	2,103,810
		90,884,485	84,057,764

Faisal Islamic Bank of Egypt (S.A.E)
Zakat Fund
Resources and Disbursements
As of 31 December 2010
25 Muharram 1432

	31 December 2010 LE	31 December 2009 LE
Resources		
Cash and balances with bank	1,480,861	1,921,898
Zakat Collected		
Zakat of the bank capital	6,493,836	1,772,555
Zakat Provided by Owners of Investment Accounts	8,566,747	7,031,960
Zakat Provided by Individuals	874,313	655,899
Returns of funds	54,033	6,246
Returns of Charity Investment Accounts	1,836,474	1,650,025
Other revenue	34,059	184,468
Revenue for a charity investment account	--	100,000
Total Resources	19,340,323	13,323,051
Disbursements		
Individuals	11,656,561	9,036,824
Students	237,359	343,989
Mosques	82,150	173,803
Medical Institutions and Registered Charity Societies	2,559,038	894,457
Holy Kor'an Competition	157,370	198,134
Expenses of the Vocational Training Center	--	28,107
Transferred to charity investment account	100,000	--
Assets required for operation	10,900	36,491
General and administration expense	1,322,873	1,122,385
Imprested under settlement	--	8,000
End of the year balance	3,214,072	1,480,861
Total Disbursements	19,340,323	13,323,051

**Notes to the Financial Statements
For The Year Ended 31 December 2010**

1. Charity Investment Accounts (Alsadaka Algareya) amounted to L.E. 80413461 being disburse its returns in the legitimate channels and charity purposes.
2. Students charity housing amounting to L.E. 2103810 which represent in the buildings and furnishings at the governorates of (Cairo, Assiut, Menoufia, Sohag and Mansoura). These housings have been handled over to the universities' management at these governorates for administration.
3. The rights of Zakat Beneficiaries amounting to L.E. 8367214 are represented in the cash balances, land, buildings and furnishing of the Zakat Fund at Zaytoun - Cairo, Vehicles and furniture, which are all necessary for the Fund to conduct its activities in addition to the land and buildings of the Orphanage at Mokattam.
4. For the purpose of preparing the financial statement, balances in foreign currencies have been translated into Egyptian Pound on the basis of the exchange rates declared by the Central Bank of Egypt within the foreign currency free market at the date of preparing the financial statements of the fund.

Dr. Hazem Ahmed Yassin
Egyptian Accountants

Emad Hafez Ragheb
Allied for Accounting and Auditing E&Y

AUDITORS' REPORT

To The Shareholders of Faisal Islamic Bank of Egypt (S.A.E.)

We have audited the financial statements of **The Zakat Fund of Faisal Islamic Bank of Egypt**, represented in the balance sheet as of 31 December 2010, and the related statement of resource and disbursement for the year then ended, and our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 professional 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 these financial statements.

The fund maintains proper accounting records that comply with the laws and the bank's articles of association and the financial statements agree with the Fund's records.

The fund maintains proper accounting records that are required by Article (59) of the Bank's Articles of Association as well as by the General By-Laws of the Zakat Fund.

Both the Balance Sheet and statement of resources and disbursement are in agreement with what were recorded in those accounts. The financial data included in the Report of the Fund's Board are in agreement with the Fund's books and records, to the extent that such data is required to be recorded in the financial books.

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **The Fund**, as of 31 December 2010, and that the resources and disbursements Account presents fairly the fund's activity results for the year then ended.

Cairo: 13 February 2011

Auditors

Dr. Hazem Ahmed Yassin
FESAA – FEST
(RAA 4186)

Emad Hafez Ragheb
FESAA - FEST
(RAA 3678)

(CMAR.48)
Egyptian Accountants

(CMAR.42)
Allied for Accounting & Auditing E&Y

Segmental distribution of the Bank Companies

The Bank invests part of its funds to establish companies by participating in their capital with others of distinguished expertise.

The bank is keen to diversify these companies to cover all economic activities, those positively contribute to the economic development of the country and provide thousands of job opportunities for the citizens as well as securing their basic needs.

Most of these companies have a leading role in many fields such as Pharmaceuticals, integrated medical care, industrial and animal production and others. The production of these companies covers a major portion of the local market needs as well as exports abroad.

The number of the companies established and participated in by the Bank amount to (64) companies, (43 of which are available for sale and 21 companies are subsidiaries and associates companies) with total share capital amounting to (L.E. 5.754) billions, USD (1.389) billions, Sudanese Dinar (259,473) millions, and Bahraini Dinar (180) millions standing for the equivalent to L.E. (17.191) billions as per the declared exchange rate as of 31/12/2010, with Bank's participation of L.E. (1,899) billions of which an amount of L.E. (1.742) million is paid up.

Following is the consolidated Segmental distribution of those companies:

(L.E. Thousands)

Sector	No. of Companies	Issued Capital				Bank Participation L.E.	Paid up from Bank participation L.E.
		L.E.	USD	Sudanese Dinar	Bahrain Dinar		
Agro-animal.	2	95000	--	--	--	36243	32030
Industrial.	21	1236788	287489	--	--	492877	442899
Foreign and domestic trade	3	25252	6000	--	--	20525	2090
Pharmaceuticals	4	142000	--	--	--	36961	34961
Investments	2	5000	35274	--	--	16094	15898
Housing and investment property	5	2722879	--	--	180000	311298	256306
Information Technology	5	173835	--	--	--	18130	16895
Banks and Financial Institutions	15	1117980	1059148	259473	--	959695	933840
Others.	7	235511	1000	--	--	7617	6760
Total	64	5754245	1388911	259473	180000	1899440	1741679

**Segmental distribution of the list of companies in which the bank participates
as of 31/12/2010**

		Issued capital	Currency	Bank participation	Book value	Year of starting activity
* Agro-animal						
1	Ismailia National Co. for Food Industries (FOODICO)	9000	LE	32030	32030	1987
2	Animal Production Islamic Co	5000	LE	4213	0	1986
Total		95000	LE	36243	32030	
* Industrial						
1	Horizon for Investment and Industrial Development	88000	LE	35200	35200	2000
2	United for Industry & Management	11250	LE	4901	0	1999
3	Islamic Co. for Packing Materials (ICOPACK)	40000	LE	39406	39406	1990
4	Egypt Co. for Packing Materials (EGR)	40000	LE	24147	24147	2000
5	Islamic Co. for Production of Flooring Materials	10000	LE	2020	2020	1989
6	Modern National Company for Wood Industry	27000	LE	12000	4262	1994
7	Islamic Detergent Co	8144	LE	3480	0	1988
8	Giza Paint & Chemical Industries	30000	LE	13863	2978	1987
9	Cairo Carton Industry (Copack)	125000	LE	68715	68715	2005
10	Standard Shoes	23899	LE	19264	0	2003
11	SUGAS Company	15466	LE	1200	1200	2003
12	Multi Gas Company	10450	LE	760	760	2002
13	Goldentx Company for wool	129849	LE	1843	1843	1984
14	Education projects	6000	LE	460	460	1988
15	Education requirements	8000	LE	264	264	2008
16	International Co. for Mouldings & developed industries	35000	LE	5250	4174	2007
17	Egyptian Co. for Industrialization (Selital - Pacific)	69730	LE	1665	0	1986
18	Aswan for development & Mining	544000	LE	5690	5690	Under liquidation
19	Noubareya for Agricultural engineering and machinery	15000	LE	969	0	1983
20	Midor for Electricity (MIDALIC)	137489	USD	103755	103755	2001
21	Helwan Fertilizers Co	150000	USD	148025	148025	2007
Total		1236788	LE	492877	442899	
		287489	USD			
* Foreign and domestic trade						
1	Islamic Foreign Trade Co.	20000	LE	15760	0	1983
2	Al Alamia Import & Export Co.	5252	LE	2675	0	1990
3	Islamic Trading Co. (Bahrain).	6000	USD	2090	2090	1991
Total		25252	LE	20525	2090	
		6000	USD			
* Pharmaceutical and medical care						
1	Misr International Hospital	60000	LE	18587	18587	1983
2	Ebn Sina Laporex	20000	LE	12174	12174	2002
3	Cairo Medical Center	20000	LE	2200	2200	1981
4	Al-Mona Co. for Child Care	42000	LE	4000	2000	2004
Total		142000	LE	36961	34961	
* Investment						
1	Islamic Investment & Development Co	5000	LE	2273	2077	1983
2	Islamic Development Co. Sudan	35274	USD	13821	13821	1985
Total		5000	LE	16094	15898	

		35274	USD			
* Housing and investment property						
1	Al-Khelood Company for Real Estate and Tourism Development	509999	LE	204000	152008	2006
2	The Arab Fund for Direct Real Estate Investment	20000	LE	2100	2100	2000
3	Arab Co. for Tourism Investments	2100000	LE	39883	39883	2005
4	Al-Asher for Development & Real Estate Investments	92880	LE	14921	11921	1999
5	Naseej Co. Bahrain	180000	BD	50394	50394	2009
Total		2722879	LE	311298	256306	
		180000	BD			
* Information Technology						
1	Misr Banks Co. for Technological Development.	14550	LE	799	799	1997
2	Technology Development Fund Co.	130000	LE	15000	15000	2005
3	International Co. For Information Technology	9285	LE	1393	158	Under liquidation
4	Al-Ahly Co. For Computers	3000	LE	300	300	1998
5	Integrated Banking Solutions Co	17000	LE	638	638	2009
Total		173835	LE	18130	16895	
* Banks and Financial Institutions						
1	Faisal Bank Exchange Co	5000	LE	4350	4350	1993
2	Faisal financial Investments	350000	LE	349965	349965	2010
3	International Co. for Leasing (Incolease)	200000	LE	225640	225640	1997
4	Egyptian Co. for Real Estate Re-insurance	240980	LE	2000	2000	2007
5	Egyptian Saudi Insurance House	60000	LE	8181	8181	2003
6	Takafol Life Insurance Co	10000	LE	14113	10813	2008
7	Takafol property insurance Co.	10000	LE	25663	9988	2008
8	Ithmar Bank – Bahrain	568832	USD	76625	76625	1984
9	Sudanese Islamic Bank	80000	Sudanese P	1687	1687	1983
10	Faisal Islamic Bank of Sudan	140000	Sudanese P	28329	28329	1978
11	First Leasing Bank (Bahrain)	100000	USD	30476	30476	2004
12	Dar Al-Maal Al-Islami	390316	USD	185786	185786	1981
13	Sudan Export Development Bank	39473	Sudanese P	410	0	1984
14	Salama Takafol Insurance Co	60000	LE	5970	--	Under establishment
15	Arabia for insurance brokerage	2000	LE	500	--	Under establishment
Total		1117980	LE	959695	933840	
		1059148	USD			
		259473	Sudanese P			
* Other sectors						
1	ARADES	500	LE	209	209	1984
2	BAHAMAS	1000	USD	219	0	1984
3	International Center for Management and Evaluation	1000	LE	128	70	Under liquidation
4	ESTELAM	45000	LE	1621	1611	2008
5	MCDR	154000	LE	1145	1145	1996
6	Misr for Establishment and Management of Trade centre	30000	LE	4000	3725	2008
7	Alsalam Investment Co	5011	LE	305	0	1983
Total		235511	LE	7617	6760	
		1000	USD			

	Currency	Thousands	Exchange rate as of 31/12/2010	Equivalent with thousand LE
1	LE	5754245	1	5754245
2	USD	1388911	5.80490	8062489
3	Sudanese P	259473	2.32386	602979
4	BD	180000	15.39802	2771644
Total corporate capital in which the bank participates in LE				17191357

Standard Settlement Instructions (SSI)

Currency	Bank Name	Account Number	IBAN	SWIFT
USD	The Bank of New York Mellon, N.Y.	8033388676	---	IRVTUS3N
USD	Deutsche Bank Trust Co. Americas, N.Y.	04039607	---	BKTRUS33
EUR	Commerzbank A.G., Frankfurt.	400887909001	---	COBADEFF
EUR	Credit Agricole, Paris.	20534132000	FR 7630006000012053413200014	AGRIFRPP
EUR	Intesa San Paolo Spa., Milano.	03500 / 009848580105	IT 3150306912711009848580105	BCITITMM
CHF	Commerzbank A.G., Frankfurt.	4008879090 00 CHF	---	COBADEFF
JPY	Bank of Tokyo-Mitsubishi UFJ Ltd., Tokyo.	6530421790	---	BOTKJPJT
GBP	British Arab Commercial Bank Ltd., London.	0000101240	GB 29 BACM 40513200101240	BACMGB2L
SEK	Nordea Bank AB (Publ), Stockholm.	39527902126	---	NBBKSESS
SAR	Riyad Bank, Riyadh.	9250 30 784 9940	SA 89000000250307849940	RIBLSARI

Head Office and Cairo Branch

3,26 July Street, Cairo Egypt
Tel: 27868939 - 27868723 - 27868724 **Fax:** 27866744
Post code 11511 **P.O. Box** 2446 , 283
SWIFT CODE : FIEG EG CX CAI

Giza Branch

149 Tahrir Street, Galaa Sq., Dokki
Tel: 37621285 - 37621286 - 37621287 37621288 - 37621289 –
Fax: 37621281 **Telex** 93878-20952 F. Bank UN
Mailing address: Faisal Bank - Cairo P.O. Box: 283, Post Code: 12311
SWIFT CODE: FIEG EG CX MAI – FIEG EG CX
Website: www.faisalbank.com.eg.

Greater Cairo Branches

Al-Azher Branch

106 Gowher El-Kaed St. Al-
Azhar square Cairo, Egypt
Post Code: 11111
Tel.: 25911280 / 25934263
Fax : 25932505 P.O. Box: 20
SWIFT CODE : FIEG EG CX
AZH E

Ghamra Branch

14 A-El Sabe St. El-Zaher,
Cairo, Egypt –
Post Code: 11271 P.O. Box: 8
Tel.: 25904794 / 25904756
Fax: 25904828
SWIFT CODE: FIEG EG CX
GHM

Dokki Branch

9, Adil Hussein Rostom Str.,
"Ex: Al-Sarraya" Dokki, Giza /
Egypt
P.O. Box: 57 Post Code 12411
Tel: 37605733 / 37629516 /
33376956-7
Fax:33465823
SWIFT CODE : FIEG EG CX
DOK

Heliopolis Branch

4 Al-Athary Mohamed Nafei St.,
(behind Cairo Specialized
Hospital) Roxy, Heliopolis,
Cairo / Egypt
Post Code: 11341
Tel: 22565485 / 22565486 /
2256587 Fax: 22565488 - P.O.
Box: 5962 SWIFT CODE :
FIEG EG CX HEL

Nasr City Branch

15 B, Ahmed Kassem Gouda
Str. First Zone - Off Abas El-
Akaad Post Code: 8202
Tel: 24029548 / 24023946 /
24029472
Fax.: 24023596
SWIFT CODE: FIEG EG CX
NSR

Sayeda Zeinab Branch

38, Abdel Mageed Al-Laban Str.
Sayeda Zeinab - Cairo
Post Code: 11521
Tel: 25323568 / 25328458
Fax: 25322682
SWIFT CODE: FIEG EG CX
ZNB

Zezinia Branch

New Cairo - Zezinia Zone First
Zone - Off Abas El-Akaad
Tel.: 29200949

6th of October Branch

38, 39 Central Cross Road,
6th of October City
Post Code 12596
P.O. Box: 28
Tel: 38308716 / 38308717 /
38308720
Fax: 38308721
SWIFT CODE : FIEG EG CX
OCT

Al-Obour City Branch

Al-Obour City - Golf City Ac-
Mailan Club, Units 8-9 Tel.:
49210890 / 49210891 /
49210892/3

Delta Branches

Banha Branch

El - Bahr Street, Banha
Qalyoubeya / Egypt Post Code:
13511 Tel.: 3263489 / 3267249 /
3257861 Fax: 3254702
SWIFT CODE : FIEG
EG CX BNH E

Zagazig Branch

AlMontazah (AQADEEN
BUILDING), Zagazig / Egypt
Post Code: 435
Tel.: 2314630 - 2308507 -
2308506
Fax: 2314628
SWIFT CODE : FIEG EG CX
ZAG

Tanta Branch

2 Mohamed Said Pasha Street,
Galaa Street Corner, Gomhoria
Square, Tanta, Gharbeya / Egypt
Post Code 31111
Tel: 3287983 / 3287985 /
3287982
Fax: 3287986
SWIFT CODE : FIEG EG CX
TAN

A-Mansoura Branch

Talaat Harb Str., Torel, Al-
Mansoura
Dakahleya / Egypt - P.O. Box:
35111
Post Code: 35111
Tel: 2319965 / 2318792
Fax: 2315635
SWIFT CODE: FIEG EG CX
MNS

Al Mahalla Al Kobra Branch

Al Guish Street, Al Awkaf
Building Al Mahalla Al Kobra,
Gharbeya, Egypt Post Code:
31911 Tel.: 2239274 / 2231708 /
2237708 Fax: 2246817
SWIFT CODE : FIEG EG CX
MHL

Damanhour Branch

Sheikh Mohamed Abd- El –
Kerim Street, Damanhour,
Baheira / Egypt
Post Code: 22111
Tel: 3311888 / 3310099 /
3311199
Fax:3314000
SWIFT CODE : FIEG EG CX
DMN

Damietta Branch

New Damietta City, Central Zone, Main Street
Post Code: 34517
Tel.: 2410200 / 2410201 / 2410202
Fax:2410203
SWIFT CODE: FIEG EG CX DOM

Alexandria Branches

Alexandria Branch 7 Victor Bassily Street, Al
Azaretta, Alexandria / Egypt Post Code 21131
P.O.Box: 1215
Tel: 4878618 / 4875490 / 4856341 Fax: 4861653
SWIFT CODE : FIEG EG CX ALX E-

Mostafa Kamel Branch - Alex. 392,394 Al-
Ashraf Tower - Horriya, Ahmed Shawky Road -
Mostafa Kernel Alexandria
Tel: 5426848 / 5466039 / 5466074 Fax.:
5466075 SWIFT CODE : FIEG EG CX AX2

Suez Canal Branches

Suez Branch

3 Galaa Street, Suez / Egypt
P.O.Box: 79
Post Code 43111
Tel.: 3334345 / 3333902
Fax: 3334346
SWIFT CODE : FIEG EG CX SUE

Upper Egypt Branches

Assiut Branch

Extension of Youssry Ragheb
St.,
Assiut, Egypt - Post Code
71511
Tel.: 2343312 / 2343313
Fax: 2333739
P.O.Box: 112
Post Code: 71511
SWIFT CODE: FIEG EG CX
ASU

Sohag Branch

Baga Street, Tatbekeyeen
Building Sohag / Egypt
PostCode: 82111
Tel.: 2324792 / 2324721
Fax: 2324795
SWIFT CODE : FIEG EG CX
SOH E

Al-Awkaf Building
Abu Semple Street, Aswan
Tel.: 2335061-2-3-4
Fax.: 2335058
SWIFT CODE: FIEG EG CX
ASW

Branches under Establishment:

- Fayoum - Menia
- Al-Haram - Maadi - Shobra
- Desouk (Kafr El-Sheikh) Arish
- Montazah- Alagamy