**National Societe Generale Bank**
**S.A.E**
**Notes to the Separate Financial Statements**
**for the year ended December 31,2012**

## 1. Background:

National Société Générale Bank (S.A.E) was incorporated as an investment and commercial Bank on April 13, 1978, in accordance with the provisions of the Investment Law no 43 of 1974 and its Executive Regulations and the amendments thereon. The Bank provides all Banking services related to its activity, through its Head Office located in Cairo and its one hundred sixty branches served by 4228 staff at the date of the financial statements. The Bank is listed on the Egyptian Stock Exchange (EGX).

## 2. Summary of significant accounting policies:-

### 2.1 Basis of preparation of the separate financial statements

These separate financial statements are prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on 16 December 2008 under the historical cost convention, as modified by the measurement of financial assets and financial liabilities at fair value or amortized cost, as appropriate, including financial assets classified as at fair value through profit or loss, available for sale financial assets, held to maturity financial assets, loans and receivables and all derivative instruments.

These separate financial statements have been prepared in accordance with the Egyptian relevant local laws.

Starting from the interim financial year ending September 30, 2012, the bank issues consolidated and separate financial statements, in compliance with the Central Bank of Egypt's rules for the preparation of banks' financial statements that were issued on December 16, 2008. The bank did not issue separate financial statements in previous years, as it did not own any subsidiary.

For the purpose of preparing its separate financial statements, the bank measured and presented its investments in the associated companies retrospectively since the acquisition or the establishment of these companies. This resulted in reducing the carrying amount of the investments in associates compared to their carrying amount as reported in the bank's financial statements for the financial year ending December 31, 2011 by EGP.65.183.189, and reducing the reported amounts of reserves and retained earnings by EGP 26 637 789 and EGP 38 545 400 respectively. The amount allocated to the reserves represents what has been booked in the prior years in the special reserve account when applying the equity method for the first time. The bank has obtained the approval of the Central Bank of Egypt for reducing the special reserve in the accompanying financial statements.

The following table shows the closing balances for certain accounts' balances in the separate financial statements compared to those previously reported in the financial statements issued for the financial year ending December 31, 2011 as well as the amount of change. The comparative figures in the attached separate financial statements are not considered restated, since these separate financial statements are the first set that have been issued at the financial period ended September 30, 2012.

| | Audited Financial Statements Dec. 31, 2011 EGP Debit (Credit) | Differences EGP Debit (Credit) | Separate Financial Statements Dec. 31, 2011 EGP Debit (Credit) |
|---|---|---|---|
| **Differences in Net Assets** | | | |
| Investments in Associates | 109 045 689 | (65 183 189) | 43 862 500 |
| **Total Differences in Net Assets** | | **(65 183 189)** | |
| **Differences in Equity** | | | |
| Special reserve | (173 681 968) | 26 637 789 | (147 044 179) |
| Retained Earnings at December 31, 2010 | (7 352 305) | 19 166 050 | 11 813 745 |
| Net Profit for 2011 | (1 489 612 069) | 19 379 350 | (1 470 232 719) |
| **Total Differences in Equity** | | **65 183 189** | |

| | Audited Income Statement Dec. 31, 2011 EGP Debit(Credit) | Differences EGP Debit(Credit) | Separate Income Statement Dec. 31, 2011 EGP Debit(Credit) |
|---|---|---|---|
| Revenue from Dividends Income | (19 107 174) | (1 824 606) | (20 931 780) |
| Share of Profit of associates | ( 21 203 956) | 21 203 956 | -- |
| **Total Differences in Income Statement** | | **19 379 350** | |

## 2.2 Accounting for Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded in the attached separate financial statements using the cost method which represents the bank's direct share in ownership and not according to the business results and the net assets of the investees. And the consolidates financial statements provide a wider understanding for the consolidated financial position, business results and the consolidated cash flows for the bank and its subsidiaries (The Group), including the bank's share in the net assets of its associate companies.

### 2.2. 1 Investments in subsidiaries

Subsidiaries are entities (Including Special Purposes Entities / SPEs) which NSGB exercises direct or indirect control over its financial and operating policies and usually has an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether NSGB has to control over its investees.

### 2.2. 2 Investments in associates

Associates are entities over which NSGB exercises significant influence directly or indirectly, but without exercising control or joint control, where the bank holds 20% to 50% of voting rights in the associate.

The purchase method is used to account for the bank's purchases of subsidiaries and associates when they are initially recognized; the acquisition date is the date on which the acquirer obtains control or significant influence of acquiree “subsidiary or associate”. According to the purchase method , the investment in subsidiaries and associates are initially recognized at cost (which may be incorporated goodwill). The acquisition cost represents the fair value of the consideration given to the acquire in addition to the other related consideration.

In business combination achieved in stage, and business combination are achieved through more than on transaction, is then dealing with every transaction of such transactions that separately on the basis of the acquisition consideration and fair value information at the date of each transition until the date where the control are achieved.

The investments on subsidiaries and associates are subsequently accounted for using the cost method on the separate financial statements .According to the cost method, investments are stated at acquisition cost less any impairment losses in value-if any-. Dividends are recorded as revenue in the separate income statement when they are declared and the bank's right to collect them has been established.

## 2.3 Segment reporting

A segment activity is a group of assets and operations related to providing products or services associated with risks and benefits that are different from other segment activities. A geographical segment provides products or services within a specific economic environment characterized by risks and benefits different from those related to other geographical segments operating in a different economic environment.

The Bank is organized in two main business lines, which are Corporate Banking and Retail Banking. In addition, a Corporate Center acts as a central funding department for the Bank’s core businesses. The dealing room proprietary activity and other noncore businesses are reported under the Corporate Center.

For the purpose of preparation of segment reporting by geographical region, segment profit and loss and assets and liabilities are presented based on the location of the branches. Given that NSGB does not have any entity abroad, unless otherwise stated in a specific disclosure, all equity and debt instruments issued by foreign institutions and credit facilities granted to foreign counterparties are reported based on the location of the domestic branch where such assets are recorded.

## 2.4 Foreign currency translation

### 2.4.1 Functional and presentation currency

The separate financial statements of the Bank are presented in the Egyptian pound which is the functional and presentation currency.

### 2.4.2 Transactions and balances in foreign currencies

The Bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies during the period are translated into the Egyptian pound using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at end of reporting period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

- Net trading income from held-for-trading assets and liabilities.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale assets are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in 'income from loans and similar revenues' whereas differences resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)'. The remaining differences resulting from changes in fair value are deferred in equity and accumulated in the 'revaluation reserve of available-for-sale investments'.

Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as available-for-sale financial assets are recognized directly in equity in the 'revaluation reserve of available-for-sale investments'.

## 2.5 Financial assets

**The Bank classifies its financial assets into the following categories:**

Financial assets classified as at fair value through profits or loss, loans and receivables, held to maturity financial assets, and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined by management at the time of initial recognition.

### 2.5.1 Financial assets classified as at fair value through profit or loss

This category includes financial assets held for trading, and financial derivatives.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near term, or on initial recognition it is part of a portfolio of identified financial instruments that the bank manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

### 2.5.2 Loans and receivables

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

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

### 2.5.3 Held to maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. The bank will not classify any financial assets as held to maturity if the bank has, during the current financial period or during the two preceding financial years, sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than those allowed in specific circumstances.

### 2.5.4 Available for sale financial assets

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

**The following is applied in respect of all financial assets**

- Regular-way purchases and sales of financial assets classified as at fair value through profit or loss, loans and receivables, held to maturity and available for sale are recognized using the settlement-date, which is the date that an asset is delivered to or by the entity.
- All financial assets, other than those classified as at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Financial assets classified as at fair value through profit or loss are initially recognized at fair value. Transaction costs associated with those assets are expensed and reported in the income statement in 'net trading income'.
- The bank derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial liabilities are derecognized when they are extinguished; that is when the obligation is discharged, cancelled or expires.
- Available-for-sale, held–for-trading and financial assets designated as at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost.
- Gains and losses arising from changes in the fair value of the financial assets classified as at fair value through profit or loss are recognized in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available–for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity is recognized in the income statement.
- Interest, calculated using the effective interest method, and foreign currency gains and losses on monetary financial assets classified as available-for-sale are recognized in the income statement. Dividends on available for sale financial assets in equity instruments are recognized in the income statement when the entity's right to receive payment is established.
- The fair value of quoted investments in an active market is based on current bid prices. If there is no active market for a financial asset, it is measured at cost less of any impairment losses.

## 2.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset when the bank has a legally enforceable right to offset the recognized amounts and it intends to settle these amounts on a net basis, or realize the asset and settle the liability simultaneously.

## 2.7 Financial derivatives and hedge accounting

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

Embedded derivatives, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement unless the bank chooses to designate the hybrid contact as at fair value through profit or loss.

The timing of recognition in profit or loss, of any gains or losses arising from changes in the fair value of derivatives, depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge)
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met. At the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

### 2.7.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss. Additionally, interest differential on interest rate swaps is recognized in profit or loss as part of ‘net interest income’ line item in the income statement. Any ineffectiveness is recognized in profit or loss in ‘net trading income’.

When the hedging instrument no longer qualifies for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date to maturity of the asset using the effective interest method. Adjustment to the carrying amount of a hedged equity instrument that has been deferred in equity remains in equity until the asset is derecognized.

### 2.7.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and effective for cash flow hedge shall be recognized in equity while changes in fair value relating to the ineffective portion shall be recognized in the income statement in "net trading income".

Amounts accumulated in equity are transferred to income statement in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "net trading income".

When a hedged item becomes due or is sold or if hedging instrument no longer qualifies for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and shall only be recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately to profit or loss.

### 2.7.3 Derivatives that do not qualify for hedge accounting

Where a derivative instrument does not qualify for hedge accounting, changes in fair value of that derivative and related interest are recognized immediately in the income statement in “net trading income” line item. However, gains or losses arising from changes in fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in “net income from financial instruments designated upon initial recognition as at fair value through profit or loss”.

## 2.8 Interest income and expense

Interest income and expense on all interest-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized in 'interest income' and 'interest expense' line items in the income statement using the effective interest rate method.

The effective interest rate is a method of calculating the amortized cost of a debt instrument whether a financial asset or a financial liability and of allocating its interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial debt instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on loans is recognized on an accrual basis except for the interest income on non-performing loans, which ceases to be recognized as revenue when the recovery of interest or principle is in doubt.

Interest income on non-performing or impaired loans and receivables ceases to be recognized in profit or loss and is rather recorded off balance sheet in statistical records. Interest income on these loans is recognized as revenue on a cash basis as follows:

1- For retail loans, personal loans, small and medium business loans, real estate loans for personal housing and small loans for businesses, when interest income is collected and after recovery of all arrears.

2- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one year.

   If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in profit or loss except when the total balance of loan, prior to that date, is paid in full.

## 2.9 Fees and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue - on a cash basis – only when interest income on those loans is recognized in profit or loss, at which time, fees and commissions that are an integral part of the effective interest rate of a financial asset are treated as an adjustment to the effective interest rate of that financial asset.

Commitment fees received by the bank to originate a loan are deferred if it is probable that the bank will enter into a specific lending arrangement and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate. If the commitment expires without the bank making the loan, the fees are recognized as revenue on expiry.

Loan syndication fees received by the bank are recognized as revenue when the syndication has been completed, only if the bank arranges the loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

Fees and commissions that are earned on negotiating or participating in the negotiation of a transaction in favor of another entity, such as arrangements for the allotment of shares or another financial instrument or acquisition or sale of an enterprise on behalf of a client, are recognized as revenue when the transaction has been completed. Administrative consultations and other service fees are usually recognized as revenue on a straight-line basis over the period in which the service is rendered. Fees from financial planning management and custodian services provided to clients over long periods are usually recognized as revenue on a straight-line basis over the period in which these services are rendered.

### 2.10 Dividends income

Dividend income on investments in equity instruments and similar assets, other than investments in associates, is recognized in the income statement when the bank's right to receive payment is established.

### 2.11 Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)

Financial instruments sold under repurchase agreements, are not derecognized from the books. These are shown in the assets side as an addition to the "treasury bills and other governmental notes" line item in the balance sheet. On the other hand, the bank's obligation arising from financial instruments acquired under resale agreements, is shown as a deduction from the "treasury bills and other governmental notes" line item in the balance sheet. Differences between the sale and repurchase price or between the purchase and resale price is recognized as interest expense or income throughout the period of agreements using the effective interest rate method.

### 2.12 Impairment of financial assets

The bank assess all financial assets that evaluated at the fair value through the profit and loss to estimate whether there is impairment in their value or not according to the following:

Financial assets carried at amortized cost

At end of each reporting period, the bank assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The bank considers the following indicators to determine the existence of substantive evidence for impairment losses:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.
- Deterioration of the competitive position of the borrower.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of collaterals.
- Deterioration in the creditworthiness of the borrower.

An objective evidence for impairment loss of the financial asset includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The bank estimates the period between the date on which the loss event has occurred and the date on which the impairment loss has been identified for each specific portfolio. For application purposes, the bank considers this period to equal one.

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment based on the historical loss rates.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. An asset that is individually assessed for impairment but for which an impairment loss is not recognized is included in a group of other similar assets.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate(s) determined under the contract at the date on which an objective evidence for impairment of the asset has been identified.

As a practical expedient, the bank may measure impairment of a financial asset carried at amortized cost on the basis of an instrument’s fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors’ ability to pay all amounts due according to the contractual terms.

When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the bank's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The bank ensures that estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial assets

At the end of each reporting period, the bank assesses whether there is objective evidence that any financial asset or group of financial assets classified as available-for-sale has been impaired.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment. Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

When a decline in the fair value of an available for sale financial asset has been recognized in equity and there is objective evidence that the asset is impaired the cumulative loss that had been recognized in the equity reserve shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

In respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. However if, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for that debt instrument.

## 2.13 Intangible assets

### 2.13.1 Goodwill

Goodwill, arising from the acquisition or legal merger of subsidiaries, represents the difference between the cost of the combination and the acquirer's interest in the fair value of the identifiable assets, liabilities and qualifying contingent liabilities of the acquiree at the acquisition date. Goodwill is annually tested for impairment and is written-down to profit or loss at the higher of annual amortization of 20% or impairment loss.

### 2.13.2 Software (computer programs)

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits that exceed its cost. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.

Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond its original specification.

Cost of computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed five years except for the core IT system that is amortized over ten years.

## 2.14 Fixed assets

The Bank's fixed assets of lands and buildings basically comprise the head office premises and branches building. All fixed assets are carried at historical cost net of accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the construction or acquisition of the items. Subsequent costs are included in the assets carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial period in which they are incurred.

The bank considers the residual value of the fixed assets is insignificant and immaterial for calculation of the depreciable amount; therefore, the depreciable amount of the fixed assets is determined without any deduction for residual value of the fixed assets.

Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method based on the following annual rates:

| | | |
|---|---|---|
| Buildings | Major structures<br>Doors, windows and roofing<br>Façades | 50 years<br>20 years<br>10 years |
| Fixtures | Decoration & installations<br>Lifts<br>Electricity & Air conditioning<br>Generators<br>Telephone network & CCTV<br>Fire fighting system & Plumbing system<br>Other installations | 10 years<br>15 years<br>10 years<br>30 years<br>10 years<br>10 years<br>10 years |
| Leasehold improvements | | The shorter of 10 years or contract period |

Depreciation periods for fixed assets, other than buildings, depend on their useful lives which are usually estimated as specified below:

| | |
|---|---|
| Furniture | 10 years |
| Armored vaults | 20-30 years |
| IT equipment | 5 years |
| Electric appliances | 5 years |
| Vehicles | 5 years |

The bank reviews the carrying amounts of its depreciable fixed assets whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains or losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in profit or loss in other operating income (expenses) in the income statement.

### 2.15 Impairment of non financial assets

Non-financial assets that do not have definite useful lives, except for goodwill, shall not be amortized. These are annually tested for impairment. Depreciable fixed assets are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered.

Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, the bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

At end of each year, non-financial assets for which an impairment loss is recognized shall be reviewed to assess whether or not such impairment losses should be reversed through profit or loss.

### 2.16 Leasing

All lease contracts to which NSGB is a party are treated as operating leases as follows:

#### 2.16.1 NSGB as a lessee

Lease payments made under operating leases, net of any discounts received from the lessor, are recognized in profit or loss on a straight-line basis over the lease term.

#### 2.16.2 NSGB as a lessor

Assets leased out under operating lease contracts are reported as part of the fixed assets in the statement of financial position and are depreciated over the expected useful lives of the assets, on the same basis as other property assets. Lease rental income is recognized in profit or loss, net of any discounts granted to the lessee, using the straight line method over the contract term.

### 2.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances due within three months from date of placement or acquisition. They include cash and balances due from Central Bank of Egypt (other than those under the mandatory reserve), current accounts with Banks and treasury bills, certificates of deposits and other governmental notes.

## 2.18 Other provisions

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the date of separate financial statements are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the reporting date. An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions.

For obligations due within less than twelve months from the date of separate financial statements, provisions are calculated based on undiscounted expected cash outflows unless the time value of money is material, in which case provisions are measured at present value.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expenses) line item.

## 2.19 Financial guarantees

A financial guarantee contract is a contract issued by the bank as security for loans or debit current accounts due from its clients to other entities that requires the bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. These financial guarantees are presented to banks, corporations and other entities on behalf of the bank's clients.

When a financial guarantee is recognized initially, it is measured at its fair value plus, transaction costs that is directly attributable to the issue of such financial guarantee.

After initial recognition, a financial guarantee contract issued by the bank is measured at the higher of:

(i) The amount initially recognized less, when appropriate, cumulative amortization of security fees recognized in the income statement using the straight-line method over the term of the guarantee; and

(ii) The best estimate for the payments required to settle any financial obligation resulting from the financial guarantee at the reporting date

Such estimates are made based on experience in similar transactions and historical losses as supported by management judgment.

Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) in the income statement.

## 2.20 Employee benefits

Defined benefits obligations (defined benefit plans) and defined contribution plans:

NSGB is liable for all obligations arising from its employee benefits and complied, in all material respects, with the principles set out below. Starting 1 January 2009, NSGB has fully complied with the policy referred to below, where it recognized any adjustment resulting from its first full implementation directly on retained earnings.

NSGB awards its employees post employment benefits, such as medical care schemes. The medical care scheme is a defined-benefits plan. A defined benefit plan commits the Bank, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the medium - or long - term risk.

The Bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post retirement schemes" to cover the total value of such obligations. This is assessed regularly by independent actuary using the projected unit credit method. This valuation technique incorporates assumptions about demographics variables, staff turnover, salary growth rate and discount and inflation rates.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the defined benefit obligation. Differences arising from changes in the actuarial assumptions and estimates are recognized in the income statement as actuarial gains or losses to the extent of the higher of the following two amounts as of the end of the previous financial period:

- 10% of the present value of the defined benefit obligation (before deducting plan assets) and
- 10% of the fair value of the plan assets.

Actuarial gains and losses that exceed the 10 percent criteria above are amortized to profit or loss over the expected average remaining working lives of the participating employees.

Past service cost is recognized immediately to the extent that the benefits have already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. Annual cost of employee benefits plans is reported as part of general and administrative expenses (employee costs).

Defined contribution plans are pension schemes whereby the Bank pays defined contributions to an independent entity. The Bank shall not be under legal or constructive obligation to pay more contributions if this entity doesn't maintain adequate assets to pay-off the employees' benefits in return for their service in the current and previous periods.

According to the defined contribution plans, the Bank pays contributions to private sector pension scheme under mandatory or voluntary contractual arrangement. The Bank shall be under no additional obligation other than the contribution payments. Contributions to defined contribution retirement benefit plans are recognized as employee benefits cost when employees have rendered service entitling them to the contributions. Prepaid contributions shall be recognized as assets to the extent that these contribution payments will reduce future payments or result in cash refunds.

Share based payments arrangements: The bank applies a share-based payment scheme (ESOP) that is settled in its parent's own equity instruments. The bank follows IFRS 2 since the CBE requirements and EAS 39 do not address the accounting for share based payment arrangements involving equity instruments of the parent. The fair value of services rendered by qualifying employees is reported in the income statement in "administrative expenses" line item. Total amount of employees' services is determined by reference to the fair value of granted options at the grant date and is expensed on a straight-line basis over the relevant vesting period. Non-market based vesting conditions, such as profit targets, are not taken into account in determining the fair value of equity settled share-based payments (options) at the grant date, therefore, such fair value shall not change subsequently. Non-market based vesting conditions are included in the assumptions used by the Bank to estimate the number of equity instruments expected to vest at the end of each reporting period. At the end of each reporting period, the bank revises its estimate of the number of equity instruments expected to vest based on information provided from the parent. The impact of the revision of the original estimates, if any, is recognized in profit or loss with a corresponding adjustment to the Employee Stock Ownership Plan reserve in equity.

## 2.21 Income taxes

Income tax expense on the period's profit or loss represents the sum of the tax currently payable and deferred tax and is recognized in the income statement, except when they relate to items that are recognized directly in equity, in which case the tax is also recognized in equity.

The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax differences related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. However, when it is expected that the tax benefit will increase, the carrying amount of deferred tax assets shall increase to the extent of previous reduction.

### 2.22 Borrowings

Loans obtained by the bank are initially recognized at fair value net of transaction costs incurred in connection with obtaining the loan. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the value to be paid over the borrowing period, recognized in profit or loss using the effective interest rate method.

### 2.23 Capital

#### 2.23.1 Capital issuance cost

Issued and paid up-capital (i.e. bank's own equity instruments) is initially measured at the cash proceeds received, less transaction costs directly attributable to the issuance of new shares, issuance of shares to effect business combination, or issue of share options. Transaction costs, net of tax benefits, are reported as a deduction from equity.

#### 2.23.2 Dividends

Dividends on equity instruments issued by the bank are recognized when the general assembly of the bank’s shareholders approves them. Dividends include the employees’ profit share and the board of directors’ remuneration as prescribed by the bank's articles of incorporation and the corporate law.

### 2.24 Fiduciary activities

The bank carries out fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are not recognized the bank’s separate financial statements, as they are not assets or income of the bank.

### 2.25 Comparative figures

The banks has reclassified comparative figures, where necessary, to conform with changes in the current period's presentation.

The Bank are reclassified the comparative figures regarding the analysis of corporate loans to conform with changes on the presentation of this item in the current financial period

## 3. Management of financial risks

The Bank as a result of conducting its activities is exposed to various financial risks. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks altogether, the Bank aims at achieving a well-balanced risks and relevant rewards, as appropriate 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 risk, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risks and control them through reliable methods and up–to–date systems. The Bank regularly reviews the risk management policies and systems and amendments thereto, so that they reflect the changes in markets, products and services and the best up-to–date applications.

Risks are managed in accordance with preapproved policies by the board of directors. The risk management department identifies, evaluates and covers financial risks, in close collaboration with the bank’s various operating units. The board of directors provides written rules which cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments. Moreover, the risk department is responsible for the periodic review of risk management and the control environment independently.

**Risk management strategy**

NSGB operates in business lines, which generate a range of risks whose frequency, severity and volatility can be of different and significant magnitudes. A greater ability to calibrate its risk appetite and risk parameters, the development of risk management core competencies, as well as the implementation of a high-performance and efficient risk management structure are therefore critical undertakings for NSGB.

Thus, the primary objectives of the bank’s risk management framework are:

- To contribute to the development of the Bank in various business lines to reach an ideal level of general risk.
- To guarantee the Bank’s sustainability as a going concern, through the implementation of a high-quality risk management infrastructure.
- In defining the Bank’s overall risk appetite, the bank management takes various considerations and variables into account, including:
  - The relative balance between risk and reward of the bank’s various activities.
  - Earnings sensitivity to business, credit and economic cycles.
  - The aim of achieving a well-balanced portfolio of earnings streams.

**Risk management governance and risk principles**

NSGB's risk management governance is based on:

i) Strong managerial involvement, throughout the entire organization, starting from the Board of Directors down to operational field management teams.

ii) A tight framework of internal procedures and guidelines.

iii) Continuous supervision by business lines and support functions as well as by an independent body to monitor risks and to enforce rules and procedures.

Within the Board, the Risk and Audit Committees are more specifically responsible for examining the consistency of the internal framework for monitoring risks and compliance.

**Risk categories**

The following are part of the risks associated with NSGB’s Banking activities:

a. **Credit risk**: (including country risk): represents risk of losses arising from the inability of the Bank’s customers, sovereign issuers or other counterparties to meet their financial commitments. Credit risk also includes the replacement risk linked to market transactions. In addition, credit risk may be further increased by a concentration risk, which arises either from large individual exposures or from groups of counterparties with a high default probability.

b. **Market risk**: represents risk of loss resulting from changes in market prices and interest rates.

c. **Operational risk**: (including legal, compliance, accounting, environmental, reputational risks, etc.): represents risk of loss or fraud or of producing inaccurate financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events. Additionally, operational risks may also take the form of compliance risk, which is the risk of the bank incurring either legal, administrative or disciplinary sanctions or financial losses due to failure to comply with relevant rules and regulations.

**d. Structural interest and exchange rate risk**: represents risk of loss or of residual depreciation in the bank's balance sheet and off-balance sheet assets arising from changes in interest or exchange rates. Structural interest and exchange rate risk arises from banking commercial activities and on Corporate Center transactions (operations on equities, investments and bond issues).

**e. Liquidity risk:** represents the risk that NSGB might not be able to meet its obligations as they become due.

NSGB dedicates significant resources to constantly adapting its risk management to its activities and ensures that its risk management framework operates in full compliance with the following fundamental principles of:

- Full independence of risk assessment departments from the operating divisions.
- Consistent approach to risk assessment and monitoring applied throughout the Bank.

The Risk Division is independent from the Bank's operating entities and reports directly to general management. Its role is to contribute to the development and profitability of the NSGB by ensuring that the risk management framework in place is both robust and effective. It employs various teams specializing in the operational management of credit and market risk.

**More specifically, the Risk Division:**

- Defines and approves the methods used to analyze, assess, approve and monitor credit risks, country risks, market risks and operational risks; conducts a critical review of commercial strategies in high risk areas and continually seeks to improve such risk forecasting and management.
- Contributes to independent assessment by analyzing transactions implying a credit risk and by providing guidance on transactions proposed by sales managers.
- Identifying a frame for all Bank's operational risks.

The Assets and Liabilities Unit under the Finance Division, for its part, is entrusted with assessing and managing other major types of risks, namely liquidity and structural risks (resulting from interest rate, exchange rate and liquidity) as well as the NSGB's long term financing, management of capital requirements and equity structure.

The Internal Legal Counsel deals with compliance and legal risks.

Responsibility for devising the relevant risk management structure and defining risk management operating principles lies mainly with both the Risk Division and, in particular fields, the assets and liabilities management under Finance Division.

The Bank's Risk Committee is in charge of reviewing all the Bank's key risk management issues and meets at least on quarterly basis. Risk Committee's monthly meetings involve members of the Executive Committee, the heads of the business lines and the Risk Division managers and are used to review all the core strategic issues: risk-taking policies, assessment methods, material and human resources, analysis of credit portfolios and of the cost of risk, market and credit concentration limits (by product, country, sector, region, etc.)

On the other hand, the Assets and Liabilities management committee (ALCO) is competent for matters relating to funding and liquidity policymaking and planning.

All new products and activities or products under development must be submitted to the New Product Committee.

This New Product Committee aims at ensuring that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subject to adequate procedures and controls, using the available information and processing systems.

Operational risks, permanent control and Audit (periodic) control process are supervised by the Audit and Accounts Committee that meets on a quarterly basis.

Finally, the Bank's risk management principles, procedures and infrastructures and their implementation are monitored by the Internal Audit team and the External Auditors.

## (A) CREDIT RISKS

The Bank is exposed to the credit risk which is the risk resulting from failure of the client to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the Bank, therefore requiring careful management. The credit risk manifests itself in the lending activities and debt instruments in Bank's assets as well as off balance sheet financial instruments, such as letters of credit and letters of guarantee.

### (A/1) Credit risk management: organization and structure

Maintaining comprehensive and efficient management and monitoring of credit risk – which constitutes the NSGB's primary source of risk – is vital to preserving NSGB financial strength and profitability. As a result, the Bank implements a tight credit risk control framework, whose cornerstone is the Credit Risk Policy and Authorities defined jointly by the Risk Division and the Business Lines, and is subject to periodic review and approval by the Board of Directors.

Within the Risk Division, persons are responsible for:

- Setting credit limits by customer, customer group or transaction type.
- Approving credit score or internal customer rating criteria.
- Monitoring and surveillance of large exposures and various credit portfolios.
- Reviewing specific and general provisioning policies.

In addition, comprehensive portfolio analysis is performed in order to provide guidance to the General Management on the bank's overall credit risk exposure as well as reporting to Risk Committee.

The Risk Division also helps define criteria for measuring risk and defining appropriate provisioning practices.

**Risk approval**

Embedded in NSGB's credit policy is the concept that approval of any credit risk undertaking must be based on sound knowledge of the client and a thorough understanding of the client's business, the purpose, nature and structure of the transaction and the sources of repayment, while bearing in mind the Bank's risk strategy and risk appetite.

The risk approval process is based on four core principles:

- All transactions involving replacement risk (debtor risk, non-settlement or non-delivery risk and issuer risk) must be pre-authorized
- Staff assessing credit risk is fully independent from the decision-making process.
- Subject to relevant credit delegations, responsibility for analyzing and approving risk lies with the most appropriate business line or credit risk unit, which reviews all authorization requests relating to a specific client or client group, to ensure a consistent approach to risk management
- All credit decisions systematically include internal obligor risk ratings, as proposed by business lines and vetted by the Risk Division and approved by concerned Credit Committee.

**Risk management and audit**

Changes in the quality of outstanding commitments are reviewed on a periodic basis and at least once a quarter, as part of the "sensitive names" and provisioning procedures. This review is based on analyses performed by the business divisions and the risk function. Furthermore, the Internal Audit also carries out file reviews or risk audits in the Bank's Branch Groups and reports its findings to the General Management.

**Replacement risk**

Replacement risk provides the measurement of the replacement cost of a transaction in the event of default by the original counterparty and the necessity to close the ensuing position with counterparty; hence, the replacement cost is the result of the market price between the date on which the original transaction is entered into and the default date. Transactions giving rise to replacement risk include interest rate swaps and forward FX deals.

**Replacement risk management**

NSGB places great emphasis on carefully monitoring its replacement risk exposure in order to minimize its losses in case of default of its counterparties and counterparty limits are, therefore, assigned to all trading counterparties, irrespective of their status (bank, other financial institution, corporate and public institutions).

## (A/2)Risk measurement and internal ratings

**NSGB** rating system is based on three key pillars:

- The internal ratings models used to measure and quantify counterparty risk.
- A set of procedures defining guidelines for devising and using ratings (scope, frequency of rating revision, procedure for approving ratings, etc.)
- Reliance on human judgment to improve modeling results to include elements outside the scope of rating model.

Credit risk rating is supported by a set of procedures ensuring reliable, consistent and timely default and loss data detection.

Rating models are reviewed and developed when necessary. The Bank regularly evaluates performance of credit rating models and their capacity to predict default cases.

The calculations used to measure and monitor replacement risk include:

- Current Average risk (CAR) is a calculation of the Average risk of all the future scenarios, excluding the negative scenarios, i.e., when the replacement makes a gain.
- Credit VAR is a calculation of the largest loss that would be incurred in 99% of cases.

## (A/3) Provisioning policy

The Bank policies require review of all financial assets exceeding a specific level of materiality at least each year or more frequently when changes in circumstances require the Bank to do so. Impairment is determined for accounts that are assessed individually for impairment based on the losses experienced at the reporting date on a case by case basis. Such policies are applied to all individual accounts that are assessed to be significant. Assessment usually includes the existing collateral, reconfirmation of enforcement on such collateral and collections expected from such accounts.

A provision for impairment losses is formed for a group of similar financial assets based on the available historical experience, personal judgment and statistical methods.

At each reporting date, NSGB assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a “loss event”) and whether that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NSGB first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant irrespective from any collaterals obtained. The Bank considers the following factors in determining whether there is objective evidence of impairment:

- The existence of unpaid installments (overdue installments over three months for corporations and over one month for individuals).
- The existence of an objective evidence of counterparty credit risk or when the counterparty is subject to judiciary proceedings.

The allowance for impairment losses reported in the balance sheet at the end of the reporting period is derived from the four internal credit risk ratings; however, major part of that allowance is usually driven by the last two rating degrees. The following table illustrates the proportional distribution of loans and facilities reported in the balance sheet for each of the four internal ratings of the Bank and their relevant impairment losses.

| | December 31,2012 EGP | | December 31, 2011 EGP | |
|---|---|---|---|---|
| | Loans and facilities % | Impairment loss provision % | Loans and facilities % | Impairment loss provision % |
| 1- Good debts | 91 | 14 | 93 | 10 |
| 2- Normal watch-list | 6 | 30 | 4 | 12 |
| 3- Special watch-list | -- | -- | -- | -- |
| 4- Non performing loans | 3 | 56 | 3 | 78 |
| | **100%** | **100%** | **100%** | **100%** |

## (A/4) General model for measurements of banking risks

In addition to the four categories of the Bank's internal credit ratings indicated above, management classifies loans and facilities based on more detailed subgroups in accordance with the CBE requirements. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record. The Bank calculates the allowances 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 allowance required for impairment losses as per CBE credit worthiness rules exceeds the provisions as required by the application of the discounted cash flow method or the loss rates method, that excess shall be debited to retained earnings and carried to the general reserve for banking risks in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution; note (34) shows the movement on the general reserve for Banking risks during the financial period.

Below is a statement of credit rating for corporations as per the Bank's internal ratings compared with those of CBE's; it also includes the percentages of provisions required for impairment of assets exposed to credit risk.

| CBE rating | Description | Required Provision % According to ORR | Internal Rating | Internal Description |
|---|---|---|---|---|
| 1 | Low risk | 0 | 1 | Good debts |
| 2 | Moderate risk | 1 | 1 | Good debts |
| 3 | Satisfactory risk | 1 | 1 | Good debts |
| 4 | Appropriate risk | 2 | 1 | Good debts |
| 5 | Acceptable risk | 2 | 1 | Good debts |
| 6 | Marginally acceptable risk | 3 | 2 | Normal watch-list |
| 7 | Watch-list | 5 | 3 | Special watch-list |
| 8 | Substandard debts | 20 | 4 | Non-performing loans |
| 9 | Doubtful debts | 50 | 4 | Non-performing loans |
| 10 | Bad debts | 100 | 4 | Non-performing loans |

## (A/5) Maximum limit for credit risk before collaterals

Balance sheet items exposed to credit risks

| | December 31,2012 EGP | December 31, 2011 EGP |
|---|---|---|
| Treasury bills | 12 205 523 046 | 9 899 284 269 |
| **Loans and facilities to costumers** | | |
| Retail loans | | |
| Debit current accounts | 683 159 432 | 713 947 355 |
| Credit cards | 279 062 423 | 207 872 620 |
| Personal loans | 6 300 474 070 | 5 099 006 895 |
| Real estate loans | 191 457 456 | 130 479 251 |
| Corporate loans | | |
| Debit current accounts | 13 224 218 944 | 12 436 487 557 |
| Direct loans | 8 534 517 386 | 8 684 226 594 |
| Syndicated loans and facilities | 7 732 640 063 | 8 048 112 341 |
| Other loans | 1 376 396 460 | 988 516 170 |
| Provision for impairment loss, segregated interest & unearned discount for discounted bills | (1 260 295 728) | (1 209 615 784) |
| Financial derivatives | 20 905 336 | 36 204 080 |
| Financial investments | | |
| Debt instruments | 5 406 287 748 | 5 152 162 272 |
| Other assets | 317 700 357 | 318 324 999 |
| **Total** | **55 012 046 993** | **50 505 008 619** |
| **Off balance sheet items exposed to credit risks** | | |
| Financial guarantees | 1 832 780 | 2 132 828 |
| Loans and other irrevocable credit commitments | 133 446 278 | 146 630 786 |
| L/Cs | 2 054 812 529 | 1 828 044 615 |
| Accepted papers | 1 141 504 957 | 1 126 538 877 |
| L/Gs | 12 572 991 349 | 12 513 385 006 |
| **Total** | **15 904 587 893** | **15 616 732 112** |

The preceding table shows the maximum limit exposure to risks at the end of December, 2012 and December, 2011 without taking into consideration collaterals held by the bank, if any. For balance sheet items, amounts stated depend on the net carrying amount shown in the balance sheet.

The preceding table shows that 67 % of the maximum limit exposed to credit risk at the end of current reporting year is attributable to loans and facilities to customers against 69% at the end of the prior year, investments in debt instruments constitute 10% against 10% at the end of the prior year and treasury bills constitute 22 % against 20% at the end of the prior year.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loan portfolio, facilities, and debt instruments based on the following facts:

- 97 % of the loan and facilities portfolio at the end of the current reporting year comprises loans and facilities classified at the top 2 categories of the internal rating against 97% at the end of the prior year.

- 93 % of the loan and facilities portfolio at the end of the current reporting year does not have arrears or indicators of impairment against 94% at the end of the prior year.
- Loans and facilities that are individually assessed for impairment at the end of the current reporting year have a carrying amount of EGP 1 007 461 034. Impairment on these loans and facilities represents 70 % from their carrying amount. Loans and facilities, that are individually assessed for impairment at the end of the prior year had a carrying amount of EGP 1 102 967 840 and their impairment represents 86% from such carrying amount.
- The Bank applied more prudential selection process on granting loans and facilities during the current reporting year ended December 31, 2012.
- 87 % of investments in debt instruments and treasury bills at the end of the current reporting year comprise local sovereign debt instruments against 85 % at the end of the prior year.

**(A/6) Loans and facilities**

Balances of loans and facilities in terms of credit risk rating are analyzed below:

| | December 31,2012 EGP | | December 31, 2011 EGP | |
|---|---|---|---|---|
| | **Loans and facilities to costumers** | **Loans and facilities to Banks** | **Loans and facilities to costumers** | **Loans and facilities to Banks** |
| Neither have arrears nor impaired | 35 622 879 491 | -- | 34 099 547 679 | -- |
| Have arrears but not impaired | 1 691 585 709 | -- | 1 106 133 264 | -- |
| Impaired | 1 007 461 034 | -- | 1 102 967 840 | -- |
| **Total** | **38 321 926 234** | -- | **36 308 648 783** | -- |
| Less: allowance for impairment losses | (1 206 223 953) | -- | (1 117 443 476) | -- |
| Less: Segregated interest | ( 36 045 480) | -- | ( 75 698 390) | -- |
| Less: unearned discount on discounted bills | ( 18 026 295) | -- | ( 16 473 918) | -- |
| **Net** | **37 061 630 506** | -- | **35 099 032 999** | -- |

Total credit allowance for loans and facilities at the end of the current reporting year amounted to EGP 1 206 223 953 (EGP 1 117 443 476 at the end of the prior year) of which EGP 670 741 798 represent impairment on individual loans (EGP 873 265 910 at the end of the prior year) and EGP 535 482 155 represent impairment for groups of financial assets in the credit portfolio (EGP 244 177 566 at the end of the prior year).

Note (18) includes additional information on the allowance for impairment losses for loans and facilities to customers during the current reporting year.

The following tables provide more detailed analysis for the different categories of loans and facilities in the credit portfolio.

## Loans and facilities which do not have arrears and are not subject to impairment

The credit quality of loans and facilities that do not have arrears and which are not subject to impairment is assessed by reference to the bank's internal rating.

**December 31,2012**

| Rating | Retail: Debit current accounts | Retail: Credit cards | Retail: Personal loans | Retail: Real estate loans | Corporate: Debit current accounts | Corporate: Direct loans | Corporate: Syndicated loans & facilities | Corporate: Other loans | Total |
|---|---|---|---|---|---|---|---|---|---|
| Good debts | 683 159 432 | 190 707 110 | 5 751 840 867 | 182 009 181 | 12 300 788 685 | 7 044 612 537 | 6 732 821 940 | 1 333 873 311 | **34 219 813 063** |
| Normal watch-list | -- | -- | -- | -- | 779 050 423 | 206 681 943 | 365 668 555 | 42 523 149 | **1 393 924 070** |
| Special watch-list | -- | -- | -- | -- | 9 023 477 | 118 881 | -- | -- | **9 142 358** |
| **Total** | **683 159 432** | **190 707 110** | **5 751 840 867** | **182 009 181** | **13 088 862 585** | **7 251 413 361** | **7 098 490 495** | **1 376 396 460** | **35 622 879 491** |

**December 31, 2011**

| Rating | Retail: Debit current accounts | Retail: Credit cards | Retail: Personal loans | Retail: Real estate loans | Corporate: Debit current accounts | Corporate: Direct loans | Corporate: Syndicated loans & facilities | Corporate: Other loans | Total |
|---|---|---|---|---|---|---|---|---|---|
| Good debts | 713 947 355 | 148 747 111 | 4 646 155 511 | 122 890 251 | 12 130 120 716 | 6 867 465 257 | 7 985 871 566 | 972 977 996 | **33 588 175 763** |
| Normal watch-list | -- | -- | -- | -- | 292 802 599 | 195 153 700 | -- | 15 538 174 | **503 494 473** |
| Special watch-list | -- | -- | -- | -- | 7 544 406 | 333 037 | -- | -- | **7 877 443** |
| **Total** | **713 947 355** | **148 747 111** | **4 646 155 511** | **122 890 251** | **12 430 467 721** | **7 062 951 994** | **7 985 871 566** | **988 516 170** | **34 099 547 679** |

The bank has not considered any non-performing loans and facilities guaranteed by cash collators to be impaired based on the assessment that it is probable the bank will realize the amounts of the collaterals backing such non-performing loans and facilities.

**Loans and facilities which have arrears but are not subject to impairment**

These are loans and facilities with past-due installments up to 90 days but are not subject to impairment, unless information has otherwise indicated. Loans and facilities to customers which have arrears but are not subject to impairment are analyzed below.

**December 31,2012**

**Retail**

| Year in arrears | Debit current accounts | Credit cards | Personal loans | Real estate loans | Total |
|---|---|---|---|---|---|
| < 30 days | -- | 34 562 806 | 281 475 059 | -- | **316 037 865** |
| 30 – 60 days | -- | -- | -- | -- | -- |
| 60 – 90 days | -- | -- | -- | -- | -- |
| **Total** | -- | **34 562 806** | **281 475 059** | -- | **316 037 865** |

**Corporate**

| | Debit current accounts | Direct loans | Syndicated loans & facilities | Other loans | Total |
|---|---|---|---|---|---|
| < 30 days | -- | 326 916 150 | 95 022 062 | -- | **421 938 212** |
| 30 – 60 days | -- | 287 882 670 | 480 661 020 | -- | **768 543 690** |
| 60 – 90 days | -- | -- | -- | -- | -- |
| > 90 days | -- | 185 065 942 | -- | -- | **185 065 942** |
| **Total** | -- | **799 864 762** | **575 683 082** | -- | **1 375 547 844** |

**December 31, 2011**

**Retail**

| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Total |
|---|---|---|---|---|---|
| < 30 days | -- | 25 926 509 | 180 532 384 | -- | **206 458 893** |
| 30 – 60 days | -- | -- | -- | -- | -- |
| 60 – 90 days | -- | -- | -- | -- | -- |
| **Total** | -- | **25 926 509** | **180 532 384** | -- | **206 458 893** |

**Corporate**

| | Debit current accounts | Direct loans | Syndicated loans & facilities | Other loans | Total |
|---|---|---|---|---|---|
| < 30 days | -- | 120 657 405 | -- | -- | **120 657 405** |
| 30 – 60 days | -- | -- | -- | -- | -- |
| 60 – 90 days | -- | 195 337 120 | -- | -- | **195 337 120** |
| > 90 days | -- | 583 679 846 | -- | -- | **583 679 846** |
| **Total** | -- | **899 674 371** | -- | -- | **899 674 371** |

Past due loans and facilities are those amounts, or any part thereof, which have fallen due but for which no payment has been received in accordance with the contractual terms. These include arrears for periods ranging from one day to 90 days. Figures shown in the note represent the whole balance of the loan or facility and not only the past due amounts. These do not include the remaining loans and facilities of the same customer so long default has not fully or partially occurred on those loans.
On initial recognition of loans and facilities, the fair value of collaterals, if any, is assessed based on valuation methods used for similar assets but are not recognized in the financial statements since these do not represent assets of the bank at that date. In subsequent periods, the fair value is updated to reflect the market price or prices for similar assets.

## Loans and facilities which are individually impaired
## Loans and facilities to customers

At the end of the current reporting Year, the carrying amount of loans and facilities, that are assessed to be individually impaired excluding any cash flows expected to arise from the associated guarantees, amounted to EGP 1 007 461 034 against EGP 1 102 967 840 at the end of the prior year.

The following table provides a breakdown of the balance of such loans and facilities which are individually impaired:

| | December 31,2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Retail | | | | Corporate | | | | |
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Debit current accounts | Direct loans | Syndicated loans & facilities | Other loans | Total |
| Loans which are individually impaired | -- | 53 792 507 | 267 158 144 | 9 448 275 | 135 356 359 | 483 239 263 | 58 466 486 | -- | **1 007 461 034** |

| | December 31, 2011 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Retail | | | | Corporate | | | | |
| Loans which are individually impaired | -- | 33 199 000 | 272 319 000 | 7 589 000 | 6 019 836 | 721 600 229 | 62 240 775 | -- | **1 102 967 840** |

**Restructured loans and facilities:**

NSGB applies different types of restructuring policies to its loans and facilities, which include extending payment terms, executing forced management programmers and applying prepayment and extension provisions to the loan. The applied restructuring policies depend on factors or criteria that indicate, in management judgment that the counterparty's continuous payment of the loan is unlikely to occur in the absence of such restructuring policies that are subject to ongoing review. Within NSGB, renegotiated outstanding loans relate to long-term loans made to any type of clientele (retail and corporate loans clients).

Total renegotiated loans amounted to EGP 180 679 000 at the end of the current reporting year against EGP 322 841 000 at the end of the prior year. These balances do not include any amounts whose commercial terms were renegotiated to preserve the quality of the bank's relationship with its clients, including those terms pertaining to loans interest rates and/or loans repayment periods.

NSGB banking practices call for most clients whose loans have been renegotiated to be maintained in the "non-performing" category, as long as the bank remains uncertain of their ability to meet their future commitments in accordance with the definition of default under Basel II.

| | December 31,2012<br>EGP | December 31, 2011<br>EGP |
|---|---|---|
| **Loans and facilities to costumers** | | |
| **Corporate loans** | | |
| - Direct loans | 180 679 000 | 322 841 000 |
| **Total** | **180 679 000** | **322 841 000** |

**(A/7) Debt instruments, treasury bills, and other governmental notes**

The following table shows a breakdown of debt instruments, treasury bills, and other governmental notes.

| | December 31,2012<br>EGP | December 31, 2011<br>EGP |
|---|---|---|
| **Treasury bills** | 12 205 523 046 | 9 899 284 269 |
| **Available- for- sale investments** | | |
| Egyptian Treasury Bonds | 3 101 499 113 | 2 753 404 937 |
| US Treasury Bonds | 1 638 271 472 | 1 691 783 822 |
| France Treasury Bonds | 207 580 855 | 196 500 721 |
| German Treasury Bonds | 408 936 308 | 390 464 632 |
| **Held-to -maturity investments** | | |
| Egyptian Treasury Bonds | 50 000 000 | 120 008 160 |
| **Total** | **17 611 810 794** | **15 051 446 541** |

**(A/8) Acquisition of collaterals**

During the current reporting year, the Bank has not acquired any additional foreclosed assets in order to settle debts. During the prior year, the bank foreclosed some assets previously held as collaterals as follows:

| Type of asset | Book Value |
|---|---|
| Lands | 27 458 752 EGP |

Foreclosed assets are classified among "other assets" in the balance sheet. Such assets are sold by the bank, as appropriate.

## (A/9) Concentration of risks of financial assets exposed to credit risks (Geographical segments)

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year (excluding allowances for impairment). The gross amount of all financial assets is segmented into the geographical regions of the bank's clients expect for investments in foreign treasury bonds which are reported in the "other countries" category.

| | Arab Republic of Egypt | | | | | | Other countries | Total |
|---|---|---|---|---|---|---|---|---|
| | Cairo | Giza | Alex | Delta | Red Sea & Upper Egypt | Total | | |
| Treasury bills | 12 205 523 046 | -- | -- | -- | -- | **12 205 523 046** | -- | **12 205 523 046** |
| **Loans and facilities to costumers** | | | | | | | | |
| **Retail loans** | | | | | | | | |
| Debit current accounts | 389 694 368 | 114 115 461 | 108 410 816 | 32 457 924 | 38 480 863 | **683 159 432** | -- | **683 159 432** |
| Credit cards | 113 822 929 | 98 015 189 | 36 018 782 | 17 495 983 | 13 709 540 | **279 062 423** | -- | **279 062 423** |
| Personal loans | 2 208 950 866 | 2 075 042 472 | 882 263 495 | 813 700 628 | 320 516 609 | **6 300 474 070** | -- | **6 300 474 070** |
| Real estate loans | 65 279 411 | 76 019 534 | 19 135 203 | 14 048 123 | 16 975 185 | **191 457 456** | -- | **191 457 456** |
| **Corporate loans** | | | | | | | | |
| Debit current accounts | 6 200 556 363 | 3 968 082 833 | 1 614 120 682 | 944 344 135 | 497 114 931 | **13 224 218 944** | -- | **13 224 218 944** |
| Direct loans | 4 257 177 846 | 2 328 167 973 | 962 585 773 | 852 540 073 | 134 045 721 | **8 534 517 386** | -- | **8 534 517 386** |
| Syndicated loans & facilities | 3 544 131 129 | 2 018 882 723 | 569 133 939 | 1 600 492 272 | | **7 732 640 063** | -- | **7 732 640 063** |
| Other loans | 927 075 298 | 43 086 222 | 51 420 431 | 223 825 360 | 130 989 149 | **1 376 396 460** | -- | **1 376 396 460** |
| Financial derivatives | 5 686 | -- | ( 6 880) | 5 258 360 | -- | **5 257 166** | 15 648 170 | **20 905 336** |
| **Financial investments** | | | | | | | | |
| Debt instrument | 3 151 499 113 | -- | -- | -- | -- | **3 151 499 113** | 2 254 788 635 | **5 406 287 748** |
| Other assets | 198 922 961 | 37 257 729 | 23 572 814 | 22 159 489 | 3 365 720 | **285 278 713** | 32 421 644 | **317 700 357** |
| **Total at the end of current year** | **33 262 639 016** | **10 758 670 136** | **4 266 655 055** | **4 526 322 347** | **1 155 197 718** | **53 969 484 272** | **2 302 858 449** | **56 272 342 721** |
| **Total at the end of the prior year** | **30 950 983 329** | **9 893 087 996** | **4 030 302 322** | **3 491 952 882** | **1 011 769 882** | **49 378 096 411** | **2 336 527 992** | **51 714 624 403** |

## Concentration of risks of financial assets exposed to credit risks (Business segments)

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year (excluding allowances for impairment). The gross amount of all financial assets is segmented into business sectors in which the bank's clients operate.

| | Agricultural entities | Industrial entities | Trading entities | Service entities | Governmental sector | Foreign Governments | Other activities | Individuals | Total |
|---|---|---|---|---|---|---|---|---|---|
| Treasury bills | -- | -- | -- | -- | 12 205 523 046 | -- | -- | -- | **12 205 523 046** |
| **Loans and facilities to costumers** | | | | | | | | | |
| **Retail loans** | | | | | | | | | |
| Debit current accounts | -- | -- | -- | -- | -- | -- | -- | 683 159 432 | **683 159 432** |
| Credit cards | -- | -- | -- | -- | -- | -- | -- | 279 062 423 | **279 062 423** |
| Personal loans | -- | -- | -- | -- | -- | -- | -- | 6 300 474 070 | **6 300 474 070** |
| Real estate loans | -- | -- | -- | -- | -- | -- | -- | 191 457 456 | **191 457 456** |
| **Corporate loans** | | | | | | | | | |
| Debit current accounts | 103 788 997 | 8 081 004 980 | 2 380 705 746 | 2 658 719 221 | -- | -- | | -- | **13 224 218 944** |
| Direct loans | 156 616 106 | 5 923 118 100 | 997 353 246 | 1 457 429 934 | -- | -- | | -- | **8 534 517 386** |
| Syndicated loans & facilities | -- | 6 018 306 733 | | 1 714 333 330 | -- | -- | | -- | **7 732 640 063** |
| Other loans | -- | 888 062 153 | 88 521 526 | 50 492 238 | -- | -- | 349 320 543 | -- | **1 376 396 460** |
| Financial derivatives | -- | 5 258 360 | -- | -- | -- | -- | 15 646 976 | -- | **20 905 336** |
| **Financial investments** | | | | | | | | | |
| Debt instruments | -- | -- | -- | -- | 3 151 499 113 | 2 254 788 635 | -- | -- | **5 406 287 748** |
| Other assets | 1 259 547 | 101 141 402 | 16 767 411 | 28 445 530 | 101 610 027 | 32 421 644 | -- | 36 054 796 | **317 700 357** |
| **Total at the end of current year** | **261 664 650** | **21 016 891 728** | **3 483 347 929** | **5 909 420 253** | **15 458 632 186** | **2 287 210 279** | **364 967 519** | **7 490 208 177** | **56 272 342 721** |
| **Total at the end of the prior year** | **299 289 379** | **20 836 730 134** | **3 306 492 769** | **5 492 906 289** | **12 873 280 954** | **2 311 067 822** | **411 799 297** | **6 183 057 759** | **51 714 624 403** |

## (B) MARKET RISKS

Market risk is the risk of losses resulting from unfavorable changes in market parameters. It contains all trading book transactions as well as some banking book portfolios valued using the mark-to-market approach. NSGB policy on market risk transactions is “Prudent” in that:

- Products subject to “market risk” which are offered by NSGB to its customers are restricted to cash and simple financial derivatives such as interest rate swaps and foreign exchange swap and forward contracts.
- The only trading activity conducted by NSGB is over-night foreign exchange position, within a prudent limit that cannot be exceeded.
- Open positions must be centrally managed and matched.

The front-office managers assume primary responsibility in terms of risk exposure; however, global management lies with an independent structure being the Market Risk Controller (MRC), within Risk Division. The main function of MRC is the ongoing analysis, independently from the trading rooms, of the positions and risks linked to the market activities of the Bank and the comparison of these positions to the allowed limits. The MRC carries out the following functions:

- Daily and periodic analysis and reporting (independently from the front office) of the exposures, stress tests and risks incurred by the Bank’s market activities and comparison of said exposure and risks with the pre-set limits.
- Definition of the risk-measurement methods and control procedures, approval of the valuation methods used to calculate and monitor risks, including those made on a gross or nominal basis.
- Management of the approval process for limits.
- Reviewing new products or services for market risk aspect under New Product Committee to ensure that market risks are properly identified and controlled.

At the proposal of this MRC and Head of Risk Division, the Board sets the levels of authorized risk by type of market activity and makes the main decisions concerning Bank’s market risk management.

### (B/1) Methods of Measuring Market Risk and Defining Exposure Limits

As a part of managing market risk, the Bank has several hedging strategies and enters into interest rate swaps to balance the risks inherent in debt instruments and fixed rate long term loans, if the fair value option is applied. NSGB uses a lot of methods to control market risk such as stress testing "ST".

Stress testing gives indicator of the loss volume expected that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios. NSGB set a maximum limit of expected losses of 10% from authorized limit according to internal bank rules.

**(B/2) Stress test for foreign exchange risk**

The following table provides F.X position (whether short or long) for all balance sheet items and off balance sheet items.

| Currency | Outstanding nominal Fx position in EGP equivalent | FX short positions | FX long positions | FX long (short) percentage to limit usage | Expected loss at 10% | ST limit usage |
|---|---|---|---|---|---|---|
| USD | 9 754 633 | -- | 9 754 633 | 29% | 975 463 | 29% |
| EUR | 10 821 695 | -- | 10 821 695 | 32% | 1 082 170 | 32% |
| GBP | 516 443 | -- | 516 443 | 6% | 51 644 | 6% |
| JPY | 102 148 | -- | 102 148 | 1% | 10 215 | 1% |
| CHF | 80 831 | -- | 80 831 | 2% | 8 083 | 2% |
| DKK | ( 17 191) | ( 17 191) | -- | 2% | ( 1 719) | 2% |
| NOK | 24 139 | -- | 24 139 | 3% | 2 414 | 3% |
| SEK | 4 202 | -- | 4 202 | 1% | 420 | 1% |
| CAD | ( 54 653) | ( 54 653) | -- | 7% | ( 5 465) | 7% |
| AUD | ( 19 040) | ( 19 040) | -- | 2% | ( 1 904) | 2% |
| AED | 111 535 | -- | 111 535 | 13% | 11 154 | 13% |
| KWD | 391 061 | -- | 391 061 | 47% | 39 106 | 47% |
| OMR | ( 11) | ( 11) | -- | 0% | ( 1) | 0% |
| QAR | 6 243 | -- | 6 243 | 1% | 624 | 1% |
| SAR | ( 260 349) | ( 260 349) | -- | 16% | ( 26 035) | 16% |
| EGP | ( 21 461 686) | ( 21 461 686) | -- | 64% | | |
| **Maximum expected loss from FX short positions to EGP at December 31,2012** | | | | | **2 146 169** | |
| **Maximum expected loss from FX short positions to EGP at December 31, 2011** | | | | | **783 376** | |

**(B/3) Foreign exchange rate volatility risk (concentration of FX risk on financial instruments)**

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The board of directors set limits for foreign exchange risk at the total value of positions at the end of the day and during the day when timely control is exercised. The following table summarizes the bank's exposure to the risks of fluctuations in foreign exchange rates at the end of the reporting year. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

| | EGP | USD | EUR | GBP | Other currencies | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and balances with Central Banks | 3 835 513 889 | 125 150 225 | 47 851 670 | 8 383 358 | 12 672 864 | **4 029 572 006** |
| Due from Banks | 33 682 353 | 2 990 946 004 | 1 916 963 250 | 321 207 366 | 117 660 270 | **5 380 459 243** |
| Treasury bills | 11 629 192 728 | 576 330 318 | -- | -- | -- | **12 205 523 046** |
| Loans and facilities to costumers | 26 888 505 266 | 9 549 623 019 | 601 689 577 | 7 213 695 | 14 598 949 | **37 061 630 506** |
| Financial derivatives | 20 905 336 | -- | -- | -- | -- | **20 905 336** |
| **Financial investments** | | | | | | |
| Available for sale | 3 461 165 137 | 1 638 271 471 | 616 763 806 | -- | -- | **5 716 200 414** |
| Held to maturity | 65 000 000 | -- | -- | -- | -- | **65 000 000** |
| Other financial assets | 266 809 574 | 30 536 611 | 20 241 344 | 99 057 | 13 771 | **317 700 357** |
| **Total financial assets** | **46 200 774 283** | **14 910 857 648** | **3 203 509 647** | **336 903 476** | **144 945 854** | **64 796 990 908** |

| | EGP | USD | EUR | GBP | Other currencies | Total |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Due to Banks | 1 020 553 331 | 162 797 835 | 6 944 091 | 9 977 722 | 27 296 284 | **1 227 569 263** |
| Clients' deposits | 37 296 704 068 | 12 910 296 498 | 3 027 285 911 | 324 546 879 | 152 836 046 | **53 711 669 402** |
| Other loans | 116 057 818 | 12 342 184 | 2 369 309 | -- | -- | **130 769 311** |
| Subordinated loans | -- | 884 660 000 | -- | -- | -- | **884 660 000** |
| Other financial liabilities | 677 532 481 | 26 177 673 | 1 516 647 | 303 353 | 8 653 | **705 538 807** |
| **Total financial liabilities** | **39 110 847 698** | **13 996 274 190** | **3 038 115 958** | **334 827 954** | **180 140 983** | **56 660 206 783** |
| **Net financial position - the balance sheet** | **7 089 926 585** | **914 583 458** | **165 393 689** | **2 075 522** | **( 35 195 129)** | **8 136 784 125** |
| **At the end of the comparative year** | | | | | | |
| Total financial assets | 41 801 249 633 | 15 192 730 141 | 3 455 476 208 | 337 918 211 | 133 938 483 | **60 921 312 676** |
| Total financial liabilities | 36 016 934 023 | 14 002 253 524 | 3 344 199 324 | 342 303 907 | 141 034 841 | **53 846 725 619** |
| **Net financial position- the balance sheet** | **5 784 315 610** | **1 190 476 617** | **111 276 884** | **( 4 385 696)** | **( 7 096 358)** | **7 074 587 057** |

## (B/4) Structural Interest Rate Risk

Structural interest rate risk is linked to commercial activities and corporate center transactions. Structural interest rate risk arises from residual gaps (surplus or deficit) of the Bank's fixed-rate positions. The general principle is to reduce structural interest rate risk to the maximum extent.
Whenever possible, commercial operations are hedged against interest rate, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Consequently, structural interest rate risk only results from the residual positions remaining after hedging. The absence of interest rate derivative market in Egyptian pound makes it difficult to hedge positions in this currency.

## Organization of the management of Structural Interest Rate risks

Identification and measurement of the risk is carried out by the Assets & Liabilities management Unit (ALMU) which comes under the authority of the NSGB Finance Department.

Risk assessment, limits and corrective actions are decided by the Assets & Liabilities management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room through the financial market. Progress is reported and notified to the ALMU/ALCO.

## Assets & Liabilities Management Committee (ALCO) duties

- Decide on the limits for the sensitivity.
- Review, validate and approve any assumptions used for the identification and measurements of the respective risks.
- Review Interest Rate Gap and sensitivity position reported through ALMU.
- Assess, amend and approve recommendations for bringing the gap (if any) within the previously approved limits.

**Assets & Liabilities Management Unit (ALMU) duties**

- Document and maintain the respective risks management policy as approved by the ALCO.
- Construct and continuously elaborate on the models used for the identification and measurement of the respective risks.
- Report to ALCO on the respective exposures and the evolution of such exposures over time.
- Provide recommendations for bringing the gaps within limits.
- Follow up and notify ALCO of the progress made in the implementation of the ALCO decisions.

**Dealing Room duties**

- Provide frequent updates on markets movements.
- Execute and report progress of ALCO approved recommendations.
- Co-ordinate with ALMU on the spontaneous hedging of special transactions according to ALCO approved policy and recommendations.

**Objective of NSGB**

NSGB aim is to reduce exposure to structural interest rate risk as much as possible. Any residual interest rate risk exposure must comply with the sensitivity limits approved by the ALCO. Sensitivity is defined as the variation in the net present value of future residual fixed-rate positions for a 1% parallel increase in the yield curve. Adherence to applicable limits is closely monitored.

**Measurement and monitoring of structural interest rate risks**

In order to quantify the Bank's exposure to structural interest rate risks, all fixed rate assets and liabilities on future maturities are analyzed to identify any gaps.

On a quarterly basis, assets and liabilities are analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms of the transactions and models of historic client behavior (e.g. saving accounts) as well as conventional assumptions for some balance sheet items (e.g. shareholders' equity).

Once the gaps have been identified for each major currency, the sensitivity is calculated as the variation of the net present value of the fixed rate position of an instantaneous parallel shift of the 1% in the yield curve of each major currency. The cumulative sensitivity for all currencies as well as for any single currency should not exceed the above mentioned limit.

The following table summarizes the extent to which the Bank is exposed to the risks of fluctuations in the interest rate including the carrying amount of the financial instruments distributed on the basis of the rate prevailing in re-pricing dates or maturity dates, whichever is earlier.

| At the end of the current year | Up to one month | More than one month up to 3 months | More than 3 months up to one year | More than one year up to 5 years | More than 5 years | Interest free | Total |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash and balances with central Banks | -- | -- | -- | -- | -- | 4 029 572 006 | **4 029 572 006** |
| Due from Banks | 3 474 616 769 | 955 802 799 | 876 506 615 | -- | -- | 73 533 060 | **5 380 459 243** |
| Treasury bills | 1 757 289 950 | 2 474 783 496 | 7 973 449 600 | -- | -- | -- | **12 205 523 046** |
| Loans and facilities to costumers | 16 382 421 121 | 6 086 839 948 | 7 306 077 030 | 6 193 688 693 | 1 092 603 714 | -- | **37 061 630 506** |
| Financial derivatives | -- | -- | -- | -- | -- | 20 905 336 | **20 905 336** |
| **Financial investments** | | | | | | | |
| Available for sale | 104 988 018 | -- | 140 536 768 | 4 330 136 445 | 780 626 517 | 359 912 666 | **5 716 200 414** |
| Held to maturity | -- | -- | -- | 50 000 000 | -- | 15 000 000 | **65 000 000** |
| Other financial assets | -- | -- | -- | -- | -- | 317 700 357 | **317 700 357** |
| **Total financial assets** | **21 719 315 858** | **9 517 426 243** | **16 296 570 013** | **10 573 825 138** | **1 873 230 231** | **4 816 623 425** | **64 796 990 908** |
| **IRS (notional amount)** | **1 504 524** | **27 337 198** | **653 770 927** | **1 600 072 616** | **7 522 617** | **--** | **2 290 207 882** |
| **Financial liabilities** | | | | | | | |
| Due to Banks | 1 105 055 195 | -- | 28 034 244 | -- | -- | 94 479 824 | **1 227 569 263** |
| Customer's deposits | 14 383 287 388 | 9 196 567 767 | 8 209 517 927 | 7 734 406 610 | 51 965 000 | 14 135 924 710 | **53 711 669 402** |
| Other loans | -- | -- | 128 400 002 | -- | -- | 2 369 309 | **130 769 311** |
| Subordinated loans | 884 660 000 | -- | -- | -- | -- | -- | **884 660 000** |
| Other financial liabilities | -- | -- | -- | -- | -- | 705 538 807 | **705 538 807** |
| **Total financial liabilities** | **16 373 002 583** | **9 196 567 767** | **8 365 952 173** | **7 734 406 610** | **51 965 000** | **14 938 312 650** | **56 660 206 783** |
| **IRS (notional amount)** | **463 573 411** | **1 728 840 423** | **97 794 048** | **--** | **--** | **--** | **2 290 207 882** |
| **Re-pricing gap** | **4 884 244 388** | **(1 380 644 749)** | **8 486 594 719** | **4 435 491 144** | **1 828 787 848** | **(10 121 689 225)** | **8 136 784 125** |
| **At the end of the comparative year** | | | | | | | |
| Total financial assets | 20 194 843 048 | 10 966 878 606 | 13 531 065 485 | 8 651 209 551 | 1 641 848 765 | 5 935 467 221 | **60 921 312 676** |
| IRS (notional amount) | 1 175 184 118 | 195 249 029 | 1 072 894 052 | 1 166 422 234 | 60 319 000 | -- | **3 670 068 433** |
| Total financial liabilities | 17 988 460 213 | 10 436 861 476 | 6 010 791 751 | 5 313 600 861 | 132 254 000 | 13 964 757 318 | **53 846 725 619** |
| IRS (notional amount) | 1 481 819 324 | 2 188 249 109 | -- | -- | -- | -- | **3 670 068 433** |
| **Re-pricing gap** | **1 899 747 629** | **(1 462 982 950)** | **8 593 167 786** | **4 504 030 924** | **1 569 913 765** | **(8 029 290 097)** | **7 074 587 057** |

## (C) Liquidity Risk

Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

NSGB manages this exposure through modeling of its cash flow under several scenarios.

### Organization of Liquidity Risk Management

Identification and measurement of the risk is carried out by the Assets & Liabilities management Unit (ALMU) which comes under the authority of the NSGB Finance Department.

Risk assessment and corrective actions are decided by the Assets & Liabilities management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room and/or the business lines. Progress is reported and notified to the ALMU/ALCO

### Assets & Liabilities Management Committee (ALCO) duties

- Review, validate and approve any assumptions and scenarios used for the identification and measurements of the respective risks.
- Review the structured liquidity gap reported by ALMU.
- Assess, amend and approve recommendations for funding strategy and/or the portfolio composition for the remedy of the gaps.

### Assets & Liabilities Management Unit (ALMU) duties

- Document and maintain the respective risks' management policy as approved by the ALCO.
- Construct and continuously elaborate on the models used for the identification and measurement of the respective risks.
- Report to ALCO on the respective exposures and the evolution of such exposures over time.
- Follow up and notify ALCO of the progress made in the implementation of the ALCO decisions.
- Co-ordinate with the various business lines for funding needs and report potential impact on the liquidity gap.
- Test and advice on the potential impact of any new product offering on the structured liquidity positions.

### Dealing Room duties

- Is responsible for managing short term liquidity.
- Provide frequent updates on markets' status and alerting signals of liquidity stretches.
- Execute and report progress of ALCO approved recommendations.
- Communicate their funding needs to ALMU for the construction of the liquidity gap.

## Objective of NSGB

NSGB's objective is to finance its activities at the best possible rates under normal conditions and to ensure it can meet its obligations in the event of a crisis.

To this end, the main principles of NSGB liquidity management are as follows:

- Management of the short-term liquidity in accordance with the regulatory framework.
- Diversification of funding sources.
- Maintenance of a portfolio of liquid assets.

## Measurement and monitoring of structural liquidity risks

NSGB liquidity management framework comprises the following processes:

- Regular assessment of the Bank structural liquidity profile and its development over time.
- Monitoring of the diversification of funding sources.
- Assessment of the Bank's funding needs on the basis of the budget forecasts in order to plan appropriate funding solutions.

Liquidity gaps are constructed by listing the respective on and off-balance sheet-items according to the currency of denomination and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models of historic client behavior patterns (e.g. savings accounts) as well as conventional assumptions relating to certain balance sheet items (e.g. shareholders' equity).

## Liquidity risk

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments upon maturity and refurbishing amounts withdrawn. This may results in failure in fulfilling obligations related to depositors and meeting lending commitments.

| | | | December 31,2012 | | | |
|---|---|---|---|---|---|---|
| **Contractual maturities** | **Up to one month** | **More than one month up to 3 months** | **More than 3 months up to one year** | **More than one year up to 5 years** | **More than 5 years** | **Total** |
| **Financial liabilities** | | | | | | |
| Balances due to Banks | 1 199 535 019 | -- | 28 262 638 | -- | -- | **1 227 797 657** |
| Customer’s deposits | 28 568 099 743 | 9 496 374 815 | 9 223 095 346 | 9 076 473 128 | 66 344 483 | **56 430 387 515** |
| Other loans | -- | -- | 128 277 421 | -- | 2 491 890 | **130 769 311** |
| subordinated loans | 902 768 933 | -- | -- | -- | -- | **902 768 933** |
| **Total financial liabilities** | **30 670 403 695** | **9 496 374 815** | **9 379 635 405** | **9 076 473 128** | **68 836 373** | **58 691 723 416** |

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the balance sheet.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

| Contractual maturities | December 31, 2011<br>Up to one month | More than one month up to 3 months | More than 3 months up to one year | More than one year up to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Balances due to Banks | 69 727 409 | 12 063 800 | 29 798 231 | -- | -- | **111 589 440** |
| Customer's deposits | 29 286 029 520 | 10 979 044 488 | 6 711 698 346 | 6 350 777 432 | 183 371 790 | **53 510 921 576** |
| Other loans | -- | 57 564 723 | -- | -- | 58 793 859 | **116 358 582** |
| Subordinated loans | 15 074 421 | -- | -- | 874 614 841 | -- | **889 689 262** |
| **Total financial liabilities** | **29 370 831 350** | **11 048 673 011** | **6 741 496 577** | **7 225 392 273** | **242 165 649** | **54 628 558 860** |

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the balance sheet.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

Assets available to meet all liabilities and cover loan commitments include cash, balances with central Banks, balances due from Banks, treasury bills and other governmental notes, and loans and facilities to Banks and clients. Maturity term of percentage of loans to clients that are maturing within a year is extended in the normal course of the Bank's business. Moreover, some debt instruments, treasury bills and other governmental notes are pledged to cover liabilities. The Bank has the ability to meet unexpected net cash flows through selling securities, and finding other financing sources.

## Cash flow derivatives

### Derivatives settled on a gross-basis

The bank is a party to derivative contracts that are settled on a gross-basis, in particular currency forward deals. The following table shows derivative financial liabilities that shall be settled in gross distributed over the remaining year of contractual maturities at the balance sheet date. The amounts shown in the table represent the undiscounted cash flows.

| Maturities for balance sheet items | Up to one month | More than one month up to 3 months | More than 3 months up to one year | More than one year up to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| | | | **December 31,2012** | | | |
| **Held-for-trading derivatives** | | | | | | |
| Currency forward deals | | | | | | |
| Cash outflows | 100 719 185 | 158 264 | 147 274 900 | -- | -- | **248 152 349** |
| Cash inflows | 100 103 789 | 158 365 | 157 421 744 | -- | -- | **257 683 898** |
| | | | **December 31, 2011** | | | |
| **Held-for-trading derivatives** | | | | | | |
| Currency forward deals | | | | | | |
| Cash outflows | 58 748 471 | 77 642 444 | 121 474 231 | -- | -- | **257 865 146** |
| Cash inflows | 58 739 784 | 78 935 884 | 130 333 291 | -- | -- | **268 008 959** |

**Cash flow for off balance sheet items**

| Maturities for off-balance sheet items | Less than one year | More than one year and less than 5 years | More than 5 years | Total |
|---|---|---|---|---|
| | | **December 31,2012** | | |
| Loan commitments | 133 446 278 | -- | -- | **133 446 278** |
| Financial guarantees | 1 832 780 | -- | -- | **1 832 780** |
| Operating lease commitments | 42 575 438 | 97 469 505 | 31 033 788 | **171 078 731** |
| Capital commitments resulting from acquisition of fixed assets | 38 094 600 | -- | -- | **38 094 600** |
| **Total** | **215 949 096** | **97 469 505** | **31 033 788** | **344 452 389** |
| | | **December 31, 2011** | | |
| Loan commitments | 146 630 786 | -- | -- | **146 630 786** |
| Financial guarantees | 2 132 828 | -- | -- | **2 132 828** |
| Operating lease commitments | 36 806 498 | 114 195 623 | 46 517 670 | **197 519 791** |
| Capital commitments resulting from acquisition of fixed assets | 148 231 033 | -- | -- | **148 231 033** |
| **Total** | **333 801 145** | **114 195 623** | **46 517 670** | **494 514 438** |

## (D) Fair value of financial assets and liabilities and sources of fair value

### (D/1) Financial instruments measured at fair value

Financial assets classified as held for trading are measured at fair value with changes in fair value recognized in profit or loss and reported in the line item “net trading income” in the income statement.

Debt instruments classified as available for sale financial assets are measured at fair with changes in fair value recognized directly in equity and accumulated in the “revaluation reserve for available for sale investments”.

Equity instruments classified as available-for-sale financial assets that are traded in an active market are measured at fair value by reference to quoted market prices prevailing at the reporting date with changes in fair value recognized directly in equity and accumulated in the “revaluation reserve for available for sale investments”.

Equity instruments that do not have quoted prices in an active market and whose fair value cannot be measured reliably are stated at cost.

## (D/2) Financial instruments not measured at fair value

The following table summarizes the carrying amount and fair value of financial assets and liabilities that are not stated in the statement of separate financial position at fair value:

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
| **Financial assets** | | | | |
| Due from Banks | 5 380 459 243 | 4 977 305 691 | 5 380 459 243 | 4 977 305 691 |
| Loans and facilities to costumers | 37 061 630 506 | 35 099 032 999 | Not determined | Not determined |
| **Financial investments:** | | | | |
| Equity instruments available for sale | 179 535 028 | 234 100 050 | Not determined | Not determined |
| **Held to maturity** | | | | |
| Debt instruments | 50 000 000 | 120 008 160 | 50 697 222 | 116 968 048 |
| Mutual fund certificates | 15 000 000 | 15 000 000 | 20 218 855 | 16 435 613 |
| **Financial liabilities:** | | | | |
| Balances due to Banks | 1 227 569 263 | 110 261 182 | 1 227 569 263 | 110 261 182 |
| Customer's deposits | 53 711 669 402 | 51 709 693 141 | Not determined | Not determined |
| Other loans | 130 769 311 | 116 358 582 | 130 769 311 | 116 358 582 |
| Subordinated loan | 884 660 000 | 844 466 000 | 884 660 000 | 844 466 000 |

It was impracticable to measure the fair value for the remainder financial assets & liabilities at the end of current or prior year.

**Due from Banks:**

The carrying amount of variable interest rate placements and deposits for one day represents its fair value. For non-interest bearing balances due from banks, the carrying amount represents their fair value. The carrying amount of fixed interest rate deposits represents their fair value since the maturity of these deposits is less than one year.

**Loans and facilities to costumers:**

Loans and facilities are stated at the statement of financial position net of allowance for impairment losses. Fair value for loans and facilities represents the net present value of the expected future cash inflows collected from the loan, discounted using the current market interest rate prevailing at the reporting date.

**Held to maturity investments:**

Held to maturity investments as shown in the preceding table include Egyptian treasury bonds classified as held to maturity investments. It also includes 5% from the total number of NSGB money market fund units at the date of the initial offering which should be held by the bank until maturity of the fund in accordance with the Egyptian law. Fair value of Egyptian treasury bonds classified as held to maturity investments is determined based on their quoted market prices at the reporting date. Fair value of NSGB money market fund units is determined based on the redeemable price announced by the bank at the reporting date.

**Customers' deposits and due to other banks:**

The estimated fair value for deposits of indefinite maturity, including free-interest rate deposits, represents the amount paid on demand.

Fair value of fixed interest rate deposits and other loans that are not traded in an active market is determined based on net present value of future cash outflows discounted using interest rate for new debts of similar maturities.

## (E) Capital management

For capital management purposes, the bank's capital includes total equity as reported in the statement of financial position plus some other elements that are managed as capital. The bank manages its capital to ensure that the following objectives are achieved:

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

Capital adequacy and uses are reviewed by the bank's management in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE). Data are submitted and filed with the CBE on a quarterly basis. The CBE requires the bank to comply with the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital. NSGB paid-in capital amounted to EGP 4 435 359 020 at the end of the current year.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities. NSGB capital adequacy ratio reached 16.31% at the end of the current year. (December 31, 2011: 14.81%) according to Basel I.

The numerator in the capital adequacy ratio according to Basel I comprise the following 2 tiers:

- Tier 1: basic capital which comprises paid-in capital (net of treasury stock), plus: retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risks & special reserve), less: any goodwill previously recognized and any carried forward losses.
- Tier 2: subordinated capital which comprises an amount equal to the loans general provision calculated in accordance with the credit rating bases issued by the CBE provided it does not exceed 1.25% from the total risk-weighted average of assets and contingent liabilities, plus: the carrying amount of subordinated loans/deposits maturing over more than 5 years (provided that such carrying amount shall be reduced by 20 % of its value in each of the last five years of their maturity), plus: 45 % of the increase in fair value above the carrying amount of available-for-sale investments, held to maturity investments, and investments in subsidiaries and associates.

In calculating the numerator of the capital adequacy ratio, total value of tier 2 should not exceed total value of tier 1. Also, total value of subordinated loans (deposits) should not exceed 50 % of tier 1.

Assets are risk weighted at a range of 0 to 150 %. Risk classification of these assets is based on the type of the debtor as to reflect the associated credit risk and after consideration of cash collaterals. The same treatment is applied for the off-balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts.

Capital adequacy Standard had been prepared based on Basel I requirements, and Central Bank of Egypt Board of Directors had approved in its meeting held on 18 Dec. 2012 the instructions for the minimum

Capital adequacy Standard in the context of applying Basel II so as to identify a transitional period up to six months so that to provide Central Bank enough time to ensures the validity of regulations which guarantees data accuracy

| **According to Basel I** | **Dec. 31,2012 EGP** | **Dec. 31,2011 EGP** |
|---|---|---|
| **Tier 1 capital** | | |
| Share capital | 4 435 359 020 | 4 032 144 570 |
| General reserve | 1 358 999 206 | 1 119 846 944 |
| Legal reserve | 393 780 178 | 319 342 975 |
| Other reserves | 8 675 144 | ( 22 446 305) |
| Retained earnings * | 217 733 524 | 72 169 |
| **Total tier 1 capital** | **6 414 547 072** | **5 448 960 353** |
| **Tier 2 capital** | | |
| The equivalent amount of the loans general provision ** | 551 623 793 | 533 589 960 |
| Subordinated loans | 176 932 000 | 337 786 400 |
| 45 % of the increase in the fair value above the carrying amount of available for sale investment, held to maturity investments, and investments subsidiaries and associates. | 56 003 216 | -- |
| **Total tier 2 capital** | **784 559 009** | **871 376 360** |
| **Total capital** | **7 199 106 081** | **6 320 336 713** |
| **Risk weighted assets and contingent liabilities:** | | |
| Assets in the balance sheet | 38 379 685 443 | 37 030 960 191 |
| Contingent liabilities | 5 750 217 988 | 5 656 236 612 |
| **Total risk weighted assets and contingent liabilities** | **44 129 903 431** | **42 687 196 803** |
| **Capital adequacy ratio (%)** | **16.31%** | **14.81%** |

* Net of accumulated losses, if any.

** Provided it does not exceed 1.25% from total value of risk weighted assets and contingent liabilities.

| **According to Basel II** | **Dec. 31,2012 EGP** |
|---|---|
| **Tier 1 capital** | |
| Share capital | 4 435 359 020 |
| General reserve | 1 358 999 206 |
| Legal reserve | 393 780 178 |
| Other reserves | 8 675 144 |
| Retained earnings | 256 278 924 |
| Total deduction from capital invested | (314 450) |
| **Total tier 1 capital** | **6 452 778 022** |
| **Tier 2 capital** | |
| **45% from special reserve** | 78 156 886 |
| The equivalent amount of the loans general provision * | 556 862 367 |
| Subordinated loans | 176 932 000 |
| 45 % of the increase in the fair value above the carrying amount of available for sale investment, held to maturity investments, and investments in associates. | 56 003 216 |

| | |
|---|---|
| **Total tier 2 capital** | **867 954 469** |
| **Total capital** | **7 320 732 491** |
| **Risk weighted assets and contingent liabilities:** | |
| Credit Risk | 44 548 989 390 |
| Market Risk | -- |
| Operational Risk | 4 693 605 898 |
| **Total risk weighted assets and contingent liabilities** | **49 242 595 288** |
| **Capital adequacy ratio for tier one** | **13.10%** |
| **Capital adequacy ratio** | **14.87%** |

* Provided it does not exceed 1.25% from total value of risk weighted assets and contingent liabilities

- Based on Consolidated financial statement figures and in accordance with Central Bank of Egypt regulation issued on 24 December 2012.

## 4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the bank's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### a. Impairment of loans and facilities

The bank reviews its loans and facilities portfolio, at least, on a quarterly basis. Management uses its discretionary judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.

This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on management given experience.

### b. Impairment of available-for-sale equity investments

Available-for sale equity investments are determined to be impaired when there has been a significant or prolonged decline in the fair value below its cost. The bank considers the decline in fair value as significant, if fair value for an available-for-sale equity instrument has decreased at least by 10% below its cost, while it considers the decline as prolonged if it continued for more than nine months. The determination of whether the decline is significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the investee's financial position or in its operating and financing cash flows, deterioration in the industry or sector performance in which it operates, or when changes in technology occur.

If decline in the fair value lower than cost is deemed to be significant or extended, the bank shall suffer additional loss amounting to 1 475 092 EGP representing transfer of total losses in the fair value of available for sale equity instruments reported in equity to income statement.

**c. Fair value of derivatives**

Fair value of derivative financial instruments not quoted in an active market is determined using valuation techniques. When these techniques (such as the pricing models) are used to determine fair value, periodic tests and review are performed on them using competent independent personnel other than those responsible for the preparation of such techniques. All such models have been approved and tested prior to use to ensure that their results reflect reliable data and prices that can be compared to the market. These models use market observable data only to the extent it is practical to obtain such data, however, some areas such as credit risk related to the bank and counterparties, volatility and correlations requires management's judgment. Changes in assumptions about these factors can affect the fair value of the financial instrument's disclosure.

**d. Held to maturity investments**

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This classification requires personal judgment therefore the bank tests whether there is a genuine intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity except for certain tightly defined circumstances such as if an entity sells an insignificant amount of held-to-maturity investments close to maturity date, all held to maturity investments should be reclassified as available for sale, which will be measured at fair value instead of amortized cost. In addition, the bank shouldn't classify any investments as held to maturity for two years.

If classification of investments as held to maturity – other than stakes required to be retained by the bank in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding held-to-maturity investments at the end of the current reporting year would have decrease by EGP 697 222 to reach the fair value with a corresponding decrease in the available-for-sale valuation reserve within equity.

## 5. Segmentation analysis

**(5/A) Segmental analysis by activity**

Segment activity includes operational processes, assets used in offering Banking services, management of surrounding risks and related yield. Such activity may be different from other activities. Segmentation analysis of operations according to banking activities includes:

**Corporate:**

This includes current account activities, deposits, debit current accounts, loans, credit facilities, and financial derivatives to large, medium, and small entities.

**Individuals:**

This includes current account activities, deposits, savings, credit cards, personal loans, and real estate loans.

**Other businesses:**

They include other Banking activities such as fund management.

Inter-segment activities are affected within the bank’s normal course of business. Assets and liabilities of each segment include operating assets and liabilities as shown in the bank's balance sheet.

| **Current year** | **Corporate** | **Investments** | **Individual** | **Other businesses** | **Total** |
|---|---|---|---|---|---|
| **Income and expenses according to segmental activities** | | | | | |
| Interest from loans and similar income | 5 242 269 984 | 1 817 910 871 | 2 886 110 229 | (4 677 773 150) | **5 268 517 934** |
| Interest expense and similar expenses | (4 137 274 828) | (1 854 445 514) | (2 013 599 906) | 5 369 011 362 | **(2 636 308 886)** |
| **Net interest income** | **1 104 995 156** | **(36 534 643)** | **872 510 323** | **691 238 212** | **2 632 209 048** |
| Fees and commissions income | 552 255 938 | 3 211 374 | 282 169 383 | 30 079 868 | **867 716 563** |
| Fee and commissions expense | ( 8 598 528) | -- | ( 17 201 309) | 929 903 | **( 24 869 934)** |
| **Net interest, fees and commissions income** | **1 648 652 566** | **(33 323 269)** | **1 137 478 397** | **722 247 983** | **3 475 055 677** |
| Dividend income | -- | 30 613 596 | -- | -- | **30 613 596** |
| Net trading income | 108 397 610 | -- | 7 821 811 | 4 126 420 | **120 345 841** |
| Gain on sale of financial investments | -- | ( 12 447 902) | -- | -- | **( 12 447 902)** |
| Impairment credit (losses)/reversals | ( 484 356 691) | -- | ( 81 267 037) | -- | **( 565 623 728)** |
| Administrative expenses | ( 410 253 297) | ( 6 334 336) | ( 728 318 313) | 44 884 622 | **(1 100 021 324)** |
| Other operating revenues (expenses) | 83 871 394 | ( 122 492 460) | ( 47 323 529) | 58 451 778 | **( 27 492 817)** |
| **Profit before income tax** | **946 311 582** | **( 143 984 371)** | **288 391 329** | **829 710 803** | **1 920 429 343** |
| Income tax expenses | ( 236 577 896) | 35 996 093 | ( 72 097 832) | ( 111 169 890) | **( 383 849 525)** |
| **Net profit for current year** | **709 733 686** | **(107 988 278)** | **216 293 497** | **718 540 913** | **1 536 579 818** |
| **Net profit for comparative year** | **589 517 879** | **(56 795 161)** | **176 234 097** | **761 275 904** | **1 470 232 719** |

| At the end of current year | Corporate | Investments | Individual | Other businesses | Total |
|---|---|---|---|---|---|
| **Assets and liabilities according to segmental activities** | | | | | |
| **Segment activity assets** | | | | | |
| Due from Central Bank of Egypt | -- | -- | -- | 2 664 043 750 | **2 664 043 750** |
| Due from banks | -- | -- | -- | 5 380 459 243 | **5 380 459 243** |
| Treasury bills | -- | 12 205 523 046 | -- | -- | **12 205 523 046** |
| Loans to customers | 30 867 772 853 | -- | 7 454 153 381 | -- | **38 321 926 234** |
| Allowance for impairment losses, segregated interest and unearned discount on discounted bills | (1 000 623 043) | -- | ( 259 672 685) | -- | **(1 260 295 728)** |
| Financial derivatives | 5 257 166 | -- | -- | 15 648 170 | **20 905 336** |
| Available-for-sale investments | -- | 5 716 200 414 | -- | -- | **5 716 200 414** |
| Held-to-maturity investments | -- | 65 000 000 | -- | -- | **65 000 000** |
| Investments in associates | -- | 130 347 250 | -- | -- | **130 347 250** |
| **Unclassified assets** | | | | | |
| Cash | -- | -- | -- | -- | **1 365 528 256** |
| Intangible assets | -- | -- | -- | -- | **98 327 325** |
| Other assets | -- | -- | -- | -- | **654 689 734** |
| Deferred tax assets | -- | -- | -- | -- | **153 670 544** |
| Fixed assets ( net ) | -- | -- | -- | -- | **881 657 726** |
| **Total assets** | **29 872 406 976** | **18 117 070 710** | **7 194 480 696** | **8 060 151 163** | **66 397 983 130** |
| **Segment activity liabilities** | | | | | |
| Due to banks | -- | -- | -- | 1 227 569 263 | **1 227 569 263** |
| Customers' deposits | 30 833 258 792 | -- | 22 878 410 610 | -- | **53 711 669 402** |
| Other loans | -- | -- | -- | 130 769 311 | **130 769 311** |
| **Unclassified liabilities** | | | | | |
| other liabilities | -- | -- | -- | -- | **1 054 578 758** |
| Other provisions | -- | -- | -- | -- | **508 345 794** |
| Current income tax payable | -- | -- | -- | -- | **369 057 394** |
| Defined benefits liabilities | -- | -- | -- | -- | **148 496 423** |
| **Total liabilities** | **30 833 258 792** | **--** | **22 878 410 610** | **1 358 338 574** | **57 150 486 345** |
| **Total equity & Subordinated loan** | **--** | **--** | **--** | **--** | **9 247 496 785** |
| **at the end of comparative year** | | | | | |
| **Total assets** | **29 231 596 154** | **15 510 104 803** | **5 878 180 755** | **8 729 923 199** | **62 487 033 714** |
| **Total liabilities** | **31 598 634 455** | **--** | **20 111 058 686** | **226 619 764** | **54 330 796 100** |
| **Total equity & Subordinated loan** | **--** | **--** | **--** | **--** | **8 156 237 614** |

## Segmentation analysis

| (5/B) Segmental analysis by geographic area | Cairo | Giza | Alex | Delta | Red sea/ Upper Egypt | Head office | Total |
|---|---|---|---|---|---|---|---|
| **Income and expenses according to geographical segments** | | | | | | | |
| Interest from loans and similar income | 3 600 314 574 | 2 538 280 283 | 1 033 194 048 | 728 221 225 | 271 430 945 | (2 902 923 141) | **5 268 517 934** |
| Interest expense and similar expenses | (2 838 307 112) | (1 889 091 193) | ( 758 468 914) | ( 530 239 739) | ( 203 140 004) | 3 582 938 076 | **(2 636 308 886)** |
| **Net interest income** | **762 007 462** | **649 189 090** | **274 725 134** | **197 981 486** | **68 290 941** | **680 014 935** | **2 632 209 048** |
| Fee and commission income | 292 623 219 | 244 791 193 | 81 539 234 | 76 089 430 | 26 757 186 | 145 916 301 | **867 716 563** |
| Fee and commission expense | ( 8 249 415) | ( 7 642 443) | ( 3 303 123) | ( 2 761 360) | ( 1 712 102) | ( 1 201 491) | **( 24 869 934)** |
| **Net interest, fees & commissions income** | **1 046 381 266** | **886 337 840** | **352 961 245** | **271 309 556** | **93 336 025** | **824 729 745** | **3 475 055 677** |
| Dividend income | -- | -- | -- | -- | -- | 30 613 596 | **30 613 596** |
| Net trading income | 42 981 874 | 31 451 703 | 15 162 169 | 10 214 935 | 2 972 122 | 17 563 038 | **120 345 841** |
| Gain (Loss) on sale of financial investments | -- | -- | -- | -- | -- | ( 12 447 902) | **( 12 447 902)** |
| Impairment credit (losses)/reversals | ( 7 942 766) | ( 95 170 823) | ( 6 962 909) | ( 7 853 950) | ( 5 243 763) | ( 442 449 517) | **( 565 623 728)** |
| Administrative expenses | ( 451 688 713) | ( 404 906 509) | ( 173 881 690) | ( 134 553 912) | ( 87 516 818) | 152 526 318 | **(1 100 021 324)** |
| Other operating revenues (expenses) | ( 22 885 980) | ( 20 748 959) | ( 9 087 415) | ( 7 596 938) | ( 4 710 264) | 37 536 739 | **( 27 492 817)** |
| **Profit before income tax** | **606 845 681** | **396 963 252** | **178 191 400** | **131 519 691** | **(1 162 698)** | **608 072 017** | **1 920 429 343** |
| Income tax expense | ( 150 941 890) | ( 99 171 483) | ( 44 547 850) | ( 32 879 923) | 290 675 | ( 56 599 054) | **( 383 849 525)** |
| **Net profit for current year** | **455 903 791** | **297 791 769** | **133 643 550** | **98 639 768** | **( 872 023)** | **551 472 963** | **1 536 579 818** |
| **Net profit for comparative year** | **373 279 774** | **368 731 107** | **160 987 653** | **62 737 235** | **(14 656 746)** | **519 153 696** | **1 470 232 719** |

**At the end of current year**
**Assets and liabilities per geographical segments**

| Assets of geographical segments | Cairo | Giza | Alex | Delta | Red sea/ Upper Egypt | Head office | Total |
|---|---|---|---|---|---|---|---|
| Cash and due from Central Bank of Egypt | 173 170 475 | 218 421 706 | 51 029 840 | 88 601 566 | 49 939 808 | 3 448 408 611 | **4 029 572 006** |
| Due from Banks | 100 000 | -- | -- | -- | -- | 5 380 359 243 | **5 380 459 243** |
| Treasury bills | -- | -- | -- | -- | -- | 12 205 523 046 | **12 205 523 046** |
| Loans to customers | 17 706 688 210 | 10 721 412 407 | 4 243 089 121 | 4 498 904 498 | 1 151 831 998 | -- | **38 321 926 234** |
| Allowance for impairment losses, segregated interest and unearned discount on discounted bills | ( 492 460 776) | ( 415 092 624) | ( 59 598 437) | ( 249 903 886) | ( 40 678 423) | ( 2 561 582) | **(1 260 295 728)** |
| Financial derivatives | 5 686 | -- | ( 6 880) | 5 258 360 | -- | 15 648 170 | **20 905 336** |
| Available-for-sale investments | -- | -- | -- | -- | -- | 5 716 200 414 | **5 716 200 414** |
| Held-to-maturity investments | -- | -- | -- | -- | -- | 65 000 000 | **65 000 000** |
| Investments in associates | -- | -- | -- | -- | -- | 130 347 250 | **130 347 250** |
| Other assets | 78 075 888 | 44 892 984 | 25 660 524 | 22 969 167 | 4 948 741 | 478 142 430 | **654 689 734** |
| Fixed assets ( net ) | 166 479 117 | 251 200 542 | 90 610 616 | 75 634 657 | 51 534 033 | 246 198 761 | **881 657 726** |
| **Unclassified assets** | | | | | | | |
| Intangible assets | -- | -- | -- | -- | -- | -- | **98 327 325** |
| Deferred tax assets | -- | -- | -- | -- | -- | -- | **153 670 544** |
| **Total assets** | **17 632 058 600** | **10 820 835 015** | **4 350 784 784** | **4 441 464 362** | **1 217 576 157** | **27 683 266 343** | **66 397 983 130** |

| Liabilities of geographical segments | Cairo | Giza | Alex | Delta | Red sea/ Upper Egypt | Head office | Total |
|---|---|---|---|---|---|---|---|
| Due to Banks | 26 824 220 | 19 945 440 | 13 376 030 | -- | -- | 1 167 423 573 | **1 227 569 263** |
| Customers' deposits | 22 385 591 747 | 18 014 472 710 | 8 119 990 098 | 3 703 968 780 | 1 447 190 714 | 40 455 353 | **53 711 669 402** |
| Other loans | -- | -- | -- | -- | -- | 130 769 311 | **130 769 311** |
| Other liabilities | 279 664 490 | 233 881 448 | 132 687 477 | 50 303 571 | 29 240 169 | 328 801 603 | **1 054 578 758** |
| **Unclassified liabilities** | | | | | | | |
| Other provisions | -- | -- | -- | -- | -- | -- | **508 345 794** |
| Current income tax payable | -- | -- | -- | -- | -- | -- | **369 057 394** |
| Defined benefit liabilities | -- | -- | -- | -- | -- | -- | **148 496 423** |
| **Total liabilities** | **22 692 080 457** | **18 268 299 598** | **8 266 053 605** | **3 754 272 351** | **1 476 430 883** | **1 667 449 840** | **57 150 486 345** |
| **Total equity & subordinated loan** | **--** | **--** | **--** | **--** | **--** | **--** | **9 247 496 785** |
| **At the end of the comparative year** | | | | | | | |
| **Total assets** | **17 949 158 336** | **9 737 857 714** | **5 577 551 992** | **336 780 012** | **2 771 107 885** | **25 830 587 267** | **62 487 033 714** |
| **Total liabilities** | **21 957 569 850** | **18 384 379 323** | **8 053 467 338** | **3 060 054 993** | **1 359 892 308** | **546 248 654** | **54 330 796 100** |
| **Total equity & Subordinated loan** | -- | -- | -- | -- | -- | -- | **8 156 237 614** |

Segmental analysis is based on the locations of branches through which the bank provides its services.

## 6- Net interest income

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Interest from loans and similar income: | | |
| Loans and facilities: | | |
| Customers | 3 407 918 849 | 2 711 393 827 |
| | **3 407 918 849** | **2 711 393 827** |
| Treasury bills and bonds | 1 817 256 050 | 1 614 643 698 |
| Deposits and current accounts | 26 097 250 | 61 401 523 |
| Interest differential on hedging instruments (IRS contracts) | 17 245 785 | 32 542 652 |
| **Total** | **5 268 517 934** | **4 419 981 700** |
| Cost of deposits and similar costs | | |
| Deposits and current accounts: | | |
| Banks | (50 452 059) | (11 100 996) |
| Customers | (2 568 676 147) | (2 265 538 325) |
| **Total** | **(2 619 128 206)** | **(2 276 639 321)** |
| Other loans | (17 180 680) | (14 255 403) |
| **Total** | **(2 636 308 886)** | **(2 290 894 724)** |
| **Net** | **2 632 209 048** | **2 129 086 976** |

## 7- Net income from fees and commissions

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Fees and commissions revenue : | | |
| Credit fees and commissions | 563 837 304 | 477 547 340 |
| Custody fees | 7 664 196 | 10 013 267 |
| Investments commissions | 28 896 636 | 27 549 063 |
| Others | 267 318 427 | 216 840 165 |
| **Total** | **867 716 563** | **731 949 835** |
| Fees and commissions expense: | | |
| Brokerage fees | (1 316 825) | (1 925 299) |
| Other fees | (23 553 109) | (12 342 555) |
| **Total** | **(24 869 934)** | **(14 267 854)** |
| **Net** | **842 846 629** | **717 681 981** |

## 8- Dividend income

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Available for sale investments | 16 487 102 | 20 107 174 |
| Affiliates and subsidiaries | 14 126 494 | 1 824 605 |
| **Total** | **30 613 596** | **21 931 779** |

## 9- Net trading income

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Forex operations: | | |
| Foreign exchange trading gains | 118 499 477 | 121 827 976 |
| Changes in fair value of currency forward contracts | ( 404 184) | 12 221 620 |
| Held-for-Trading debt instruments | 2 250 548 | 7 006 327 |
| **Total** | **120 345 841** | **141 055 923** |

## 10- Administrative expenses

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Staff cost: | | |
| Salaries and wages | 505 481 781 | 441 991 809 |
| Social insurance | 20 403 987 | 18 088 753 |
| Pension cost: | | |
| Defined contribution schemes | 39 091 462 | 34 621 790 |
| Other retirement benefits (Defined benefit schemes) | 34 644 757 | 32 778 168 |
| | **599 621 987** | **527 480 520** |
| Depreciation and amortization | 120 622 946 | 111 850 851 |
| Other administrative expenses | 379 776 391 | 346 926 890 |
| **Total** | **1 100 021 324** | **986 258 261** |

## 11- Other operating incomes (expenses)

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss on initial recognition | 35 971 473 | 43 788 732 |
| Gain on sale of property, plants, and equipment | 533 352 | 868 000 |
| Programs cost | (18 012 447) | (18 584 010) |
| Operating lease rental expense | (50 408 685) | (45 322 502) |
| Gain on sale of foreclosed assets reverted to the bank in settlement of debts | -- | 2 774 963 |
| Other provisions (net of reversed amounts) | ( 10 576 649) | (127 621 124) |
| Other income (expense) | 15 000 139 | 4 924 564 |
| **Total** | **(27 492 817)** | **(139 171 377)** |

## 12- Credit impairment (loss)/reversal

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Loans and facilities to customers | (565 623 728) | (137 725 464) |
| **Total** | **(565 623 728)** | **(137 725 464)** |

## 13- Income tax expense

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Current tax | (345 732 585) | (348 815 597) |
| Deferred tax | (38 116 940) | 36 555 974 |
| **Total** | **(383 849 525)** | **(312 259 623)** |

Additional data on deferred tax is disclosed in note 30. Income tax expense is different from the tax that would have arisen had the statutory tax rate been applied on pre-tax accounting profit as shown below:

| | | |
|---|---|---|
| Profit before tax | 1 920 429 343 | 1 782 492 342 |
| Income tax expense calculated at 20 % tax rate | 2 000 000 | 2 000 000 |
| Income tax expense calculated at 25 % tax rate | 477 607 336 | 443 123 086 |
| **Tax impact for:** | | |
| Non-taxable income | (29 006 563) | (40 806 239) |
| Non-deductible expenses for tax purposes | 11 760 293 | 6 773 670 |
| (Deferred tax assets not previously recognized) /utilization | (37 356 575) | (33 667 765) |
| Tax rate diff. on Egyptian T.Bills and T.bonds | (83 546 286) | ( 70 658 329) |
| Prior-years' tax differences | (23 527 258) | 1 386 696 |
| Provision and segregated interest | 27 801 638 | 40 664 478 |
| Effective tax expense | **345 732 585** | **348 815 597** |

### Tax Position

**A) NSGB Position:**

**A-1) Corporate Tax**

The Bank's accounts were tax-examined and settled with respect to Tax since the beginning of activity till the end of 2008.

Years 2009 till 2010 under inspection by the tax authorities

For the year 2011 the Bank submitted its tax return on the due date and books have not been inspected yet.

**A-2) Salaries Taxes**

The Bank's books have been inspected, and the due tax was paid until year 2002.

Years 2003 till 2004 have been inspected and the bank received tax claims to which it has objected. An internal committee has not been scheduled yet.

Years 2005 till 2006 have been inspected by the tax authorities and waiting for tax claims

Years 2007 till 2009 under inspection by the tax authorities.

Years 2010 till 2011 the bank is preparing required documents for these years to start inspection with tax authorities.

**A-3) Stamp Tax**

The Bank's books have been inspected, and the due tax was paid for all branches until 31/07/2006, where the relevant final tax forms are yet to be received.

Period from 01/08/2006 till 31/12/2007 have been inspected by the tax authorities and waiting for tax claims.

Period from 01/01/2008 till 31/12/2011 the bank is preparing required documents for these years to start inspection with tax authorities.

**(B)EX-MIBank Position:**

**B-1) Corporate Tax**

The Bank's accounts were tax- examined and settled since the beginning of activity till 30/11/2006.

**B-2) Salaries Taxes**

The Bank's books have been inspected, and the due tax was paid till 30/11/2006.

**B-3) Stamp Tax**

The Bank's books have been inspected, and the tax due was paid for all branches until 31/07/2006, where the relevant final tax forms are yet to be received.

The President of the Republic issued a declaration on December 6, 2012 to modify some tax laws, and the decision was published in the official bulletin, and although no official decision has been made whether to halt or continue implementing these amendments, no action has been taken to apply this decision until the date of the separate financial statements issuance.

And due to the lack of sufficient information on this issue, the Bank's management couldn't estimate the impact of that decision –if implemented- on the Bank's separate financial statements at December 31, 2012 and on related tax bases.

## 14- Earnings per share

| | Dec. 31, 2012 EGP | Dec. 31,2011 EGP |
|---|---|---|
| Net profit for the year | 1 536 579 818 | 1 470 232 719 |
| Remuneration for the Board Members (from the year's net profit )* | (1 850 000) | (1 800 000) |
| Staff profit share (from the year's net profit)* | ( 175 377 999) | (135 846 887) |
| **Profit available to shareholders** | **1 359 351 819** | **1 332 585 832** |
| Weighted average number of the shares outstanding during the year | 443 535 902 | 443 535 902 |
| **Earnings per share** | **3.06** | **3.00** |

* Estimate amount based on the statement of profit distribution proposal, the amount will be subject to the ordinary GAM approval.

## 15- Cash and due from Central Bank of Egypt (CBE)

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Cash | 1 365 528 256 | 1 297 045 266 |
| Balances with CBE (mandatory reserve)* | 2 664 043 750 | 3 727 157 338 |
| **Total** | **4 029 572 006** | **5 024 202 604** |
| | | |
| Interest free balances | 4 029 572 006 | 5 024 202 604 |
| **Total** | **4 029 572 006** | **5 024 202 604** |

*During financial year, Central Bank of Egypt decreased mandatory reserve to be 10% instead of 14% in the comparative year

## 16- Due from Banks

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Current accounts | 266 297 848 | 409 933 090 |
| Deposits | 5 114 161 395 | 4 567 372 601 |
| **Total** | **5 380 459 243** | **4 977 305 691** |
| | | |
| Balances at CBE other than those under the mandatory reserve | 1 631 447 840 | 1 601 147 217 |
| Local banks | 50 163 535 | 134 358 379 |
| Foreign banks | 3 698 847 868 | 3 241 800 095 |
| **Total** | **5 380 459 243** | **4 977 305 691** |

| | | |
|---|---|---|
| Interest free balances | 73 533 060 | 141 939 776 |
| Balances at floating interest rates | 200 829 933 | 268 093 314 |
| Balances at fixed interest rates | 5 106 096 250 | 4 567 272 601 |
| **Total** | **5 380 459 243** | **4 977 305 691** |
| Current balances | 5 380 459 243 | 4 977 305 691 |
| **Total** | **5 380 459 243** | **4 977 305 691** |

## 17- Treasury bills

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| 91 days maturity | 1 343 575 000 | 2 098 275 000 |
| 182 days maturity | 3 111 275 000 | 3 055 875 000 |
| More than 182 days maturity | 8 399 511 000 | 5 209 780 780 |
| | **12 854 361 000** | **10 363 930 780** |
| Less : Unearned interest | (648 837 954) | (464 646 511) |
| **Net** | **12 205 523 046** | **9 899 284 269** |

## 18- Loans and facilities to costumers (net)

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| **Individuals** | | |
| Debit current accounts | 683 159 432 | 713 947 355 |
| Credit cards | 279 062 423 | 207 872 620 |
| Personal loans | 6 300 474 070 | 5 099 006 895 |
| Real estate loans | 191 457 456 | 130 479 251 |
| **Total (1)** | **7 454 153 381** | **6 151 306 121** |
| **Corporate including small loans for businesses** | | |
| Debit current accounts | 13 224 218 944 | 12 436 487 557 |
| Direct loans | 8 534 517 386 | 8 684 226 594 |
| Syndicated loans & facilities | 7 732 640 063 | 8 048 112 341 |
| Other loans | 1 376 396 460 | 988 516 170 |
| **Total (2)** | **30 867 772 853** | **30 157 342 662** |
| **Total loans and facilities to customers (1+2)** | **38 321 926 234** | **36 308 648 783** |
| Less: Allowance for impairment losses | (1 206 223 953) | (1 117 443 476) |
| Less: segregated interest | (36 045 480) | (75 698 390) |
| Less: Unearned discount for discounted bills | (18 026 295) | (16 473 918) |
| **Net amount distributed as follows:** | **37 061 630 506** | **35 099 032 999** |
| Current balances | 21 704 532 668 | 19 340 677 684 |
| Non-current balances | 15 357 097 838 | 15 758 355 315 |
| **Total** | **37 061 630 506** | **35 099 032 999** |

## 18-A Allowance for impairment losses

**Dec. 31, 2012**

| | Specific provision | Individuals Collective provision | Total |
|---|---|---|---|
| Balance at the beginning of the year | 238 966 870 | 33 962 904 | 272 929 774 |
| Impairment loss recognized during the year | 73 825 582 | 7 441 455 | 81 267 037 |
| Collections of loans previously written-off | -- | 4 724 | 4 724 |
| Loans written-off | ( 94 651 038) | -- | (94 651 038) |
| Balance at end of the year | **218 141 414** | **41 409 083** | **259 550 497** |

| | Specific provision | Corporate Collective provision | Total |
|---|---|---|---|
| Balance at the beginning of the year | 634 299 040 | 210 214 662 | 844 513 702 |
| Impairment loss recognized during the year | 209 955 438 | 274 401 253 | 484 356 691 |
| Loans written-off | (391 963 969) | -- | (391 963 969) |
| Collections of loans previously written-off | -- | 1 490 658 | 1 490 658 |
| Foreign exchange translation differences | 309 875 | 7 966 499 | 8 276 374 |
| Balance at end of the year | **452 600 384** | **494 073 072** | **946 673 456** |
| **Total** | **670 741 798** | **535 482 155** | **1 206 223 953** |

**Dec. 31, 2011**

| | Specific provision | Individuals Collective provision | Total |
|---|---|---|---|
| Balance at the beginning of the year | 180 026 489 | 59 710 127 | 239 736 616 |
| Impairment loss recognized during the year | 59 005 811 | -- | 59 005 811 |
| Reversal of impairment losses | -- | ( 25 747 223) | (25 747 223) |
| Loans written-off | ( 65 430) | -- | ( 65 430) |
| Balance at end of the year | **238 966 870** | **33 962 904** | **272 929 774** |

| | Specific provision | Corporate Collective provision | Total |
|---|---|---|---|
| Balance at the beginning of the year | 677 367 631 | 124 470 581 | 801 838 212 |
| Impairment loss recognized during the year | 22 516 558 | 81 950 318 | 104 466 876 |
| Loans written-off | (65 994 715) | -- | (65 994 715) |
| Collections of loans previously written-off | -- | 454 637 | 454 637 |
| Foreign exchange translation differences | 409 566 | 3 339 126 | 3 748 692 |
| Balance at the end of the year | **634 299 040** | **210 214 662** | **844 513 702** |
| **Total** | **873 265 910** | **244 177 566** | **1 117 443 476** |

## 19- Financial Derivatives

| | | Dec. 31, 2012 | |
|---|---|---|---|
| **(A) Held-for-trading** | **Notional** | **Assets** | **Liabilities** |
| Forward foreign exchange contracts | 248 152 349 | 8 723 837 | -- |
| Interest rate swap contracts | 998 914 701 | -- | -- |
| **Total** | | **8 723 837** | **--** |
| **(B) Fair value hedges** | | | |
| Interest rate swap contracts | 1 038 533 181 | 2 441 678 | -- |
| **(C) Cash flow hedges** | | | |
| Interest rate swap contracts | 252 760 000 | 9 739 821 | -- |
| **Total** | | **20 905 336** | -- |

| | | Dec. 31, 2011 | |
|---|---|---|---|
| **(A) Held-for-trading** | **Amount** | **Assets** | **Liabilities** |
| Forward foreign exchange contracts | 257 865 146 | 9 128 021 | -- |
| Interest rate swaps contracts | 1 954 704 653 | 13 652 058 | -- |
| **Total** | | **22 780 079** | **--** |
| **(B) Fair value hedges** | | | |
| Interest rate swaps contracts | 1 383 609 280 | 2 822 823 | -- |
| **(C) Cash flow hedges** | | | |
| Interest rate swap contracts | 331 754 500 | 10 601 178 | -- |
| **Total** | | **36 204 080** | **---** |

Forward exchange contracts represent commitments to purchase local and foreign currencies including the unexecuted part of regular-way transactions. Interest rate swap contracts represent commitments to swap fixed interest rate with variable interest rate where the physical exchange of funds is not required except in foreign exchange swaps. The bank's credit risk represents the cost of potential replacement of the swaps in case other parties fail to meet their obligations. This risk is controlled on an ongoing basis in terms of fair value and percentage of contracted amounts. To control the outstanding credit risk, the bank assesses counterparties to the contract in the same manner used in lending activities.

**Fair value hedge**

The bank uses interest rate swap contracts to mitigate part of the risk of potential increase in fair value of its fixed rate customer's deposits in foreign currencies to the extent caused by declining market interest rates.
Net derivative assets resulting from these swap contracts have a fair value of EGP 2 441 678 as of Dec 31, 2012 (December 31, 2011 net assets of EGP 2 822 823).

## Cash Flow Hedge

The bank uses interest rate swap contracts to hedge part of its risk to fluctuations in cash flows associated with its loans to customers.
The fair value for swaps represents net assets by EGP 9 739 821 as of December 31, 2012 (December 31, 2011: assets of EGP 10 601 178).

## 20- Financial investments

**Available for sale investments**

| | | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|---|
| (A) | Debt instruments at fair value | | |
| | Listed instruments | 3 101 499 113 | 2 753 404 937 |
| | Unlisted instruments | 2 254 788 635 | 2 278 749 175 |
| (B) | Equity instruments at fair value | | |
| | Listed instruments | 47 414 822 | 47 218 080 |
| (C) | Money Market Funds | | |
| | Unlisted instruments | 132 962 816 | 118 477 632 |
| (D) | Equity Instruments at Cost | | |
| | Unlisted Instruments | 179 535 028 | 234 100 050 |
| | **Total available for sale investments (1)** | **5 716 200 414** | **5 431 949 874** |
| | **Held to maturity investments** | | |
| (A) | Debt instruments | | |
| | Listed instruments | 50 000 000 | 120 008 160 |
| (B) | Money Market Funds and balanced Funds | | |
| | Unlisted instruments * | 15 000 000 | 15 000 000 |
| | **Total held to maturity investments (2)** | **65 000 000** | **135 008 160** |
| | **Total financial investments (1+2)** | **5 781 200 414** | **5 566 958 034** |
| | Current balances | 243 217 525 | 1 052 976 941 |
| | Non-current balances | 5 537 982 889 | 4 513 981 093 |
| | **Total** | **5 781 200 414** | **5 566 958 034** |
| | Fixed interest debt instruments | 5 406 287 748 | 5 152 162 272 |
| | **Total Debt Instruments** | **5 406 287 748** | **5 152 162 272** |

The following table analyzes movement on financial investments during the year:

| | Available for sale investments | Held to maturity investments |
|---|---|---|
| **Balance at the beginning of the current year** | 5 431 949 874 | 135 008 160 |
| Additions | 2 483 570 967 | -- |
| Amortization of premium / discount | ( 17 222 775) | ( 8 160) |
| Disposals (sale/redemption) | (2 409 397 550) | ( 70 000 000) |
| Translation differences resulting from monetary foreign currency assets | 98 005 197 | -- |
| Changes in fair value | 147 354 825 | -- |
| Provision for impairment loss | ( 18 060 124) | -- |
| **Balance at the end of the current year** | **5 716 200 414** | **65 000 000** |

The following table analyzes movement on financial investments during the comparative year :

| | | |
|---|---|---|
| **Balance at the beginning of the comparative year** | 5 315 919 205 | 206 196 247 |
| Additions | 2 648 875 943 | 5 000 000 |
| Amortization of premium / discount | ( 24 025 321) | ( 424 087) |
| Disposals (sale/redemption) | (2 382 160 415) | ( 75 764 000) |
| Translation differences resulting from monetary foreign currency assets | 5 332 952 | -- |
| Changes in fair value | ( 130 016 507) | -- |
| Allowance for impairment loss | ( 1 975 983) | -- |
| **Balance at the end of the comparative year** | **5 431 949 874** | **135 008 160** |

| **Gain (losses) from financial investments** | **Dec. 31, 2012** | **Dec. 31,2011** |
|---|---|---|
| Gain on derecognition of investments available for sale | 9 000 | 9 209 159 |
| Gain on sale of available for sale assets | 6 202 189 | 28 657 609 |
| loss of impairment of available for sale equity instruments | ( 18 060 123) | ( 1 975 983) |
| Loss from sale and liquidation of shares in affiliates | ( 598 968) | -- |
| | **(12 447 902)** | **35 890 785** |

* -The bank's equity instruments classified in the held-to-maturity category represent NSGB subscribed stake at 5% from the total certificates' number of its first money market fund (Themar) upon its initial offering, in addition to NSGB subscribed stake at 20% from the total certificates' number of its second money market fund (Tawazon), in addition to the 20% from the total certificates' number of its third money market fund (Tadawol) upon its initial offering. All stakes required to be retained by the bank until maturity of the funds in accordance with the provisions of the law, had a nominal value of EGP 5 million each.

## 21- Investments in subsidiaries and associates

The following table summarizes the bank's holdings in its subsidiaries and associates:

| Dec. 31, 2012 | Country of residence | Investee's assets EGP | Investee's liabilities (excluding equity) EGP | Investee's revenues EGP | Investee's profit (loss) EGP | Carrying amount EGP | NSGB stake % |
|---|---|---|---|---|---|---|---|
| Sogelease Egypt Company | Egypt | 1 843 215 113 | 1 642 954 332 | 594 029 608 | 15 552 809 | 66 984 000 | %60 |
| NSGB Life Insurance Company | Egypt | 570 731 873 | 486 878 590 | 33 905 557 | 21 099 173 | 11 526 000 | %25 |
| Senouhi Company for Construction Materials | Egypt | 13 831 852 | 2 533 531 | 10 323 184 | ( 208 850) | 1 847 250 | %23.09 |
| NSGB Factoring Company | Egypt | 106 818 324 | 54 754 839 | 4 798 649 | 2 063 484 | 49 990 000 | %99.9 |
| **Total** | | **2 534 597 162** | **2 187 121 292** | **643 056 998** | **38 506 616** | **130 347 250** | |

During the financial year, the bank sold its share of 12.5% of ALD Automotive which amounted to EGP 1 890 880 realizing a loss amounted to EGP 598 370 recorded in Gain (Loss) /on financial investments

On November 2012, the bank purchased the NBE stake in Sogelease "accounting for 20% from company's capital", The bank stake on Sogelease increased from 40% to 60% achieving the control over its financial and operating policies. The total consideration of this stake is EGP 38,984,000 recognized in investment in subsidiaries, accordingly the carrying value of Sogelease in December 31, 2012 reached to EGP 66,984,000.

Based on this transaction, the investment in Sogelease is recognized as investment on subsidiaries, transferring from the group on investment in associates.

During the financial year, the bank establishes NSGB Factoring Company with capital sharing reached 99.9%. Based on this transaction, the investment in NSGB Factoring is recognized as investment on subsidiaries.

| Dec. 31, 2011 | Country of residence | Investee's assets EGP | Investee's liabilities (excluding equity) EGP | Investee's revenues EGP | Investee's profit (loss) EGP | Carrying amount EGP | NSGB stake % |
|---|---|---|---|---|---|---|---|
| Sogelease Egypt Company | Egypt | 1 781 783 106 | 1 591 962 172 | 595 107 782 | 29 191 251 | 28 000 000 | %40 |
| NSGB Life Insurance Company | Egypt | 474 344 104 | 360 999 879 | 19 012 548 | 12 258 734 | 11 526 000 | %25 |
| ALD Automotive | Egypt | 90 284 000 | 73 535 000 | 36 793 000 | (2 906 000) | 2 489 250 | %12.5 |
| Senouhi Company for Construction Materials | Egypt | 14 110 947 | 2 471 127 | 9 167 830 | ( 134 515) | 1 847 250 | %23.09 |
| **Total** | | **2 360 522 157** | **2 028 968 178** | **660 081 160** | **38 409 470** | **43 862 500** | |

## 22- Intangible assets

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| **Software** | | |
| Net book value at the beginning of the year | 93 646 164 | 105 334 201 |
| Additions | 26 819 453 | 11 005 055 |
| Amortization | (22 138 292) | (22 693 092) |
| Net book value at the end of the year | **98 327 325** | **93 646 164** |

## 23- Other assets

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Accrued revenues | 317 700 357 | 318 324 999 |
| Pre-paid expenses | 24 751 542 | 24 136 244 |
| Advance payments under the purchase of fixed assets | 23 386 183 | 145 058 797 |
| Foreclosed assets reverted to the bank in settlement of debts | 38 711 902 | 38 711 902 |
| Deposits held with others and custody | 2 951 863 | 3 161 036 |
| Advanced payment to tax authority | 209 430 377 | 204 435 726 |
| Others | 37 757 510 | 28 998 686 |
| **Total** | **654 689 734** | **762 827 390** |

## 24- Fixed assets

| | Lands and buildings | Renovations of leased assets | Machinery & equipment | Others | Total |
|---|---|---|---|---|---|
| **01/01/2011** | **EGP** | **EGP** | **EGP** | **EGP** | |
| Cost | 743 953 352 | 86 387 170 | 269 687 078 | 73 630 387 | 1 173 657 987 |
| Accumulated depreciation | (196 210 167) | (35 129 460) | (198 075 176) | (44 165 711) | (473 580 514) |
| Net book value | **547 743 185** | **51 257 710** | **71 611 902** | **29 464 676** | **700 077 473** |
| **31/12/2011** | | | | | |
| Net book value at the beginning of the year | 547 743 185 | 51 257 710 | 71 611 902 | 29 464 676 | 700 077 473 |
| Additions | 118 497 151 | 8 163 061 | 50 349 840 | 5 446 306 | 182 456 358 |
| Disposals from fixed assets | ( 10 434) | -- | -- | ( 84 000) | ( 94 434) |
| Disposals from accumulated depreciation | -- | -- | -- | 84 000 | 84 000 |
| Deprecation for the year | (38 831 120) | (11 430 927) | (32 946 736) | (5 948 976) | (89 157 759) |
| Net book value | **627 398 782** | **47 989 844** | **89 015 006** | **28 962 006** | **793 365 638** |
| **01/01/2012** | | | | | |
| Cost | 862 440 069 | 94 550 231 | 320 036 918 | 78 992 693 | 1 356 019 911 |
| Accumulated depreciation | (235 041 287) | (46 560 387) | (231 021 912) | (50 030 687) | (562 654 273) |
| Net book value | **627 398 782** | **47 989 844** | **89 015 006** | **28 962 006** | **793 365 638** |
| **31/12/2012** | | | | | |
| Net book value at the beginning of the year | 627 398 782 | 47 989 844 | 89 015 006 | 28 962 006 | 793 365 638 |
| Additions | 114 269 920 | 7 236 199 | 49 160 766 | 16 270 295 | 186 937 180 |
| Disposals from fixed assets | ( 160 438) | -- | -- | -- | ( 160 438) |
| Depreciation for the year | (45 323 647) | (12 348 227) | ( 35 598 896) | (5 213 884) | (98 484 654) |
| Net book value | **696 184 617** | **42 877 816** | **102 576 876** | **40 018 417** | **881 657 726** |
| **Balances at 31/12/2012** | | | | | |
| Cost | 976 549 551 | 101 786 430 | 369 197 684 | 95 262 988 | 1 542 796 653 |
| Accumulated depreciation | (280 364 934) | (58 908 614) | (266 620 808) | (55 244 571) | (661 138 927) |
| Net book value | **696 184 617** | **42 877 816** | **102 576 876** | **40 018 417** | **881 657 726** |

## 25- Due to banks

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Current accounts | 126 312 881 | 68 697 738 |
| Deposits | 1 101 256 382 | 41 563 444 |
| **Total** | **1 227 569 263** | **110 261 182** |
| | | |
| Central banks | 31 833 058 | 27 939 517 |
| Local banks | 1 076 883 734 | 23 700 014 |
| Foreign banks | 118 852 471 | 58 621 651 |
| **Total** | **1 227 569 263** | **110 261 182** |
| | | |
| Non-interest bearing balances | 94 479 824 | 32 218 480 |
| Variable interest rate balances | 31 833 057 | 36 479 258 |
| Fixed interest rate balances | 1 101 256 382 | 41 563 444 |
| **Total** | **1 227 569 263** | **110 261 182** |
| | | |
| Current balances | 1 227 569 263 | 110 261 182 |
| **Total** | **1 227 569 263** | **110 261 182** |

## 26- Customers' deposits

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Demand deposits | 12 520 136 399 | 11 122 287 216 |
| Time deposits and on call accounts | 27 756 016 295 | 29 124 111 878 |
| Term saving certificates | 7 712 294 994 | 5 992 165 000 |
| Savings deposits | 4 107 433 403 | 3 785 617 998 |
| Other deposits * | 1 615 788 311 | 1 685 511 049 |
| **Total** | **53 711 669 402** | **51 709 693 141** |
| | | |
| Corporate deposits | 30 833 258 792 | 31 598 634 455 |
| Retail deposits | 22 878 410 610 | 20 111 058 686 |
| **Total** | **53 711 669 402** | **51 709 693 141** |
| | | |
| Non-interest bearing balances | 14 135 924 710 | 12 807 798 265 |
| Variable interest rate balances | 4 268 581 403 | 4 889 528 998 |
| Fixed interest rate balances | 35 307 163 289 | 34 012 365 878 |
| **Total** | **53 711 669 402** | **51 709 693 141** |
| | | |
| Current balances | 45 881 509 792 | 44 095 885 280 |
| Non-current balances | 7 830 159 610 | 7 613 807 861 |
| **Total** | **53 711 669 402** | **51 709 693 141** |

* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 342 595 975 as of December 31, 2012 (December 31, 2011 EGP 390 138 520). The fair value of these deposits approximates its carrying amount.

## 27.A- Other loans

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Central Bank of Egypt loan | -- | 56 583 917 |
| European Investment Bank loan | 2 369 309 | 2 209 942 |
| National Bank of Egypt loan (Ebab & Eco) | 128 400 002 | 57 564 723 |
| **Total** | **130 769 311** | **116 358 582** |

## 27.B- The Subordinated loan

Represents a loan from SG Paris acquired on December 27, 2006 for USD 140 000 000 equivalent to EGP 884 660 000 as of December 31, 2012 (equivalent to EGP 844 466 000 as of December 31, 2011). The loan original period is 7 years ending on January 27, 2014, interest is payable in arrears at the end of each year at interest rate of 0.9% over LIBOR 12 months. The bank repaid the full loan amount on January 28, 2013

## 28- Other liabilities

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Accrued interest | 705 538 807 | 1 065 946 714 |
| Unearned revenues | 38 923 817 | 37 958 581 |
| Accrued expenses | 153 896 514 | 112 764 222 |
| Sundry credit balances | 156 219 620 | 208 630 044 |
| **Total** | **1 054 578 758** | **1 425 299 561** |

## 29- Other provisions

**Dec. 31, 2012**

| Description | Balance at the beginning of the year | Formed during the year | Released during the year | Foreign currencies translation differences | Used during the year | Balance at the end of year |
|---|---|---|---|---|---|---|
| | EGP | EGP | EGP | EGP + (-) | EGP | EGP |
| Provision for probable tax claims | 222 344 170 | 115 381 332 | -- | -- | ( 3 000 000) | 334 725 502 |
| Provision for probable legal claims | 16 025 639 | 764 129 | -- | 165 852 | ( 526 716) | 16 428 904 |
| Provision for contingent liabilities | 246 680 531 | -- | ( 103 758 528) | 1 929 907 | -- | 144 851 910 |
| Provision for fidelity | 12 596 811 | -- | ( 547 114) | 560 635 | ( 270 854) | 12 339 478 |
| Provision for other probable claims | 2 500 000 | -- | ( 1 263 170) | -- | ( 1 236 830) | -- |
| **Total** | **500 147 151** | **116 145 461** | **( 105 568 812)** | **2 656 394** | **( 5 034 400)** | **508 345 794** |

**Dec. 31, 2011**

| Description | Balance at the beginning of the year | Formed during the year | Released during the year | Foreign currencies translation differences | Used during the year | Balance at the end of year |
|---|---|---|---|---|---|---|
| | EGP | EGP | EGP | EGP + (-) | EGP | EGP |
| Provision for probable tax claims | 170 095 756 | 70 658 328 | -- | -- | ( 18 409 914) | 222 344 170 |
| Provision for probable legal claims | 16 961 138 | 89 687 | -- | 119 611 | ( 1 144 797) | 16 025 639 |
| Provision for contingent liabilities | 182 083 441 | 59 886 477 | -- | 4 710 613 | -- | 246 680 531 |
| Provision for fidelity | 11 463 274 | 686 632 | -- | 446 905 | -- | 12 596 811 |
| Provision for other probable claims | 2 500 000 | -- | -- | -- | -- | 2 500 000 |
| Provision for staff accrued absence | 3 700 000 | -- | ( 3 700 000) | -- | -- | -- |
| **Total** | **386 803 609** | **131 321 124** | **( 3 700 000)** | **5 277 129** | **( 19 554 711)** | **500 147 151** |

## 30- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet liability method and at a tax rate of 25% for the current financial year. The bank does not offset deferred tax assets and deferred tax liabilities unless the bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

### Deferred tax assets and liabilities

Below are the balances and movements of deferred tax assets and liabilities:

**Balances of deferred tax assets and liabilities:**

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
| **Tax impact on temporary differences arising from:** | | | | |
| Fixed assets | -- | -- | (37 819 885) | (35 927 752) |
| Goodwill | 145 089 499 | 182 133 626 | -- | -- |
| Provisions (other than allowance for loan impairment) | 99 246 682 | 98 427 361 | -- | -- |
| Changes in fair value of available-for-sale investments | -- | -- | (48 790 119) | (50 233 257) |
| Effect of changes in accounting policies | -- | -- | (4 055 633) | (4 055 633) |
| **Deferred tax assets (liabilities)** | **244 336 181** | **280 560 987** | **(90 665 637)** | **(90 216 642)** |
| **Net balance of DTA (DTL)** | **153 670 544** | **190 344 345** | | |

**Movement of deferred tax assets and liabilities:**

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
| Beginning balance | 280 560 987 | 237 067 373 | (90 216 642) | (55 296 905) |
| DT recognized during the year | (36 224 806) | 43 493 614 | ( 448 995) | (34 919 737) |
| Closing balance | **244 336 181** | **280 560 987** | **(90 665 637)** | **(90 216 642)** |

**Balances of deferred tax assets (liabilities) recognized directly in equity**

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Cumulative change in fair value of available-for-sale investments | (48 790 119) | (50 233 257) |
| Effect of changes in accounting policies (special reserve) | (3 244 506) | (3 244 506) |

## 31- Retirement benefit obligation

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| **Amounts recognized in the statement of financial position:** | | |
| Liability for post-retirement medical benefits | 148 496 423 | 119 598 838 |
| **Amounts recognized in the income statement:** | | |
| Post-retirement medical benefits | 34 644 757 | 32 778 168 |
| **Post-retirement medical benefits obligation constitutes of:** | | |
| Present value of unfunded liabilities | 229 416 000 | 140 782 316 |
| Unrecognized actuarial loss | (80 919 577) | (21 183 478) |
| | **148 496 423** | **119 598 838** |

Liability movements during the financial year are shown below:

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Beginning balance (beginning of current year) | 119 598 838 | 91 918 000 |
| Current service cost | 4 960 000 | 3 488 262 |
| Interest cost | 8 370 000 | 7 783 269 |
| Actuarial losses | 21 314 757 | 21 506 637 |
| Benefits paid | (5 747 172) | (5 097 330) |
| | **148 496 423** | **119 598 838** |

Amounts recognized in the income statement are shown below:

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Current service cost | 4 960 000 | 3 488 262 |
| Interest cost | 8 370 000 | 7 783 269 |
| Net actuarial losses (gain) recognized during the year | 21 314 757 | 21 506 637 |
| | **34 644 757** | **32 778 168** |

The main actuarial assumptions used by the bank are outlined below:

Discount rate (two plans):

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| A- NSGB current employees plan | 4.30% | 5.00% |
| B- Ex-MIBank retirees plan | 3.90% | 4.90% |
| NSGB long term increase in the cost of medical care (on top of inflation) | 8.26% | 8.26% |
| Ex-MIBank long term increase in the cost of medical care (on top of inflation) | 7.50% | 7.50% |

| **Sensitivities to +1% in discount rate (duration of the plan):** | **Service cost** | **DBO** |
|---|---|---|
| Post-retirement medical benefits - NSGB current employees plan | -26.05% | -22.16% |
| Post-retirement medical benefits - Ex-MIBank retirees plan | -- | -14.68% |

**Post-retirement medical benefits**

| | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** |
|---|---|---|
| Present value of defined benefit obligation | 148 496 423 | 119 598 838 |
| Effect on defined benefit obligation arising from changes in the schemes underlying assumptions based on historical experience | 15 188 000 | 5 204 122 |

## 32- Paid - in capital

### (A) Authorized Capital

The authorized capital amounts to EGP 5 billion.

### (B) Issued and Paid in Capital

The issued and subscribed capital on January 1, 2011 amounted to EGP 3 665 585 980, representing 366 558 598 shares with a nominal value of EGP 10 each, of which 241 235 598 shares were paid in Egyptian pound and 125 323 000 shares were paid in foreign currency. The value of the shares paid in foreign currencies is recorded according to the exchange rates prevailing on the payment date.

On March 28, 2011 the Extra Ordinary General Assembly decided to increase the issued capital amounting EGP 3 665 585 980 by an amount of EGP 366 558 590 through a transfer from the General Reserves to reach EGP 4 032 144 570.

On March 25, 2012 the Extra Ordinary General Assembly decided to increase the issued capital from EGP 4 032 144 570 to EGP 4 435 359 020 by an amount of EGP 403 214 450 through a transfer from the General Reserves.

The issued and paid in capital amounted to EGP 4 435 359 020 on December 31,2012 representing 443 535 902 shares with a nominal value of 10 EGP each, of which 318 212 902 shares were paid in Egyptian pound and 125 323 000 shares were paid in foreign currency according to the exchange rates prevailing on the payment date.

## 33- Share-Based Payments

Bank of Societe Generale Paris (France), which is the parent of National Societe Generale Bank, has launched new employees share ownership plan (ESOP) according to the Board of Directors decision in its meeting held on 2 November 2010. It has issued equity-settled share-based payments in Societe Generale Paris' shares in the favor of employees in National Societe General Bank based on specific performance terms:

- 16 shares will be awarded if the Group's Return on Equity (ROE) for 2012 after tax is at least 10%. If this condition is met, the shares will be made available at the end of March 2015.The condition was changed in May 2012, the shareholders accepted to replace the performance condition to be positive net income, group share 2012.

- 24 shares will be awarded if there is an improvement in customer satisfaction between 2010 and 2013. In the event that this condition is only partially met, a proportion of the shares will nevertheless be allocated. These shares will be made available at the end of March 2016.

- The fair value of the equity instruments determined on the grant date is expensed on an accrual basis and reported in Administrative expenses in the income statements with a corresponding increase in equity according to the bank' evaluation to the number of shares that will be issued. Additional expense arising in connection with the scheme accrues in each reporting year based on the share-based payments vested to the employees. Such expense is recognized in profit or loss and credited to the ESOP Reserve in equity based on management's best estimate of the number of shares that will ultimately vest at each reporting date. Changes in such estimate are accounted for prospectively in the periods in which the change arises.

## 34- Reserves and retained earnings

### (1) Reserves

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| General reserve (a) | 1 358 999 206 | 1 119 846 944 |
| General banking risk reserve (b) | 123 047 602 | 379 326 526 |
| Legal reserve (c) | 393 780 178 | 319 342 975 |
| Revaluation reserve of available for sale investments (d) | 118 535 514 | ( 30 253 449) |
| Special reserve (e) | 147 044 179 | 147 044 179 |
| Capital reserve | 8 675 144 | 7 807 144 |
| Cash flow risk hedging reserve | 7 418 829 | 8 026 174 |
| **Total reserves at the end of the year** | **2 157 500 652** | **1 951 140 493** |

**Reserves movements are as follows:**

**(a) General reserve**

| | | |
|---|---|---|
| Balance at the beginning of the financial year | 1 119 846 944 | 934 905 534 |
| Transferred from retained earnings | 642 366 712 | 551 500 000 |
| Transferred to capital increase | ( 403 214 450) | ( 366 558 590) |
| **Balance at the end of year** | **1 358 999 206** | **1 119 846 944** |

**(b) General Banking risk reserve**

| | | |
|---|---|---|
| Balance at the beginning of year | 379 326 526 | 248 979 161 |
| Transferred to retained earnings / from the year's profit | ( 256 278 924) | 130 347 365 |
| **Balance at the end of year** | **123 047 602** | **379 326 526** |

The CBE regulations require banks to form General Banking Risk Reserve to meet unexpected risks. Such reserve should be deducted from net profit through the statement of profit appropriation, until it is approved by the GAM meeting convened to approve the annual financial statements. Such reserve cannot be used unless with approval from the CBE.

**(c) Statutory reserve**

| | | |
|---|---|---|
| Balance at the beginning of year | 319 342 975 | 252 481 583 |
| Transferred from the prior year's profit | 74 437 203 | 66 861 392 |
| **Balance at the end of year** | **393 780 178** | **319 342 975** |

According to the provisions of local laws and the bank's statutes, 5 % of net profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 100 % of the bank's capital.

**( d ) Revaluation reserve of available for sale investments**

| | | |
|---|---|---|
| Balance at the beginning of year | ( 30 253 449) | 136 954 314 |
| Net gains (losses) resulting from changes in fair value during the year (Note 20 ) | 147 354 825 | ( 130 016 507) |

| | | |
|---|---|---|
| Deferred tax recognized during the year (Note 30) | 1 443 138 | ( 27 982 097) |
| Net profit reclassified to income on de-recognition (Note 20) | ( 9 000) | ( 9 209 159) |
| **Balance at the end of year** | **118 535 514** | **(30 253 449)** |

**( e ) Special Reserve**

The application of the CBE new basis rules of preparation and presentation of financial statements as well as the modified principles of recognition and measurement requires to restate the comparative figures of the first financial year that have been impacted by this change, including comparative figures in the balance sheet and the income statements for the previous year. As the impact of adjustment is positive, such impact was carried directly to retained earnings then transferred to the special reserve in equity and shall not be used except by approval from CBE. The following is a breakdown of the items that generated the special reserve amount:

| | |
|---|---|
| Allowance for loans to customers | 112 739 320 |
| Contingent liabilities Provision | 39 486 484 |
| Amortized cost method using EIR for held to maturity investments | 253 607 |
| Amortized cost method using EIR for available for sale investments | 393 930 |
| Deferred tax (Tax impact on adjustments) | (22 288 030) |
| Change in fair value of available for sale investments | 16 458 868 |
| **Total** | **147 044 179** |

**( 2 ) Profit for the year and Retained earnings**

| **Movements on retained earnings:** | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** |
|---|---|---|
| Balance at the beginning of year | 1 320 791 473 | 1 179 578 577 |
| Net profit of the financial year | 1 536 579 818 | 1 470 232 719 |
| Previous year's profit appropriations | (504 018 071) | (458 198 248) |
| Employees' profit share | (135 846 887) | (119 814 645) |
| Board of directors' remuneration | (1 800 000) | (1 700 000) |
| Transferred to capital reserve | ( 868 000) | ( 598 173) |
| Transferred to general reserve | (642 366 712) | (551 500 000) |
| Transferred to the statutory reserve | (74 437 203) | (66 861 392) |
| Transferred to / from general Banking risk reserve | 256 278 924 | (130 347 365) |
| **Balance at the end year** | **1 754 313 342** | **1 320 791 473** |

**35- Cash and cash equivalents**

For the purpose of presenting the cash flow statement, cash and cash equivalents include the following balances maturing within less than 3 months from placement or acquisition date.

| | **Dec. 31, 2012 EGP** | **Dec. 31,2011 EGP** |
|---|---|---|
| Cash and balances with central banks | 1 365 528 256 | 1 297 045 266 |
| Due from banks in less than 3 months | 3 443 865 159 | 4 348 829 741 |
| Treasury bills and other governmental notes (91 days) | 1 327 009 681 | 2 069 476 477 |
| **Total** | **6 136 403 096** | **7 715 351 484** |

## 36- Contingent liabilities and other commitments

**(a) Legal claims**

Several lawsuits were brought against the bank and are still outstanding as of December 31, 2012. No provision has been formed since it is not probable the bank will incur losses in regard of these lawsuits.

**(b) Capital commitments**

The Bank is a party to contracts for capital commitments amounting to EGP 38 094 600 as of December 31, 2012 (EGP 148 231 033 in comparative year). These represent commitments by the bank for the purchases of buildings and equipment. Management is sufficiently confident that net profit shall be realized and finance shall be made available to cover these commitments.

**(c) Commitments for loans, guarantees and facilities**

The Bank's commitments for loans, guarantees and facilities are set out below:

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Loan commitments | 133 446 278 | 146 630 786 |
| Accepted papers | 1 141 504 957 | 1 126 538 877 |
| L/Gs | 12 572 991 349 | 12 513 385 006 |
| Import L/Cs | 1 853 805 467 | 1 560 409 696 |
| Export L/Cs | 201 007 062 | 267 634 919 |
| Other contingent liabilities (Financial guarantees) | 1 832 780 | 2 132 828 |
| | **15 904 587 893** | **15 616 732 112** |

**(d) Commitments under operating lease contracts**

Total minimum rental payments under the irrevocable operating lease contracts are as follows:

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Not more than one year | 42 575 438 | 36 806 498 |
| More than one year and less than 5 years | 97 469 505 | 114 195 623 |
| More than 5 years | 31 033 788 | 46 517 670 |
| Total | **171 078 731** | **197 519 791** |

## 37- Related-party transactions

The bank is a subsidiary of Societe Generale Paris, France (Parent) which owns 77.2% in the bank's ordinary shares whereas the remaining 22.8% are held by other shareholders. A number of transactions have been conducted with related parties in the bank's normal course of business. These include loans, deposits, and foreign currency transactions.

**Related party transactions with the parent company other than the payment of dividends on ordinary shares:**

| | Dec. 31, 2012 EGP | Dec. 31, 2011 EGP |
|---|---|---|
| Due from banks | 53 668 136 | 155 144 001 |
| Due to banks | 73 446 688 | 28 959 152 |
| Subordinated loan | 884 660 000 | 844 466 000 |
| Export LCs | 29 712 598 | 77 053 578 |
| LGs for Banks | 2 850 180 353 | 3 050 481 160 |
| Forward currency deals | 144 300 295 | 135 656 231 |
| IRS contracts | 1 790 750 532 | 3 105 901 256 |

On March 07, 2012, National Societe Generale Bank signed an agreement with Bank of Societe Generale Paris (France), which is the parent, to purchase a credit facility due from a specific customer as follows:
The customer's credit facility had a nominal amount of USD 5 000 000 whereas the fair value paid by NSGB to acquire the credit facility at that date was USD 4 900 000.

**(1)Loans and facilities to related parties**

| | Directors and others key management personnel (and close family members*) | | Associates and Subsidiaries | |
|---|---|---|---|---|
| | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** |
| Outstanding loans at the beginning of the financial year | 353 229 | 590 977 | 1 083 868 085 | 1 282 924 453 |
| Loans for ALD Automotive during year | -- | -- | (70 042 099) | -- |
| Loans issued during the financial year | 1 003 604 | 516 307 | 23 282 766 754 | 11 311 554 510 |
| Loans repayment during the financial year | (733 463) | ( 754 055) | (23 014 810 176) | (11 510 610 878) |
| **Loans outstanding at the end of the financial year** | **623 370** | **353 229** | **1 281 782 564** | **1 083 868 085** |
| Interest income on loans | 55 880 | 33 809 | 94 222 156 | 101 174 355 |

* No provisions have been recognized in respect of loan provided to related parties.

** Loans granted to top management members and close family members at end of current year amounted to EGP 623 370 against EGP 353 229 at the end of pervious year, below table illustrates the nature of these loans. The average interest rate on these different types of loans is 9.83 % ( against average interest rate of 6.3 in the comparative year)

On June 28, 2012, Sogelease Egypt Company (Subsidiary) signed an agreement with National Societe Generale Bank to get a long term facility by amount of 400 MEGP, The contract provided that the bank bears the risk of non-repayment of the lessee for the rental amount in an amount not to exceed 200 MEGP The balance of the facility at 31-12-2012 amount of 398 324 154 EGP, the total facility balance disclosed within the balance of loans and facilities to Subsidiary.

On November 2012, NSGB increase its share in Sogelease Egypt Company's equity to reach 60% instead of 40%.As result of this increasing Sogelease Company became affiliated company instead of associated company.

**Loans and advances to related parties can be analyzed below**

| | | | | |
|---|---|---|---|---|
| Overdrafts - current accounts | 112 080 | 45 718 | 175 | 12 877 406 |
| Cash credit - Staff | 157 420 | 245 070 | -- | -- |
| Revolving term loan | -- | -- | 810 789 585 | 979 759 176 |
| Visa card | 353 870 | 62 441 | 150 | 734 |
| Equipment loans | -- | -- | 470 992 654 | 91 230 769 |
| **Total** | **623 370** | **353 229** | **1 281 782 564** | **1 083 868 085** |

**Deposits from Related parties**

| | Directors and others key management personnel (and close family members) | | Associates and Subsidiaries | |
|---|---|---|---|---|
| | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** |
| Deposits outstanding at the beginning of the financial year | 16 546 470 | 15 310 559 | 230 841 809 | 524 072 655 |
| Loans for ALD Automotive at the beginning of the year | -- | -- | ( 132 794) | -- |
| Deposits placed during the year | 56 449 283 | 80 710 822 | 7 876 695 482 | 13 414 570 497 |
| Deposits repaid during the year | (53 769 780) | (79 474 911) | (7 873 740 698) | (13 707 801 343) |
| **Deposits outstanding at the end of the financial year** | **19 225 973** | **16 546 470** | **233 663 799** | **230 841 809** |
| Interest expense on deposits | 798 172 | 745 247 | 9 382 919 | 10 858 914 |
| **Deposits from related parties can be analyzed below** | | | | |
| Current accounts | 310 102 | 391 813 | 12 934 139 | 8 478 690 |
| Saving accounts | 377 610 | 275 637 | -- | -- |
| Certificates of deposits | 6 197 000 | 6 122 000 | -- | -- |
| Time deposits | 12 341 261 | 9 757 020 | 220 729 660 | 222 363 119 |
| **Total** | **19 225 973** | **16 546 470** | **233 663 799** | **230 841 809** |

**c- Other transactions with related parties**

| | Directors and others key management personnel (and close family members) | | Associates and Subsidiaries | |
|---|---|---|---|---|
| | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** | **Dec. 31, 2012 EGP** | **Dec. 31, 2011 EGP** |
| Fee and commission income | 29 220 | 206 059 | 3 843 856 | 1 560 799 |
| Guarantees issued by the Bank | -- | -- | 61 227 481 | 15 809 594 |

The above guarantees are issued by the bank against short-term bank borrowings obtained by its associates in the normal course of business.

| **The above guarantees comprise:** | | | | |
|---|---|---|---|---|
| LGs | -- | -- | 20 597 | 38 622 |
| LCs | -- | -- | 61 206 884 | 15 770 972 |
| **Total** | **--** | **--** | **61 227 481** | **15 809 594** |

The pricing for related parties' transactions are being the same for other parties

In accordance with the instructions of the Central Bank of Egypt (CBE) rules in 23 August 2011, Average income for top 20 salaries in bank reached total of EGP 105 749 at the end of December,2012.

## 38- NSGB Money Market and balanced Funds

### A- NSGB 1st Money Market Fund (THEMAR)

NSGB has set up an investment fund under the name of "THEMAR" with daily accumulated interest as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

THEMAR initial offering was for one million certificates at nominal value of EGP 100 million, of which 50 000 certificates worth of EGP 5 Million were subscribed at by NSGB at that time. EFG HERMES is managing this fund.

Total number of the outstanding certificates at December 31, 2012 reached 41 842 968 at a total value of EGP 7 070 582 890. NSGB currently holds 836 860 certificates worth of EGP 137 962 816, of which EGP 5 million are classified as held to maturity investments and represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 132 962 816 which represents 2% of the increase in fund's net asset value since initial subscription are classified as available for sale investments.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 28 732 414 have been reported in the "fees and commission income" line item in the income statement.

### B- NSGB 2nd Balanced Fund (Tawazon)

NSGB has set up an investment fund under the name of NSGB Balanced Fund with Periodic Income (Tawazon) as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tawazon initial offering was for two hundred and fifty thousand certificates amounting to EGP 25 million, of which 50 000 certificates worth of EGP 5 million were subscribed at by NSGB at that time. Beltone Asset Management is managing this fund.

Total number of the outstanding certificates at December 31, 2012 reached 178 182 at a total value of EGP 20 091 125 NSGB currently holds 50 000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 20% of the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 129 698 have been reported in the "fees and commission income" line item in the income statement.

### C- NSGB 3rd Balanced Fund (Tadawol)

NSGB has set up an investment fund under the name of NSGB Balanced Fund with Periodic accumulated Income (Tadawol) as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tadawol certificates was offered in a public offering amounting to EGP 25 million distributed over two hundred and fifty thousand certificates with a nominal value of EGP 100 each, subscriptions have only covered a number of one hundred and twenty five thousand certificates amounting to EGP 12.5 million, of which 50 000 certificates worth of EGP 5 million were subscribed at by NSGB at that time. HC Fund manager Asset Management is managing this fund.

Total number of the outstanding certificates at December 31, 2012 reached 59 784 at a total value of EGP 7 332 023. NSGB currently holds 50 000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 40% from the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 34 524 have been reported in the "fees and commission income" line item in the income statement.