

**National Soccite Generale Bank  
(Egyptian Joint Stock Company)**

**Consolidated Financial Statements  
and Auditors' Report  
for the period  
ended September 30, 2012**

Deloitte - Saleh, Barsoum & Abdel Aziz  
Accountants & Auditor

Ernst & Young  
Allied for Accounting and Auditing

Deloitte - Saleh, Barsoum & Abdel Aziz  
Accountants & Auditors

Ernst & Young Allied for Accounting and Auditing  
Accountants & Consultants

**Limited review report on the interim financial statements**

**To: The Board of Directors of National Societe Generale Bank**

***Introduction***

We have performed a limited review for the accompanying consolidated statement of financial position of National Societe Generale Bank "S.A.E" and its subsidiaries (the group) as of September 30, 2012 and the related consolidated statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the Central Bank of Egypt's rules issued on December 16, 2008, Egyptian Accounting Standards and the prevailing Egyptian laws. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.


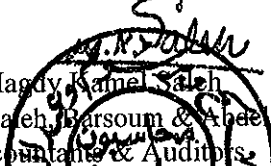
***Scope of Limited Review***

We conducted our limited review in accordance with the Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Bank, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

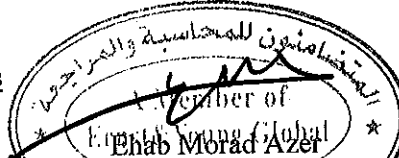
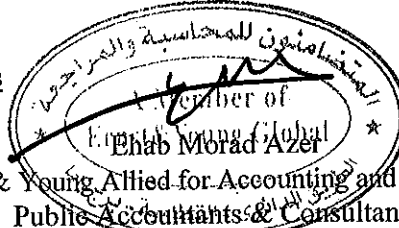
***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the group as of September 30, 2012, and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with the Central Bank of Egypt's rules issued on December 16, 2008, the Egyptian Accounting Standards and the prevailing Egyptian laws.

Cairo, November 8, 2012

  
Mady Kamel Saleh  
(Deloitte - Saleh, Barsoum & Abdel Aziz)  
Accountants & Auditors  



**Auditors**

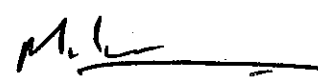
  
Member of  
Ernst & Young Global  
Ehab Morad Azer  
(Ernst & Young Allied for Accounting and Auditing)  
Public Accountants & Consultants  


**NATIONAL SOCIETE GENERALE BANK**  
**AN EGYPTIAN JOINT STOCK COMPANY**  
Consolidated Statement of financial position as of September 30, 2012

	Note No	<u>September 30, 2012</u> EGP	<u>December 31, 2011</u> EGP
<b>Assets</b>			
Cash and due from Central Bank of Egypt (CBE)	(15)	4 188 653 299	5 024 202 604
Due from banks	(16)	5 726 481 734	4 977 305 691
Treasury bills	(17)	10 353 518 402	9 899 284 269
Loans and credit facilities to customers, net	(18)	36 078 228 346	35 099 032 999
Financial derivatives	(19)	38 058 512	36 204 080
<b>Financial Investments:</b>			
-Available for sale	(20)	4 893 049 301	5 431 949 874
-Held to maturity	(20)	65 000 000	135 008 160
Investments in associates	(21)	116 014 429	109 045 689
Intangible assets	(22)	97 479 118	93 646 164
Other assets	(23)	682 520 546	762 827 390
Deferred tax assets	(30)	166 680 743	190 344 345
Fixed assets, net	(24)	852 559 049	793 365 638
<b>Total assets</b>		<b><u>63 258 243 479</u></b>	<b><u>62 552 216 903</u></b>
<b>Liabilities and shareholders' equity:</b>			
<b>Liabilities:</b>			
Due to banks	(25)	615 852 108	110 261 182
Customers' deposits	(26)	51 489 515 125	51 709 693 141
Other loans	(27-A)	171 668 719	116 358 582
Other liabilities	(28)	1 235 965 722	1 425 299 561
Other provisions	(29)	487 322 638	500 147 151
Current income tax payable		286 823 053	349 437 645
Defined benefits obligation	(31)	142 383 742	119 598 838
<b>Total liabilities</b>		<b><u>54 429 531 107</u></b>	<b><u>54 330 796 100</u></b>
<b>Shareholders' equity:</b>			
Issued and paid-up capital	(32)	4 435 359 020	4 032 144 570
Reserves	(34)	2 132 553 601	1 977 778 282
Reserve for employee stock ownership plan (ESOP)	(33)	14 258 244	7 695 078
Profit for the period / year and retained earnings	(34)	1 393 385 258	1 359 336 873
<b>Total</b>		<b><u>7 975 556 123</u></b>	<b><u>7 376 954 803</u></b>
Non-controlling interests		10 249	--
<b>Total shareholders' equity</b>		<b><u>7 975 566 372</u></b>	<b><u>7 376 954 803</u></b>
Subordinated loan	(27-B)	853 146 000	844 466 000
<b>Total shareholders' equity and subordinated loan</b>		<b><u>8 828 712 372</u></b>	<b><u>8 221 420 803</u></b>
<b>Total liabilities and equity</b>		<b><u>63 258 243 479</u></b>	<b><u>62 552 216 903</u></b>

The accompanying notes from (1) to (38) are an integral part of these Consolidated financial statements.

  
**Vice Chairman & Managing Director**  
**Jean Philippe Coulier**

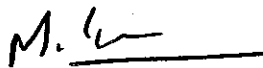
  
**Chairman and Managing Director**  
**Mohamed Osman Eldib**

**NATIONAL SOCIETE GENERALE BANK**  
**AN EGYPTIAN JOINT STOCK COMPANY**  
**Consolidated Income Statement**  
**for the nine months ended September 30, 2012**

	Note	<u>From 01/07/2012</u>	<u>From 01/01/2012</u>	<u>From 01/07/2011</u>	<u>From 01/01/2011</u>
	<u>No</u>	<u>to 30/09/2012</u>	<u>to 30/09/2012</u>	<u>to 30/09/2011</u>	<u>to 30/09/2011</u>
		<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Interest on loans and similar income	(6)	1 345 063 148	3 874 753 413	1 139 357 883	3 233 303 621
Cost of deposits and similar expenses	(6)	(668 063 254)	(1 938 344 302)	(595 819 181)	(1 690 376 162)
<b>Net interest income</b>		<b>676 999 894</b>	<b>1 936 409 111</b>	<b>543 538 702</b>	<b>1 542 927 459</b>
Fee and commission income	(7)	246 438 402	644 629 867	180 145 193	526 661 906
Fee and commission expense	(7)	(7 166 700)	(16 995 668)	(3 374 028)	(10 597 870)
<b>Net interest, fee and commission income</b>		<b>916 271 596</b>	<b>2 564 043 310</b>	<b>720 309 867</b>	<b>2 058 991 495</b>
Dividend income	(8)	310 662	16 487 102	340 219	19 107 174
Net trading income	(9)	27 563 531	96 146 321	27 551 605	109 371 652
(Loss) /Gain on financial investments	(20)	(15 069 796)	(15 123 561)	11 546 803	14 561 106
Impairment credit losses	(12)	(121 059 296)	(382 769 325)	(35 288 441)	(79 222 118)
Administrative expenses	(10)	(274 059 022)	(811 151 983)	(250 693 786)	(739 513 338)
Other operating (expenses) revenues	(11)	(24 016 387)	(11 544 713)	(12 104 900)	(57 968 577)
Share of profits of associates		3 839 118	8 568 739	1 357 592	14 754 306
<b>Profit before income tax</b>		<b>513 780 406</b>	<b>1 464 655 890</b>	<b>463 018 959</b>	<b>1 340 081 700</b>
Income tax expense	(13)	(124 303 971)	(289 606 655)	(108 857 871)	(252 712 389)
<b>Net profit for the period</b>		<b>389 476 435</b>	<b>1 175 049 235</b>	<b>354 161 088</b>	<b>1 087 369 311</b>
<b>Bank shareholders' share</b>		<b>389 476 186</b>	<b>1 175 048 986</b>	<b>354 161 088</b>	<b>1 087 369 311</b>
<b>Non-controlling interests</b>		<b>249</b>	<b>249</b>	<b>--</b>	<b>--</b>
Earnings per share	(14)		2.34		2.23

The accompanying notes from (1) to (38) are an integral part of these Consolidated financial statements.

  
Vice Chairman & Managing Director  
Jean Philippe Coulier

  
Chairman and Managing Director  
Mohamed Osman Eldib

NATIONAL SOCIETE GENERALE BANK  
AN EGYPTIAN JOINT STOCK COMPANY  
Consolidated statement of changes in shareholder's equity  
for the nine months ended September 30, 2012

	Capital		Legal Reserve		General Reserve		Special Reserve		Capital Reserve		AFS Investments Revaluation Reserve		General Banking Risk Reserve		Cash Flow Hedge Reserve		Retained Earnings		Shareholders' Equity in Bank		Reserve for Employee Stock Ownership Plan (ESOP)		Non-Controlling Interests		Total		
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>September 30, 2011</b>																											
Balance at 01/01/2011	3 665 585 980	252 481 383	66 861 392	934 905 534	173 681 968	7 208 971	136 954 314	248 979 161	1 999 942	7 332 305	1 191 392 322	831 785	--	--	--	--	--	--	--	--	--	--	--	--	--	6 621 373 865	
Transfer to reserves and retained earnings	--	--	--	551 500 000	--	598 175	--	--	--	(7 280 156)	(611 679 429)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(579 712 893)	
Profit distribution for year 2010	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Net unrealized gain/(loss) on AFS investments, after deducting gains recycled to profit or loss relating to sold AFS investments as well as taxes - Note No.34	--	--	--	--	--	--	2 424 513	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2 424 513	
Net profit for the period	--	--	--	--	--	--	--	--	--	--	1 087 369 311	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1 087 369 311	
Reserve for employee stock ownership plan (ESOP)	--	--	--	--	--	--	--	--	--	--	--	5 262 292	--	--	--	--	--	--	--	--	--	--	--	--	--	5 262 292	
Net unrealized gain/(loss) on CFH, net of tax	--	--	--	--	--	--	--	--	6 750 746	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	6 750 746	
Transfer to general banking risk Reserve	--	--	--	--	--	--	--	--	--	--	(102 695 757)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Balance at 30/09/2011	3 665 585 980	319 342 975	66 861 392	1 486 405 534	173 681 968	7 807 144	139 378 827	351 674 918	8 750 688	72 169	984 673 554	6 094 077	--	--	--	--	--	--	--	--	--	--	--	--	7 143 467 834		
<b>September 30, 2012</b>																											
Balance at 01/01/2012	4 032 144 570	319 342 975	74 437 203	1 119 846 944	173 681 968	7 807 144	(30 233 449)	379 326 526	8 026 174	72 169	1 359 264 704	7 695 078	--	--	--	--	--	--	--	--	--	--	--	--	7 376 954 803		
Transfer to reserves and retained earnings	--	--	--	642 366 712	--	868 000	--	--	--	(72 169)	(717 599 746)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Profit distribution for year 2011	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Transfer from general reserve to capital increase	403 214 450	--	--	(403 214 450)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(641 664 958)	
Net unrealized gain/(loss) on AFS investments, after deducting gains recycled to profit or loss relating to sold AFS investments as well as taxes - Note No.34	--	--	--	--	--	--	58 175 491	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Non-controlling interests	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	58 175 491	
Reserve for employee stock ownership plan (ESOP)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	10 000	
Net unrealized gain/(loss) on CFH, net of tax	--	--	--	--	--	--	--	--	--	--	1 175 048 986	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1 175 048 235	
Transfer from general banking risk Reserve	--	--	--	--	--	--	--	--	478 635	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	6 563 166	
Balance at 30/09/2012	4 435 359 020	393 780 178	66 861 392	1 358 999 206	173 681 968	8 675 144	27 922 042	160 990 254	8 504 809	218 336 272	1 175 048 986	14 258 244	--	--	--	--	--	--	--	--	--	--	--	--	7 975 566 372		

The accompanying notes from (1) to (38) are an integral part of these Consolidated financial statements.

  
Vice Chairman & Managing Director  
Jean Philippe Coulier

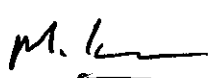
  
Chairman and Managing Director  
Mohamed Osman Eldib

**NATIONAL SOCIETE GENERALE BANK**  
**AN EGYPTIAN JOINT STOCK COMPANY**  
 Consolidated statement of cash flows  
 for the nine months ended September 30, 2012

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
	<u>EGP</u>	<u>EGP</u>
<b><u>Cash flows from operating activities</u></b>		
Profit before tax	1 464 655 890	1 340 081 700
<b><u>Adjusted by:</u></b>		
Depreciation and amortization	88 471 144	80 705 903
Impairment credit losses	382 769 325	79 222 118
Utilized loans provision	( 102 501 221)	( 7 456 334)
Recovery from loans previously written off	460 889	266 037
Net formed / Reversed other Provisions	( 13 007 024)	46 638 093
Utilized provisions other than loans provision	( 768 870)	( 19 426 435)
Translation differences of other provisions in foreign currencies	951 381	3 572 271
Translation differences of the subordinated loan	8 680 000	22 512 000
(Gains) on sale of fixed assets	( 22 352)	( 528 000)
Uncollected dividends income	( 5 655 331)	( 3 014 793)
Share of profits of associates applying the equity method	( 8 568 739)	( 14 754 306)
(Gain) on sale of available for sale investments	( 2 936 562)	( 16 537 089)
loss of impairment of available for sale equity instruments	18 060 123	1 975 983
Share based payments	6 563 166	5 262 292
<b>Operating profits before changes in assets and liabilities resulting from operating activities</b>	<b>1 837 151 819</b>	<b>1 518 519 440</b>
<b><u>Net decrease ( increase ) in assets &amp; increase (decrease) in liabilities</u></b>		
Due from banks	( 24 461 214)	( 4 275 679)
Treasury bills	( 868 072 925)	5 082 502 422
Loans to customers	(1 259 924 340)	(2 919 602 945)
Financial derivatives	( 1 160 324)	( 13 931 634)
Other assets	85 972 174	( 9 765 943)
Due to banks	505 590 926	( 409 393 243)
Customers' deposits	( 220 178 016)	2 004 140 649
Credit balances and other liabilities	( 191 494 754)	( 3 210 512)
Defined benefits obligation	22 784 904	21 824 324
Paid income tax	( 325 966 317)	( 352 934 108)
<b>Net cash flows used in / resulting from operating activities (1)</b>	<b>( 439 758 067)</b>	<b>4 913 872 771</b>
<b><u>Cash flows from investing activities</u></b>		
Payments for the purchase of fixed assets and branches preparation	( 151 497 509)	( 125 920 990)
Proceeds from sale of fixed assets	22 352	528 000
Proceeds from sale of Fin. investments other than held for trading investments	2 081 666 362	1 523 011 223
Payments for the purchase of Fin. Inv. other than held for trading investments	(1 432 512 500)	(2 205 468 430)
Cash dividends received from investments in associates	1 600 000	1 824 605
<b>Net cash flows resulting from / used in investing activities (2)</b>	<b>499 278 705</b>	<b>( 806 025 592)</b>
<b><u>Cash flows from financing activities</u></b>		
Net proceeds of long term loans	55 310 137	15 077 100
Dividends paid	( 639 504 043)	( 578 445 923)
<b>Net cash flows used in financing activities (3)</b>	<b>( 584 193 906)</b>	<b>( 563 368 823)</b>
<b>Net decrease / increase in cash and cash equivalents during the period (1+2+3)</b>	<b>( 524 673 268)</b>	<b>3 544 478 356</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7 715 351 484</b>	<b>5 932 336 243</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(35) 7 190 678 216</b>	<b>9 476 814 599</b>
<b>Cash and cash equivalents at end of the period are represented in :</b>		
Cash and due from Central Bank of Egypt	4 188 653 299	5 238 315 309
Due from banks	5 726 481 734	4 298 376 771
Treasury bills	10 353 518 402	11 156 639 828
Balances with Central Bank of Egypt (mandatory reserve)	(2 906 332 941)	(4 041 010 353)
Balances due from banks with maturities more than 3 months	(1 473 561 561)	( 692 473 212)
Treasury bills with maturity more than 3 months	(8 697 880 717)	(6 483 033 744)
<b>Cash and cash equivalents at end of the period</b>	<b>7 190 678 216</b>	<b>9 476 814 599</b>

The accompanying notes from (1) to (38) are an integral part of these Consolidated financial statements.

  
 Vice Chairman & Managing Director  
 Jean Philippe Coulier

  
 Chairman and Managing Director  
 Mohamed Osman Eldib

**National Societe Generale Bank**  
**S.A.E**  
**Notes to the Consolidated Financial Statements**  
**for the period ended September 30, 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 fifty nine branches served by 4176 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 consolidated financial statements**

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

**2.2 Consolidation basis**

Due to NSGB's establishment of NSGB Factoring with a capital participation of 99.9%, these consolidated financial statements have been prepared for the group. These consolidated financial statements consist of the separate financial statements of NSGB (Parent bank) and the financial statements of NSGB Factoring which the bank controls its subsidiary. Control is achieved through the bank's ability to control the financial and operating policies of an investee to benefit from its activities.

Where necessary, adjustments are made to the financial statements of a group entity to bring its accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non controlling interests represent the rights in a subsidiary held by shareholders other than the bank

**2.2. 1 Investments in subsidiaries**

A subsidiary company is an entity (including special purpose entity) whose financial and operating policies are controlled by the group, where the group's share of ownership is usually more than half of the voting rights. The impact of the future voting rights which can be currently exercised or transferred shall be taken into consideration when assessing whether the group has the ability to control the other entities. The subsidiary companies shall be consolidated in full as of the date of transferring control to the group. The said subsidiary companies shall be eliminated from consolidation as of the date of terminating control.

The purchase method shall be used when accounting for the acquisition of a subsidiary by the group. The acquisition cost shall be measured at the fair value of assets, the equity instruments issued, the liabilities incurred or assumed on the date of exchange in addition to any costs directly attributed to the acquisition. The identifiable assets acquired the liabilities and the contingent liabilities shall be measured at fair value on the acquisition date regardless of the existence of any non-controlling interests. Any excess in the acquisition cost over the fair value of the group's share in net assets of the acquiree shall be recorded as goodwill. In case the acquisition cost was less than the fair value of the net assets, the difference shall be directly recorded as gain on acquisition in the income statement

### **Non-controlling interests (previously: Minority interests)**

The group considers the transactions carried out with the minority interest owners as transactions with parties outside the group. The profits and losses resulting from selling to the minority interest owners shall be recognized in the income statement. The purchase transactions from minority interests result in goodwill equivalent to the difference between the amount paid for the purchased shares and the fair value for the additional stake acquired in the net assets of the subsidiary.

### **2.2. 2 Investments in associates**

Entities over which NSGB exercises significant influence directly or indirectly are accounted for under the equity method. Significant influence is the power to participate in the financial and operating policies of an entity without exercising control or joint control over that entity. Significant influence exists where the Bank holds 20% to 50% of voting rights in the investee.

Purchase method is applied to account for acquisitions of investees by the bank. The goodwill resulting from acquiring an associate –if any- is not shown separately, but rather included in the investment's book value. Equity method is applied in the subsequent accounting for the bank's investments in associates.

### **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 consolidated 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'.

There are no foreign currency transactions on the NSGB factoring financial statements whereas all transactions for the company process on Egyptian pound (the functional and presentation currency)

## **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 group'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 group 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 group 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 parent 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 cash flows considering all contractual terms of the financial instrument is estimated (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 group assesses 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, an assessment is made 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 group 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.

First, an assessment is made 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 it is determined 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 group'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 group 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 management to reduce any differences between loss estimates and actual loss experience.

#### Available-for-sale financial assets

At the end of each financial 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.

According to the central bank of Egypt's rules, 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 group and when it is probable that they will generate future economic benefits within more than one year 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	50 years
	Doors, windows and roofing	20 years
	Façades	10 years
Fixtures	Decoration & installations	10 years
	Lifts	15 years
	Electricity & Air conditioning	10 years
	Generators	30 years
	Telephone network & CCTV	10 years
	Fire fighting system & Plumbing system	10 years
	Other installations	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 carrying amounts of its depreciable fixed assets are reviewed 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 consolidated 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 consolidated 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 group as security for loans or debit current accounts due from its clients to other entities that requires the group 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 group pays defined contributions to an independent entity. The group 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, contributions are paid to private sector pension scheme under mandatory or voluntary contractual arrangement. The group 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 adjustments related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 group are recognized when the general assembly of the group's shareholders approves them. Dividends include the share of the non controlling interests in the associated companies 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 consolidated financial statements, as they are not assets or income of the bank or the group.

## **2.25 Comparative figures**

Comparative figures are reclassified, where necessary, to conform with changes in the current period's presentation.

## **3. Management of financial risks**

The group is exposed to various financial risks, mainly as a result of activities conducted by the bank. 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:
  - o The relative balance between risk and reward of the bank's various activities.
  - o Earnings sensitivity to business, credit and economic cycles.
  - o 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 Banks' 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.

	<u>September 30, 2012</u>		<u>December 31, 2011</u>	
	<u>EGP</u>		<u>EGP</u>	
	<u>Loans and facilities</u>	<u>Impairment loss provision</u>	<u>Loans and facilities</u>	<u>Impairment loss provision</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
1- Good debts	90	13	93	10
2- Normal watch-list	7	21	4	12
3- Special watch-list	0	0	0	0
4- Non performing loans	3	66	3	78
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**(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.

<u>CBE rating</u>	<u>Description</u>	<u>Required Provision</u> <u>% According to</u> <u>ORR</u>	<u>Internal</u> <u>Rating</u>	<u>Internal Description</u>
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

	<b><u>September 30, 2012</u></b>	<b><u>December 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Treasury bills	10 353 518 402	9 899 284 269
<b><u>Loans and facilities to costumers</u></b>		
<u>Retail loans</u>		
Debit current accounts	627 088 151	713 947 355
Credit cards	255 573 017	207 872 620
Personal loans	6 097 997 926	5 099 006 895
Real estate loans	184 213 003	130 479 251
<u>Corporate loans</u>		
Debit current accounts	16 461 916 612	15 887 048 533
Direct loans	8 463 843 386	8 711 179 155
Syndicated loans	4 231 403 561	4 570 598 804
Other loans	1 231 415 899	988 516 170
Provision for impairment loss, segregated interest & unearned discount for discounted bills	(1 475 223 209)	(1 209 615 784)
Financial derivatives	38 058 512	36 204 080
<u>Financial investments</u>		
Debt instruments	4 590 437 680	5 152 162 272
Other assets	340 655 236	318 324 999
<b>Total</b>	<b><u>51 400 898 176</u></b>	<b><u>50 505 008 619</u></b>
<b><u>Off balance sheet items exposed to credit risks</u></b>		
Financial guarantees	1 817 023	2 132 828
Loans and other irrevocable credit commitments	157 022 436	146 630 786
L/Cs	1 915 399 173	1 828 044 615
Accepted papers	1 024 314 314	1 126 538 877
L/Gs	12 418 887 883	12 513 385 006
<b>Total</b>	<b><u>15 517 440 829</u></b>	<b><u>15 616 732 112</u></b>

The preceding table shows the maximum limit exposure to risks at the end of September 30, 2012 and December 31, 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 70 % of the maximum limit exposed to credit risk at the end of current reporting period is attributable to loans and facilities to customers against 69% at the end of the prior year, investments in debt instruments constitute 9 % against 10% at the end of the prior year and treasury bills constitute 20 % 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 period comprises loans and facilities classified at the top 2 categories of the internal rating against 97% at the end of the prior year.
- 92 % of the loan and facilities portfolio at the end of the current reporting period 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 period have a carrying amount of EGP 1 253 587 772. Impairment on these loans and facilities represents 79 % 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 period ended September 30, 2012.
- 85 % of investments in debt instruments and treasury bills at the end of the current reporting period 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:

	<b><u>September 30, 2012</u></b>		<b><u>December 31, 2011</u></b>	
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
	<b><u>Loans and facilities to costumers</u></b>	<b><u>Loans and facilities to Banks</u></b>	<b><u>Loans and facilities to costumers</u></b>	<b><u>Loans and facilities to Banks</u></b>
Neither have arrears nor impaired	34 690 839 083	--	34 099 547 679	--
Have arrears but not impaired	1 609 024 700	--	1 106 133 264	--
Impaired	1 253 587 772	--	1 102 967 840	--
<b>Total</b>	<b>37 553 451 555</b>	<b>--</b>	<b>36 308 648 783</b>	<b>--</b>
Less: allowance for impairment losses	(1 398 309 901)	--	(1 117 443 476)	--
Less: Segregated interest	( 62 481 529)	--	( 75 698 390)	--
Less: unearned discount on discounted bills	( 14 431 779)	--	( 16 473 918)	--
<b>Net</b>	<b>36 078 228 346</b>	<b>--</b>	<b>35 099 032 999</b>	<b>--</b>

Total credit allowance for loans and facilities at the end of the current reporting period amounted to EGP 1 398 309 901 (EGP 1 117 443 476 at the end of the prior year) of which EGP 925 865 771 represent impairment on individual loans (EGP 873 265 910 at the end of the prior year) and EGP 472 444 130 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 period.

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.

Rating	<u>September 30, 2012</u>								
	Retail				Corporate				Total
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	
Good debts	627 088 151	172 581 897	5 509 868 393	175 602 172	15 143 396 309	6 564 621 872	3 799 929 295	1 227 499 349	<b>33 220 587 438</b>
Normal watch-list	--	--	--	--	1 265 563 251	49 974 587	91 559 003	3 916 550	<b>1 411 013 391</b>
Special watch-list	--	--	--	--	15 452 372	43 785 882	--	--	<b>59 238 254</b>
<b>Total</b>	<b>627 088 151</b>	<b>172 581 897</b>	<b>5 509 868 393</b>	<b>175 602 172</b>	<b>16 424 411 932</b>	<b>6 658 382 341</b>	<b>3 891 488 298</b>	<b>1 231 415 899</b>	<b>34 690 839 083</b>

Rating	<u>December 31, 2011</u>								
	Retail				Corporate				Total
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	
Good debts	713 947 355	148 747 111	4 646 155 511	122 890 251	15 580 681 692	6 894 417 818	4 508 358 029	972 977 996	<b>33 588 175 763</b>
Normal watch-list	--	--	--	--	292 802 599	195 153 700	--	15 538 174	<b>503 494 473</b>
Special watch-list	--	--	--	--	7 544 406	333 037	--	--	<b>7 877 443</b>
<b>Total</b>	<b>713 947 355</b>	<b>148 747 111</b>	<b>4 646 155 511</b>	<b>122 890 251</b>	<b>15 881 028 697</b>	<b>7 089 904 555</b>	<b>4 508 358 029</b>	<b>988 516 170</b>	<b>34 099 547 679</b>

The bank has not considered any non-performing loans and facilities guaranteed by cash collaterals 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.

<b><u>September 30, 2012</u></b>					
<b>Retail</b>					
<b><u>Year in arrears</u></b>	<b>Debit current accounts</b>	<b>Credit cards</b>	<b>Personal loans</b>	<b>Real estate loans</b>	<b>Total</b>
< 30 days	--	36 003 286	238 918 947	--	274 922 233
30 – 60 days	--	--	--	--	--
60 – 90 days	--	--	--	--	--
<b>Total</b>	<b>--</b>	<b>36 003 286</b>	<b>238 918 947</b>	<b>--</b>	<b>274 922 233</b>
<b>Corporate</b>					
<b><u>Year in arrears</u></b>	<b>Debit current accounts</b>	<b>Direct loans</b>	<b>Syndicated loans</b>	<b>Other loans</b>	<b>Total</b>
< 30 days	--	371 136 751	--	--	371 136 751
30 – 60 days	--	234 631 668	--	--	234 631 668
60 – 90 days	--	--	--	--	--
> 90 days	--	447 662 400	280 671 648	--	728 334 048
<b>Total</b>	<b>--</b>	<b>1 053 430 819</b>	<b>280 671 648</b>	<b>--</b>	<b>1 334 102 467</b>
<b><u>December 31, 2011</u></b>					
<b>Retail</b>					
<b><u>Year in arrears</u></b>	<b>Debit current accounts</b>	<b>Credit cards</b>	<b>Personal loans</b>	<b>Real estate loans</b>	<b>Total</b>
< 30 days	--	25 926 509	180 532 384	--	206 458 893
30 – 60 days	--	--	--	--	--
60 – 90 days	--	--	--	--	--
<b>Total</b>	<b>--</b>	<b>25 926 509</b>	<b>180 532 384</b>	<b>--</b>	<b>206 458 893</b>
<b>Corporate</b>					
<b><u>Year in arrears</u></b>	<b>Debit current accounts</b>	<b>Direct loans</b>	<b>Syndicated loans</b>	<b>Other loans</b>	<b>Total</b>
< 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
<b>Total</b>	<b>--</b>	<b>899 674 371</b>	<b>--</b>	<b>--</b>	<b>899 674 371</b>

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 Period, 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 1 253 587 772 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:

	<b><u>September 30, 2012</u></b>								<b>Total</b>	
	<b>Debit current accounts</b>	<b>Retail</b>			<b>Real estate loans</b>	<b>Debit current accounts</b>	<b>Corporate</b>			<b>Other loans</b>
		<b>Credit cards</b>	<b>Personal loans</b>				<b>Direct loans</b>	<b>Syndicated loans</b>		
Loans which are individually impaired	--	46 987 834	349 210 586	8 610 831	37 504 680	752 030 226	59 243 615	--	<b>1 253 587 772</b>	
	<b><u>December 31, 2011</u></b>								<b>Total</b>	
	<b>Debit current accounts</b>	<b>Retail</b>			<b>Real estate loans</b>	<b>Debit current accounts</b>	<b>Corporate</b>			<b>Other loans</b>
		<b>Credit cards</b>	<b>Personal loans</b>				<b>Direct loans</b>	<b>Syndicated loans</b>		
Loans which are individually impaired	--	33 199 000	272 319 000	7 589 000	6 019 836	721 600 229	62 240 775	--	<b>1 102 967 840</b>	

**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 174 728 000 at the end of the current reporting period 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.

	<b><u>September 30, 2012</u></b>	<b><u>December 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b><u>Loans and facilities to costumers</u></b>		
<b><u>Corporate loans</u></b>		
- Direct loans	174 728 000	322 841 000
<b>Total</b>	<b><u>174 728 000</u></b>	<b><u>322 841 000</u></b>

**(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.

	<b><u>September 30, 2012</u></b>	<b><u>December 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b>Treasury bills</b>	10 353 518 402	9 899 284 269
<b>Available- for- sale investments</b>		
Egyptian Treasury Bonds	2 362 235 959	2 753 404 937
US Treasury Bonds	1 593 898 210	1 691 783 822
France Treasury Bonds	196 786 826	196 500 721
German Treasury Bonds	387 516 685	390 464 632
<b>Held-to -maturity investments</b>		
Egyptian Treasury Bonds	50 000 000	120 008 160
<b>Total</b>	<b><u>14 943 956 082</u></b>	<b><u>15 051 446 541</u></b>

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

During the current reporting period, 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:

<b><u>Type of asset</u></b>	<b><u>Book Value</u></b>
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 period (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					Total	Other countries	Total
	Cairo	Giza	Alex	Delta	Red Sea & Upper Egypt			
Treasury bills	10 353 518 402	--	--	--	--	10 353 518 402	--	10 353 518 402
<b><u>Loans and facilities to costumers</u></b>								
<b><u>Retail loans</u></b>								
Debit current accounts	371 652 898	112 904 249	77 459 252	27 926 817	37 144 935	627 088 151	--	627 088 151
Credit cards	104 901 944	89 937 407	33 240 463	14 250 266	13 242 937	255 573 017	--	255 573 017
Personal loans	2 193 183 889	2 010 093 202	840 613 289	737 323 779	316 783 767	6 097 997 926	--	6 097 997 926
Real estate loans	62 906 100	70 825 934	16 971 224	16 164 945	17 344 800	184 213 003	--	184 213 003
<b><u>Corporate loans</u></b>								
Debit current accounts	7 711 003 140	4 174 745 527	1 610 004 041	2 489 014 611	477 149 293	16 461 916 612	--	16 461 916 612
Direct loans	4 189 455 524	2 498 067 024	829 778 131	801 477 438	145 065 269	8 463 843 386	--	8 463 843 386
Syndicated loans	2 203 887 283	1 491 336 920	536 179 358	--	--	4 231 403 561	--	4 231 403 561
Other loans	924 495 716	44 454 721	11 834 175	200 867 067	49 764 220	1 231 415 899	--	1 231 415 899
Financial derivatives	( 275 570)	( 215 346)	--	7 057 834	--	6 566 918	31 491 594	38 058 512
<b><u>Financial investments</u></b>								
Debt instrument	2 412 235 959	--	--	--	--	2 412 235 959	2 178 201 721	4 590 437 680
Other assets	212 975 359	51 996 873	16 995 401	31 393 784	3 177 897	316 539 314	24 115 922	340 655 236
<b>Total at the end of current period</b>	<b>30 739 940 644</b>	<b>10 544 146 511</b>	<b>3 973 075 334</b>	<b>4 325 476 541</b>	<b>1 059 673 118</b>	<b>50 642 312 148</b>	<b>2 233 809 237</b>	<b>52 876 121 385</b>
<b>Total at the end of the prior year</b>	<b>30 950 983 329</b>	<b>9 893 087 996</b>	<b>4 030 302 322</b>	<b>3 491 952 882</b>	<b>1 011 769 882</b>	<b>49 378 096 411</b>	<b>2 336 527 992</b>	<b>51 714 624 403</b>

**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 period (excluding allowances for impairment). The gross amount of all financial assets is segmented into business sectors in which the bank's clients operate.

	<b>Agricultural entities</b>	<b>Industrial entities</b>	<b>Trading entities</b>	<b>Service entities</b>	<b>Governmental sector</b>	<b>Foreign Governments</b>	<b>Other activities</b>	<b>Individuals</b>	<b>Total</b>
Treasury bills	--	--	--	--	10 353 518 402	--	--	--	<b>10 353 518 402</b>
<b><u>Loans and facilities to customers</u></b>									
<b><u>Retail loans</u></b>									
Debit current accounts	--	--	--	--	--	--	--	627 088 151	<b>627 088 151</b>
Credit cards	--	--	--	--	--	--	--	255 573 017	<b>255 573 017</b>
Personal loans	--	--	--	--	--	--	--	6 097 997 926	<b>6 097 997 926</b>
Real estate loans	--	--	--	--	--	--	--	184 213 003	<b>184 213 003</b>
<b><u>Corporate loans</u></b>									
Debit current accounts	49 430 440	11 112 416 300	2 151 308 179	3 148 761 693	--	--	--	--	<b>16 461 916 612</b>
Direct loans	161 327 452	5 745 609 595	1 183 793 335	1 373 113 004	--	--	--	--	<b>8 463 843 386</b>
Syndicated loans	--	3 121 857 778	--	1 109 545 783	--	--	--	--	<b>4 231 403 561</b>
Other loans	--	810 482 738	50 375 294	23 435 064	--	--	347 122 803	--	<b>1 231 415 899</b>
Financial derivatives	--	6 566 918	--	--	--	--	31 491 594	--	<b>38 058 512</b>
<b><u>Financial investments</u></b>									
Debt instruments	--	--	--	--	2 412 235 959	2 178 201 721	--	--	<b>4 590 437 680</b>
Other assets	1 270 698	125 265 146	20 411 647	34 122 136	92 271 388	24 115 922	--	43 198 299	<b>340 655 236</b>
<b>Total at the end of current period</b>	<b>212 028 590</b>	<b>20 922 198 475</b>	<b>3 405 888 455</b>	<b>5 688 977 680</b>	<b>12 858 025 749</b>	<b>2 202 317 643</b>	<b>378 614 397</b>	<b>7 208 070 396</b>	<b>52 876 121 385</b>
<b>Total at the end of the prior year</b>	<b>299 289 379</b>	<b>20 836 730 134</b>	<b>3 306 492 769</b>	<b>5 492 906 289</b>	<b>12 873 280 954</b>	<b>2 311 067 822</b>	<b>411 799 297</b>	<b>6 183 057 759</b>	<b>51 714 624 403</b>



## **(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.

<u>Currency</u>	<u>Outstanding nominal Fx position in EGP equivalent</u>	<u>FX short positions</u>	<u>FX long positions</u>	<u>FX long (short) percentage to limit usage</u>	<u>Expected loss at 10%</u>	<u>ST limit usage</u>
USD	17 105 769	--	17 105 769	55%	1 710 577	55%
EUR	12 122 979	--	12 122 979	39%	1 212 298	39%
GBP	( 1 069 474)	( 1 069 474)	--	14%	( 106 947)	14%
JPY	( 383 409)	( 383 409)	--	5%	( 38 341)	5%
CHF	106 809	--	106 809	3%	10 681	3%
DKK	( 49 719)	( 49 719)	--	6%	( 4 972)	6%
NOK	42 026	--	42 026	5%	4 203	5%
SEK	12 538	--	12 538	2%	1 254	2%
CAD	( 11 820)	( 11 820)	--	2%	( 1 182)	2%
AUD	( 83 653)	( 83 653)	--	11%	( 8 365)	11%
AED	478 669	--	478 669	61%	47 867	61%
KWD	233 303	--	233 303	30%	23 330	30%
OMR	( 11)	( 11)	--	0%	( 1)	0%
QAR	( 1 300)	( 1 300)	--	0%	( 130)	0%
SAR	805 673	--	805 673	51%	80 567	51%
EGP	( 29 308 380)	( 29 308 380)	--	0%		
<b>Maximum expected loss from FX short positions to EGP at September 30, 2012</b>					<b>2 930 839</b>	
<b>Maximum expected loss from FX short positions to EGP at December 31, 2011</b>					<b>783 376</b>	

**(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 period. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

	<u>EGP</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Other currencies</u>	<u>Total</u>
<b><u>Financial assets</u></b>						
Cash and balances with Central Banks	3 990 251 081	121 630 040	56 215 292	9 025 178	11 531 708	<b>4 188 653 299</b>
Due from Banks	14 829 349	3 758 390 270	1 557 692 361	308 928 791	86 640 963	<b>5 726 481 734</b>
Treasury bills	10 201 389 650	--	152 128 752	--	--	<b>10 353 518 402</b>
Loans and facilities to costumers	26 380 089 479	9 184 217 681	476 121 649	15 993 241	21 806 296	<b>36 078 228 346</b>
Financial derivatives	38 058 512	--	--	--	--	<b>38 058 512</b>
<b><u>Financial investments</u></b>						
Available for sale	2 599 863 618	1 708 650 234	584 535 449	--	--	<b>4 893 049 301</b>
Held to maturity	65 000 000	--	--	--	--	<b>65 000 000</b>
Other financial assets	293 183 181	35 109 626	12 230 070	113 671	18 688	<b>340 655 236</b>
<b>Total financial assets</b>	<b>43 582 664 870</b>	<b>14 807 997 851</b>	<b>2 838 923 573</b>	<b>334 060 881</b>	<b>119 997 655</b>	<b>61 683 644 830</b>

	<b>EGP</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>Other currencies</b>	<b>Total</b>
<b>Financial liabilities</b>						
Due to Banks	362 148 008	231 942 915	6 492 342	9 168 962	6 099 881	<b>615 852 108</b>
Clients' deposits	35 789 912 658	11 990 185 627	3 283 573 406	323 134 583	102 708 851	<b>51 489 515 125</b>
Other loans	99 459 231	12 931 207	59 278 281	--	--	<b>171 668 719</b>
Subordinated loans	--	853 146 000	--	--	--	<b>853 146 000</b>
Other financial liabilities	781 462 826	20 834 848	1 551 535	301 561	13 509	<b>804 164 279</b>
<b>Total financial liabilities</b>	<b>37 032 982 723</b>	<b>13 109 040 597</b>	<b>3 350 895 564</b>	<b>332 605 106</b>	<b>108 822 241</b>	<b>53 934 346 231</b>
<b>Net financial position - the balance sheet</b>	<b>6 549 682 147</b>	<b>1 698 957 254</b>	<b>( 511 971 991)</b>	<b>1 455 775</b>	<b>11 175 414</b>	<b>7 749 298 599</b>
<b>At the end of the comparative year</b>						
Total financial assets	41 801 249 633	15 192 730 141	3 455 476 208	337 918 211	133 938 483	<b>60 921 312 676</b>
Total financial liabilities	36 016 934 023	14 002 253 524	3 344 199 324	342 303 907	141 034 841	<b>53 846 725 619</b>
<b>Net financial position - the balance sheet</b>	<b>5 784 315 610</b>	<b>1 190 476 617</b>	<b>111 276 884</b>	<b>( 4 385 696)</b>	<b>( 7 096 358)</b>	<b>7 074 587 057</b>

#### **(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.

<b><u>At the end of the current period</u></b>	<b>Up to one month</b>	<b>More than one month up to 3 months</b>	<b>More than 3 months up to one year</b>	<b>More than one year up to 5 years</b>	<b>More than 5 years</b>	<b>Interest free</b>	<b>Total</b>
<b><u>Financial assets</u></b>							
Cash and balances with central Banks	--	--	--	--	--	4 188 653 299	<b>4 188 653 299</b>
Due from Banks	4 329 352 352	371 150 807	904 868 579	--	--	121 109 996	<b>5 726 481 734</b>
Treasury bills	3 161 268 349	2 223 845 342	4 968 404 711	--	--	--	<b>10 353 518 402</b>
Loans and facilities to costumers	14 431 920 107	6 976 442 966	7 536 802 517	6 092 395 031	1 040 667 725	--	<b>36 078 228 346</b>
Financial derivatives	--	--	--	--	--	38 058 512	<b>38 058 512</b>
<b><u>Financial investments</u></b>							
Available for sale	--	--	240 674 312	3 556 865 582	742 897 786	352 611 621	<b>4 893 049 301</b>
Held to maturity	--	--	--	50 000 000	--	15 000 000	<b>65 000 000</b>
Other financial assets	--	--	--	--	--	340 655 236	<b>340 655 236</b>
<b>Total financial assets</b>	<b>21 922 540 808</b>	<b>9 571 439 115</b>	<b>13 650 750 119</b>	<b>9 699 260 613</b>	<b>1 783 565 511</b>	<b>5 056 088 664</b>	<b>61 683 644 830</b>
<b>IRS (notional amount)</b>	<b>65 868 997</b>	<b>519 114 907</b>	<b>230 490 659</b>	<b>2 073 508 023</b>	<b>11 607 428</b>	<b>--</b>	<b>2 900 590 013</b>
<b><u>Financial liabilities</u></b>							
Due to Banks	362 838 691	28 620 001	--	--	--	224 393 416	<b>615 852 108</b>
Customer's deposits	14 597 116 401	9 030 995 186	5 229 657 750	7 623 497 936	55 559 000	14 952 688 852	<b>51 489 515 125</b>
Other loans	--	--	112 390 437	--	--	59 278 282	<b>171 668 719</b>
Subordinated loans	--	--	853 146 000	--	--	--	<b>853 146 000</b>
Other financial liabilities	--	--	--	--	--	804 164 279	<b>804 164 279</b>
<b>Total financial liabilities</b>	<b>14 959 955 092</b>	<b>9 059 615 187</b>	<b>6 195 194 187</b>	<b>7 623 497 936</b>	<b>55 559 000</b>	<b>16 040 524 829</b>	<b>53 934 346 231</b>
<b>IRS (notional amount)</b>	<b>642 323 392</b>	<b>1 553 202 390</b>	<b>705 064 230</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2 900 590 013</b>
<b>Re-pricing gap</b>	<b>6 386 131 321</b>	<b>(522 263 555)</b>	<b>6 980 982 360</b>	<b>4 149 270 701</b>	<b>1 739 613 939</b>	<b>(10984 436 165)</b>	<b>7 749 298 599</b>
<b><u>At the end of the comparative year</u></b>							
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	<b>60 921 312 676</b>
IRS (notional amount)	1 175 184 118	195 249 029	1 072 894 052	1 166 422 234	60 319 000	--	<b>3 670 068 433</b>
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	<b>53 846 725 619</b>
IRS (notional amount)	1 481 819 324	2 188 249 109	--	--	--	--	<b>3 670 068 433</b>
<b>Re-pricing gap</b>	<b>1 899 747 629</b>	<b>(1 462 982 950)</b>	<b>8 593 167 786</b>	<b>4 504 030 924</b>	<b>1 569 913 765</b>	<b>(8 029 290 097)</b>	<b>7 074 587 057</b>

### **(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 result in failure in fulfilling obligations related to depositors and meeting lending commitments.

<b>Contractual maturities</b>	<b><u>September 30, 2012</u></b>					<b>Total</b>
	<b>Up to one month</b>	<b>More than one month up to 3 months</b>	<b>More than 3 months up to one year</b>	<b>More than one year up to 5 years</b>	<b>More than 5 years</b>	
<b><u>Financial liabilities</u></b>						
Balances due to Banks	588 026 636	29 028 120	--	--	--	<b>617 054 756</b>
Customer's deposits	29 582 895 960	9 313 547 824	6 074 512 508	8 985 578 831	71 793 154	<b>54 028 328 277</b>
Other loans	--	--	167 634 409	--	4 034 310	<b>171 668 719</b>
subordinated loans	--	--	17 463 844	870 609 844	--	<b>888 073 688</b>
<b>Total financial liabilities</b>	<b>30 170 922 596</b>	<b>9 342 575 944</b>	<b>6 259 610 761</b>	<b>9 856 188 675</b>	<b>75 827 464</b>	<b>55 705 125 440</b>

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

- 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 period of contractual maturities at the balance sheet date. The amounts shown in the table represent the undiscounted cash flows.

Maturities for balance sheet items	<u>September 30, 2012</u>					Total
	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	
<b><u>Held-for-trading derivatives</u></b>						
Currency forward deals						
Cash outflows	189 078 738	30 327 049	52 377 720	78 501 620	--	<b>350 285 127</b>
Cash inflows	189 915 507	29 832 687	61 839 960	78 693 577	--	<b>360 281 731</b>
<b><u>December 31, 2011</u></b>						
<b><u>Held-for-trading derivatives</u></b>						
Currency forward deals						
Cash outflows	58 748 471	77 642 444	121 474 231	--	--	<b>257 865 146</b>
Cash inflows	58 739 784	78 935 884	130 333 291	--	--	<b>268 008 959</b>



**Cash flow for off balance sheet items**

Maturities for off-balance sheet items	<b><u>September 30, 2012</u></b>			<b>Total</b>
	<b>Less than one year</b>	<b>More than one year and less than 5 years</b>	<b>More than 5 years</b>	
Loan commitments	157 022 436	--	--	<b>157 022 436</b>
Financial guarantees	1 817 023	--	--	<b>1 817 023</b>
Operating lease commitments	40 593 129	101 347 510	34 219 914	<b>176 160 553</b>
Capital commitments resulting from acquisition of fixed assets	50 372 700	--	--	<b>50 372 700</b>
<b>Total</b>	<b>249 805 288</b>	<b>101 347 510</b>	<b>34 219 914</b>	<b>385 372 712</b>

Maturities for off-balance sheet items	<b><u>December 31, 2011</u></b>			<b>Total</b>
	<b>Less than one year</b>	<b>More than one year and less than 5 years</b>	<b>More than 5 years</b>	
Loan commitments	146 630 786	--	--	<b>146 630 786</b>
Financial guarantees	2 132 828	--	--	<b>2 132 828</b>
Operating lease commitments	36 806 498	114 195 623	46 517 670	<b>197 519 791</b>
Capital commitments resulting from acquisition of fixed assets	148 231 033	--	--	<b>148 231 033</b>
<b>Total</b>	<b>333 801 145</b>	<b>114 195 623</b>	<b>46 517 670</b>	<b>494 514 438</b>

**(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 financial position at fair value:

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b><u>Sept. 30, 2012</u></b> <b><u>EGP</u></b>	<b><u>Dec. 31, 2011</u></b> <b><u>EGP</u></b>	<b><u>Sept. 30, 2012</u></b> <b><u>EGP</u></b>	<b><u>Dec. 31, 2011</u></b> <b><u>EGP</u></b>
<b>Financial assets</b>				
Due from Banks	5 726 481 734	4 977 305 691	5 726 481 734	4 977 305 691
Loans and facilities to costumers	36 078 228 346	35 099 032 999	Not determined	34 355 583 289
<b>Financial investments:</b>				
Equity instruments available for sale	179 520 323	234 100 050	Not determined	Not determined
<b><u>Held to maturity</u></b>				
Debt instruments	50 000 000	120 008 160	49 294 671	116 968 048
Mutual fund certificates	15 000 000	15 000 000	20 485 778	16 435 613
<b>Financial liabilities:</b>				
Balances due to Banks	615 852 108	110 261 182	615 852 108	110 261 182
Customer's deposits	51 489 515 125	51 709 693 141	Not determined	52 231 235 798
Other loans	171 668 719	116 358 582	171 668 719	116 358 582
Subordinated loan	853 146 000	844 466 000	853 146 000	844 466 000

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

**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 period.
- 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 16.44 % at the end of the current period. (December 31, 2011: 14.81%)

The numerator in the capital adequacy ratio comprises 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), 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.

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
<u>Capital</u>	<u>EGP</u>	<u>EGP</u>
<b>Tier 1 capital</b>		
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 *	179 790 872	72 169
<b>Total tier 1 capital</b>	<b>6 376 604 420</b>	<b>5 448 960 353</b>
<b>Tier 2 capital</b>		
The equivalent amount of the loans general provision **	539 827 375	533 589 960
Subordinated loans	170 629 200	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.	14 716 121	--
<b>Total tier 2 capital</b>	<b>725 172 696</b>	<b>871 376 360</b>
<b>Total capital</b>	<b>7 101 777 116</b>	<b>6 320 336 713</b>
<b>Risk weighted assets and contingent liabilities:</b>		
Assets in the balance sheet	37 608 898 408	37 030 960 191
Contingent liabilities	5 577 291 583	5 656 236 612
<b>Total risk weighted assets and contingent liabilities</b>	<b>43 186 189 991</b>	<b>42 687 196 803</b>
<b>Capital adequacy ratio (%)</b>	<b>16.44%</b>	<b>14.81%</b>

\* Net of accumulated losses, if any

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

#### **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.

The bank is unlikely to suffer any additional loss, as the "revaluation reserve for available for sale investments," reported in equity does not include any unrealized losses from fair value measurement.

**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 period would have decrease by EGP 705 329 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.

<b>Current period</b>	<b>Corporate</b>	<b>Investments</b>	<b>Individual</b>	<b>Other businesses</b>	<b>Total</b>
<b><u>Income and expenses according to segmental activities</u></b>					
Interest from loans and similar income	3 929 788 106	1 329 830 426	2 108 948 265	(3 493 813 384)	<b>3 874 753 413</b>
Interest expense and similar expenses	(3 104 230 891)	(1 350 003 830)	(1 459 427 978)	3 975 318 397	<b>(1 938 344 302)</b>
<b>Net interest income</b>	<b>825 557 215</b>	<b>(20 173 404)</b>	<b>649 520 287</b>	<b>481 505 013</b>	<b>1 936 409 111</b>
Fees and commissions income	421 534 243	1 945 414	216 859 532	4 290 678	<b>644 629 867</b>
Fee and commissions expense	( 4 867 489)	--	( 11 838 221)	( 289 958)	<b>( 16 995 668)</b>
<b>Net interest, fees and commissions income</b>	<b>1 242 223 969</b>	<b>(18 227 990)</b>	<b>854 541 598</b>	<b>485 505 733</b>	<b>2 564 043 310</b>
Dividend income	--	16 487 102	--	--	<b>16 487 102</b>
Net trading income	77 310 909	--	4 193 554	14 641 858	<b>96 146 321</b>
Gain on sale of financial investments	--	( 15 123 561)	--	--	<b>( 15 123 561)</b>
Impairment credit (losses)/reversals	( 323 114 541)	--	( 59 654 784)	--	<b>( 382 769 325)</b>
Administrative expenses	( 307 001 357)	( 5 903 426)	( 532 556 913)	34 309 713	<b>( 811 151 983)</b>
Other operating revenues (expenses)	105 300 982	8 835 173	( 32 741 919)	( 92 938 949)	<b>( 11 544 713)</b>
Share of profits of associates	--	8 568 739	--	--	<b>8 568 739</b>
<b>Profit before income tax</b>	<b>794 719 962</b>	<b>( 5 363 963)</b>	<b>233 781 536</b>	<b>441 518 355</b>	<b>1 464 655 890</b>
Income tax expenses	( 194 577 790)	( 1 437 449)	( 58 021 226)	( 35 570 190)	<b>( 289 606 655)</b>
<b>Net profit for current period</b>	<b>600 142 172</b>	<b>(6 801 412)</b>	<b>175 760 310</b>	<b>405 948 165</b>	<b>1 175 049 235</b>
<b>Net profit for comparative period</b>	<b>556 669 028</b>	<b>(5 852 770)</b>	<b>114 672 199</b>	<b>421 880 854</b>	<b>1 087 369 311</b>

<b>At the end of current period</b>	<b>Corporate</b>	<b>Investments</b>	<b>Individual</b>	<b>Other businesses</b>	<b>Total</b>
<b><u>Assets and liabilities according to segmental activities</u></b>					
<b>Segment activity assets</b>					
Due from Central Bank of Egypt	--	--	--	2 906 532 941	<b>2 906 532 941</b>
Due from banks	--	--	--	5 726 481 734	<b>5 726 481 734</b>
Treasury bills	--	10 353 518 402	--	--	<b>10 353 518 402</b>
Loans to customers	30 388 579 458	--	7 164 872 097	--	<b>37 553 451 555</b>
Allowance for impairment losses, segregated interest and unearned discount on discounted bills	(1 142 710 217)	--	( 332 512 992)	--	<b>(1 475 223 209)</b>
Financial derivatives	6 566 918	--	--	31 491 594	<b>38 058 512</b>
Available-for-sale investments	--	4 893 049 301	--	--	<b>4 893 049 301</b>
Held-to-maturity investments	--	65 000 000	--	--	<b>65 000 000</b>
Investments in associates	--	116 014 429	--	--	<b>116 014 429</b>
<b>Unclassified assets</b>					
Cash	--	--	--	--	<b>1 282 120 358</b>
Intangible assets	--	--	--	----	<b>97 479 118</b>
Other assets	--	--	--	--	<b>682 520 546</b>
Deferred tax assets	--	--	--	--	<b>166 680 743</b>
Fixed assets ( net )	--	--	--	--	<b>852 559 049</b>
<b>Total assets</b>	<b>29 252 436 159</b>	<b>15 427 582 132</b>	<b>6 832 359 105</b>	<b>8 664 506 269</b>	<b>63 258 243 479</b>
<b>Segment activity liabilities</b>					
Due to banks	--	--	--	615 852 108	<b>615 852 108</b>
Customers' deposits	28 864 443 697	--	22 625 071 428	--	<b>51 489 515 125</b>
Other loans	--	--	--	171 668 719	<b>171 668 719</b>
<b>Unclassified liabilities</b>					
other liabilities	--	--	--	--	<b>1 235 965 722</b>
Other provisions	--	--	--	--	<b>487 322 638</b>
Current income tax payable	--	--	--	--	<b>286 823 053</b>
Defined benefits liabilities	--	--	--	--	<b>142 383 742</b>
<b>Total liabilities</b>	<b>28 864 443 697</b>	<b>--</b>	<b>22 625 071 428</b>	<b>787 520 827</b>	<b>54 429 531 107</b>
<b>Total equity &amp; Subordinated loan</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8 756 301 514</b>
<b>at the end of comparative year</b>					
<b>Total assets</b>	<b>29 231 596 154</b>	<b>15 575 287 992</b>	<b>5 878 180 755</b>	<b>8 729 923 199</b>	<b>62 552 216 903</b>
<b>Total liabilities</b>	<b>31 598 634 455</b>	<b>--</b>	<b>20 111 058 686</b>	<b>226 619 764</b>	<b>54 330 796 100</b>
<b>Total equity &amp; Subordinated loan</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8 221 420 803</b>

**Segmentation analysis**

**(5/B) Segmental analysis by geographic area**

	<b>Cairo</b>	<b>Giza</b>	<b>Alex</b>	<b>Delta</b>	<b>Red sea/ Upper Egypt</b>	<b>Head office</b>	<b>Total</b>
<b><u>Income and expenses according to geographical segments</u></b>							
Interest from loans and similar income	2 685 417 150	1 888 564 206	760 309 436	532 301 949	200 087 554	(2 191 926 882)	<b>3 874 753 413</b>
Interest expense and similar expenses	(2 115 012 973)	(1 403 929 154)	( 553 971 043)	( 388 377 311)	( 149 867 011)	2 672 813 190	<b>(1 938 344 302)</b>
<b>Net interest income</b>	<b>570 404 177</b>	<b>484 635 052</b>	<b>206 338 393</b>	<b>143 924 638</b>	<b>50 220 543</b>	<b>480 886 308</b>	<b>1 936 409 111</b>
Fee and commission income	221 106 359	184 942 285	61 789 505	58 236 447	20 246 337	98 308 934	<b>644 629 867</b>
Fee and commission expense	( 5 557 372)	( 5 163 014)	( 2 234 043)	( 1 862 332)	( 1 172 569)	( 1 006 338)	<b>( 16 995 668)</b>
<b>Net interest, fees &amp; commissions income</b>	<b>785 953 164</b>	<b>664 414 323</b>	<b>265 893 855</b>	<b>200 298 753</b>	<b>69 294 311</b>	<b>578 188 904</b>	<b>2 564 043 310</b>
Dividend income	--	--	--	--	--	16 487 102	<b>16 487 102</b>
Net trading income	28 490 182	21 093 164	9 899 863	6 701 522	2 022 949	27 938 641	<b>96 146 321</b>
Gain on sale of financial investments	--	--	--	--	--	( 15 123 561)	<b>( 15 123 561)</b>
Impairment credit (losses)/reversals	( 31 683 574)	( 201 873 366)	( 15 268 939)	( 132 133 934)	( 10 253 105)	8 443 593	<b>( 382 769 325)</b>
Administrative expenses	( 299 005 124)	( 265 451 578)	( 114 164 646)	( 87 064 091)	( 57 437 984)	11 971 440	<b>( 811 151 983)</b>
Other operating revenues (expenses)	11 339 761	18 416 979	3 370 734	36 216 646	1 006 543	( 81 895 376)	<b>( 11 544 713)</b>
Share on operating income of associated companies	--	--	--	--	--	8 568 739	<b>8 568 739</b>
<b>Profit before income tax</b>	<b>495 094 409</b>	<b>236 599 522</b>	<b>149 730 867</b>	<b>24 018 896</b>	<b>4 632 714</b>	<b>554 579 482</b>	<b>1 464 655 890</b>
Income tax expense	( 123 707 356)	( 59 146 556)	( 37 430 851)	( 6 003 317)	( 1 157 264)	( 62 161 311)	<b>( 289 606 655)</b>
<b>Net profit for current period</b>	<b>371 387 053</b>	<b>177 452 966</b>	<b>112 300 016</b>	<b>18 015 579</b>	<b>3 475 450</b>	<b>492 418 171</b>	<b>1 175 049 235</b>
<b>Net profit for comparative period</b>	<b>604 158 381</b>	<b>571 901 722</b>	<b>292 356 282</b>	<b>97 354 938</b>	<b>(37 074 549)</b>	<b>(441 327 463)</b>	<b>1 087 369 311</b>



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

<b>Assets of geographical segments</b>	<b>Cairo</b>	<b>Giza</b>	<b>Alex</b>	<b>Delta</b>	<b>Red sea/ Upper Egypt</b>	<b>Head office</b>	<b>Total</b>
Cash and due from Central Bank of Egypt	196 859 302	285 926 103	79 039 293	127 734 482	59 292 611	3 439 801 508	<b>4 188 653 299</b>
Due from Banks	100 000	--	8	--	--	5 726 381 726	<b>5 726 481 734</b>
Treasury bills	--	--	--	--	--	10 353 518 402	<b>10 353 518 402</b>
Loans to customers	17 761 486 494	10 492 364 984	3 956 079 933	4 287 024 923	1 056 495 221	--	<b>37 553 451 555</b>
Allowance for impairment losses, segregated interest and unearned discount on discounted bills	( 514 515 137)	( 594 261 227)	( 71 262 515)	( 240 382 978)	( 40 693 262)	( 14 108 090)	<b>(1 475 223 209)</b>
Financial derivatives	( 275 570)	( 215 346)	--	7 057 834	--	31 491 594	<b>38 058 512</b>
Available-for-sale investments	--	--	--	--	--	4 893 049 301	<b>4 893 049 301</b>
Held-to-maturity investments	--	--	--	--	--	65 000 000	<b>65 000 000</b>
Investments in associates	--	--	--	--	--	116 014 429	<b>116 014 429</b>
Other assets	107 256 434	61 329 669	20 295 431	32 757 557	5 584 888	495 296 567	<b>722 520 546</b>
Fixed assets ( net )	157 769 129	254 547 579	91 694 782	76 671 890	52 254 872	219 620 797	<b>852 559 049</b>
<b>Unclassified assets</b>							
Intangible assets							<b>97 479 118</b>
Deferred tax assets							<b>166 680 743</b>
<b>Total assets</b>	<b>17 708 680 652</b>	<b>10 499 691 762</b>	<b>4 075 846 932</b>	<b>4 290 863 708</b>	<b>1 132 934 330</b>	<b>25 286 066 234</b>	<b>63 298 243 479</b>

	Cairo	Giza	Alex	Delta	Red sea/ Upper Egypt	Head office	Total
<b>Liabilities of geographical segments</b>							
Due to Banks	68 792 679	19 230 376	17 410 021	--	--	510 419 032	<b>615 852 108</b>
Customers' deposits	21 644 142 860	17 181 532 310	7 707 559 849	3 400 855 355	1 501 509 048	53 915 703	<b>51 489 515 125</b>
Other loans	243 724	842 056	--	605 108	--	169 977 831	<b>171 668 719</b>
Other liabilities	292 283 223	328 512 599	121 875 761	60 917 765	29 800 347	402 576 027	<b>1 235 965 722</b>
<b>Unclassified liabilities</b>							
Other provisions	--	--	--	--	--	--	<b>487 322 638</b>
Current income tax payable	--	--	--	--	--	--	<b>286 823 053</b>
Defined benefit liabilities	--	--	--	--	--	--	<b>142 383 742</b>
<b>Total liabilities</b>	<b>22 005 462 486</b>	<b>17 530 117 341</b>	<b>7 846 845 631</b>	<b>3 462 378 228</b>	<b>1 531 309 395</b>	<b>1 136 888 593</b>	<b>54 429 531 107</b>
<b>Total equity &amp; subordinated loan</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8 828 712 372</b>
<b>At the end of the comparative year</b>							
<b>Total assets</b>	<b>17 949 158 336</b>	<b>9 737 857 714</b>	<b>5 577 551 992</b>	<b>336 780 012</b>	<b>2 771 107 885</b>	<b>25 830 587 267</b>	<b>62 487 033 715</b>
<b>Total liabilities</b>	<b>21 957 569 850</b>	<b>18 384 379 323</b>	<b>8 053 467 338</b>	<b>3 060 054 993</b>	<b>1 359 892 308</b>	<b>546 248 654</b>	<b>54 330 796 100</b>
<b>Total equity &amp; Subordinated loan</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8 221 420 803</b>

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

**6- Net interest income**

	<u>Sept. 30, 2012</u> <u>EGP</u>	<u>Sept. 30, 2011</u> <u>EGP</u>
<u>Interest from loans and similar income:</u>		
<u>Loans and facilities:</u>		
Customers	2 509 843 202	1 969 998 057
	<b>2 509 843 202</b>	<b>1 969 998 057</b>
Treasury bills and bonds	1 9 329 264	1 184 808 222
Deposits and current accounts	22 654 462	50 775 136
Interest differential on hedging instruments (IRS contracts)	12 926 485	27 722 206
<b>Total</b>	<b>3 874 753 413</b>	<b>3 233 303 621</b>
<u>Cost of deposits and similar costs</u>		
<u>Deposits and current accounts:</u>		
Banks	(32 693 364)	(8 989 752)
Customers	(1 892 896 879)	(1 670 740 044)
<b>Total</b>	<b>(1 925 590 243)</b>	<b>(1 679 729 796)</b>
Other loans	(12 754 059)	(10 646 366)
<b>Total</b>	<b>(1 938 344 302)</b>	<b>(1 690 376 162)</b>
<b>Net</b>	<b>1 936 409 111</b>	<b>1 542 927 459</b>

**7- Net income from fees and commissions**

	<u>Sept. 30, 2012</u> <u>EGP</u>	<u>Sept. 30, 2011</u> <u>EGP</u>
<u>Fees and commissions revenue :</u>		
Credit fees and commissions	416 937 386	355 589 293
Custody fees	6 151 912	5 398 531
Investments commissions	21 265 151	21 548 814
Others	200 275 418	144 125 268
<b>Total</b>	<b>644 629 867</b>	<b>526 661 906</b>
<u>Fees and commissions expense:</u>		
Brokerage fees	(1 295 805)	(1 923 397)
Other fees	(15 699 863)	(8 674 473)
<b>Total</b>	<b>(16 995 668)</b>	<b>(10 597 870)</b>
<b>Net</b>	<b>627 634 199</b>	<b>516 064 036</b>

**8- Dividend income**

	<u>Sept. 30, 2012</u> <u>EGP</u>	<u>Sept. 30, 2011</u> <u>EGP</u>
Available for sale investments	16 487 102	19 107 174
<b>Total</b>	<b>16 487 102</b>	<b>19 107 174</b>

**9- Net trading income**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Sept. 30, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<u>Forex operations:</u>		
Foreign exchange trading gains	92 540 736	91 075 622
Changes in fair value of currency forward contracts	513 913	11 187 829
Held-for-Trading debt instruments	3 091 672	7 108 201
<b>Total</b>	<b><u>96 146 321</u></b>	<b><u>109 371 652</u></b>

**10- Administrative expenses**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Sept. 30, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<u>Staff cost:</u>		
Salaries and wages	361 439 536	333 525 113
Social insurance	15 077 374	13 194 574
<u>Pension cost:</u>		
Defined contribution schemes	28 532 448	24 977 842
Other retirement benefits (Defined benefit schemes)	25 634 052	24 583 626
	<b><u>430 683 410</u></b>	<b><u>396 281 155</u></b>
Depreciation and amortization	88 471 144	80 705 903
Other administrative expenses	291 997 429	262 526 280
<b>Total</b>	<b><u>811 151 983</u></b>	<b><u>739 513 338</u></b>

**11- Other operating incomes (expenses)**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Sept. 30, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
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	11 148 830	28 879 170
Gain on sale of property, plants, and equipment	22 352	528 000
Programs cost	(10 151 498)	(12 314 930)
Operating lease rental expense	(36 852 843)	(33 135 354)
Gain on sale of foreclosed assets reverted to the bank in settlement of debts	--	1 617 512
Other provisions (net of reversed amounts)	13 007 024	(46 638 093)
Other income (expense)	11 281 422	3 095 118
<b>Total</b>	<b><u>(11 544 713)</u></b>	<b><u>(57 968 577)</u></b>

**12- Credit impairment (loss)/reversal**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Sept. 30, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Loans and facilities to customers	(382 769 325)	(79 222 118)
<b>Total</b>	<b><u>(382 769 325)</u></b>	<b><u>(79 222 118)</u></b>

**13- Income tax expense**

	<u>Sept. 30, 2012</u>	<u>Sept. 30, 2011</u>
	<u>EGP</u>	<u>EGP</u>
Current tax	(263 136 251)	(298 690 529)
Deferred tax	(26 470 404)	45 978 140
<b>Total</b>	<b><u>(289 606 655)</u></b>	<b><u>(252 712 389)</u></b>

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	1 464 655 890	1 340 081 700
Income tax expense calculated at 20 % tax rate	2 000 000	2 000 000
Income tax expense calculated at 25 % tax rate	361 859 555	332 520 425
<b><u>Tax impact for:</u></b>		
Non-taxable income	19 886 696	(37 298 832)
Non-deductible expenses for tax purposes	10 095 046	5 258 660
(Deferred tax assets not previously recognized)/utilization	(24 478 457)	(22 784 416)
Tax rate diff. on Egyptian T.Bills and T.bonds	(61 044 718)	--
Prior-years' tax differences	(23 527 258)	1 386 695
Provision and segregated interest	18 118 779	17 607 997
Effective tax expense	<b><u>263 136 251</u></b>	<b><u>298 690 529</u></b>

**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 the bank is preparing required documents for these years to start inspection with tax authorities.

For the year 2011 the Bank submitted its tax return on the due date and the 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.

**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 31/12/2009 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 the end of 2006.

**B-2) Salaries Taxes**

The Bank's books have been inspected, and the due tax was paid till end of 2004.

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

**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.

<b>14- <u>Earnings per share</u></b>	<b><u>Sept. 30, 2012</u></b>	<b><u>Sept. 30, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Net profit for the period related to banks' shareholders	1 175 049 235	1 087 369 311
Remuneration for the Board Members (from the period's net profit)*	(1 387 500)	(1 275 000)
Staff profit share (from the period's net profit)*	(134 762 244)	(98 467 355)
<b>Profit available to shareholders</b>	<b>1 038 899 491</b>	<b>987 626 956</b>
Weighted average number of the shares outstanding during the period	443 535 902	443 535 902
<b>Earnings per share</b>	<b><u>2.34</u></b>	<b><u>2.20</u></b>

Estimate amount based on bank approved budget, the actual amount will be subject to the ordinary GAM approval at the end year.

<b>15- <u>Cash and due from Central Bank of Egypt (CBE)</u></b>	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cash	1 282 120 358	1 297 045 266
Balances with CBE (mandatory reserve)	2 906 532 941	3 727 157 338
<b>Total</b>	<b><u>4 188 653 299</u></b>	<b><u>5 024 202 604</u></b>
Interest free balances	4 188 653 299	5 024 202 604
<b>Total</b>	<b><u>4 188 653 299</u></b>	<b><u>5 024 202 604</u></b>
<b>16- <u>Due from Banks</u></b>	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Current accounts	453 877 261	409 933 090
Deposits	5 272 604 473	4 567 372 601
<b>Total</b>	<b><u>5 726 481 734</u></b>	<b><u>4 977 305 691</u></b>
Balances at CBE other than those under the mandatory reserve	1 579 710 991	1 601 147 217
Local banks	36 331 623	134 358 379
Foreign banks	4 110 439 120	3 241 800 095
<b>Total</b>	<b><u>5 726 481 734</u></b>	<b><u>4 977 305 691</u></b>
Interest free balances	121 109 996	141 939 776
Balances at floating interest rates	341 617 089	268 093 314
Balances at fixed interest rates	5 263 754 649	4 567 272 601
<b>Total</b>	<b><u>5 726 481 734</u></b>	<b><u>4 977 305 691</u></b>
Current balances	5 726 481 734	4 977 305 691
<b>Total</b>	<b><u>5 726 481 734</u></b>	<b><u>4 977 305 691</u></b>

**17- Treasury bills**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
91 days maturity	1 673 075 000	2 098 275 000
182 days maturity	2 347 675 000	3 055 875 000
More than 182 days maturity	6 809 761 980	5 209 780 780
	<b><u>10 830 511 980</u></b>	<b><u>10 363 930 780</u></b>
Less : Unearned interest	(476 993 578)	(464 646 511)
<b>Net</b>	<b><u>10 353 518 402</u></b>	<b><u>9 899 284 269</u></b>

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

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b>Individuals</b>		
Debit current accounts	627 088 151	713 947 355
Credit cards	255 573 017	207 872 620
Personal loans	6 097 997 926	5 099 006 895
Real estate loans	184 213 003	130 479 251
<b>Total (1)</b>	<b><u>7 164 872 097</u></b>	<b><u>6 151 306 121</u></b>
<b>Corporate including small loans for businesses</b>		
Debit current accounts	16 461 916 612	15 887 048 533
Direct loans	8 463 843 386	8 711 179 155
Syndicated loans	4 231 403 561	4 570 598 804
Other loans	1 231 415 899	988 516 170
<b>Total (2)</b>	<b><u>30 388 579 458</u></b>	<b><u>30 157 342 662</u></b>
<b>Total loans and facilities to costumers (1+2)</b>	<b><u>37 553 451 555</u></b>	<b><u>36 308 648 783</u></b>
Less: Allowance for impairment losses	(1 398 309 901)	(1 117 443 476)
Less: segregated interest	(62 481 529)	(75 698 390)
Less: Unearned discount for discounted bills	(14 431 779)	(16 473 918)
<b>Net amount distributed as follows:</b>	<b><u>36 078 228 346</u></b>	<b><u>35 099 032 999</u></b>
Current balances	21 124 694 569	19 340 677 684
Non-current balances	14 953 533 776	15 758 355 315
<b>Total</b>	<b><u>36 078 228 346</u></b>	<b><u>35 099 032 999</u></b>

**18-A Allowance for impairment losses**

	<b><u>Sept. 30, 2012</u></b>		
	<b>Specific provision</b>	<b><u>Individuals</u> Collective provision</b>	<b>Total</b>
Balance at the beginning of the period	238 966 870	33 962 904	272 929 774
Impairment loss recognized during the period	55 316 104	4 338 680	59 654 784
Collections of loans previously written-off	--	4 724	4 724
Loans written-off	( 198 478)	--	( 198 478)
Balance at end of the period	<b><u>294 084 496</u></b>	<b><u>38 306 308</u></b>	<b><u>332 390 804</u></b>
		<b><u>Corporate</u> Collective provision</b>	<b>Total</b>
Balance at the beginning of the period	634 299 040	210 214 662	844 513 702
Impairment loss recognized during the period	101 067 466	222 047 075	323 114 541
Loans written-off	(102 302 743)	--	(102 302 743)
Collections of loans previously written-off	--	456 165	456 165
Foreign exchange translation differences	( 1 282 488)	1 419 920	137 432
Balance at end of the period	<b><u>631 781 275</u></b>	<b><u>434 137 822</u></b>	<b><u>1 065 919 097</u></b>
<b>Total</b>	<b><u>925 865 771</u></b>	<b><u>472 444 130</u></b>	<b><u>1 398 309 901</u></b>

	<b><u>Dec. 31, 2011</u></b>		
	<b>Specific provision</b>	<b><u>Individuals</u> Collective provision</b>	<b>Total</b>
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	<b><u>238 966 870</u></b>	<b><u>33 962 904</u></b>	<b><u>272 929 774</u></b>
		<b><u>Corporate</u> Collective provision</b>	<b>Total</b>
Balance at the beginning of the year	677 367 631	124 470 581	801 838 212
Impairment loss recognized during the period	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	<b><u>634 299 040</u></b>	<b><u>210 214 662</u></b>	<b><u>844 513 702</u></b>
<b>Total</b>	<b><u>873 265 910</u></b>	<b><u>244 177 566</u></b>	<b><u>1 117 443 476</u></b>



**19- Financial Derivatives**

			<b>Sept. 30, 2012</b>	
<b>(A)</b>	<b><u>Held-for-trading</u></b>	<b>Notional</b>	<b>Assets</b>	<b>Liabilities</b>
	Forward foreign exchange contracts	350 285 127	9 641 934	--
	Interest rate swap contracts	1 382 532 705	11 161 315	--
	<b>Total</b>		<b>20 803 249</b>	<b>--</b>
<b>(B)</b>	<b><u>Fair value hedges</u></b>			
	Interest rate swap contracts	1 213 362 308	5 792 191	--
<b>(C)</b>	<b><u>Cash flow hedges</u></b>			
	Interest rate swap contracts	304 695 000	11 463 072	--
	<b>Total</b>		<b>38 058 512</b>	<b>--</b>
			<b>Dec. 31, 2011</b>	
<b>(A)</b>	<b><u>Held-for-trading</u></b>	<b>Amount</b>	<b>Assets</b>	<b>Liabilities</b>
	Forward foreign exchange contracts	257 865 146	9 128 021	--
	Interest rate swaps contracts	1 954 704 653	13 652 058	--
	<b>Total</b>		<b>22 780 079</b>	<b>--</b>
<b>(B)</b>	<b><u>Fair value hedges</u></b>			
	Interest rate swaps contracts	1 383 609 280	2 822 823	--
<b>(C)</b>	<b><u>Cash flow hedges</u></b>			
	Interest rate swap contracts	331 754 500	10 601 178	--
	<b>Total</b>		<b>36 204 080</b>	<b>---</b>

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 5 792 191 as of Sept 30, 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 11 463 072 as of September 30, 2012 (December 31, 2011: assets of EGP 10 601 178).

**20- Financial investments**

**Available for sale investments**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
(A) <u>Debt instruments at fair value</u>		
Listed instruments	2 362 235 959	2 753 404 937
Unlisted instruments	2 178 201 721	2 278 749 175
(B) <u>Equity instruments at fair value</u>		
Listed instruments	58 875 044	47 218 080
(C) <u>Money Market Funds and balanced Funds</u>		
Unlisted instruments	114 216 254	118 477 632
(D) <u>Equity Instruments at Cost</u>		
Unlisted Instruments	179 520 323	234 100 050
<b>Total available for sale investments (1)</b>	<b><u><u>4 893 049 301</u></u></b>	<b><u><u>5 431 949 874</u></u></b>

**Held to maturity investments**

(A) <u>Debt instruments</u>		
Listed instruments	50 000 000	120 008 160
(B) <u>Money Market Funds</u>		
Unlisted instruments *	15 000 000	15 000 000
<b>Total held to maturity investments (2)</b>	<b><u><u>65 000 000</u></u></b>	<b><u><u>135 008 160</u></u></b>
<b>Total financial investments (1+2)</b>	<b><u><u>4 958 049 301</u></u></b>	<b><u><u>5 566 958 034</u></u></b>

Current balances	240 674 314	1 052 976 941
Non-current balances	4 717 374 987	4 513 981 093
<b>Total</b>	<b><u><u>4 958 049 301</u></u></b>	<b><u><u>5 566 958 034</u></u></b>

Fixed interest debt instruments	4 590 437 680	5 152 162 272
<b>Total Debt Instruments</b>	<b><u><u>4 590 437 680</u></u></b>	<b><u><u>5 152 162 272</u></u></b>

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

	<u>Available for sale investments</u>	<u>Held to maturity investments</u>
<b>Balance at the beginning of the current period</b>	5 431 949 874	135 008 160
Additions	1 440 741 218	--
Amortization of premium / discount	( 12 269 567)	( 8 160)
Disposals (sale/redemption)	(2 026 789 923)	( 70 000 000)
Translation differences resulting from monetary foreign currency assets	22 100 133	--
Changes in fair value	55 377 690	--
Deduct: Provision for impairment loss	( 18 060 124)	--
<b>Balance at the end of the current period</b>	<u><u>4 893 049 301</u></u>	<u><u>65 000 000</u></u>

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

<b>Balance at the beginning of the comparative year</b>	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)	--
<b>Balance at the end of the comparative year</b>	<u><u>5 431 949 874</u></u>	<u><u>135 008 160</u></u>

<u>Gain from financial investments</u>	<u>Sept. 30, 2012</u>	<u>Sept. 30, 2011</u>
Gain on derecognition of investments available for sale	9 000	9 209 159
Gain on sale of available for sale assets	2 927 562	7 327 930
loss of impairment of available for sale equity instruments	( 18 060 123)	( 1 975 983)
	<u><u>(15 123 561)</u></u>	<u><u>14 561 106</u></u>

\* -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 associates**

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

<u>Sept. 30, 2012</u>	Country of residence	Investee's assets <u>EGP</u>	Investee's liabilities (excluding equity) <u>EGP</u>	Investee's revenues <u>EGP</u>	Investee's profit (loss) <u>EGP</u>	Carrying amount <u>EGP</u>	NSGB stake %
Sogelease Egypt Company	Egypt	1 926 089 585	1 723 588 168	447 749 381	17 793 445	81 000 567	%40
NSGB Life Insurance Company	Egypt	576 147 277	451 038 695	4 259 787	3 993 428	31 277 146	%25
ALD Automotive	Egypt	95 494 000	87 100 000	25 843 000	(8 355 000)	1 049 250	%12.5
Senouhi Company for Construction Materials	Egypt	14 094 523	2 455 432	7 135 537	( 85 741)	2 687 466	%23.09
<b>Total</b>		<b>2 611 825 385</b>	<b>2 264 182 295</b>	<b>484 987 705</b>	<b>13 346 132</b>	<b>116 014 429</b>	

At September 30, 2012, the Bank owned 12.5% of ALD (31 December 2011: 12.5%). Although the Bank holds less than 20% of the ownership interest and voting rights in ALD, the Bank has the ability to exercise significant influence through:

- Its Participation in policy-making processes, including participation in decisions about dividends or other distributions.
- Material transactions between the Bank and ALD Automotive Co.

<u>Dec. 31, 2011</u>	Country of residence	Investee's assets <u>EGP</u>	Investee's liabilities (excluding equity) <u>EGP</u>	Investee's revenues <u>EGP</u>	Investee's profit (loss) <u>EGP</u>	Carrying amount <u>EGP</u>	NSGB stake %
Sogelease Egypt Company	Egypt	1 781 783 106	1 591 962 172	595 107 782	29 191 251	75 928 374	%40
NSGB Life Insurance Company	Egypt	474 344 104	360 999 879	19 012 548	12 258 734	28 336 056	%25
ALD Automotive	Egypt	90 284 000	73 535 000	36 793 000	(2 906 000)	2 093 625	%12.5
Senouhi Company for Construction Materials	Egypt	14 110 947	2 471 127	9 167 830	( 134 515)	2 687 634	%23.09
<b>Total</b>		<b>2 360 522 157</b>	<b>2 028 968 178</b>	<b>660 081 160</b>	<b>38 409 470</b>	<b>109 045 689</b>	

**22- Intangible assets**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b><u>Software</u></b>		
Net book value at the beginning of the period	93 646 164	105 334 201
Additions	19 892 350	11 005 055
Amortization	<u>(16 059 396)</u>	<u>(22 693 092)</u>
Net book value at the end of the period	<b><u>97 479 118</u></b>	<b><u>93 646 164</u></b>

**23- Other assets**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Accrued revenues	340 655 236	318 324 999
Pre-paid expenses	29 737 683	24 136 244
Advance payments under the purchase of fixed assets	57 661 347	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	3 058 802	3 161 036
Advanced payment to tax authority	156 206 767	204 435 726
Others	<u>56 488 809</u>	<u>28 998 686</u>
<b>Total</b>	<b><u>682 520 546</u></b>	<b><u>762 827 390</u></b>

**24- Fixed assets**

	<b>Lands and buildings</b>	<b>Renovations of leased assets</b>	<b>Machinery &amp; equipment</b>	<b>Others</b>	<b>Total</b>
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	
<u>01/01/2011</u>					
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	<b>547 743 185</b>	<b>51 257 710</b>	<b>71 611 902</b>	<b>29 464 676</b>	<b>700 077 473</b>
<u>31/12/2011</u>					
Net book value at the beginning of the period	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
Depreciation for the period	(38 831 120)	(11 430 927)	(32 946 736)	(5 948 976)	(89 157 759)
Net book value	<b>627 398 782</b>	<b>47 989 844</b>	<b>89 015 006</b>	<b>28 962 006</b>	<b>793 365 638</b>
<u>01/01/2012</u>					
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	<b>627 398 782</b>	<b>47 989 844</b>	<b>89 015 006</b>	<b>28 962 006</b>	<b>793 365 638</b>
<u>30/09/2012</u>					
Net book value at the beginning of the period	627 398 782	47 989 844	89 015 006	28 962 006	793 365 638
Additions	99 720 189	6 459 233	15 694 182	9 891 992	131 765 596
Disposals from fixed assets	( 160 437)	--	--	--	( 160 437)
Depreciation for the period	(33 035 981)	(9 197 293)	( 26 334 192)	(3 844 282)	(72 411 748)
Net book value	<b>693 922 553</b>	<b>45 251 784</b>	<b>78 374 996</b>	<b>35 009 716</b>	<b>852 559 049</b>
<u>Balances at 30/09/2012</u>					
Cost	961 999 821	101 009 464	335 731 100	88 884 685	1 487 625 070
Accumulated depreciation	(268 077 268)	(55 757 680)	(257 356 104)	(53 874 969)	(635 066 021)
Net book value	<b>693 922 553</b>	<b>45 251 784</b>	<b>78 374 996</b>	<b>35 009 716</b>	<b>852 559 049</b>

**25- Due to banks**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Current accounts	302 199 984	68 697 738
Deposits	313 652 124	41 563 444
<b>Total</b>	<b><u>615 852 108</u></b>	<b><u>110 261 182</u></b>
Central banks	35 987 084	27 939 517
Local banks	315 142 346	23 700 014
Foreign banks	264 722 678	58 621 651
<b>Total</b>	<b><u>615 852 108</u></b>	<b><u>110 261 182</u></b>
Non-interest bearing balances	224 393 416	32 218 480
Variable interest rate balances	77 806 568	36 479 258
Fixed interest rate balances	313 652 124	41 563 444
<b>Total</b>	<b><u>615 852 108</u></b>	<b><u>110 261 182</u></b>
Current balances	615 852 108	110 261 182
<b>Total</b>	<b><u>615 852 108</u></b>	<b><u>110 261 182</u></b>

**26- Customers' deposits**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Demand deposits	13 204 927 779	11 122 287 216
Time deposits and on call accounts	25 162 176 736	29 124 111 878
Term saving certificates	7 431 230 998	5 992 165 000
Savings deposits	3 983 425 864	3 785 617 998
Other deposits *	1 707 753 748	1 685 511 049
<b>Total</b>	<b><u>51 489 515 125</u></b>	<b><u>51 709 693 141</u></b>
Corporate deposits	28 864 443 697	31 598 634 455
Retail deposits	22 625 071 428	20 111 058 686
<b>Total</b>	<b><u>51 489 515 125</u></b>	<b><u>51 709 693 141</u></b>
Non-interest bearing balances	14 952 688 852	12 807 798 265
Variable interest rate balances	4 153 644 539	4 889 528 998
Fixed interest rate balances	32 383 181 734	34 012 365 878
<b>Total</b>	<b><u>51 489 515 125</u></b>	<b><u>51 709 693 141</u></b>
Current balances	43 747 023 189	44 095 885 280
Non-current balances	7 742 491 936	7 613 807 861
<b>Total</b>	<b><u>51 489 515 125</u></b>	<b><u>51 709 693 141</u></b>

\* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 421 783 203 as of September 30, 2012 (December 31, 2011 EGP 390 138 520). The fair value of these deposits approximates its carrying amount.

**27.A- Other loans**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Central Bank of Egypt loan	57 050 131	56 583 917
European Investment Bank loan	2 228 150	2 209 942
National Bank of Egypt loan (Ebab & Eco)	112 390 438	57 564 723
<b>Total</b>	<b><u>171 668 719</u></b>	<b><u>116 358 582</u></b>

**27.B- The Subordinated loan**

Represents a loan from SG Paris acquired on December 27, 2006 for USD 140 000 000 equivalent to EGP 853 146 000 as of September 30, 2012 (equivalent to EGP 844 466 000 as of December 31, 2011). The loan 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.

**28- Other liabilities**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Accrued interest	804 164 279	1 065 946 714
Unearned revenues	40 894 968	37 958 581
Accrued expenses	161 511 824	112 764 222
Sundry credit balances	229 394 651	208 630 044
<b>Total</b>	<b><u>1 235 965 722</u></b>	<b><u>1 425 299 561</u></b>



29- Other provisions

<b>Sept. 30, 2012</b>						
<b>Description</b>	<b>Balance at the beginning of the period</b>	<b>Formed during the period</b>	<b>Released during the period</b>	<b>Foreign currencies translation differences</b>	<b>Used during the period</b>	<b>Balance at the end of period</b>
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP + (-)</b>	<b>EGP</b>	<b>EGP</b>
Provision for probable tax claims	222 344 170	87 735 047	--	--	--	310 079 217
Provision for probable legal claims	16 025 639	211 205	--	35 186	( 498 016)	15 774 014
Provision for contingent liabilities	246 680 531	--	( 100 953 276)	795 123	--	146 522 378
Provision for fidelity	12 596 811	--	--	121 072	( 270 854)	12 447 029
Provision for other probable claims	2 500 000	--	--	--	--	2 500 000
<b>Total</b>	<b>500 147 151</b>	<b>87 946 252</b>	<b>( 100 953 276)</b>	<b>951 381</b>	<b>( 768 870)</b>	<b>487 322 638</b>

<b>Dec. 31, 2011</b>						
<b>Description</b>	<b>Balance at the beginning of the year</b>	<b>Formed during the year</b>	<b>Released during the year</b>	<b>Foreign currencies translation differences</b>	<b>Used during the year</b>	<b>Balance at the end of year</b>
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP + (-)</b>	<b>EGP</b>	<b>EGP</b>
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	--	1 2 596 811
Provision for other probable claims	2 500 000	--	--	--	--	2 500 000
Provision for staff accrued absence	3 700 000	--	( 3 700 000)	--	--	--
<b>Total</b>	<b>386 803 609</b>	<b>131 321 124</b>	<b>( 3 700 000)</b>	<b>5 277 129</b>	<b>( 19 554 711)</b>	<b>500 147 151</b>

### 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 period. 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:

	<u>Deferred tax assets</u>		<u>Deferred tax liabilities</u>	
	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Tax impact on temporary differences arising from:</u>				
Fixed assets	--	--	(34 203 469)	(35 927 752)
Goodwill	154 350 531	182 133 626	--	--
Provisions (other than allowance for loan impairment)	98 015 770	98 427 361	--	--
Changes in fair value of available-for-sale investments	--	--	(47 426 456)	(50 233 257)
Effect of changes in accounting policies	--	--	(4 055 633)	(4 055 633)
<b>Deferred tax assets (liabilities)</b>	<b>252 366 301</b>	<b>280 560 987</b>	<b>(85 685 558)</b>	<b>(90 216 642)</b>
<b>Net balance of DTA (DTL)</b>	<b>166 680 743</b>	<b>190 344 345</b>		

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

	<u>Deferred tax assets</u>		<u>Deferred tax liabilities</u>	
	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Beginning balance	280 560 987	237 067 373	(90 216 642)	(55 296 905)
DT recognized during the period	(28 194 686)	43 493 614	4 531 084	(34 919 737)
Closing balance	<b>252 366 301</b>	<b>280 560 987</b>	<b>(85 685 558)</b>	<b>(90 216 642)</b>

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

	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>
Cumulative change in fair value of available-for-sale investments	(47 426 456)	(50 233 257)
Effect of changes in accounting policies (special reserve)	(3 244 506)	(3 244 506)

**31- Retirement benefit obligation**

	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>
<b><u>Amounts recognized in the statement of financial position:</u></b>		
Liability for post-retirement medical benefits	142 383 742	119 598 838
<b><u>Amounts recognized in the income statement:</u></b>		
Post-retirement medical benefits	25 634 052	32 778 168
<b><u>Post-retirement medical benefits obligation constitutes of:</u></b>		
Present value of unfunded liabilities	179 019 630	140 782 316
Unrecognized actuarial loss	(36 635 888)	(21 183 478)
	<u><b>142 383 742</b></u>	<u><b>119 598 838</b></u>

**Liability movements during the financial period are shown below:**

Beginning balance (beginning of current period)	119 598 838	91 918 000
Current service cost	3 719 649	3 488 262
Interest cost	6 277 154	7 783 269
Actuarial losses	15 637 249	21 506 637
Benefits paid	(2 849 148)	(5 097 330)
	<u><b>142 383 742</b></u>	<u><b>119 598 838</b></u>

**Amounts recognized in the income statement are shown below:**

Current service cost	3 719 649	3 488 262
Interest cost	6 277 154	7 783 269
Net actuarial losses (gain) recognized during the period	15 637 249	21 506 637
	<u><b>25 634 052</b></u>	<u><b>32 778 168</b></u>

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

**Discount rate (two plans):**

A- NSGB current employees plan	5.00%	5.00%
B- Ex-MIBank retirees plan	4.90%	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%

<b><u>Sensitivities to +1% in discount rate (duration of the plan):</u></b>	<b>Service cost</b>	<b>DBO</b>
Post-retirement medical benefits - NSGB current employees plan	-26.05%	-22.16%
Post-retirement medical benefits - Ex-MIBank retirees plan	--	-14.68%
<b><u>Post-retirement medical benefits</u></b>	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Present value of defined benefit obligation	142 383 742	119 598 838
Effect on defined benefit obligation arising from changes in the schemes underlying assumptions based on historical experience	3 903 092	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 September 30, 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.
- 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 period 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**

	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
General reserve (a)	1 358 999 206	1 119 846 944
General banking risk reserve (b)	160 990 254	379 326 526
Legal reserve (c)	393 780 178	319 342 975
Revaluation reserve of available for sale investments (d)	27 922 042	( 30 253 449)
Special reserve (e)	173 681 968	173 681 968
Capital reserve	8 675 144	7 807 144
Cash flow risk hedging reserve	8 504 809	8 026 174
<b>Total reserves at the end of the period</b>	<b><u>2 132 553 601</u></b>	<b><u>1 977 778 282</u></b>

**Reserves movements are as follows:**

**(a) General reserve**

Balance at the beginning of the financial period	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)
<b>Balance at the end of period</b>	<b><u>1 358 999 206</u></b>	<b><u>1 119 846 944</u></b>

**(b) General Banking risk reserve**

Balance at the beginning of period	379 326 526	248 979 161
Transferred to retained earnings / from the period's profit	( 218 336 272)	130 347 365
<b>Balance at the end of period</b>	<b><u>160 990 254</u></b>	<b><u>379 326 526</u></b>

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 period	319 342 975	252 481 583
Transferred from the prior period's profit	74 437 203	66 861 392
<b>Balance at the end of period</b>	<b><u>393 780 178</u></b>	<b><u>319 342 975</u></b>

According to the provisions of local laws and the bank's statutes, 5 % of net profit of the period 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 period	( 30 253 449)	136 954 314
Net gains (losses) resulting from changes in fair value during the period (Note 20 )	55 377 690	( 130 016 507)

Deferred tax recognized during the period (Note 30)	2 806 801	( 27 982 097)
Net profit reclassified to income on de-recognition (Note 20)	( 9 000)	( 9 209 159)
<b>Balance at the end of period</b>	<b>27 922 042</b>	<b>(30 253 449)</b>

**( 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 period that have been impacted by this change, including comparative figures in the balance sheet and the income statements for the previous period. 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
Applying the equity method on investments in associates		26 637 789
Deferred tax (Tax impact on adjustments)		(22 288 030)
Change in fair value of available for sale investments		16 458 868
<b>Total</b>		<b>173 681 968</b>

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

	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>
<b>Movements on retained earnings:</b>		
Balance at the beginning of period	1 359 336 873	1 198 744 627
Net profit of the financial period	1 175 048 986	1 489 612 069
Previous period'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	218 336 272	(130 347 365)
<b>Balance at the end period</b>	<b>1 393 385 258</b>	<b>1 359 336 873</b>

**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.

	<u>Sept. 30, 2012</u>	<u>Sept. 30, 2011</u>
	<u>EGP</u>	<u>EGP</u>
Cash and balances with central banks	1 282 120 358	1 197 304 956
Due from banks in less than 3 months	4 252 920 173	3 605 903 559
Treasury bills and other governmental notes (91 days)	1 655 637 685	4 034 338 316
<b>Total</b>	<b>7 190 678 216</b>	<b>9 476 814 599</b>

**36- Contingent liabilities and other commitments**

**(a) Legal claims**

Several lawsuits were brought against the bank and are still outstanding as of September 30, 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 50 372 700 as of September 30, 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:

	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>
Loan commitments	157 022 436	146 630 786
Accepted papers	1 024 314 314	1 126 538 877
L/Gs	12 418 887 883	12 513 385 006
Import L/Cs	1 682 725 880	1 560 409 696
Export L/Cs	232 673 293	267 634 919
Other contingent liabilities (Financial guarantees)	1 817 023	2 132 828
	<u><u>15 517 440 829</u></u>	<u><u>15 616 732 112</u></u>

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

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

	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>
Not more than one year	40 593 129	36 806 498
More than one year and less than 5 years	101 347 510	114 195 623
More than 5 years	34 219 914	46 517 670
Total	<u><u>176 160 553</u></u>	<u><u>197 519 791</u></u>

**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:**

	<u>Sept. 30, 2012</u>	<u>Dec. 31, 2011</u>
	<u>EGP</u>	<u>EGP</u>
Due from banks	269 551 567	155 144 001
Due to banks	183 599 547	28 959 152
Subordinated loan	853 146 000	844 466 000
Export LCs	39 855 553	77 053 578
LGs for Banks	2 863 774 418	3 050 481 160
Forward currency deals	179 162 006	135 656 231
IRS contracts	2 407 375 410	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**

	<b>Directors and others key management personnel (and close family members*)</b>		<b>Associates</b>	
	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Outstanding loans at the beginning of the financial period	353 229	590 977	1 083 868 085	1 282 924 453
Loans issued during the financial period	1 308 208	516 307	16 190 800 943	11 311 554 510
Loans repayment during the financial period	(1 122 970)	( 754 055)	(16 039 815 079)	(11 510 610 878)
<b>Loans outstanding at the end of the financial period</b>	<b><u>538 467</u></b>	<b><u>353 229</u></b>	<b><u>1 234 853 949</u></b>	<b><u>1 083 868 085</u></b>
Interest income on loans	35 740	33 809	72 358 136	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 period amounted to EGP 972 594 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 6.65 % ( against average interest rate of 6.3 in the comparative year)

On June 28, 2012, Sogelease Egypt Company (associated) 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 30-09-2012 amount of 398 324 154 EGP, the total facility balance disclosed within the balance of loans and facilities to associates

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

Overdrafts - current accounts	77 331	45 718	28 618 964	12 877 406
Cash credit - Staff	168 042	245 070	--	--
Revolving term loan	--	--	756 279 913	979 759 176
Visa card	293 094	62 441	140	734
Equipment loans	--	--	449 954 932	91 230 769
<b>Total</b>	<b><u>538 467</u></b>	<b><u>353 229</u></b>	<b><u>1 234 853 949</u></b>	<b><u>1 083 868 085</u></b>

**Deposits from Related parties**

	<b>Directors and others key management personnel (and close family members)</b>		<b>Associates</b>	
	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Deposits outstanding at the beginning of the financial period	16 546 470	15 310 559	230 841 809	524 072 655
Deposits placed during the period	42 076 631	80 710 822	3 842 087 912	13 414 570 497
Deposits repaid during the period	(40 445 803)	(79 474 911)	(3826 742 413)	(13 707 801 343)
<b>Deposits outstanding at the end of the financial period</b>	<b><u>18 177 298</u></b>	<b><u>16 546 470</u></b>	<b><u>246 187 308</u></b>	<b><u>230 841 809</u></b>
Interest expense on deposits	600 165	745 247	5 978 226	10 858 914



**Deposits from related parties can be analyzed below**

Current accounts	548 595	391 813	12 360 167	8 478 690
Saving accounts	241 777	275 637	--	--
Certificates of deposits	6 197 000	6 122 000	--	--
Time deposits	11 189 926	9 757 020	233 827 141	222 363 119
<b>Total</b>	<b>18 177 298</b>	<b>16 546 470</b>	<b>246 187 308</b>	<b>230 841 809</b>

**c- Other transactions with related parties**

	<b>Directors and others key management personnel (and close family members)</b>		<b>Associates</b>	
	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>	<b><u>Sept. 30, 2012</u></b>	<b><u>Dec. 31, 2011</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Fee and commission income	23 422	206 059	3 274 690	560 1 799
Guarantees issued by the Bank	--	--	49 967 868	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	--	--	25 847	38 622
LCs	--	--	49 942 021	15 770 972
<b>Total</b>	<b>--</b>	<b>--</b>	<b>49 967 868</b>	<b>15 809 594</b>

**38- NSGB Money Market and balanced Funds**

**A- NSGB 1<sup>st</sup> 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 September 30, 2012 reached 37 254 811 at a total value of EGP 6 121 598 779. NSGB currently holds 745 096 certificates worth of EGP 119 216 254, 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 114 216 254 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 period amounting to EGP 21 140 244 have been reported in the "fees and commission income" line item in the income statement.

**B- NSGB 2<sup>nd</sup> 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 September 30, 2012 reached 235 179 at a total value of EGP 27 088 976 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 period amounting to EGP 100 069 have been reported in the "fees and commission income" line item in the income statement.

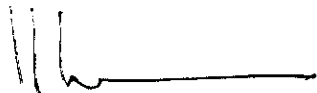
**C- NSGB 3<sup>rd</sup> Balanced Fund (Tadawol)**

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 September 30, 2012 reached 65 242 at a total value of EGP 8 495 425 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 period amounting to EGP 24 838 have been reported in the "fees and commission income" line item in the income statement.



**Vice Chairman & Managing director  
Jean Philippe Coulier**



**Chairman and Managing director  
Mohamed Osman Eldib**