National Soceite Generale Bank
(Egyptian Joint Stock Company)

Financial Statements
and Auditors' Report
for the period
ended June 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

Report on Limited Review of Interim Financial Statements

To: The Board of Directors of National Societe Generale Bank

Introduction

We have performed a limited review for the accompanying statement of financial position of National Societe Generale Bank as of June 30, 2012 and the related statements of income, changes in equity and cash flows for the six-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 financial statements in accordance with the Central Bank of Egypt's rules issued on December 16, 2008 and the prevailing Egyptian laws. Our responsibility is to express a conclusion on these interim 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 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 financial statements.

Conclusion

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

Cairo, August 1, 2012

Auditors

M.K. Saleh
Magdy Kamel Saleh
(Deloitte - Saleh, Barsoum & Abdel Aziz)
Accountants & Auditors

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

NATIONAL SOCIETE GENERALE BANK

AN EGYPTIAN JOINT STOCK COMPANY

Statement of financial position as of June 30, 2012

	Note No	June 30, 2012 EGP	December 31, 2011 EGP
Assets			
Cash and due from Central Bank of Egypt (CBE)	(15)	4 320 957 403	5 024 202 604
Due from banks	(16)	5 427 682 285	4 977 305 691
Treasury bills	(17)	10 785 880 915	9 899 284 269
Loans and credit facilities to customers, net	(18)	35 889 138 886	35 099 032 999
Financial derivatives	(19)	37 236 681	36 204 080
Financial Investments:			
-Available for sale	(20)	5 289 960 905	5 431 949 874
-Held to maturity	(20)	135 002 560	135 008 160
Investments in associates	(21)	112 175 310	109 045 689
Intangible assets	(22)	88 483 929	93 646 164
Other assets	(23)	734 719 544	762 827 390
Deferred tax assets	(30)	180 838 746	190 344 345
Fixed assets, net	(24)	794 449 012	793 365 638
Total assets		**63 796 526 176**	**62 552 216 903**
Liabilities and shareholders' equity:			
Liabilities:			
Due to banks	(25)	1 519 415 204	110 261 182
Customers' deposits	(26)	51 566 473 675	51 709 693 141
Other loans	(27-A)	149 161 095	116 358 582
Other liabilities	(28)	1 414 461 924	1 425 299 561
Other provisions	(29)	465 837 275	500 147 151
Current income tax payable		177 397 002	349 437 645
Defined benefits obligation	(31)	134 881 258	119 598 838
Total liabilities		**55 427 627 433**	**54 330 796 100**
Shareholders' equity:			
Issued and paid-up capital	(32)	4 032 144 570	4 032 144 570
Reserves	(34)	2 567 492 681	1 977 778 282
Reserve for employee stock ownership plan (ESOP)	(33)	10 821 824	7 695 078
Profit for the period / year and retained earnings	(34)	910 179 668	1 359 336 873
Total shareholders' equity		**7 520 638 743**	**7 376 954 803**
Subordinated loan	(27-B)	848 260 000	844 466 000
Total shareholders' equity and subordinated loan		**8 368 898 743**	**8 221 420 803**
Total liabilities and equity		**63 796 526 176**	**62 552 216 903**

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

Vice Chairman & Managing Director
Jean Philippe Coulier

M.1

Chairman and Managing Director
Mohamed Osman Eldib

NATIONAL SOCIETE GENERALE BANK
AN EGYPTIAN JOINT STOCK COMPANY
Income Statement
for the six months ended June 30, 2012

	Note No	From 01/04/2012 to 30/06/2012 EGP	From 01/01/2012 to 30/06/2012 EGP	From 01/04/2011 to 30/06/2011 EGP	From 01/01/2011 to 30/06/2011 EGP
Interest on loans and similar income	(6)	1 307 394 781	2 529 690 265	1 061 832 890	2 093 945 738
Cost of deposits and similar expenses	(6)	(664 177 286)	(1 270 281 048)	(549 389 132)	(1 094 556 981)
Net interest income		**643 217 495**	**1 259 409 217**	**512 443 758**	**999 388 757**
Fee and commission income	(7)	207 000 325	398 191 465	177 756 800	346 516 713
Fee and commission expense	(7)	(4 968 059)	(9 828 968)	(2 962 181)	(7 223 842)
Net interest, fee and commission income		**845 249 761**	**1 647 771 714**	**687 238 377**	**1 338 681 628**
Dividend income	(8)	9 994 627	16 176 440	11 560 305	18 766 955
Net trading income	(9)	42 212 286	68 582 790	37 836 614	81 820 047
Gain on financial investments	(20)	(2 607 521)	(53 765)	351 125	3 014 303
Impairment credit losses	(12)	(184 517 663)	(261 710 029)	(28 052 262)	(43 933 677)
Administrative expenses	(10)	(262 683 993)	(537 092 961)	(250 425 476)	(488 819 552)
Other operating revenues (expenses)	(11)	56 236 051	12 471 674	(24 417 659)	(45 863 677)
Share of profits of associates		3 565 214	4 729 621	3 047 077	13 396 714
Profit before income tax		**507 448 762**	**950 875 484**	**437 138 101**	**877 062 741**
Income tax expense	(13)	(71 855 953)	(165 302 684)	(67 944 323)	(143 854 518)
Net profit for the period		**435 592 809**	**785 572 800**	**369 193 778**	**733 208 223**
Earnings per share	(14)		1.72		1.66

The accompanying notes from (1) to (38) are an integral part of these 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
Statement of changes in shareholder's equity
for the six months ended June 30, 2012

	Capital	Legal Reserve	General Reserve	Special Reserve	Capital Reserve	AFS Investments Revaluation Reserve	General Banking Risk Reserve	Cash Flow Hedge Risk Reserve	Retained Earnings	Net Profit For The Year / Period	Reserve For Employee Stock Ownership Plan (ESOP)	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
June 30, 2011												
Balance at 01/01/2011	3 665 585 980	252 481 583	934 905 534	173 681 968	7 208 971	136 954 314	248 979 161	1 999 942	7 352 305	1 191 392 322	831 785	6 621 373 865
Transfer to reserves and retained earnings	--	66 861 392	551 500 000	--	598 173	--	--	--	(7 280 136)	(611 679 429)	--	--
Profit distribution for year 2010	--	--	--	--	--	--	--	--	--	(579 712 893)	--	(579 712 893)
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	--	--	--	--	--	(34 589 180)	--	--	--	--	--	(34 589 180)
Net profit for the period	--	--	--	--	--	--	--	--	--	733 208 223	--	733 208 223
Reserve for employee stock ownership plan (ESOP)	--	--	--	--	--	--	--	--	--	--	3 580 628	3 580 628
Net unrealized gain/(loss) on CFH Risk Reserve, net of tax	--	--	--	--	--	--	--	2 880 142	--	--	--	2 880 142
Tranfer to general banking risk Reserve	--	--	--	--	--	--	103 215 539	--	--	(103 215 539)	--	--
Balance at 30/06/2011	**3 665 585 980**	**319 342 975**	**1 486 405 534**	**173 681 968**	**7 807 144**	**102 365 134**	**352 194 700**	**4 880 084**	**72 169**	**629 992 684**	**4 412 413**	**6 746 740 785**
June 30, 2012												
Balance at 01/01/2012	4 032 144 570	319 342 975	1 119 846 944	173 681 968	7 807 144	(30 253 449)	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	--	74 437 203	642 366 712	--	868 000	--	--	--	(72 169)	(717 599 746)	--	--
Profit distribution for year 2011	--	--	--	--	--	--	--	--	--	(641 664 958)	--	(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	--	--	--	--	--	(3 534 704)	--	--	--	--	--	(3 534 704)
Net profit for the period	--	--	--	--	--	--	--	--	--	785 572 800	--	785 572 800
Reserve for employee stock ownership plan (ESOP)	--	--	--	--	--	--	--	--	--	--	3 126 746	3 126 746
Net unrealized gain/(loss) on CFH Risk Reserve, net of tax	--	--	--	--	--	--	--	184 056	--	--	--	184 056
Tranfer from general banking risk Reserve	--	--	--	--	--	--	(124 606 868)	--	124 606 868	--	--	--
Balance at 30/06/2012	**4 032 144 570**	**393 780 178**	**1 762 213 656**	**173 681 968**	**8 675 144**	**(33 788 153)**	**254 719 658**	**8 210 230**	**124 606 868**	**785 572 800**	**10 821 824**	**7 520 638 743**

The accompanying notes from (1) to (38) are an integral part of these 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

Statement of cash flows

for the six months ended June 30, 2012

	Note	June 30, 2012 EGP	June 30, 2011 EGP
Cash flows from operating activities			
Profit before tax		950 875 484	877 062 741
Adjusted by:			
Depreciation and amortization		58 581 390	53 124 272
Impairment credit losses		261 710 029	43 933 677
Utilized loans provision		(54 392 580)	(7 456 334)
Recovery from loans previously written off		300 924	152 470
Other provisons		(34 241 440)	46 102 634
Utilized provisions other than loans provision		(768 870)	(7 971 794)
Translation differences of other provisions in foreign currencies		700 434	3 649 080
Translation differences of the subordinated loan		3 794 000	22 974 000
(Gains) on sale of fixed assets		(19 113)	--
Uncollected dividends income		(5 500 000)	(7 873 351)
Share of profits of associates applying the equity method		(4 729 621)	(13 396 714)
(Gain) on sale of available for sale investments		53 765	(4 990 286)
loss of impairment of available for sale equity instruments		--	1 975 983
Share based payments		3 126 746	3 580 628
Operating profits before changes in assets and liabilities resulting from operating activities		**1 179 491 148**	**1 010 867 006**
Net decrease (increase) in assets & increase (decrease) in liabilities			
Due from banks		786 581 814	(510 330 256)
Treasury bills		(2 461 095 486)	7 077 003 575
Loans to customers		(997 724 260)	(2 443 395 141)
Financial derivatives		(751 944)	(25 980 657)
Other assets		33 607 846	9 531 246
Due to banks		1 409 154 022	(643 295 867)
Customers' deposits		(143 219 466)	432 812 590
Credit balances and other liabilities		(45 343 816)	(2 569 632)
Defined benefits obligation		15 282 420	14 645 688
Paid income tax		(325 945 639)	(273 735 648)
Net cash flows used in / resulting from operating activities (1)		**(549 963 361)**	**4 645 552 904**
Cash flows from investing activities			
Payments for the purchase of fixed assets and branches preparation		(54 502 529)	(29 911 928)
Proceeds from sale of fixed assets		19 113	--
Proceeds from sale of Fin. investments other than held for trading investments		1 214 413 606	1 163 760 074
Payments for the purchase of Fin. Inv. other than held for trading investments		(1 077 996 196)	(1 917 903 957)
Cash dividends received from investments in associates		1 600 000	1 824 605
Net cash flows resulting from / used in investing activities (2)		**83 533 994**	**(782 231 206)**
Cash flows from financing activities			
Net proceeds of long term loans		32 802 513	22 555 945
Dividends paid		(607 158 779)	(549 941 208)
Net cash flows used in financing activities (3)		**(574 356 266)**	**(527 385 263)**
Net decrease / increase in cash and cash equivalents during the period (1+2+3)		(1 040 785 633)	3 335 936 435
Cash and cash equivalents at the beginning of the period		7 715 351 484	5 932 336 243
Cash and cash equivalents at the end of the period	(35)	6 674 565 851	9 268 272 678
Cash and cash equivalents at end of the period are represented in :			
Cash and due from Central Bank of Egypt		4 320 957 403	5 400 616 885
Due from banks		5 427 682 285	5 072 855 619
Treasury bills		10 785 880 915	8 522 870 907
Balances with Central Bank of Egypt (mandatory reserve)		(2 909 022 118)	(3 948 551 897)
Balances due from banks with maturities more than 3 months		(660 029 356)	(1 290 986 245)
Treasury bills with maturity more than 3 months		(10 290 903 278)	(4 488 532 591)
Cash and cash equivalents at end of the period		6 674 565 851	9 268 272 678

The accompanying notes from (1) to (38) are an integral part of these 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 Financial Statements
for the period ended June 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 and sixty branches served by 4161 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 financial statements

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

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. Subsequent to acquisition, the equity accounting method is applied.

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

2.4.2 Transactions and balances in foreign currencies

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

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

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

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

2.5 Financial assets

The Bank classifies its financial assets into the following categories:

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

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

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

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

2.5.2 Loans and receivables

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

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

2.5.3 Held to maturity financial assets

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

2.5.4 Available for sale financial assets

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

The following is applied in respect of all financial assets

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

2.6 Offsetting of financial assets and financial liabilities

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

2.7 Financial derivatives and hedge accounting

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

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

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

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

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

2.7.1 Fair value hedge

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

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

2.7.2 Cash flow hedge

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

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

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

2.7.3 Derivatives that do not qualify for hedge accounting

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

2.8 Interest income and expense

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

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

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

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

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

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

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

2.9 Fees and commission income

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

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

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

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

2.10 Dividends income

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

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

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

2.12 Impairment of financial assets

Financial assets carried at amortized cost

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

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

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.

- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.
- Deterioration of the competitive position of the borrower.
- The lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of collaterals.
- Deterioration in the creditworthiness of the borrower.

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

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

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

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

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

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

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

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

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

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

Available-for-sale financial assets

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

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

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

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

2.13 Intangible assets

2.13.1 Goodwill

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

2.13.2 Software (computer programs)

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. 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 Doors, windows and roofing Façades	50 years 20 years 10 years
Fixtures	Decoration & installations Lifts Electricity & Air conditioning Generators Telephone network & CCTV Fire fighting system & Plumbing system Other installations	10 years 15 years 10 years 30 years 10 years 10 years 10 years
Leasehold improvements		The shorter of 10 years or contract period

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

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

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

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

2.15 Impairment of non financial assets

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

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

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

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

2.16 Leasing

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

2.16.1 NSGB as a lessee

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

2.16.2 NSGB as a lessor

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

2.17 Cash and cash equivalents

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

2.18 Other provisions

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the date of 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 financial statements, provisions are calculated based on undiscounted expected cash outflows unless the time value of money is material, in which case provisions are measured at present value.

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

2.19 Financial guarantees

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

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

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

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

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

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

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

2.20 Employee benefits

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

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

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

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

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

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

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

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

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

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

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

2.21 Income taxes

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

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

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

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

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

2.22 Borrowings

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

2.23 Capital

2.23.1 Capital issuance cost

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

2.23.2 Dividends

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

2.24 Fiduciary activities

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

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 Bank as a result of conducting its activities, is exposed to various financial risks. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks altogether, the Bank aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the Bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency risk, interest rate risk and other pricing risks.

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

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

Risk management strategy

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

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

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

Risk management governance and risk principles

NSGB's risk management governance is based on:

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

ii) A tight framework of internal procedures and guidelines.

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

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

Risk categories

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

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

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

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

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

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

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

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

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

More specifically, the Risk Division:

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

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

The Internal Legal Counsel deals with compliance and legal risks.

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

The Bank's Risk Committee is in charge of reviewing all the Bank's key risk management issues and meets at least on quarterly basis. Risk Committee's monthly meetings involve members of the Executive Committee, the heads of the business lines and the Risk Division managers and are used to review all the core strategic issues:

risk-taking policies, assessment methods, material and human resources, analysis of credit portfolios and of the cost of risk, market and credit concentration limits (by product, country, sector, region, etc.)

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

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

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

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

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

(A) CREDIT RISKS

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

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

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

Within the Risk Division, persons are responsible for:

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

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

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

Risk approval

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

The risk approval process is based on four core principles:

- All transactions involving replacement risk (debtor risk, non-settlement or non-delivery risk and issuer risk) must be pre-authorized

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

Risk management and audit

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

Replacement risk

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

Replacement risk management

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

(A/2)Risk measurement and internal ratings

NSGB rating system is based on three key pillars:

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

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

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

The calculations used to measure and monitor replacement risk include:

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

(A/3) Provisioning policy

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

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

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

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

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

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

	June 30, 2012 EGP		**December 31, 2011 EGP**	
	Loans and facilities %	**Impairment loss provision %**	**Loans and facilities %**	**Impairment loss provision %**
1- Good debts	91	10	93	10
2- Normal watch-list	6	19	4	12
3- Special watch-list	0	0	0	0
4- Non performing loans	3	71	3	78
	100%	**100%**	**100%**	**100%**

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

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

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

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

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

Balance sheet items exposed to credit risks

	June 30, 2012 EGP	December 31, 2011 EGP
Treasury bills	10 785 880 915	9 899 284 269
Loans and facilities to costumers		
Retail loans		
Debit current accounts	709 051 079	713 947 355
Credit cards	235 018 478	207 872 620
Personal loans	5 683 865 337	5 099 006 895
Real estate loans	154 951 620	130 479 251
Corporate loans		
Debit current accounts	16 705 144 523	15 887 048 533
Direct loans	8 627 241 576	8 711 179 155
Syndicated loans	4 186 923 274	4 570 598 804
Other loans	997 813 900	988 516 170
Provision for impairment loss, segregated interest & unearned discount for discounted bills	(1 410 870 901)	(1 209 615 784)
Financial derivatives	37 236 681	36 204 080
Financial investments		
Debt instruments	5 061 206 447	5 152 162 272
Other assets	364 205 053	318 324 999
Total	**52 137 667 982**	**50 505 008 619**
Off balance sheet items exposed to credit risks		
Financial guarantees	2 134 725	2 132 828
Loans and other irrevocable credit commitments	159 151 589	146 630 786
L/Cs	2 437 888 463	1 828 044 615
Accepted papers	986 364 215	1 126 538 877
L/Gs	12 054 112 402	12 513 385 006
Total	**15 639 651 394**	**15 616 732 112**

The preceding table shows the maximum limit exposure to risks at the end of June 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 69 % 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 10 % against 10% at the end of the prior year and treasury bills constitute 21 % 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.
- 95 % of the loan and facilities portfolio at the end of the current reporting period does not have arrears or indicators of impairment against 95% 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 1 246 934 884. Impairment on these loans and facilities represents 81 % 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 June 30, 2012.
- 86 % 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:

	June 30, 2012 EGP		**December 31, 2011 EGP**	
	Loans and facilities to costumers	**Loans and facilities to Banks**	**Loans and facilities to costumers**	**Loans and facilities to Banks**
Neither have arrears nor impaired	35 412 127 527	--	34 535 679 418	--
Have arrears but not impaired	640 947 376	--	670 001 525	--
Impaired	1 246 934 884	--	1 102 967 840	--
Total	**37 300 009 787**	--	**36 308 648 783**	--
Less: allowance for impairment losses	(1 325 311 419)	--	(1 117 443 476)	--
Less: Segregated interest	(72 298 161)	--	(75 698 390)	--
Less: unearned discount on discounted bills	(13 261 321)	--	(16 473 918)	--
Net	**35 889 138 886**	--	**35 099 032 999**	--

Total credit allowance for loans and facilities at the end of the current reporting period amounted to EGP 1 325 311 419 (EGP 1 117 443 476 at the end of the prior year) of which EGP 943 062 366 represent impairment on individual loans (EGP 873 265 910 at the end of the prior year) and EGP 382 249 053 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.

June 30, 2012

	Retail				Corporate				
Rating	**Debit current accounts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Debit current accounts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Good debts	709 051 079	165 220 456	5 136 756 389	146 450 246	15 443 908 926	7 007 418 160	4 026 057 973	978 984 042	**33 613 847 271**
Normal watch-list	--	--	--	--	1 222 235 404	451 148 593	100 569 636	18 829 858	**1 792 783 491**
Special watch-list	--	--	--	--	5 110 267	386 498	--	--	**5 496 765**
Total	**709 051 079**	**165 220 456**	**5 136 756 389**	**146 450 246**	**16 671 254 627**	**7 458 953 221**	**4 126 627 609**	**997 813 900**	**35 412 127 527**

December 31, 2011

	Retail				Corporate				
Good debts	713 947 355	148 747 111	4 646 155 511	122 890 251	15 580 681 692	7 118 872 350	4 508 358 029	972 977 996	**33 812 630 295**
Normal watch-list	--	--	--	--	292 802 599	406 706 600	--	15 538 174	**715 047 373**
Special watch-list	--	--	--	--	7 544 406	457 344	--	--	**8 001 750**
Total	**713 947 355**	**148 747 111**	**4 646 155 511**	**122 890 251**	**15 881 028 697**	**7 526 036 294**	**4 508 358 029**	**988 516 170**	**34 535 679 418**

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

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

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

June 30, 2012

Retail

Year in arrears	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
< 30 days	--	29 776 955	227 742 340	--	**257 519 295**
30 – 60 days	--	--	--	--	--
60 – 90 days	--	--	--	--	--
Total	**--**	**29 776 955**	**227 742 340**	--	**257 519 295**

Corporate

	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
< 30 days	--	245 289 358	--	--	**245 289 358**
30 – 60 days	--	52 819 969	--	--	**52 819 969**
60 – 90 days	--	19 071 219	--	--	**19 071 219**
> 90 days	--	66 247 535	--	--	**66 247 535**
Total	**--**	**383 428 081**	**--**	**--**	**383 428 081**

December 31, 2011

Retail

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

Corporate

	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
< 30 days	--	260 701 492	--	--	**260 701 492**
30 – 60 days	--	81 679 793	--	--	**81 679 793**
60 – 90 days	--	69 604 837	--	--	**69 604 837**
> 90 days	--	51 556 510	--	--	**51 556 510**
Total	**--**	**463 542 632**	**--**	**--**	**463 542 632**

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 1 246 934 884 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:

June 30, 2012

	Retail				Corporate				
	Debit current accounts	**Credit cards**	**Personal loans**	**Real estate loans**	**Debit current accounts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Loans which are individually impaired	--	40 021 067	319 366 608	8 501 374	33 889 926	784 860 244	60 295 665	--	**1 246 934 884**

December 31, 2011

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

Restructured loans and facilities:

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

Total renegotiated loans amounted to EGP 269 911 000 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.

	June 30, 2012 EGP	December 31, 2011 EGP
Loans and facilities to costumers		
Corporate loans		
- Direct loans	269 911 000	322 841 000
Total	**269 911 000**	**322 841 000**

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

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

	June 30, 2012 EGP	December 31, 2011 EGP
Treasury bills	10 785 880 915	9 899 284 269
Available- for- sale investments		
Egyptian Treasury Bonds	2 690 150 583	2 753 404 937
US Treasury Bonds	1 687 032 648	1 691 783 822
France Treasury Bonds	190 101 082	196 500 721
German Treasury Bonds	373 919 574	390 464 632
Held-to -maturity investments		
Egyptian Treasury Bonds	120 002 560	120 008 160
Total	**15 847 087 362**	**15 051 446 541**

(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:

Type of asset	Book Value
Lands	27 458 752 EGP

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

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

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting 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					Other countries	Total
	Cairo	Giza	Alex-Delta	Red Sea & Upper Egypt	Total		
Treasury bills	10 785 880 915	--	--	--	**10 785 880 915**	--	**10 785 880 915**
Loans and facilities to costumers							
Retail loans							
Debit current accounts	445 923 623	126 270 444	86 513 362	50 343 650	**709 051 079**	--	**709 051 079**
Credit cards	97 128 807	82 350 538	36 562 642	18 976 491	**235 018 478**	--	**235 018 478**
Personal loans	2 025 324 268	1 876 755 576	1 266 766 875	515 018 618	**5 683 865 337**	--	**5 683 865 337**
Real estate loans	54 852 729	62 602 638	17 906 016	19 590 237	**154 951 620**	--	**154 951 620**
Corporate loans							
Debit current accounts	8 063 892 680	4 120 732 720	2 363 783 900	2 156 735 223	**16 705 144 523**	--	**16 705 144 523**
Direct loans	4 460 635 077	2 384 265 739	1 424 304 137	358 036 623	**8 627 241 576**	--	**8 627 241 576**
Syndicated loans	2 014 631 930	1 594 225 752	578 065 592	--	**4 186 923 274**	--	**4 186 923 274**
Other loans	818 854 681	51 007 924	34 039 764	93 911 531	**997 813 900**	--	**997 813 900**
Financial derivatives	843 153	(242 020)	2 290 218	--	**9 891 351**	27 345 330	**37 236 681**
Financial investments							
Debt instrument	2 810 153 143	--	--	--	**2 810 153 143**	2 251 053 304	**5 061 206 447**
Other assets	237 479 660	54 426 970	36 645 614	16 874 946	**345 427 190**	18 777 863	**364 205 053**
Total at the end of current period	**31 815 600 666**	**10 352 396 281**	**5 853 878 120**	**3 229 487 319**	**51 251 362 386**	**2 297 176 497**	**53 548 538 883**
Total at the end of the prior year	**30 950 983 329**	**9 893 087 996**	**5 615 929 275**	**2 918 095 811**	**49 378 096 411**	**2 336 527 992**	**51 714 624 403**

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

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

	Agricultural entities	Industrial entities	Trading entities	Service entities	Governmental sector	Foreign Governments	Other activities	Individuals	Total
Treasury bills	--	--	--	--	10 785 880 915	--	--	--	**10 785 880 915**
Loans and facilities to costumers									
Retail loans									
Debit current accounts	--	--	--	--	--	--	--	709 051 079	**709 051 079**
Credit cards	--	--	--	--	--	--	--	235 018 478	**235 018 478**
Personal loans	--	--	--	--	--	--	--	5 683 865 337	**5 683 865 337**
Real estate loans	--	--	--	--	--	--	--	154 951 620	**154 951 620**
Corporate loans									
Debit current accounts	54 081 310	11 449 386 852	2 165 245 540	3 036 430 821	--	--	--	--	**16 705 144 523**
Direct loans	195 044 822	5 794 276 595	1 049 790 959	1 588 129 200	--	--	--	--	**8 627 241 576**
Syndicated loans	--	2 981 384 961	--	1 205 538 313	--	--	--	--	**4 186 923 274**
Other loans	--	734 910 076	78 039 265	26 545 420	--	--	158 319 139	--	**997 813 900**
Financial derivatives	--	9 891 351	--	--	--	--	27 345 330	--	**37 236 681**
Financial investments									
Debt instruments	--	--	--	--	2 810 153 143	2 251 053 304	--	--	**5 061 206 447**
Other assets	1 652 290	139 013 653	21 840 811	38 843 275	99 090 725	18 777 863	--	44 986 436	**364 205 053**
Total at the end of current period	**250 778 422**	**21 108 863 488**	**3 314 916 575**	**5 895 487 029**	**13 695 124 783**	**2 269 831 167**	**185 664 469**	**6 827 872 950**	**53 548 538 883**
Total at the end of the prior year	**299 289 379**	**20 836 730 134**	**3 306 492 769**	**5 492 906 289**	**12 873 280 954**	**2 311 067 822**	**411 799 297**	**6 183 057 759**	**51 714 624 403**

(B) MARKET RISKS

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

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

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

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

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

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

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

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

(B/2) Stress test for foreign exchange risk

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

Currency	Outstanding nominal Fx position in EGP equivalent	FX short positions	FX long positions	FX long (short) percentage to limit usage	Expected loss at 10%	ST limit usage
USD	25 838 756	--	25 838 756	86%	2 583 876	86%
EUR	(10 311 512)	(10 311 512)	--	34%	(1 031 151)	34%
GBP	(406 361)	(406 361)	--	5%	(40 636)	5%
JPY	94 905	--	94 905	1%	9 491	1%
CHF	93 666	--	93 666	2%	9 367	2%
DKK	15 308	--	15 308	2%	1 531	2%
NOK	18 035	--	18 035	2%	1 804	2%
SEK	(17 200)	(17 200)	--	2%	(1 720)	2%
CAD	2 133	--	2 133	0%	213	0%
AUD	(15 003)	(15 003)	--	2%	(1 500)	2%
AED	(54 310)	(54 310)	--	7%	(5 431)	7%
KWD	411 232	--	411 232	55%	41 123	55%
OMR	(11)	(11)	--	0%	(1)	0%
QAR	(178)	(178)	--	0%	(18)	0%
SAR	205 890	--	205 890	14%	20 589	14%
EGP	(15 875 350)	(15 875 350)				
Maximum expected loss from FX short positions to EGP at June 30, 2012					**1 587 537**	
Maximum expected loss from FX short positions to EGP at December 31, 2011					**783 376**	

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

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

	EGP	USD	EUR	GBP	Other currencies	Total
Financial assets						
Cash and balances with Central Banks	4 091 806 113	151 353 229	54 697 140	10 627 729	12 473 192	**4 320 957 403**
Due from Banks	8 909 669	2 622 015 740	2 381 973 230	308 088 899	106 694 747	**5 427 682 285**
Treasury bills	10 134 022 450	651 858 465	--	--	--	**10 785 880 915**
Loans and facilities to costumers	26 257 792 116	9 190 177 436	405 172 688	14 574 893	21 421 753	**35 889 138 886**
Financial derivatives	37 236 681	--	--	--	--	**37 236 681**
Financial investments						
Available for sale	2 907 242 522	1 818 474 706	564 243 677	--	--	**5 289 960 905**
Held to maturity	135 002 560	--	--	--	--	**135 002 560**
Other financial assets	313 328 242	44 744 555	5 940 379	152 701	39 176	**364 205 053**
Total financial assets	**43 885 340 353**	**14 478 624 131**	**3 412 027 114**	**333 444 222**	**140 628 868**	**62 250 064 688**

	EGP	USD	EUR	GBP	Other currencies	Total
Financial liabilities						
Due to Banks	1 120 200 735	379 757 308	5 313 728	8 277 233	5 866 200	**1 519 415 204**
Clients' deposits	35 911 915 545	11 932 687 979	3 259 238 375	325 233 030	137 398 746	**51 566 473 675**
Other loans	78 340 235	13 821 484	56 999 376	--	--	**149 161 095**
Subordinated loans	--	848 260 000	--	--	--	**848 260 000**
Other financial liabilities	969 106 784	17 327 078	2 090 327	281 938	16 558	**988 822 685**
Total financial liabilities	**38 079 563 299**	**13 191 853 849**	**3 323 641 806**	**333 792 201**	**143 281 504**	**55 072 132 659**
Net financial position - the balance sheet	**5 805 777 054**	**1 286 770 282**	**88 385 308**	**(347 979)**	**(2 652 636)**	**7 177 932 029**
At the end of the comparative year						
Total financial assets	41 801 249 633	15 192 730 141	3 455 476 208	337 918 211	133 938 483	**60 921 312 676**
Total financial liabilities	36 016 934 023	14 002 253 524	3 344 199 324	342 303 907	141 034 841	**53 846 725 619**
Net financial position- the balance sheet	**5 784 315 610**	**1 190 476 617**	**111 276 884**	**(4 385 696)**	**(7 096 358)**	**7 074 587 057**

(B/4) Structural Interest Rate Risk

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

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

Organization of the management of Structural Interest Rate risks

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

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

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

Assets & Liabilities Management Committee (ALCO) duties

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

Assets & Liabilities Management Unit (ALMU) duties

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

Dealing Room duties

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

Objective of NSGB

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

Measurement and monitoring of structural interest rate risks

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

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

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

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

At the end of the current period	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and balances with central Banks	--	--	--	--	--	4 320 957 403	**4 320 957 403**
Due from Banks	4 265 407 141	877 896 032	123 298 651	--	--	161 080 461	**5 427 682 285**
Treasury bills	2 759 553 049	1 975 710 536	6 050 617 330	--	--	--	**10 785 880 915**
Loans and facilities to costumers	15 128 736 725	6 320 247 864	7 545 212 695	5 927 739 005	967 202 597	--	**35 889 138 886**
Financial derivatives	--	--	--	--	--	37 236 681	**37 236 681**
Financial investments							
Available for sale	--	472 314 167	238 893 176	3 377 200 187	852 796 357	348 757 018	**5 289 960 905**
Held to maturity	--	70 002 560	--	50 000 000	--	15 000 000	**135 002 560**
Other financial assets	--	--	--	--	--	364 205 053	**364 205 053**
Total financial assets	**22 153 696 915**	**9 716 171 159**	**13 958 021 852**	**9 354 939 192**	**1 819 998 954**	**5 247 236 616**	**62 250 064 688**
IRS (notional amount)	**74 877 728**	**466 319 423**	**723 190 366**	**2 092 365 845**	**102 425 952**	**--**	**3 459 179 314**
Financial liabilities							
Due to Banks	1 449 728 133	--	28 513 470	--	--	41 173 601	**1 519 415 204**
Customer's deposits	14 964 877 965	10 655 232 522	4 995 771 148	7 245 075 656	69 640 000	13 635 876 384	**51 566 473 675**
Other loans	--	--	92 161 719	--	--	56 999 376	**149 161 095**
Subordinated loans	--	--	848 260 000	--	--	--	**848 260 000**
Other financial liabilities	--	--	--	--	--	988 822 685	**988 822 685**
Total financial liabilities	**16 414 606 098**	**10 655 232 522**	**5 964 706 337**	**7 245 075 656**	**69 640 000**	**14 722 872 046**	**55 072 132 659**
IRS (notional amount)	**614 482 528**	**2 742 270 834**	**102 425 952**	**--**	**--**	**--**	**3 459 179 314**
Re-pricing gap	**5 199 486 017**	**(3 215 012 774)**	**8 614 079 929**	**4 202 229 381**	**1 852 784 906**	**(9 475 635 430)**	**7 177 932 029**
At the end of the comparative year							
Total financial assets	20 194 843 048	10 966 878 606	13 531 065 485	8 651 209 551	1 641 848 765	5 935 467 221	**60 921 312 676**
IRS (notional amount)	1 175 184 118	195 249 029	1 072 894 052	1 166 422 234	60 319 000	--	**3 670 068 433**
Total financial liabilities	17 988 460 213	10 436 861 476	6 010 791 751	5 313 600 861	132 254 000	13 964 757 318	**53 846 725 619**
IRS (notional amount)	1 481 819 324	2 188 249 109	--	--	--	--	**3 670 068 433**
Re-pricing gap	**1 899 747 629**	**(1 462 982 950)**	**8 593 167 786**	**4 504 030 924**	**1 569 913 765**	**(8 029 290 097)**	**7 074 587 057**

(C) Liquidity Risk

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

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

Organization of Liquidity Risk Management

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

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

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

Assets & Liabilities Management Committee (ALCO) duties

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

Assets & Liabilities Management Unit (ALMU) duties

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

Dealing Room duties

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

Objective of NSGB

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

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

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

Measurement and monitoring of structural liquidity risks

NSGB liquidity management framework comprises the following processes:

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

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

Liquidity risk

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

	June 30, 2012					
Contractual maturities	**Up to one month**	**More than one month up to 3 months**	**More than 3 months up to one year**	**More than one year up to 5 years**	**More than 5 years**	**Total**
Financial liabilities						
Balances due to Banks	1 492 562 910	--	29 180 818	--	--	**1 521 743 728**
Customer’s deposits	28 578 132 232	10 988 042 252	5 830 239 046	8 634 636 892	89 454 267	**54 120 504 689**
Other loans	--	--	92 161 720	--	56 999 375	**149 161 095**
subordinated loans	--	--	17 363 826	865 623 826	--	**882 987 652**
Total financial liabilities	**30 070 695 142**	**10 988 042 252**	**5 968 945 410**	**9 500 260 718**	**146 453 642**	**56 674 397 164**

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

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

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

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

Cash flow derivatives

Derivatives settled on a gross-basis

The bank is a party to derivative contracts that are settled on a gross-basis, in particular currency forward deals. The following table shows derivative financial liabilities that shall be settled in gross distributed over the remaining 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	June 30, 2012 Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Total
Held-for-trading derivatives						
Currency forward deals						
Cash outflows	153 568 085	18 052 592	126 427 402	--	--	**298 048 079**
Cash inflows	155 036 377	18 118 356	135 512 888	--	--	**308 667 621**
			December 31, 2011			
Held-for-trading derivatives						
Currency forward deals						
Cash outflows	58 748 471	77 642 444	121 474 231	--	--	**257 865 146**
Cash inflows	58 739 784	78 935 884	130 333 291	--	--	**268 008 959**

Cash flow for off balance sheet items

Maturities for off-balance sheet items	Less than one year	More than one year and less than 5 years	More than 5 years	Total
		June 30, 2012		
Loan commitments	159 151 589	--	--	**159 151 589**
Financial guarantees	2 134 725	--	--	**2 134 725**
Operating lease commitments	40 540 148	111 081 127	43 120 990	**194 742 265**
Capital commitments resulting from acquisition of fixed assets	97 271 096	--	--	**97 271 096**
Total	**299 097 558**	**111 081 127**	**43 120 990**	**453 299 675**
		December 31, 2011		
Loan commitments	146 630 786	--	--	**146 630 786**
Financial guarantees	2 132 828	--	--	**2 132 828**
Operating lease commitments	36 806 498	114 195 623	46 517 670	**197 519 791**
Capital commitments resulting from acquisition of fixed assets	148 231 033	--	--	**148 231 033**
Total	**333 801 145**	**114 195 623**	**46 517 670**	**494 514 438**

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

(D/1) Financial instruments measured at fair value

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

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

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

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

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

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

	Carrying amount		Fair value	
	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Financial assets				
Due from Banks	5 427 682 285	4 977 305 691	5 427 682 285	4 977 305 691
Loans and facilities to costumers	35 889 138 886	35 099 032 999	Not determined	34 355 583 289
Financial investments:				
Equity instruments available for sale	194 971 329	234 100 050	Not determined	Not determined
Held to maturity				
Debt instruments	120 002 560	120 008 160	118 060 956	116 968 048
Mutual fund certificates	15 000 000	15 000 000	18 177 384	16 435 613
Financial liabilities:				
Balances due to Banks	1 519 415 204	110 261 182	1 519 415 204	110 261 182
Customer’s deposits	51 566 473 675	51 709 693 141	Not determined	52 231 235 798
Other loans	149 161 095	116 358 582	149 161 095	116 358 582
Subordinated loan	848 260 000	844 466 000	848 260 000	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 4 032 144 570 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 16.10 % 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.

Capital	June 30, 2012 EGP	December 31, 2011 EGP
Tier 1 capital		
Share capital	4 032 144 570	4 032 144 570
General reserve	1 762 213 656	1 119 846 944
Legal reserve	393 780 178	319 342 975
Other reserves	(25 113 009)	(22 446 305)
Retained earnings *	124 606 868	72 169
Total tier 1 capital	**6 287 632 263**	**5 448 960 353**
Tier 2 capital		
The equivalent amount of the loans general provision **	543 489 874	533 589 960
Subordinated loans	169 652 000	337 786 400
45 % of the increase in the fair value above the carrying amount of available for sale investment, held to maturity investments, and investments subsidiaries and associates.	556 101	--
Total tier 2 capital	**713 697 975**	**871 376 360**
Total capital	**7 001 330 238**	**6 320 336 713**
Risk weighted assets and contingent liabilities:		
Assets in the balance sheet	37 875 796 547	37 030 960 191
Contingent liabilities	5 603 393 380	5 656 236 612
Total risk weighted assets and contingent liabilities	**43 479 189 927**	**42 687 196 803**
Capital adequacy ratio (%)	**16.10%**	**14.81%**

* Net of accumulated losses, if any

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

a. Impairment of loans and facilities

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

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

b. Impairment of available-for-sale equity investments

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

If decline in the fair value lower than cost is deemed to be significant or extended, the bank shall suffer additional loss amounting to 4 426 222 EGP representing transfer of total losses in the fair value of available for sale equity instruments reported in equity to income statement.

c. Fair value of derivatives

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

d. Held to maturity investments

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

If classification of investments as held to maturity – other than stakes required to be retained by the bank in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding held-to-maturity investments at the end of the current reporting period would have decrease by EGP 1 941 604 to reach the fair value with a corresponding decrease in the available-for-sale valuation reserve within equity.

5. Segmentation analysis

(5/A) Segmental analysis by activity

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

Corporate:

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

Individuals:

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

Other businesses:

They include other Banking activities such as fund management.

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

Current period	**Corporate**	**Investments**	**Individual**	**Other businesses**	**Total**
Income and expenses according to segmental activities					
Interest from loans and similar income	2 621 325 685	878 670 614	1 363 639 637	(2 333 945 671)	**2 529 690 265**
Interest expense and similar expenses	(2 086 562 335)	(882 679 869)	(932 701 335)	2 631 662 491	**(1 270 281 048)**
Net interest income	**534 763 350**	**(4 009 255)**	**430 938 302**	**297 716 820**	**1 259 409 217**
Fees and commissions income	258 243 564	1 279 359	137 462 560	1 205 982	**398 191 465**
Fee and commissions expense	(2 787 255)	--	(6 908 791)	(132 922)	**(9 828 968)**
Net interest, fees and commissions income	**790 219 659**	**(2 729 896)**	**561 492 071**	**298 789 880**	**1 647 771 714**
Dividend income	--	16 176 440	--	--	**16 176 440**
Net trading income	--	--	--	68 582 790	**68 582 790**
Gain on sale of financial investments	--	(53 765)	--	--	**(53 765)**
Impairment credit (losses)/reversals	(230 252 258)	--	(31 457 771)	--	**(261 710 029)**
Administrative expenses	(119 245 954)	(5 263 520)	(353 461 343)	(59 122 144)	**(537 092 961)**
Other operating revenues (expenses)	(50 637 809)	4 778 855	22 762 457	35 568 171	**12 471 674**
Share of profits of associates	--	4 729 621	--	--	**4 729 621**
Profit before income tax	**390 083 638**	**17 637 735**	**199 335 414**	**343 818 697**	**950 875 484**
Income tax expenses	(112 463 436)	(4 049 492)	(38 693 998)	(10 095 758)	**(165 302 684)**
Net profit for current period	**277 620 202**	**13 588 243**	**160 641 416**	**333 722 939**	**785 572 800**
Net profit for comparative period	**361 963 512**	**(908 958)**	**60 777 575**	**311 376 094**	**733 208 223**

At the end of current period	Corporate	Investments	Individual	Other businesses	Total
Assets and liabilities according to segmental activities					
Segment activity assets					
Due from Central Bank of Egypt	--	--	--	2 909 022 118	**2 909 022 118**
Due from banks	--	--	--	5 427 682 285	**5 427 682 285**
Treasury bills	--	10 785 880 915	--	--	**10 785 880 915**
Loans to customers	30 517 123 273	--	6 782 886 514	--	**37 300 009 787**
Allowance for impairment losses, segregated interest and unearned discount on discounted bills	(1 106 381 103)	--	(304 489 798)	--	**(1 410 870 901)**
Financial derivatives	9 891 351	--	--	27 345 330	**37 236 681**
Available-for-sale investments	--	5 289 960 905	--	--	**5 289 960 905**
Held-to-maturity investments	--	135 002 560	--	--	**135 002 560**
Investments in associates	--	112 175 310	--	--	**112 175 310**
Unclassified assets					
Cash	--	--	--	--	**1 411 935 285**
Intangible assets	--	--	--	--	**88 483 929**
Other assets	--	--	--	--	**734 719 544**
Deferred tax assets	--	--	--	--	**180 838 746**
Fixed assets (net)	--	--	--	--	**794 449 012**
Total assets	**29 420 633 521**	**16 323 019 690**	**6 478 396 716**	**8 364 049 733**	**63 796 526 176**
Segment activity liabilities					
Due to banks	--	--	--	1 519 415 204	**1 519 415 204**
Customers' deposits	29 533 125 988	--	22 033 347 687	--	**51 566 473 675**
Other loans	--	--	--	149 161 095	**149 161 095**
Unclassified liabilities					
other liabilities	--	--	--	--	**1 414 461 924**
Other provisions	--	--	--	--	**465 837 275**
Current income tax payable	--	--	--	--	**177 397 002**
Defined benefits liabilities	--	--	--	--	**134 881 258**
Total liabilities	**29 533 125 988**	**--**	**22 033 347 687**	**1 668 576 299**	**55 427 627 433**
Total equity & Subordinated loan	**--**	**--**	**--**	**--**	**8 368 898 743**
at the end of comparative year					
Total assets	**29 231 596 154**	**15 575 287 992**	**5 878 180 755**	**8 729 923 199**	**62 552 216 903**
Total liabilities	**31 598 634 455**	**--**	**20 111 058 686**	**226 619 764**	**54 330 796 100**
Total equity & Subordinated loan	**--**	**--**	**--**	**--**	**8 221 420 803**

Segmentation analysis

(5/B) Segmental analysis by geographic area

	Cairo	Giza	Alex-Delta	Red sea/ Upper Egypt	Head office	Total
Income and expenses according to geographical segments						
Interest from loans and similar income	1 782 794 509	1 248 342 332	662 466 958	306 446 656	(1 470 360 190)	**2 529 690 265**
Interest expense and similar expenses	(1 409 946 111)	(932 169 625)	(482 238 196)	(224 431 826)	1 778 504 710	**(1 270 281 048)**
Net interest income	**372 848 398**	**316 172 707**	**180 228 762**	**82 014 830**	**308 144 520**	**1 259 409 217**
Fee and commission income	143 263 247	120 528 449	60 072 994	29 770 733	44 556 042	**398 191 465**
Fee and commission expense	(3 197 040)	(2 969 074)	(1 933 747)	(1 104 781)	(624 326)	**(9 828 968)**
Net interest, fees & commissions income	**512 914 605**	**433 732 082**	**238 368 009**	**110 680 782**	**352 076 236**	**1 647 771 714**
Dividend income	--	--	--	--	16 176 440	**16 176 440**
Net trading income	13 701 243	10 576 756	6 409 817	3 056 678	34 838 296	**68 582 790**
Gain on sale of financial investments	--	--	--	--	(53 765)	**(53 765)**
Impairment credit (losses)/reversals	53 439 615	(115 043 825)	(13 400 940)	(86 849 493)	(99 855 386)	**(261 710 029)**
Administrative expenses	(198 119 294)	(175 677 002)	(105 706 049)	(64 437 962)	6 847 346	**(537 092 961)**
Other operating revenues (expenses)	(8 788 121)	(8 072 305)	(5 613 595)	(3 004 316)	37 950 011	**12 471 674**
Share on operating income of associated companies	--	--	--	--	4 729 621	**4 729 621**
Profit before income tax	**373 148 048**	**145 515 706**	**120 057 242**	**(40 554 311)**	**352 708 799**	**950 875 484**
Income tax expense	(93 284 255)	(36 376 549)	(30 012 594)	10 139 421	(15 768 707)	**(165 302 684)**
Net profit for current period	**279 863 793**	**109 139 157**	**90 044 648**	**(30 414 890)**	**336 940 092**	**785 572 800**
Net profit for comparative period	**179 906 134**	**156 094 312**	**74 086 503**	**14 219 555**	**308 901 719**	**733 208 223**

At the end of current period

Assets and liabilities per geographical segments

Assets of geographical segments	**Cairo**	**Giza**	**Alex-Delta**	**Red sea/ Upper Egypt**	**Head office**	**Total**
Cash and due from Central Bank of Egypt	206 603 761	304 490 394	129 995 457	74 897 272	3 604 970 519	**4 320 957 403**
Due from Banks	100 000	--	--	--	5 427 582 285	**5 427 682 285**
Treasury bills	--	--	--	--	10 785 880 915	**10 785 880 915**
Loans to customers	17 981 243 795	10 298 211 331	5 807 942 288	3 212 612 373	--	**37 300 009 787**
Allowance for impairment losses, segregated interest and unearned discount on discounted bills	(453 119 731)	(584 572 334)	(142 177 796)	(218 812 027)	(12 189 013)	**(1 410 870 901)**
Financial derivatives	843 153	(242 020)	9 290 218	--	27 345 330	**37 236 681**
Available-for-sale investments	--	--	--	--	5 289 960 905	**5 289 960 905**
Held-to-maturity investments	--	--	--	--	135 002 560	**135 002 560**
Investments in associates	--	--	--	--	112 175 310	**112 175 310**
Other assets	112 405 599	62 279 788	39 062 355	19 999 193	500 972 608	**734 719 544**
Fixed assets (net)	157 590 260	237 266 717	133 667 826	84 721 880	181 202 329	**794 449 012**
Unclassified assets						
Intangible assets	--	--	--	--	--	**88 483 929**
Deferred tax assets	--	--	--	--	--	**180 838 746**
Total assets	**18 005 666 837**	**10 317 433 876**	**5 977 780 348**	**3 173 418 691**	**26 052 903 748**	**63 796 526 176**

Liabilities of geographical segments	Cairo	Giza	Alex-Delta	Red sea/ Upper Egypt	Head office	**Total**
Due to Banks	40 153 882	18 446 603	15 135 848	--	1 445 678 871	**1 519 415 204**
Customers' deposits	21 652 250 052	17 733 957 128	8 882 643 292	3 241 795 689	55 827 514	**51 566 473 675**
Other loans	295 113	1 282 707	962 205	--	146 621 070	**149 161 095**
Other liabilities	434 707 003	486 080 341	215 502 688	66 241 044	211 930 848	**1 414 461 924**
Unclassified liabilities						
Other provisions	--	--	--	--	--	**465 837 275**
Current income tax payable	--	--	--	--	--	**177 397 002**
Defined benefit liabilities	--	--	--	--	--	**134 881 258**
Total liabilities	**22 127 406 050**	**18 239 766 779**	**9 114 244 033**	**3 308 036 733**	**1 860 058 303**	**55 427 627 433**
Total equity & subordinated loan	**--**	**--**	**--**	**--**	**--**	**8 368 898 743**
At the end of the comparative year						
Total assets	**17 949 158 336**	**9 737 857 714**	**5 736 889 112**	**2 948 550 777**	**25 895 770 455**	**62 552 216 903**
Total liabilities	**21 957 569 850**	**18 384 379 323**	**9 502 709 630**	**2 970 705 009**	**546 248 654**	**54 330 796 100**
Total equity & Subordinated loan	**--**	**--**	**--**	**--**	**--**	**8 221 420 803**

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

6- Net interest income

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Interest from loans and similar income:		
Loans and facilities:		
Customers	1 624 130 600	1 282 416 773
	1 624 130 600	**1 282 416 773**
Treasury bills and bonds	878 320 234	758 801 277
Deposits and current accounts	18 866 126	33 690 614
Interest differential on hedging instruments (IRS contracts)	8 373 305	19 037 074
Total	**2 529 690 265**	**2 093 945 738**
Cost of deposits and similar costs		
Deposits and current accounts:		
Banks	(14 507 459)	(6 821 263)
Customers	(1 247 391 501)	(1 080 674 041)
Total	**(1 261 898 960)**	**(1 087 495 304)**
Other loans	(8 382 088)	(7 061 677)
Total	**(1 270 281 048)**	**(1 094 556 981)**
Net	**1 259 409 217**	**999 388 757**

7- Net income from fees and commissions

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Fees and commissions revenue :		
Credit fees and commissions	259 208 176	223 205 797
Custody fees	3 849 427	4 655 996
Investments commissions	12 972 595	15 969 411
Others	122 161 267	102 685 509
Total	**398 191 465**	**346 516 713**
Fees and commissions expense:		
Brokerage fees	(1 294 381)	(1 923 397)
Other fees	(8 534 587)	(5 300 445)
Total	**(9 828 968)**	**(7 223 842)**
Net	**388 362 497**	**339 292 871**

8- Dividend income

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Available for sale investments	16 176 440	18 766 955
Total	**16 176 440**	**18 766 955**

9- Net trading income

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Forex operations;		
Foreign exchange trading gains	65 808 079	64 181 444
Changes in fair value of currency forward contracts	929 508	11 197 252
Held-for-Trading debt instruments	1 845 203	6 441 351
Total	**68 582 790**	**81 820 047**

10- Administrative expenses

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Staff cost:		
Salaries and wages	237 458 183	219 184 685
Social insurance	9 733 000	8 505 822
Pension cost:		
Defined contribution schemes	18 926 767	16 510 618
Other retirement benefits (Defined benefit schemes)	17 089 368	16 389 084
	283 207 318	**260 590 209**
Depreciation and amortization	58 581 390	53 124 271
Other administrative expenses	195 304 253	175 105 072
Total	**537 092 961**	**488 819 552**

11- Other operating incomes (expenses)

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss on initial recognition	4 353 642	26 661 943
Gain on sale of property, plants, and equipment	19 113	--
Programs cost	(6 271 481)	(8 119 751)
Operating lease rental expense	(24 696 769)	(21 831 313)
Gain on sale of foreclosed assets reverted to the bank in settlement of debts	--	1 617 512
Other provisions (net of reversed amounts)	34 241 440	(46 102 634)
Other income (expense)	4 825 729	1 910 566
Total	**12 471 674**	**(45 863 677)**

12- Credit impairment (loss)/reversal

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Loans and facilities to customers	(261 710 029)	(43 933 677)
Total	**(261 710 029)**	**(43 933 677)**

13- Income tax expense

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Current tax	(153 808 394)	(196 271 415)
Deferred tax	(11 494 290)	52 416 897
Total	**(165 302 684)**	**(143 854 518)**

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:

	Jun. 30, 2012	Jun. 30, 2011
Profit before tax	950 875 484	877 062 741
Income tax expense calculated at 20 % tax rate	2 000 000	2 000 000
Income tax expense calculated at 25 % tax rate	235 218 871	216 765 685
Tax impact for:		
Non-taxable income	(15 552 988)	(27 233 990)
Non-deductible expenses for tax purposes	3 377 167	3 679 572
(Deferred tax assets not previously recognized)/utilization	(14 778 981)	(14 442 441)
Tax rate diff. on Egyptian T.Bills and T.bonds	(40 254 800)	--
Used Tax Profit / Loss not previously recognized	(23 527 258)	1 386 695
Provision and segregated interest	7 326 383	14 115 894
Effective tax expense	**153 808 394**	**196 271 415**

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.

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.

14- Earnings per share

	Jun. 30, 2012 EGP	Jun. 30, 2011 EGP
Net profit for the period	785 572 800	733 208 223
Remuneration for the Board Members (from the period's net profit)*	(925 000)	(850 000)
Staff profit share (from the period's net profit)*	(91 017 967)	(62 999 268)
Profit available to shareholders	**693 629 833**	**669 358 955**
Weighted average number of the shares outstanding during the period	403 214 457	403 214 457
Earnings per share	**1.72**	**1.66**

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

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

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Cash	1 411 935 285	1 297 045 266
Balances with CBE (mandatory reserve)	2 909 022 118	3 727 157 338
Total	**4 320 957 403**	**5 024 202 604**
Interest free balances	4 320 957 403	5 024 202 604
Total	**4 320 957 403**	**5 024 202 604**

16- Due from Banks

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Current accounts	377 029 520	409 933 090
Deposits	5 050 652 765	4 567 372 601
Total	**5 427 682 285**	**4 977 305 691**
Balances at CBE other than those under the mandatory reserve	1 646 465 773	1 601 147 217
Local banks	91 919 109	134 358 379
Foreign banks	3 689 297 403	3 241 800 095
Total	**5 427 682 285**	**4 977 305 691**
Interest free balances	161 080 461	141 939 776
Balances at floating interest rates	219 838 109	268 093 314
Balances at fixed interest rates	5 046 763 715	4 567 272 601
Total	**5 427 682 285**	**4 977 305 691**
Current balances	5 427 682 285	4 977 305 691
Total	**5 427 682 285**	**4 977 305 691**

17- Treasury bills

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
91 days maturity	500 275 000	2 098 275 000
182 days maturity	3 939 200 000	3 055 875 000
More than 182 days maturity	6 819 656 300	5 209 780 780
	11 259 131 300	**10 363 930 780**
Less : Unearned interest	(473 250 385)	(464 646 511)
Net	**10 785 880 915**	**9 899 284 269**

18- Loans and facilities to costumers (net)

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Individuals		
Debit current accounts	709 051 079	713 947 355
Credit cards	235 018 478	207 872 620
Personal loans	5 683 865 337	5 099 006 895
Real estate loans	154 951 620	130 479 251
Total (1)	**6 782 886 514**	**6 151 306 121**
Corporate including small loans for businesses		
Debit current accounts	16 705 144 523	15 887 048 533
Direct loans	8 627 241 576	8 711 179 155
Syndicated loans	4 186 923 274	4 570 598 804
Other loans	997 813 900	988 516 170
Total (2)	**30 517 123 273**	**30 157 342 662**
Total loans and facilities to customers (1+2)	**37 300 009 787**	**36 308 648 783**
Less: Allowance for impairment losses	(1 325 311 419)	(1 117 443 476)
Less: segregated interest	(72 298 161)	(75 698 390)
Less: Unearned discount for discounted bills	(13 261 321)	(16 473 918)
Net amount distributed as follows:	**35 889 138 886**	**35 099 032 999**
Current balances	19 959 220 461	19 340 677 684
Non-current balances	15 929 918 425	15 758 355 315
Total	**35 889 138 886**	**35 099 032 999**

18-A Allowance for impairment losses

Jun. 30, 2012

	Specific provision	Individuals Collective provision	Total
Balance at the beginning of the period	238 966 870	33 962 904	272 929 774
Impairment loss recognized during the period	28 226 902	3 230 869	31 457 771
Collections of loans previously written-off	--	4 724	4 724
Loans written-off	(98 063)	--	(98 063)
Balance at end of the period	**267 095 709**	**37 198 497**	**304 294 206**

	Specific provision	Corporate Collective provision	Total
Balance at the beginning of the period	634 299 040	210 214 662	844 513 702
Impairment loss recognized during the period	96 165 731	134 086 527	230 252 258
Loans written-off	(54 294 517)	--	(54 294 517)
Collections of loans previously written-off	--	296 200	296 200
Foreign exchange translation differences	(203 597)	453 167	249 570
Balance at end of the period	**675 966 657**	**345 050 556**	**1 021 017 213**
Total	**943 062 366**	**382 249 053**	**1 325 311 419**

Dec. 31, 2011

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

	Specific provision	Corporate Collective provision	Total
Balance at the beginning of the year	677 367 631	124 470 581	801 838 212
Impairment loss recognized during the 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	**634 299 040**	**210 214 662**	**844 513 702**
Total	**873 265 910**	**244 177 566**	**1 117 443 476**

19- Financial Derivatives

			Jun. 30, 2012	
(A)	**Held-for-trading**	**Notional**	**Assets**	**Liabilities**
	Forward foreign exchange contracts	298 048 079	10 057 530	--
	Interest rate swap contracts	1 851 652 252	12 445 262	--
	Total		**22 502 792**	**--**
(B)	**Fair value hedges**			
	Interest rate swap contracts	1 304 577 062	3 746 301	--
(C)	**Cash flow hedges**			
	Interest rate swap contracts	302 950 000	10 987 588	--
	Total		**37 236 681**	--

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

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

Fair value hedge

The bank uses interest rate swap contracts to mitigate part of the risk of potential increase in fair value of its fixed rate customer's deposits in foreign currencies to the extent caused by declining market interest rates. Net derivative assets resulting from these swap contracts have a fair value of EGP 3 746 301 as of Jun 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 10 987 588 as of June 30, 2012 (December 31, 2011: assets of EGP 10 601 178).

20- Financial investments

Available for sale investments

		Jun. 30, 2012	Dec. 31, 2011
(A)	Debt instruments at fair value	EGP	EGP
	Listed instruments	2 690 150 583	2 753 404 937
	Unlisted instruments	2 251 053 304	2 278 749 175
(B)	Equity instruments at fair value		
	Listed instruments	44 463 692	47 218 080
	Unlisted instruments	109 321 997	118 477 632
(C)	Equity Instruments at Cost		
	Unlisted Instruments	194 971 329	234 100 050
	Total available for sale investments (1)	**5 289 960 905**	**5 431 949 874**
	Held to maturity investments		
(A)	Debt instruments		
	Listed instruments	120 002 560	120 008 160
(B)	Money Market Funds		
	Unlisted instruments *	15 000 000	15 000 000
	Total held to maturity investments (2)	**135 002 560**	**135 008 160**
	Total financial investments (1+2)	**5 424 963 465**	**5 566 958 034**
	Current balances	781 209 903	1 052 976 941
	Non-current balances	4 643 753 562	4 513 981 093
	Total	**5 424 963 465**	**5 566 958 034**
	Fixed interest debt instruments	5 061 206 447	5 152 162 272
	Total Debt Instruments	**5 061 206 447**	**5 152 162 272**

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

	Available for sale investments	Held to maturity investments
Balance at the beginning of the current period	5 431 949 874	135 008 160
Additions	1 096 477 537	--
Amortization of premium / discount	(8 021 453)	(5 600)
Disposals (sale/redemption)	(1 214 467 371)	--
Translation differences resulting from monetary foreign currency assets	(10 454 288)	--
Changes in fair value	(5 523 394)	--
Balance at the end of the current period	**5 289 960 905**	**135 002 560**

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

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

Gain from financial investments	**Jun. 30, 2012**	**Jun. 30, 2011**
Gain on sale of available for sale assets	(53 765)	4 990 286
loss of impairment of available for sale equity instruments	--	(1 975 983)
	(53 765)	**3 014 303**

* -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:

Jun. 30,2012	Country of residence	Investee's assets EGP	Investee's liabilities (excluding equity) EGP	Investee's revenues EGP	Investee's profit (loss) EGP	Carrying amount EGP	NSGB stake %
Sogelease Egypt Company	Egypt	1 973 029 993	1 778 107 466	287 834 610	10 214 555	77 969 011	%40
NSGB Life Insurance Company	Egypt	550 066 080	431 620 408	12 369 428	5 101 446	29 611 418	%25
ALD Automotive	Egypt	95 476 000	80 349 000	17 068 000	(1 622 000)	1 890 875	%12.5
Senouhi Company for Construction Materials	Egypt	14 488 218	2 777 493	3 689 707	(14 107)	2 704 006	%23.09
Total		**2 633 060 291**	**2 292 854 367**	**320 961 745**	**13 679 894**	**112 175 310**	

At June 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.

-The bank share 's in Servinil was transferred to other assets as company was under liquidation as per General Assembly Instruction in 30-06-2011

Dec. 31, 2011	Country of residence	Investee's assets EGP	Investee's liabilities (excluding equity) EGP	Investee's revenues EGP	Investee's profit (loss) EGP	Carrying amount EGP	NSGB stake %
Sogelease Egypt Company	Egypt	1 781 783 106	1 591 962 172	595 107 782	29 191 251	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
Total		**2 360 522 157**	**2 028 968 178**	**660 081 160**	**38 409 470**	**109 045 689**	

22- Intangible assets

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Software		
Net book value at the beginning of the period	93 646 164	105 334 201
Additions	5 301 634	11 005 055
Amortization	(10 463 869)	(22 693 092)
Net book value at the end of the period	**88 483 929**	**93 646 164**

23- Other assets

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Accrued revenues	364 205 053	318 324 999
Pre-paid expenses	26 291 960	24 136 244
Advance payments under the purchase of fixed assets	174 201 791	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	3 010 890	3 161 036
Advanced payment to tax authority	45 805 876	204 435 726
Others	82 492 072	28 998 686
Total	**734 719 544**	**762 827 390**

24- Fixed assets

	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
01/01/2011	EGP	EGP	EGP	EGP	
Cost	743 953 352	86 387 170	269 687 078	73 630 387	1 173 657 987
Accumulated depreciation	(196 210 167)	(35 129 460)	(198 075 176)	(44 165 711)	(473 580 514)
Net book value	**547 743 185**	**51 257 710**	**71 611 902**	**29 464 676**	**700 077 473**
31/12/2011					
Net book value at the beginning of the 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
Deprecation for the period	(38 831 120)	(11 430 927)	(32 946 736)	(5 948 976)	(89 157 759)
Net book value	**627 398 782**	**47 989 844**	**89 015 006**	**28 962 006**	**793 365 638**
01/01/2012					
Cost	862 440 069	94 550 231	320 036 918	78 992 693	1 356 019 911
Accumulated depreciation	(235 041 287)	(46 560 387)	(231 021 912)	(50 030 687)	(562 654 273)
Net book value	**627 398 782**	**47 989 844**	**89 015 006**	**28 962 006**	**793 365 638**
30/06/2012					
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	34 856 821	5 762 088	5 980 529	2 761 894	49 361 332
Disposals from fixed assets	(160 437)	--	--	--	(160 437)
Depreciation for the period	(21 650 338)	(6 082 713)	(17 792 628)	(2 591 842)	(48 117 521)
Net book value	**640 444 828**	**47 669 219**	**77 202 907**	**29 132 058**	**794 449 012**
Balances at 30/06/2012					
Cost	897 136 453	100 312 319	326 017 447	81 754 587	1 405 220 806
Accumulated depreciation	(256 691 625)	(52 643 100)	(248 814 540)	(52 622 529)	(610 771 794)
Net book value	**640 444 828**	**47 669 219**	**77 202 907**	**29 132 058**	**794 449 012**

25- Due to banks

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Current accounts	110 858 989	68 697 738
Deposits	1 408 556 215	41 563 444
Total	**1 519 415 204**	**110 261 182**
Central banks	32 530 611	27 939 517
Local banks	1 265 005 442	23 700 014
Foreign banks	221 879 151	58 621 651
Total	**1 519 415 204**	**110 261 182**
Non-interest bearing balances	41 173 601	32 218 480
Variable interest rate balances	69 685 388	36 479 258
Fixed interest rate balances	1 408 556 215	41 563 444
Total	**1 519 415 204**	**110 261 182**
Current balances	1 519 415 204	110 261 182
Total	**1 519 415 204**	**110 261 182**

26- Customers' deposits

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Demand deposits	11 993 943 161	11 122 287 216
Time deposits and on call accounts	26 828 067 251	29 124 111 878
Term saving certificates	7 221 050 000	5 992 165 000
Savings deposits	3 881 480 039	3 785 617 998
Other deposits *	1 641 933 224	1 685 511 049
Total	**51 566 473 675**	**51 709 693 141**
Corporate deposits	29 533 125 988	31 598 634 455
Retail deposits	22 033 347 687	20 111 058 686
Total	**51 566 473 675**	**51 709 693 141**
Non-interest bearing balances	13 635 876 384	12 807 798 265
Variable interest rate balances	4 154 847 040	4 889 528 998
Fixed interest rate balances	33 775 750 251	34 012 365 878
Total	**51 566 473 675**	**51 709 693 141**
Current balances	44 160 872 020	44 095 885 280
Non-current balances	7 405 601 655	7 613 807 861
Total	**51 566 473 675**	**51 709 693 141**

* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 429 514 412 as of June 30, 2012 (December 31, 2011 EGP 390 138 520). The fair value of these deposits approximates its carrying amount.

27.A- Other loans

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Central Bank of Egypt loan	54 856 890	56 583 917
European Investment Bank loan	2 142 486	2 209 942
National Bank of Egypt loan (Ebab & Eco)	92 161 719	57 564 723
Total	**149 161 095**	**116 358 582**

27.B- The Subordinated loan

Represents a loan from SG Paris acquired on December 27, 2006 for USD 140 000 000 equivalent to EGP 848 260 000 as of June 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

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Accrued interest	988 822 685	1 065 946 714
Unearned revenues	42 867 220	37 958 581
Accrued expenses	163 041 028	112 764 222
Dividends payable	34 506 179	--
Sundry credit balances	185 224 812	208 630 044
Total	**1 414 461 924**	**1 425 299 561**

29- Other provisions

Jun. 30, 2012

Description	Balance at the beginning of the period	Formed during the period	Released during the period	Foreign currencies translation differences	Used during the period	Balance at the end of period
	EGP	EGP	EGP	EGP + (-)	EGP	EGP
Provision for probable tax claims	222 344 170	66 945 129	--	--	--	289 289 299
Provision for probable legal claims	16 025 639	446 500	--	15 229	(498 016)	15 989 352
Provision for contingent liabilities	246 680 531	--	(101 633 069)	632 284	--	145 679 746
Provision for fidelity	12 596 811	--	--	52 921	(270 854)	12 378 878
Provision for other probable claims	2 500 000	--	--	--	--	2 500 000
Total	**500 147 151**	**67 391 629**	**(101 633 069)**	**700 434**	**(768 870)**	**465 837 275**

Dec. 31, 2011

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

30- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet liability method and at a tax rate of 25% for the current financial 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:

	Deferred tax assets		Deferred tax liabilities	
	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Tax impact on temporary differences arising from:				
Fixed assets	--	--	(33 765 023)	(35 927 752)
Goodwill	163 611 563	182 133 626	--	--
Provisions (other than allowance for loan impairment)	103 292 406	98 427 361	--	--
Changes in fair value of available-for-sale investments	--	--	(48 244 567)	(50 233 257)
Effect of changes in accounting policies	--	--	(4 055 633)	(4 055 633)
Deferred tax assets (liabilities)	**266 903 969**	**280 560 987**	**(86 065 223)**	**(90 216 642)**
Net balance of DTA (DTL)	**180 838 746**	**190 344 345**		

Movement of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Beginning balance	280 560 987	237 067 373	(90 216 642)	(55 296 905)
DT recognized during the period	(13 657 018)	43 493 614	4 151 419	(34 919 737)
Closing balance	**266 903 969**	**280 560 987**	**(86 065 223)**	**(90 216 642)**

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

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Cumulative change in fair value of available-for-sale investments	(48 244 567)	(50 233 257)
Effect of changes in accounting policies (special reserve)	(3 244 506)	(3 244 506)

31- Retirement benefit obligation

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Amounts recognized in the statement of financial position:		
Liability for post-retirement medical benefits	134 881 258	119 598 838
Amounts recognized in the income statement:		
Post-retirement medical benefits	17 089 368	32 778 168
Post-retirement medical benefits obligation constitutes of:		
Present value of unfunded liabilities	176 766 129	140 782 316
Unrecognized actuarial loss	(41 884 871)	(21 183 478)
	134 881 258	**119 598 838**

Liability movements during the financial period are shown below:

	Jun. 30, 2012	Dec. 31, 2011
Beginning balance (beginning of current period)	119 598 838	91 918 000
Current service cost	2 479 767	3 488 262
Interest cost	4 184 769	7 783 269
Actuarial losses	10 424 832	21 506 637
Benefits paid	(1 806 948)	(5 097 330)
	134 881 258	**119 598 838**

Amounts recognized in the income statement are shown below:

	Jun. 30, 2012	Dec. 31, 2011
Current service cost	2 479 767	3 488 262
Interest cost	4 184 769	7 783 269
Net actuarial losses (gain) recognized during the period	10 424 832	21 506 637
	17 089 368	**32 778 168**

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

Discount rate (two plans):	Jun. 30, 2012	Dec. 31, 2011
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%

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

Post-retirement medical benefits

	Jun. 30, 2012 EGP	**Dec. 31, 2011 EGP**
Present value of defined benefit obligation	134 881 258	119 598 838
Effect on defined benefit obligation arising from changes in the schemes underlying assumptions based on historical experience	2 602 061	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.

The issued capital amounted to EGP 4 032 144 570 on June 30, 2012 representing 403 214 457 shares with a nominal value of 10 EGP each, of which 277 891 457 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.

On March 25, 2012 the Extra Ordinary General Assembly decided to increase the issued capital by an amount of EGP 403 214 450 through a transfer from the General Reserves to reach EGP 4 435 359 020. Approval by the CBE on this increase is still in process.

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 is accounted for prospectively in the periods in which the change arises.

34- Reserves and retained earnings

(1) Reserves

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
General reserve (a)	1 762 213 656	1 119 846 944
General banking risk reserve (b)	254 719 658	379 326 526
Legal reserve (c)	393 780 178	319 342 975
Revaluation reserve of available for sale investments (d)	(33 788 153)	(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	8 210 230	8 026 174
Total reserves at the end of the period	**2 567 492 681**	**1 977 778 282**

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	--	(366 558 590)
Balance at the end of period	**1 762 213 656**	**1 119 846 944**

(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	(124 606 868)	130 347 365
Balance at the end of period	**254 719 658**	**379 326 526**

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

(c) Statutory reserve

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

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)	(5 523 394)	(130 016 507)

Deferred tax recognized during the period (Note 30)	1 988 690	(27 982 097)
Net profit reclassified to income on de-recognition (Note 20)	--	(9 209 159)
Balance at the end of period	**(33 788 153)**	**(30 253 449)**

(e) Special Reserve

The application of the CBE new basis rules of preparation and presentation of financial statements as well as the modified principles of recognition and measurement requires to restate the comparative figures of the first financial 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
Total	**173 681 968**

(2) Profit for the period and Retained earnings

Movements on retained earnings:	**Jun. 30, 2012 EGP**	**Dec. 31, 2011 EGP**
Balance at the beginning of period	1 359 336 873	1 198 744 627
Net profit of the financial period	785 572 800	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	124 606 868	(130 347 365)
Balance at the end period	**910 179 668**	**1 359 336 873**

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.

	Jun. 30, 2012 EGP	**Jun. 30, 2011 EGP**
Cash and balances with central banks	1 411 935 285	1 452 064 988
Due from banks in less than 3 months	4 767 652 929	3 781 869 374
Treasury bills and other governmental notes (91 days)	494 977 637	4 034 338 316
Total	**6 674 565 851**	**9 268 272 678**

36- Contingent liabilities and other commitments

(a) Legal claims

Several lawsuits were brought against the bank and are still outstanding as of June 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 97 271 096 as of June 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:

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Loan commitments	159 151 589	146 630 786
Accepted papers	986 364 215	1 126 538 877
L/Gs	12 054 112 402	12 513 385 006
Import L/Cs	2 243 485 485	1 560 409 696
Export L/Cs	194 402 978	267 634 919
Other contingent liabilities (Financial guarantees)	2 134 725	2 132 828
	15 639 651 394	**15 616 732 112**

(d) Commitments under operating lease contracts

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

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Not more than one year	40 540 148	36 806 498
More than one year and less than 5 years	111 081 127	114 195 623
More than 5 years	43 120 990	46 517 670
Total	**194 742 265**	**197 519 791**

37- Related-party transactions

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

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

	Jun. 30, 2012 EGP	Dec. 31, 2011 EGP
Due from banks	103 374 283	155 144 001
Due to banks	179 931 094	28 959 152
Subordinated loan	848 260 000	844 466 000
Export LCs	15 633 927	77 053 578
LGs for Banks	2 829 382 111	3 050 481 160
Forward currency deals	143 923 165	135 656 231
IRS contracts	2 948 394 688	3 105 901 256

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

(1)Loans and facilities to related parties

	Directors and others key management personnel (and close family members*)		Associates	
	Jun. 30, 2012 EGP	**Dec. 31, 2011 EGP**	**Jun. 30, 2012 EGP**	**Dec. 31, 2011 EGP**
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	1 490 371	516 307	10 286 171 765	11 311 554 510
Loans repayment during the financial period	(871 006)	(754 055)	(10 084 496 889)	(11 510 610 878)
Loans outstanding at the end of the financial period	**972 594**	**353 229**	**1 285 542 961**	**1 083 868 085**
Interest income on loans	18 600	33 809	42 966 494	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)

Loans and advances to related parties can be analyzed below

Overdrafts - current accounts	496 718	45 718	24 466 823	12 877 406
Cash credit - Staff	194 026	245 070	--	--
Revolving term loan	--	--	795 003 457	979 759 176
Visa card	281 850	62 441	4 073	734
Equipment loans	--	--	466 068 608	91 230 769
Total	**972 594**	**353 229**	**1 285 542 961**	**1 083 868 085**

Deposits from Related parties

	Directors and others key management personnel (and close family members)		Associates	
	Jun. 30, 2012 EGP	**Dec. 31, 2011 EGP**	**Jun. 30, 2012 EGP**	**Dec. 31, 2011 EGP**
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	28 889 621	80 710 822	2 729 414 187	13 414 570 497
Deposits repaid during the period	(27 965 710)	(79 474 911)	(2 723 789 770)	(13 707 801 343)
Deposits outstanding at the end of the financial period	**17 470 381**	**16 546 470**	**236 466 226**	**230 841 809**
Interest expense on deposits	400 299	745 247	3 718 904	10 858 914

Deposits from related parties can be analyzed below

Current accounts	952 391	391 813	9 078 122	8 478 690
Saving accounts	120 770	275 637	--	--
Certificates of deposits	6 197 000	6 122 000	--	--
Time deposits	10 200 220	9 757 020	227 388 104	222 363 119
Total	**17 470 381**	**16 546 470**	**236 466 226**	**230 841 809**

c- Other transactions with related parties

	Directors and others key management personnel (and close family members)		**Associates**	
	Jun. 30, 2012 EGP	**Dec. 31, 2011 EGP**	**Jun. 30, 2012 EGP**	**Dec. 31, 2011 EGP**
Fee and commission income	14 086	206 059	1 258 446	560 1 799
Guarantees issued by the Bank	--	--	43 065 200	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	--	--	29 732	38 622
LCs	--	--	43 035 468	15 770 972
Total	--	--	**43 065 200**	**15 809 594**

38- NSGB Money Market Funds

A- NSGB 1st Money Market Fund (THEMAR)

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

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

Total number of the outstanding certificates at June 30, 2012 reached 36 722 784 at a total value of EGP 5 865 399 783. NSGB currently holds 734 456 certificates worth of EGP 114 321 997, 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 109 321 997 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 12 887 007 have been reported in the “fees and commission income” line item in the income statement.

B- NSGB 2nd Balanced Fund (Tawazon)

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

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

Total number of the outstanding certificates at June 30, 2012 reached 248 010 at a total value of EGP 23 553 187 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 69 514 have been reported in the "fees and commission income" line item in the income statement.

C- NSGB 3rd Balanced Fund (Tadawol)

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

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

Total number of the outstanding certificates at June 30, 2012 reached 57 438 at a total value of EGP 6 252 584 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 16 074 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