



## Annual Report and Separate Financial Statements 2011

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### Board of Directors

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Abdel Salam El Anwar, *Chairman*  
Simon Cooper, *Deputy Chairman*  
Andrew Long, *Chief Executive Officer*  
Halla Sakr  
Robert Gray  
Mahmoud Abdallah  
Ibrahim Fawzy  
Samir Assaf  
Ziad Bahaa El-din

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## Report of the Directors

*The Board of Directors has pleasure in presenting the Annual Report of HSBC Bank Egypt S.A.E. for the year ended 31 December 2011.*

### Economic review and future outlook

The Egyptian economy continues to suffer as ongoing social and political unrest threatened to further undermine the ailing economy. The stock market's benchmark index declined; domestic borrowing costs escalated; foreign reserves declined; and a number of cabinet ministers warned that the budget deficit could rise above 10% of GDP. Real economic growth slowed to 0.2% year on year in July to September 2011 (first quarter of the financial year 2011/2012) from 0.4% the previous quarter as tourism contracted 10.4% year on year, manufacturing shrank 3.3% and construction contracted 2.8%. Revenue from the Suez Canal grew 8.4% year on year and telecommunications expanded 3.7% year on year. An IMF mission is visiting Egypt from 15 January 2012 to assess the ability of Egypt's economic programme to maintain economic and political stability. Egypt is expected to request the resumption of negotiations for a USD3.2 billion loan.

The unsettled political situation, the deterioration of the country's balance of payments position and depletion of Egypt's international reserves have prompted rating agencies Fitch and Moodys to downgrade Egypt's credit rating for long-term foreign currency debt to BB- and B2 respectively, with a negative outlook. Elections for the Lower House of Parliament have gone well and results are widely accepted as credible but the political transition is still proving turbulent. Moody's warned that pressure on Egypt's balance of payments from domestic political turmoil is being further compounded by the economic downturn in Europe, both a trading partner and a key source of tourism revenues. Public finances, long a key rating weakness for Egypt, have further weakened with the general government debt/GDP ratio trending up and slowing economic growth and lower tax revenues widening the budget deficit. Rising domestic interest rates and the short average maturity of Egypt's debt heightened refinancing risks. The pressure on domestic borrowing has pushed Egyptian pound T-bill and bond yields to 14-15%, while inflation stands at 9.6% (Dec year on year). Fitch forecasts the fiscal deficit widening to about 11%.

Egypt's external accounts have suffered since the uprising. The balance of payments posted a deficit of USD12.7 billion contrasted to a surplus of USD719 million in the corresponding period of 2010. Tourism arrivals fell 33% while revenues fell by 30% from USD12.5 billion in 2010 to USD8.8 billion in 2011. Portfolio investment reversed from net inflows of USD12.2 billion in Jan-Sep 2010 into net outflows of USD8.9 billion in Jan-Sep 2011 due to the sales of foreigners' holdings of securities, especially T-bills which

registered net sales of USD7.5 billion (against net purchases of USD8.6 billion). Foreign direct Investment also saw a dramatic fall, declining from USD5.7 billion in Jan-Sep 2010 to USD375 million in the same period of 2011. The overall balance of payments deficit was relatively mitigated by a surge in workers' remittances and higher Suez Canal receipts. Transfers of Egyptians working abroad brought in USD10.4 billion in Jan-Sep 2011 (from USD9.3 billion in Jan-Sep 2010). Suez Canal receipts in 2011 increased to USD5.22 billion, up by close to half a billion dollars over 2010.

Meanwhile, Egypt's net international reserves fell to USD18.1 billion at the end of December, dropping by USD2 billion or 10% month on month and 50% year on year. NIR stood at USD36 billion at the end of December 2010. Egypt's USD18.1 billion NIR include foreign currency reserves of USD14 billion and gold USD2.7 billion. The acceleration in reserve loss is material concern and weighing heavily on sentiment – both within Egypt and with overseas investors. Reserves have been shedding around USD2 billion a month for the past three months as foreign currency inflows have dropped with the decline in tourism revenues, the exodus of foreign investors from the T-bills market and the lack of foreign direct investment. International investors sold USD8.5 billion in Egyptian Treasury bills (in contrast with net purchases in excess of USD9 billion in the comparable period in 2010) and bonds and USD0.5 billion in Egyptian securities in the first 11 months of 2011, according to the Central Bank Governor. The pace of reserve loss is unsustainable and the Central Bank of Egypt has been allowing the Egyptian pound to depreciate albeit slowly. The pound has fallen by 3.8% against the USD since the January 2011 Revolution, of which the currency has declined by 1.1% in the past two months alone. The USD now fetches EGP6.04.

The worsening fiscal position is another major concern with the CBE Governor quoted in January 2012 as saying that the deficit for fiscal 2011/12 could rise to EGP182 billion against earlier expectations of EGP134 billion. The Minister of Finance is considering a number of measures to rein in the budget deficit. In an attempt to maintain the deficit target of 8.6% of GDP in financial year 2011/12 (July-June). The Minister of Planning & International Cooperation had said the deficit was expected to rise to 10% of GDP. The plan includes cutting bonuses for government employees by 10% and governmental operating expenses by 3%, setting the maximum wage for the civil service at 35 times the minimum wage, and cutting energy subsidies for industry. As part of a plan to cut the country's energy subsidies bill which totals EGP100 billion by around EGP5 billion, the cabinet has approved new gas prices, up 33%, for energy-intensive industries including steel, cement, ceramics, petrochemicals and aluminium. The

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final decision, however, will need the approval of the Supreme Council for Armed Forces (SCAF). The government will also borrow money from the special funds, which are currently off-budget, to be repaid in three years at no interest and may consider temporarily reviewing custom duties in a way that does not breach the World Trade Organisation agreement. To encourage taxpayers who owe the government overdue taxes, the cabinet has approved a law granting incentives to those who pay by 31 March.

A court ruled that the privatisation of Nile Cotton Ginning, which was sold in 1997-1998, was illegal. This is the latest in a series of court decisions that have challenged the privatisation of companies. On the other hand, the government's appeal against a court ruling to renationalise the Shebin El-Kom Textiles Company and Tanta for Flax and Oil was rejected by the court – the former was sold to an Indonesian investor in 2004 and the latter was sold to a Saudi investor in 2005. The prosecutor refused the appeal referring the case to the state commissioners for a final hearing on 15 February.

The Egyptian stock market was one of the worst performing equity markets in 2011. The bourse lost EGP195 billion (USD32.3 billion) of its market cap, falling from EGP488 billion in December 2010 to EGP293 billion a year later. The benchmark EGX30 index lost 49.3% in 2011. Average daily turnover in the fourth quarter of 2011 at EGP255 million compared unfavourably with the 2010 daily average of EGP1.3 billion and contributed to a fall in HBEG Trading profits from the Sub-Custody business.

### Summary

Political instability continues to undermine the economy and the outlook for Egypt's external ratings is not good. The visit of an IMF mission to Cairo late in January 2012 is seen by many as pivotal to confidence. An additional failure to agree terms for a loan is likely to have a serious impact upon the currency. The huge deficit in the external account in the first nine months of 2011 was driven by the collapse in tourism and the about-turn in flows from foreign direct investments as foreign investors sold their holdings of Egyptian securities. Somewhat surprisingly, despite the exodus of workers from Libya, remittances of Egyptians working abroad and Suez Canal revenues helped mitigate the deficit. Confidence in the funding issues supported by an IMF Loan and a return of tourists in meaningful numbers with completion of the elections and a return of a recognisable level of security are requirements for stabilisation. Without these two factors, the fact that Egypt lost half of its net international reserves in 2011 with the Central Bank allowing the currency to depreciate slowly, suggests significant pressure on the currency. In addition, the Ministry of Finance has at least announced measures to rein in the

budget deficit and meet the target deficit, including by cutting gas subsidies to energy-intensive industries. Whether these policies can be made to work remains unclear at this point in time.

### Results for the Year Ending 31 December 2011 – EG GAAP

The report for 2010 spoke of “challenging circumstances”. Little could be anticipated at the time as to what was to hit Egypt in 2011 when truly “challenging circumstances” hit the economy and the financial sector. Despite this, HSBC Bank Egypt outperformed the majority of its peers and posted relatively strong results reflecting the quality of the corporate book and the strength of the franchise.

Total deposits rose 6% from end 2010 to end 2011 and 20% when comparing average deposits for the calendar years. Similarly total advances to clients rose 15% and 20% respectively. The currency balance within the deposit base changed with significant dollarisation of local currency deposits, particularly in the first half of 2011. This was reflected in year on year growth in foreign currency deposits of 36% whereas EGP deposits rose only 10%. On the advances side, there was less obvious impact upon foreign currency advances with foreign currency advances growing 11% and EGP advances up 29%.

Profit before tax rose 20% to reach EGP1,484 million for the year ending December 2011 on the back of strong Interest income.

The Board of Directors proposes a distribution to shareholders, by way of cash dividends, of a sum of EGP896 million representing a coupon of EGP49.89 per share.

The Board of Directors proposes a distribution of EGP148 million to the Bank staff as profit sharing. The balance of the remaining profits, amounting to EGP114 million, will be transferred to support the Bank's reserves. These will be allocated as EGP56 million for the Statutory Reserve and EGP58 million for the General Reserve.

### Business and Operational Activities

#### Global Banking & Commercial Banking

Despite the current turbulence in the country, Corporate Banking results (Global Banking, HSBC Corporate and Business Banking) recorded good growth over 2010 maintaining its position as a market leader in Egypt. Following on from awards won in previous years, EMEA Finance in its African Banking Achievement awards awarded to HSBC Bank Egypt the accolades of Best Foreign Bank in Egypt, Best Investment Bank in Egypt, Best Brokerage House in Egypt. Euromoney also awarded the title of Best Cash Management Bank in Egypt to HSBC.

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Negatively impacted by the market conditions, Egypt's International Trade business witnessed a general slow down in imports of non essential goods. Furthermore, a general decline was observed in exports due to the disruption in inter-regional trade caused by the ongoing unrest. This had a knock-on effect for the performance of HSBC's own Trade business in Egypt, albeit HSBC gained market share in the difficult environment helped by Global connectivity which the HSBC Group can bring to its customers.

The legal actions taken against a number of businessmen, several of whom were clients of the banking sector, has led to reassessment of the risk appetite for the companies partially or fully owned by these businessmen. However, most companies continued to perform well despite these major challenges. HSBC had exposure to some of these companies but did not suffer financially from such exposures.

HSBC's portfolio approach has borne fruit in the difficult conditions of 2011. The majority of our corporate banking income is generated from the sectors of construction & property development, tourism and food & beverages. The Oil & Gas sector, as well as the Textiles sector, are also important parts of the HSBC portfolio which remains broadly focused. Repeated portfolio reviews throughout 2011 as the economy deteriorated evidenced the overall quality of the portfolio. Clearly one area of concern is the Tourist sector which showed a sharp decline in earnings as visitor numbers fell. A close eye will be needed across the Egyptian banking sector to ensure that risks are well managed while this situation lasts.

HSBC's lending to the Corporate sector increased over 2010 whilst our share of corporate deposits also rose. The market saw a shift in many cases from local currency deposits into foreign currency deposits as clients converted to foreign currency in anticipation of an EGP devaluation. The currency position was also influenced heavily by restrictions on foreign currency transfers requested by the Central Bank early in the year. This led to many multinational clients choosing to repatriate dividends and implement cash management arrangements offshore.

There was much talk through the latter part of 2011 about the opportunities for employment growth which the SME sector will provide, noting that SMEs constitute more than 90 percent of the business sector in Egypt, and their growth is one of the main pillars of the country's economic reform. Within HSBC, the performance of HSBC's Business Banking line of business reflected the increased emphasis on this sector. HSBC's Business Banking proposition continues to be developed and HSBC announced an arrangement with USAID which was designed to facilitate lending to this segment of the corporate market. In addition HSBC initiated a proposal,

which has yet to be finalised, for a partnership agreement between HSBC and Islamic Development Bank (IDB) - (ICIEC) to encourage exports from Member Countries "Islamic countries" to the rest of the World by placing Importers' Payment guarantee insurance policies through (IDB)-(ICIEC) and their Export credit facilities solutions through HSBC Egypt. HSBC Business Banking also enhanced relationships with, in particular, businesses with a Turkish connection, leveraging HSBC's own presence in Turkey.

In the specialist lending field, most transactions under the PEF and Syndications banner were postponed given the political and economic conditions. Towards the end of 2011 discussions around reviving interest in the PPP initiative with Government recommenced. HSBC was able to conclude 2 major transactions in the oil & gas sector. The HSBC team acted as Mandated Lead Arranger for a USD40 million Borrowing Base Facility in favour of Sea Dragon Energy while also playing the role of Lead Arranger in the USD50 million Borrowing Base Facility in favour of IPR Group acting as Security agent and Account bank.

In the area of Payments and Cash Management, with the imposition of restraints on offshore payments, many opportunities to leverage HSBC's global Payments capabilities were put on hold. That said, continued increases in the deposit balances of our larger corporate customers and a focus on improving the efficiency of domestic Egyptian market payments provided opportunities for HSBC to continue to perform well in this product area.

The poor performance of the Stock Market in Egypt, which included 38 days of market closure in the first quarter of 2011, meant that the Sub-Custody business was always going to be difficult. It was clear that as Assets under custody fell as the EGX fell, and as stock market turnover collapsed towards year end, revenue would be tight for all players in this space. The fact that HSBC retained its position as the second ranked sub-custodian in the market speaks well of the professionalism of the team in difficult circumstances.

Towards the end of the year, the decision was taken to adopt HSBC Group Business Models and as a result, the Corporate Bank was split between the Global Banking business, a part of the broader Global Banking and Markets business, and the Commercial Banking business. Global Banking focuses largely on Multinationals, Government entities and Financial Institutions while Commercial Banking focuses on large local Corporates as well as the mid market and the larger SMEs.

### Global Markets

2011 proved to be a difficult year for Treasury. The closure of banks for a period at the beginning of the year, the sharp economic slowdown and the decline in foreign

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investment in the local market all brought pressure on our income. Despite these factors, Foreign Exchange income in 2011 was maintained close to 2010 levels. A 'Flight to quality' saw growth in both our local currency and foreign currency deposits. Rising EGP interest rates on Egyptian Treasury bills also contributed to a sharp jump in Net Interest Income.

Late in the year, the Egyptian government also issued 1 Year USD Treasury bills yielding 3.9 percent in which HSBC Bank Egypt subscribed. Looking forward to 2012, much will depend on how quickly security and the rule of law are reimposed in order to provide the necessary foundation for reviving both domestic and foreign investment. A smooth transition to civilian rule and an elected president who abides by a constitution that affirms basic freedom for all citizens and continued economic development based on a market economy will give a boost to both the domestic and the foreign outlook for the economy.

**Retail Banking and Wealth Management (RBWM)**  
RBWM Performance in 2011 showed resilience through the country's instability although results were negatively impacted during the first half of the year by a range of economic and social factors impeding growth. The Retail Banking business suffered in the year from relatively high levels of loan impairment, initially due to delayed salary payments across the economy immediately following the Revolution and then following rising numbers of job cuts in Egypt. Following the collapse of Tourism, a more cautious credit policy was followed with personnel working in the tourism industry and similar policies were pursued in other sectors where risk was seen to increase. Regulatory restrictions and limitations on cross boarder transfers diluted the essence of our Premier proposition which includes the ability to view accounts around the world with the HSBC Group and which facilitates global transfers using internet banking capabilities.

HSBC Bank Egypt (HBEG) Branches located close to areas of heightened political activity, including Tahrir Square in Cairo and Raml Square in Alexandria, faced regular interruptions to their ability to offer services to clients. This in addition to problems caused during the early stage of the Revolution when a small number of branches were vandalised. Despite these pressures, branch staff continued to offer outstanding levels of service to clients and received large numbers of compliments for the resilience of the staff in difficult situations.

On the investment side, customers showed little appetite to engage in long term investment plans not helped by the two month close down of the stock market in the first quarter. Both factors impacted RBWM 'investment wrapped' insurance sales activity.

Notwithstanding these issues, the HSBC brand maintained its market leadership and customers continued to perceive us as a safe haven for their deposits. This was reflected in strong growth in our customer deposits compared to the previous year and was the primary contributor to RBWM revenues.

Consumer assets were another area of focus in 2011. A concerted focus on credit card acquisition and usage helped HBEG maintain its leading ranking amongst Card Issuers in Egypt. HBEG's ranking as advised by VISA for third quarter data was positioned as second in the market in terms of Purchase Volume with an 18% market share.

In May RBWM migrated its personal banking local Call Centre to the HSBC Global Resourcing Centre in Smart Village. After initial teething problems which negatively affected client service quality, standards had markedly improved by year end.

### Risk Management

HSBC Bank Egypt maintains strong Risk Management culture with internal tight controls which are an integral part of how the Bank conducts business with clients in Egypt. The principal types of risks that the bank can face, are credit risk (which includes country and cross-border risk), liquidity risk, market risk, compliance risk, operational risk and reputational risk as well as risks associated with capital management. To mitigate all types of Risks, there is a robust mechanism in place to ensure that all types of risks are systematically identified, measured, analysed and actively managed. In addition, there is a strong process in place to ensure controls operate effectively and any significant failings are reported through the control mechanisms, internal audit and compliance functions to HSBC's Audit and Risk Committee and the Board of HSBC Bank Egypt.

During 2011, Egypt witnessed considerable political unrest with resulting disruption in the economy. The result of the political, social and economic dislocation which occurred during the year necessitated regular ongoing reviews of key Top and emerging risks. Prompted by the increased risk evident across HSBC's operations, HSBC in Egypt created its own specific Risk Appetite statement to help determine risk strategies for current and expected future needs. Such strategies drove the review and development of more refined Risk Management processes, in coordination with relevant departments across HSBC Bank Egypt, and with the knowledge and support both of HSBC's Regulator, the Central Bank of Egypt, and of the HSBC Regional and the HSBC Group Risk teams. A number of comprehensive reviews of HSBC's corporate credit portfolio in Egypt were carried out involving a thorough evaluation of industry sector exposures, individual customer positions as well as the completion of performance outlooks involving various sensitivity, stress

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testing and 'what if' scenario analysis. Such reviews and tests were conducted in order to determine appropriate action plans and the relevant risk mitigants and controls which ought to be in place.

HSBC's Risk Management philosophy and rationale is to support sustainable growth on the basis of well analysed, calculated and mitigated risks. Accordingly, in spite of the difficult political and economic conditions, HSBC witnessed an increase in its lending portfolio which, with adequate provisions in place, contributed to HSBC's profitability in 2011.

### People Management and Development

HBEG increased the number of full time employees to 2,557 (2,397 in 2010) in a year that witnessed dramatic and, on occasion, difficult people-related management issues. Managing staff concerns through the early stage of the Revolution took centre stage and one outcome was the decision to bring into the employment fold of HSBC in Egypt 96 staff members who were working for Outsourced Suppliers. In addition the decision to provide a second round of compensation adjustments in line with the rest of the market resulted in a situation where staff costs were running ahead of Plan early in the year. This was addressed by a severe reduction in the level of recruitment over the rest of the year supported by an effective freeze on branch openings – other than where contracted requirements had to be met.

In the second half of the year, a radical transformation in the role of Human Resources (HR) commenced, whereby HR has taken a more commercialised approach through partnering with the business and instilling a broader concept of empowering business managers to take on a more proactive role in managing their people within the framework of the HR agenda.

In the context of the above change, HR now assumes a customer-focused mission rather than a process-focused one with the aim of enhancing and upgrading the level of service provided to our internal customers and ensuring that HR objectives, vision and mission are flowing from the business and visualising the same strategic view.

This HR/Business affiliation is planned to further develop through 2012 amid further alignment with Group and Regional Strategies.

Our local Learning and Development Department delivered over 5,800 trainee days in 2011. In house courses were attended by 2,083 staff members and 492 staff members attended on-the-job training conducted by HSBC Bank Egypt's Learning and Development Department.

Additionally, the Bank supported 43 staff members in acquiring their diplomas and certificates, 790 staff members in attending external courses held by the most reputable training institutions in Egypt and 26 staff

members in attending overseas courses (UAE, UK, Hong Kong, Indonesia, and Luxembourg). In addition HBEG's growing affiliation with Regional HR in Dubai, led to the delivery of Regional Courses, which included 19 HBEG staff members in 2011.

For the first time, HBEG L&D hosted the Pilot Launch of a Regional Course entitled "Leading Beyond Boundaries" in Cairo, Egypt during Sept.2011, targeting Managers of Managers at GCB 3&4. HBEG L&D hosted a number of delegates from the region and from HBEG.

### Operational Developments

Political unrest ignited in January 2011 which led to heavy rioting; curfews; infrastructure and operational disruption; and ultimately toppled the ruling regime. Immediately, the Crisis Management Team evoked the Business Continuity Plan (BCP) and rapidly summoned teams across Egypt and the Middle East to keep the Bank operational and to ensure minimum customer service disruption. The absence of police forces posed major challenges to the Security and Fraud Risk (SFR) team to maintain the security of branches, the main premises, cash shipments and call centre operations while protecting the health and safety of staff.

Staff in support functions and branches worked diligently under difficult conditions, to ensure that customers' payrolls was processed in a timely manner and that the ATMs remained replenished throughout the crises so as to avail cash to customers not only of HSBC Bank Egypt but also of other banks' customers during the dire times. Efforts exerted by HSBC Bank Egypt, working with the Middle East Region Crisis Management Teams in Dubai, were recognised by being awarded first half 2011 "Delivering Service Excellence" award by the Group-level HSBC Technology and Services Platinum League.

Throughout 2011, the Security and Fraud Risk department completed several projects to identify and mitigate information risk and customer data leakage. Examples include e-mail encryption, reducing the number of external e-mail users and establishing secured channels with third parties.

Procurement department rolled out the Group Contracts Database and transformed reporting from being manually based into an automated e-reporting process. The Quality section was revamped to cover all HSBC Technology and Services (HTS). All Operations areas that manage projects have also been aligned to use the HSBC Group Standard tools and methodology for Project Management. An Operations Business Risk and Control Management (BRCM) team was introduced to identify, monitor and manage high/key risks.

Change Delivery (CD) department was involved in several initiatives that focused on fulfilling cost cutting

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and efficiency imperatives. The 'CEO Challenge' was introduced encouraging staff to initiate ideas to meet those imperatives. CD also conducted several process reviews for a number of departments where quick wins were identified and implemented, along with several post implementation reviews where further system improvements were recommended.

Software Delivery (SWD) completed the year with the successful deployment and delivery of various systems and projects including Smart-Form Payments, the Fawry Bill Payment Gateway, full roll-out of the Egypt Document Management System (DMS), Phase 1 of the roll-out of the HSBC Securities e-Trade project and the implementation of the Group HUB Front End Signature Scanning Solution. Continuing with implementation of business transformation and automation initiatives, in collaboration with CD and the business, the Application Support team led the transformation to operational processing based on images. The team's efficiency and adoption of the latest technology and Group standards was a main driving factor for the Group to leverage on the team's skill set by right-shoring staff from the Middle East Region to Egypt. Currently, the Egypt team handles several SWD related operations for the UAE. Egypt project managers, analysts and developers will be owning and delivering an important portion of 2012 Middle East order-book, while still maintaining the same level of service to the local business.

IT Operations (ITO) played a prominent role in successfully supporting the business during year, especially at the time of the Crises. The Bank completed the year with no serious ITO incidents or any major downtime of critical systems, and several key projects were implemented with ITO support. Evergreening of the Bank's infrastructure is an ongoing process, and necessary replacements of obsolete systems were on track during 2011. Communications linking branches, Head Office and international links were enhanced and made more resilient, while the Bank's Disaster Recovery infrastructure was brought uptodate. Again capitalising on the capabilities of the HSBC Egypt team, a new Target Operating Model was agreed in 2011 with the Region, where all Middle East Region enterprise technology projects and support moved to Egypt. Additionally one shift of the Regional Command Center operations moved to Egypt, with the full shift planned for 1Q 2012.

### Housing for the Poor

The 5-year engagement protocol signed on 02 February 2009 between Cairo Governorate and HBEG calls for the allocation of EGP 100M by HBEG to spend over the 5-year protocol time span in 5 phases at a spectrum of publicly owned commonly used infrastructure and service projects/initiatives.

HBEG is currently engaged in 4 overlapping phases with different progress as follows:

The first phase addresses Dar El Salam informal area located to the rear of HSBC Bank Egypt New Head Office and work is in progress for developing a public market. During 2011, Cairo Governor and HSBC Bank Egypt Senior Management inaugurated the sports centre and open playgrounds.

The second phase addresses Ezbet El Nasr informal area in Dar El Salam and relates to the development of a public service complex encompassing a social solidarity center, a sports center and open playgrounds, a fire brigade unit and a public bus terminal on a 9,000m<sup>2</sup> plot of land as well as planting 9,000m<sup>2</sup> to include gardens, green areas and tree buffers in addition to the provision of all required infrastructure and public utilities such as power, water, sewerage and paving. The project land allocation decree has been signed off by Cairo Governor but has yet to be approved by the Local Council which is to be elected in early 2012. HSBC Bank Egypt contributed to other local social initiatives with the Civil Society organizations by providing school uniform, paying tuition fees and conducting refractive eye corrections for unprivileged students.

The third phase addresses Ard El Mithaq informal area in El Basateen and relates to the development of three schools (basic, secondary and experimental) enrolling 9,000 students in 2 shifts on around 15,000m<sup>2</sup> plot of land. The land has been allocated and taken over by the Bank.

Debris and other wastes were removed and the land was fenced by the Bank's contractor. The Bank has completed the project tender package and tendering awaits the General Authority for Educational Buildings approval expected during January 2012.

The fourth phase addresses miscellaneous projects. The Bank has purchased and handed over to Cairo Government a fleet of 6 hard waste collection trucks. The Bank is progressing with the development of a 90-small shop market in Hadeyk El-Maadi for micro entrepreneurs. In addition, the Bank is analysing offers received to repair and maintain a Government owned asphalt concrete mixing plant together with its paving equipment. Other projects, including the development of waste segregation plants, are under consideration.

### Corporate Sustainability

In 2011, HSBC Bank Egypt (HBEG) continued to play an effective role in the community despite the political scene and its impact on social responsibilities and related activities. Not only does HBEG contribute financially but, in addition, HSBC staff in Egypt contribute significant volunteer hours, an excellent embodiment of commitment and support for our Sustainability activities.



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For HSBC, corporate sustainability means managing our business responsibly to ensure long term success while managing our stakeholders' expectations. The two major areas where HSBC focuses are the environment and education, whilst also supporting other projects which benefit the community.

HBEG funded numerous educational projects including The American University in Cairo (AUC) Public School Scholarship Fund Programme, Ahmed Bahaa El Din Cultural Centre in El Douer and sponsored the educational fees of 50 unprivileged students enrolled by the Association of Upper Egypt. In addition, the Bank established a computer centre equipped with digital resources for Mostafa Kamel public school, in collaboration with the Ministry of Education and the Ministry of Information and Communication Technology and as a result of combined efforts with Technology for Improved Outcomes (TILO).

Partnering with Nahdet El Mansoureyia for Development (NAMAD) the Bank provided El Mohawelat public school with a fully equipped and furnished computer centre in support of students literacy classes and sponsored NAMAD's disabled individual vocational training project. Furthermore, the Bank established a computer centre for Ard El Lewa youths and sponsored tuition fees for 245 students enrolled by public schools through Sahwa Charity Association.

The Bank financially supported Giza for Mother and Child Welfare Association by establishing 2 classes applying the "Montessori Arabic System", and established a classroom inside The Children Cancer Hospital (57357) to deliver the secondary school curriculum to in-house patients who cannot leave the hospital.

HBEG helps children with special needs overcome their disadvantage by developing their confidence and skills. With this belief, HBEG supplied The Egyptian Society for developing Skills of Children with Special Needs with computers and projectors, supporting their educational expansion initiative and provided Sahwa Charity Association with a computer centre equipped with specialised softwares for the blind, a library equipped with a comprehensive range of educational Braille printed books and a plastic library for blind children.

HBEG also joined Right to Live Association awareness campaign for children with special needs and equipped the Move Foundation for Children with Cerebral Palsy with a complete sensory room for blind children in an attempt to mainstream them into the public schools or special centres.

HSBC has a long standing commitment to protecting the environment and believes it is fundamental to a thriving society and sound economy – upon which business depends.

In support of the commitment by the HSBC Group globally to the HSBC Climate Partnership, a five year programme worth USD100 Million, during the course of the 5 years, HBEG was able to develop almost 30 Climate Champions from Egypt, who have been able to contribute to reducing our collective carbon footprint. Joining over 2,000 global HSBC colleagues who have become Climate Champions, together they have made a significant contribution to inspiring teams, family and friends to take action to tackle climate change, reflecting an excellent example of courageous integrity in action.

Demonstrating HSBC commitment to the environment and celebrating the World Environment Day, HBEG staff volunteers gathered for a clean up day around the Bank's Head Office and planted 90 trees in Al Mansoureyia Village in an attempt to increase residents' awareness on the importance of the environment.

HBEG combined efforts with Peace & Plenty to remove mountains of garbage and create green and shady areas for Ezbet Khairalla residents by donating tricycles to transfer garbage to the main solid waste containers. The Bank installed 5 water purification systems in 5 schools impacting 5,000 students enrolled by the schools and donated 8 solid waste containers for El Mansoureyia village impacting 20,000 of its residents all of which are embraced by Nahdet El Mansoureyia for Development.

In terms of other areas for community support, HBEG financially supported the Cardio Vascular Unit in Kasr El Einy Hospital in an attempt to terminate diabetic foot amputation, supported the transplantation of cochlea for a child suffering from hearing congenital malformation in El Demerdash Hospital, provided Qalawoon Hospital operation theatre for eye cataract with an Anesthesia Apparatus and donated a kidney wash apparatus to absorb the increasing number of patients complementing Association of Bin Zayed's efforts of providing diversified services for residents of El Ma'asra and Helwan districts. HBEG helped to establish a pediatric cardio centre unit at Banha University Hospital. Through the newly established Aswan Heart Centre, HBEG supported Magdy Yacoub Heart Foundation in providing free medical service to the less privileged.

HSBC encourages employees to take part in local volunteering programmes with a belief that key community investment initiatives incorporate opportunities for employees to get involved by giving their time and sharing their expertise. HBEG had a significant role in HSBC's global and regional Corporate Sustainability programmes including the Chevening scholarship programme which is a UK government initiative seeking building relations between the UK and other countries whereby HBEG sponsored 3 talented postgraduates to study at top UK universities.

Since 2007 a total of sixty two HBEG staff volunteers

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committed to teach three different INJAZ programmes impacting 2480 students in 6 different public schools reinforcing HSBC's commitment to help build tomorrow's leaders through the education and support of young people.

Twenty nine HBEG staff volunteers have committed to join the Kids Read team at the British Council, as part of a broad, region-wide initiative with the British Council, to help spread the message that reading is fun in a large number of schools in Egypt.

HBEG also hosted Offscreen Education programme, a London-based social enterprise and education programme in partnership with HSBC promoting cross cultural understanding amongst youth specialised in building creative bridges across economic and geographical borders between UK, the Middle East and the Islamic world.

HBEG staff donations enabled the purchase of 4 Buffalos and 4 kiosks benefiting 8 families in Upper Egypt and contributed to Magdy Yacoub Foundation initiative for open heart surgeries for needy children.

Continuing with its community commitments and as a combined initiative with HSBC Amanah, Thirty nine HBEG staff volunteers distributed 5,000 boxes of Ramadan essentials to the most needy villages in Egypt, and distributed clothes to 1,032 orphans on Orphan's Day and for Eid celebration.

### Equity Investments

#### HSBC Securities Egypt (HCES)SAE (Subsidiary)

HSBC Securities Egypt offers a full brokerage service for major foreign institutional investors and fund management companies. HSBC Securities Egypt is capable of executing large-sized deals through access to a solid funding base that is backed by the broader HSBC Group capacity. Besides offering brokerage services, HSBC Securities Egypt provides quality equity research and distribution through dedicated equity analysts and salespersons who are based in Cairo, the MENA desk in HSBC Bank Middle East in Dubai and the EMEA desks in HSBC's operations in London and New York.

#### HSBC Investment Company (Egypt) SAE

HSBC Investment Company, which is now under liquidation, offered origination, advisory, and execution services for corporations in Egypt.

#### Alex Fish Company & Alex Food Company

HSBC holds a stake in both Alex Fish Company & Alex Food Company as a result of a Debt for Equity swap involving other banks and creditors.

HSBC Bank Egypt also holds minority interests in the following companies :

- Egyptian Mortgage Refinance Company (EMRC)
- Fawry for Electronic Payment (Egypt Pay Company)
- I-Score
- Misr Company for Clearing, Settlement and Depository (MCDR)
- Egyptian Banks Company for Technological Advancements (EBC)
- Integrated Banking Solutions (IBS)

### Corporate Governance

HSBC Bank Egypt (HBEG) is committed to applying the highest level of Corporate Governance to all aspects of the Bank as regards the relationships and responsibilities of the management, the Board and the shareholders in line with local regulatory requirements and the global requirements of the HSBC Group. HBEG's Governance policies and practices cover all aspects of the Bank's daily operations including the creation and execution of strategies, the definition and application of risk appetite parameters and setting the balance between shareholders' obligations and depositors' interests. HBEG Management ensures that the daily activities of the Bank's operations are executed in a secure manner and in compliance with the prevailing laws and regulations.

HBEG's commitment to organisational governance is evidenced by:

- The composition, involvement and independence of the HBEG Board of Directors
- Defined duties of Board members on the Board and on the Board's sub-committees including the Audit and Risk Committee, the Governance & Nominations Committee and the Salaries & Compensation Committee
- The frequency of meetings of the Board and of the Board sub-committees in line with local regulatory requirements
- Perfecting Control Over the Structure and Operations of the Bank within the Framework of Governance Applications
- Adoption and implementation of internal policies and manuals covering all business aspects
- Transparency of and responses to operational and risk reviews carried out by the Internal Control and the Internal Audit functions
- Adoption of transparent Communication channels and a commitment to professional development of all staff

## Report of the Directors

### Board of Directors

#### Mr Abdel Salam El Anwar

##### *Non-Executive Chairman*

Mr El Anwar, Chairman of HSBC Bank Egypt, is a Director of HSBC Bank Middle East Limited since 1998. He is a member of the Board of Trustees of the Egyptian Banking Institute since 2001 and was a Board member of the Central Bank of Egypt (CBE) from 2003 - 2011. Mr El Anwar currently co-chairs the Egyptian British Business Council (EBBC) and is the Deputy Chairman of the British Egyptian Business Association (BEBA).

Mr El Anwar started his banking career in 1975 with Chase National Bank. During the 14 years he spent with Chase National Bank, he held several senior responsibilities amongst which were Head of Treasury and General Manager Branches in addition to assignments in Singapore, London and New York, and in 1987 he was appointed Senior General Manager of Chase National Bank Egypt.

In 1988, he joined Saudi Cairo Bank, Saudi Arabia, as Regional Manager. In 1991, he joined HSBC Bank Egypt (then Egyptian British Bank) as General Manager. In 1994, Mr. El Anwar was appointed Managing Director and in 2001 he was designated Deputy Chairman & CEO of HSBC Bank Egypt. From May 2003 until March 2011 he held the position of Chairman & CEO and he is currently the Chairman of the Bank.

#### Mr Simon Cooper

##### *Executive Director*

Mr Cooper assumed the position of Chief Executive Officer of HSBC Middle East and North Africa in May 2009.

Mr Cooper was appointed a Group General Manager of HSBC in May 2008 and is responsible for HSBC Group's business in the MENA region.

He is a Board member of:

- HSBC Bank Middle East Limited (Deputy Chairman)
- HSBC Bank Egypt S.A.E. (Deputy Chairman)
- The Saudi British Bank

Prior to assuming the role of CEO MENA,

Mr Cooper was President & CEO HSBC Korea. From 2004 – 2006.

Mr Cooper was the Managing Director and Head of Corporate & Investment Banking in Singapore.

Mr Cooper was previously the Deputy Chief Executive and Head of Corporate & Investment Banking in HSBC Thailand from 2001 to 2003. Prior to his role in Thailand, Mr Cooper had 12 years of experience as a Director in corporate finance with the HSBC Group in London, Hong Kong and Singapore.

He is a graduate of the University of Cambridge and holds an MA in Law. He is an alumni of Columbia Business School.

Mr Cooper is married with two children. His interests include golf and rugby.

#### Mr Andrew P Long

##### *Executive Director*

Mr Long was appointed a Group General Manager of HSBC in May 2008. He was appointed as Executive Director and CEO of HSBC Bank Egypt SAE effective 01 March 2011.

Prior to assuming his current position, Mr Long was Head of Global Transaction Banking (GTB) from December 2006. GTB is one of HSBC's global product groups with business oversight for Payments & Cash Management, Trade and Supply Chain and HSBC Securities Services (including Fund Administration, Custody & Clearing and Corporate Trust & Loan Agency).

Mr Long joined HSBC in 1977 in London before transferring in 1978 to the Imports Department in Hong Kong. He worked in a number of positions throughout Asia including Corporate Banking, IT, Training and Finance and then in Australia firstly in Operations and then leading Personal Banking. Roles in Operations in New York, Regional Head of Trade Services Europe and then Regional Head of Payments & Cash Management in Asia followed before becoming Head of Operations and Processing for the Asia Pacific region in 2001 and then Chief Operating Officer for HSBC in the Asia Pacific region in 2004.

Mr Long is a Graduate of the University of Bristol, England with a degree in Economics and Accounting. He also holds the Financial Studies Diploma from the Chartered Institute of Bankers of England and Wales.

Mr Long's interests include sport (rugby and golf in particular), travel and the church. Mr Long is married with three children, two daughters and one son.

#### Ms Halla Sakr

##### *Executive Director*

Ms Sakr is Managing Director & Deputy CEO, HSBC Bank Egypt SAE

Ms Sakr has been an Executive Director of HSBC Bank Egypt since January 2007.

Ms Sakr was appointed as Managing Director & Deputy CEO in November 2011, with overall responsibility for Commercial Banking Business, including Corporate Banking, Business Banking, Trade & Supply Chain, and Payment & Cash Management, besides from her responsibility for the bank's Strategy & Planning process.

## Report of the Directors

Prior to that, Ms Sakr had assumed the role of Managing Director, with overall responsibility for Retail Banking & Wealth Management, Marketing, Communication and Strategy & Planning, upon her return from HSBC Middle East in the U.A.E, where she had joined the HSBC MENA Regional team in January 2010. In her role as Chief Executive Officer - Regional Head of Personal Financial Services, she was responsible for setting the regional strategic direction and business models for driving the activities of the Personal Financial Services (PFS) businesses within the Middle East & North Africa Region.

Ms Sakr joined HSBC Bank Egypt in December 1991 as Deputy Manager, Head of Credit Control. Since then, she was promoted into several positions until she held the position of General Manager Credit Control & Risk Management, with overall responsibility for the risk management of the bank's corporate and retail credit portfolios. She was also responsible for the bank's credit training where she conducted five Executive Training Programmes for HSBC Egypt's credit officers.

As of November 2002, and until her appointment as the MENA Regional Head for Personal Financial Services, Ms Sakr had held the position of Senior General Manager / Deputy Managing Director, Head of Personal Financial Services & Branches in HSBC Bank Egypt. By virtue of her position she was mainly responsible for the strategic planning, managing and directing the activities of Personal Financial Services (PFS) in Egypt, including the Branch Network, Direct Distribution Channels, Card Centre, Financial Planning, and Retail Business Development.

Prior to joining HSBC Bank Egypt, Ms Sakr had held the position of Assistant Manager, Corporate Banking in Commercial International Bank Egypt (successor to Chase National Bank of Egypt), after graduating the Chase Manhattan Credit Training Program in 1988.

Ms Sakr graduated from the American University in Cairo in February 1984, where she received her B.A in Business Administration with High Honors.

### Mr Robert Gray

*Non-Executive Director*

Mr Robert B Gray is Chairman, Debt Finance & Advisory, HSBC Bank plc

Mr Gray joined HSBC in May 1994 as Chairman of HSBC Markets Limited, with particular responsibility for developing HSBC's capital markets capabilities worldwide. He was appointed Vice Chairman, Client Development of HSBC Investment Bank plc in September 1999, and to his current position in March 2001.

Prior to joining HSBC, he was head of J P Morgan's capital markets activities in Europe. Previously he was

President and Tokyo branch manager of J P Morgan Securities Asia Ltd. Robert also headed J P Morgan's world wide loan syndication group and was later responsible for their eurobond underwriting business.

He is Chairman of the International Capital Market Association's Regulatory Policy Committee, having previously served as Chairman of the predecessor entity namely the International Primary Market Association (IPMA) and its Market Practices Committee. He is Chairman of the Institute of International Finance's Working Group on Crisis Prevention and Resolution. In addition, he serves as Chairman of HSBC Saudi Arabia Ltd., and as a Director of HSBC Bank Egypt SAE and HSBC Bank Middle East Limited. He serves as Co-Chairman of the Moroccan British Business Council.

He was appointed Chairman of TheCityUK's Overseas Promotion Committee in December 2009, having previously served as Deputy Chairman of U.K. Trade & Investment's Financial Services Sector Advisory Board.

Robert graduated from St John's College, University of Cambridge with an Honours degree in History.

### Mr Samir Assaf

*Non-Executive Director*

Mr Assaf is Chief Executive Global Banking and Markets - HSBC Holdings plc

Mr Assaf is also a Group Managing Director and a member of the Group Management Board.

Mr Assaf assumed these responsibilities on 1 January, 2011. Mr Assaf joined HSBC in 2000 when the bank acquired CCF.

At HSBC, he started as Head of Fixed Income Trading, Europe, and Head of Global Markets at HSBC France. In 2006, he was promoted to Head of Global Markets, EMEA, and in 2007, assumed the additional role of Deputy Head of Global Markets.

Mr Assaf became Head of Global Markets in January 2008 and a Group General Manager in May 2008. He was given management responsibility for Global Research in September 2009 and joint management responsibility for HSBC Securities Services in 2010.

He joined CCF in 1994 from Groupe Total, where he was Head of Treasury. At CCF, he was appointed Head of Markets in 1998.

Mr Assaf holds a BSc degree in Finance from L'Institut d'Etudes Politiques in Paris and an MBA in Economics from La Sorbonne University.

### Mr Mahmoud M Abdallah

*Independent Non-Executive Director*

Chairman & CEO of Misr Insurance Holding Company (MIHC – Egypt)

## Report of the Directors

Mr Mahmoud M. Abdallah is a recognised advisor to the global insurance industry. In October, 2003, he retired from American Re Corporation, one of the top providers of property and casualty reinsurance in the U.S., where he served as Executive Vice President as well as President of its International Operations and was instrumental in building Am Re Global Operations. He played a major role in the MBO of the company with KKR and the subsequent merger with Munich Re. He served in the board of the International Insurance Council in the U.S. for many years where he was elected Chairman twice.

Mr Abdallah is a regular participant in Global Insurance Forums. He played an active role in many reform and privatisation initiatives in the Insurance Sector in several parts of the World. In November 2005, he became a Senior Advisor to the Minister of Investment in Egypt to play a leading role in the restructuring and privatisation of the Insurance Sector and in September 2006, he was appointed Chairman of Misr Insurance Holding Company one of the largest Insurance, Real Estate and Investment Group in the Middle East.

Mr Abdullah was the past chairman of the Egyptian American Community Foundation in the US. He is the Founder of Mahmoud M. Abdallah Foundation.

Mr Abdullah currently sits on the National Council for Arts and Sciences for the Columbian School at George Washington University. He was a member of the board of the US – Middle East Project for the Council on Foreign Relations in the U.S. He serves in the board of HSBC Bank Egypt and Egypt Air Holding. Mahmoud is also on the board of the Metropolitan Opera in New York.

### Dr Ibrahim Fawzy

#### *Independent Non-Executive Director*

Dr Fawzy is a professor of Mechanical Engineering at Cairo University in Egypt. He is also the President of Fawzy Consultancy, which he founded in 1999 and which operates in the field of industry and investment in Egypt and the Arab world. Throughout his academic career, Dr Fawzy has taught many courses in Mechanical Engineering at Cairo University and at the University College of London where he spent two years as a visiting professor. His research papers have been published in leading specialised periodicals including the Proceedings and Philosophical Transactions of the Royal Society in London.

Between 1979 and 1983 he served as cultural Counsellor and Director of the Egyptian Education Bureau at the Egyptian Embassy in London. He was then responsible for all the Egyptian post-graduate students in the British Universities.

Dr Fawzy also served as the Cabinet Minister of Industry and Mineral Wealth in the Egyptian Government

from 1993-1996. In this post he had the top responsibility for all projects and plans of the Egyptian Government in industry and Mineral Wealth From 1996-1999 he was appointed as the Chairman and CEO of the General Authority for Investment and Free Zones where he oversaw all private sector companies in Egypt including Egyptian and Foreign companies.

Dr Fawzy received his B.Sc. degree in Mechanical Engineering in 1962 from Cairo University and his PhD in 1968 from University College of London in England.

At present, Dr Fawzy is a Director of several closed and public companies in Egypt. He also was a Director for Quality Systems International, which is an American public company, for 3 years from 2005-2008.

Dr Fawzy is married with a son and a daughter and he lives in Egypt. He has travelled widely and attended many conferences and has been active in many committees, Egyptian and international, related to industry, investments and economy.

### Dr Ziad Bahaa-Eldin

#### *Independent Non-Executive Director*

Dr Ziad Ahmed Bahaa-Eldin is an Egyptian legal expert. He is currently the Legal Advisor to the Governor of the Central Bank of Egypt, the non-executive Chairman of the Upper Egypt Investment Company (a state-owned holding company focused on the promotion and initiation of investments in Upper Egypt), and the non-executive Chairman of the Board of Trustees of ERRADA (a Government-led initiative to streamline business laws and regulations). He is also the Director of the Egyptian Initiative for the Prevention of Corruption, a civil society group advocating legal change to prevent corruption and increase transparency in public office and public transactions. He was the founder and first Executive Chairman of the Egyptian Financial Supervisory Authority (EFSA), the regulatory authority responsible for the supervision over all non-bank financial markets and institutions (2009/2011) and the former Executive Chairman of the Egyptian General Authority for Investment and Free Zones (2004-2007), a government organization responsible for the promotion of investment, and business climate policy advocacy. He is also a former non-executive member of the Board of Directors of the Central Bank of Egypt (2004/2011) and of the National Bank of Egypt (2003/2011). From 2000 to 2004, Dr Bahaa-Eldin was a practicing lawyer in Egypt, and from 1997 to 2000 the Senior Legal Advisor to the Minister of Economy. Prior to this he was a private sector lawyer in Cairo and Washington DC. He is the founder and member of the Board of Directors of the Ahmed Bahaa-Eldin Cultural Foundation which promotes education, training, and creative thinking among Egyptian youth in Upper Egypt, and is a member of the Board of Trustees of the American University in Cairo.

## Report of the Directors

Dr Bahaa-Eldin received his Ph.D. in Financial Law from the London School of Economics (1996), an LLM in International Business Law from King's College London (1989), a BA in Economics from the American University in Cairo (1987) and a Bachelor of Law degree from Cairo University (1986). Dr. Bahaa-Eldin was a part-time Lecturer at the Law Faculty of Cairo University (1998-2004). He lives with his wife and two sons in Cairo.

Changes that took place in Board of Director during 2011

- In March 2011, Andrew Long, now CEO HSBC Bank Egypt, joined the Board of Directors as an Executive Director representing the HSBC Group.
- On 30 September 2011, Mounir El Zahid, Managing Director and Deputy CEO retired from the Board of Directors
- In December 2011, Dr Ziad Bahaa-Eldin, joined the Board of Directors as an Independent, Non-Executive Director of HSBC Bank Egypt, representing the HSBC Group.

### The Board & Board Committees

The purpose of HSBC Bank Egypt's (HBEG) management structures, headed by the Board of Directors and led by the Chairman, is to deliver sustainable value to our shareholders. The Board sets the strategy for the Bank and approves the risk appetite and capital and operating plans presented by management for the achievement of the strategic objectives it has set. This ensures the efficient application of our resources for achievement of these objectives. Implementation of the strategy set by the Board is delegated to the EXCO led by the Chief Executive Officer.

To achieve its strategic objectives, the Board has appointed a number of committees consisting of certain Directors and/or Executive Management whereby related responsibilities are set out herein with:

#### The Audit & Risk Committee (AURCOM)

The Audit & Risk Committee is responsible for advising the Board on the effectiveness of HBEG's systems of internal controls and compliance in relation to financial matters and on meeting financial obligations.

The AURCOM also has responsibilities in relation to risk governance and oversight and internal controls.

#### The Governance & Nomination Committee

The Governance & Nomination Committee is responsible for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. Before recommending an appointment to the Board, the Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this, and taking into account the needs of the Bank's businesses, identifies the role and capabilities required

for a particular appointment. Candidates are considered on merit against these criteria. Care is taken to ensure that appointees have enough time to devote to the Bank. Prospective Directors are asked to identify any significant other commitments and confirm they have sufficient time to discharge what is expected of them

#### Salaries & Remuneration Committee

The Salaries & Remuneration Committee considers human resource issues relating to terms and conditions of employment, remuneration and retirement benefits. Within the authority delegated by the Board, the Committee is responsible for approving remuneration policy and in so doing, takes into account the pay and conditions across the HSBC Group. This includes the terms of bonus plans, other long-term incentive plans and the individual remuneration packages of Executive Directors and other senior employees, including all in positions of significant influence and those having an impact on HBEG's risk profile. No Directors are involved in deciding their own remuneration.

#### The Executive Committee (EXCO)

The EXCO is an executive management committee that meets monthly and operates as a general management committee under the direct authority of the Board. The purpose of the EXCO is to maintain a reporting and control structure whereby all lines of operations are accountable to individual members of the EXCO who report to the Chief Executive Officer. The Board sets objectives and measures for the EXCO which align senior executives objectives' and measures with strategy and operating plans throughout the Bank.

## Auditors' Report to the Shareholders

### Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of HSBC Bank - Egypt (S.A.E) which comprise the separate balance sheet as at 31 December 2011 and the separate statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Separate Financial Statements

These separate financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the separate financial statements and its measurement and recognition basis approved by its Board of Directors issued on 16 December 2008 and in light of the prevailing Egyptian laws, management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Separate financial statements.

### Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of HSBC Bank- Egypt (S.A.E) as of 31 December 2011, and of its separate financial performance and its separate cash flows for the year then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation of the separate financial statements and its measurement and recognition basis approved by its Boards of Directors issued on 16 December 2008 and the Egyptian laws and regulations relating to the preparation of these separate financial statements

### Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2011 no contravention of the central bank, banking and monetary institution law No.88 of 2003.

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

The financial information included in the Board of Directors' report, is in agreement with the books of the Bank insofar as such information is recorded therein.

**KPMG Hazem Hassan**  
Hesham El Afandy  
Cairo

6 February 2012

**Ernst and Young**  
Nabil Akram Istanbouli  
Cairo

## Separate Balance Sheet as at 31 December 2011

	Notes	2011 EGP(000)	2010 EGP (000)
<b>Assets</b>			
Cash and balances with CBE	(15)	4,748,826	4,334,672
Due from banks	(16)	6,727,904	10,165,033
Treasury bills	(17)	10,835,830	6,985,999
Financial assets held for trading	(18)	15,673	-
Loans and advances	(19)	19,440,047	16,902,490
Financial derivatives	(20)	14,672	18,843
Financial investments :			
Available for sale	(21)	5,344,096	5,591,076
Held to maturity	(21)	49,675	55,000
Investments in subsidiaries	(22)	35,517	35,517
Intangible assets	(23)	1,801	2,385
Other assets	(24)	463,625	402,534
Deferred tax assets	(31)	40,591	23,449
Investment property	(26)	120,066	127,661
Fixed assets	(25)	470,887	467,659
<b>Total assets</b>		<b>48,309,210</b>	<b>45,112,318</b>
<b>Liabilities and shareholders' equity</b>			
<b>liabilities</b>			
Due to banks	(27)	871,080	908,040
Customers' deposits	(28)	42,195,945	39,754,474
Financial derivatives	(20)	14,227	18,102
Other liabilities	(29)	532,364	436,731
Other provisions	(30)	114,906	77,961
Income tax		182,839	160,735
End of service compensation benefits	(32)	184,470	149,641
<b>Total liabilities</b>		<b>44,095,831</b>	<b>41,505,684</b>
Shareholders' equity			
Paid-up capital	(33)	2,078,500	1,508,500
Additional paid in capital	(33)	—	2,078
Reserves	(34)	976,673	1,142,469
Retained earnings	(34)	1,158,206	953,587
<b>Total shareholders' equity</b>		<b>4,213,379</b>	<b>3,606,634</b>
<b>Total liabilities and shareholders' equity</b>		<b>48,309,210</b>	<b>45,112,318</b>

The accompanying notes from (1) to (40) form an integral part of these separate financial statements and are to be read therewith.

Andrew P Long  
(Chief Executive Officer)

Abdel Salam El Anwar  
(Chairman)

Auditors' report (attached)



## Separate Income Statement for the Financial Year Ended 31 December 2011

	Notes	2011 EGP(000)	2010 EGP (000)
Interest from loans and similar income	(6)	3,173,698	2,578,478
Interest on deposits and similar expenses	(6)	(1,359,521)	(1,224,156)
<b>Net interest income</b>		<b>1,814,177</b>	<b>1,354,322</b>
Fees and commissions income	(7)	492,637	480,346
Fees and commissions expenses	(7)	(33,850)	(29,616)
<b>Net fees and commission income</b>		<b>458,787</b>	<b>450,730</b>
Dividends income	(8)	22,472	25,696
Net trading income	(9)	298,808	306,364
(loss) from sale of financial investments		(1,551)	—
Impairment (loss)	(12)	(250,638)	(263,854)
Administrative expenses	(10)	(876,451)	(696,373)
Other operating income	(11)	18,636	54,978
Profit before tax		1,484,240	1,231,863
Income tax expenses	(13)	(364,281)	(241,697)
<b>Net profit for the year</b>		<b>1,119,959</b>	<b>990,166</b>
<b>Earnings per share</b>			
Basic	(14)	40.81	47.79

The accompanying notes from (1) to (40) form an integral part of these separate financial statements and are to be read therewith.

## Separate Cash Flow Statement for the Financial Year Ended 31 December 2011

	Notes	2011 EGP(000)	2010 EGP (000)
<b>Cash Flows from Operating Activities</b>			
Net profits before income tax		1,484,240	1,231,863
Adjustments to reconcile net profit to net cash flows from operating activities			
Depreciation and amortization		65,399	64,382
Impairment of assets		251,453	276,186
Other provision		48,880	16,945
Increase in end of service compensation provision		47,940	32,150
Provisions no longer required		(1,414)	(17,181)
Other provision used		(23,133)	(11,356)
Revaluation differences for provisions other than loans provision		33	—
Gain from derivative revaluation		(12,333)	(12,055)
Gain (Losses) from sale of fixed asset		(240)	48
(Losses) gain from sale of assets reverted to bank		—	(3)
Dividends		(21,528)	—
Amortization of unearned discount of bonds		(2,792)	(913)
Amortization of bonds' premium		22,887	2,840
Operating income before changes in assets and liabilities from operating activities		1,859,392	1,582,906
<b>Net decrease (increase) in assets and liabilities</b>			
Due from banks		( 89,497)	(451,573)
Treasury bills		( 3,344,751)	(721,501)
Available for sale investments		( 91,381)	( 2,033,978)
Financial investments held for trading		( 15,673)	—
Loans and advances to customers		( 2,788,195)	( 3,185,316)
Financial derivative (net)		12,629	10 457
Other assets		( 56,069)	(126,711)
Due to banks		( 36,960)	458,552
Customers' deposits		2,441,471	8,203,415
Other liabilities		98,633	125,636
Income tax paid during the Year		( 363,666)	( 194,504)
<b>Net cash flows provided from operating activities</b>		<b>( 2,374,067)</b>	<b>3,667,383</b>

	Notes	2011 EGP(000)	2010 EGP (000)
<b>Cash flows from investing activities</b>			
Payments to purchases of fixed assets and branches improvement		( 43,664)	( 89,782)
Proceeds from sale of fixed assets		47	248
Proceeds from sale of assets reverted to bank		—	140
Payments for purchase of intangible assets		( 85)	( 1,603)
Purchase of financial investments held to maturity		5,325	( 25,000)
Payments for purchase of investment property		—	( 12,516)
<b>Net cash flows (used in) investing activities</b>		<b>( 38,377)</b>	<b>( 128,513)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(762,870)	(941,215)
Proceed from paid up capital		567,922	2,078
<b>Net cash flow (used in) financing activities</b>		<b>(194,948)</b>	<b>(939,137)</b>
Net change in cash and cash equivalents during the Year		( 2,607,392)	2,599,733
Cash and cash equivalents at the beginning of the Year		10,399,214	7,799,481
Cash and cash equivalents at the end of the Year		7,791,822	10,399,214
<b>Cash and cash equivalents are represented in:</b>			
Cash and balances with Central Bank of Egypt		4,748,826	4,334,672
Due from Banks		6,727,904	10,165,033
Treasury bills		10,835,830	6,985,999
Balance with Central Bank of Egypt within the limit of statutory reserve		(4,333,773)	( 3,874,813)
Due from banks maturity more than 3 months from date of acquisition		—	( 369,463)
Treasury bills maturity more than 3 months from date of acquisition		(10,186,965)	( 6,842,214)
<b>Cash and cash equivalents</b>	( 36)	<b>7,791,822</b>	<b>10,399,214</b>

The accompanying notes from (1) to (40) form an integral part of these separate financial statements and are to be read therewith.

## Separate Changes in Shareholders' Equity Statement for the Financial Year Ended 31 December 2011

	Note	Paid up Capital	Additional Paid in Capital	Reserve	Retained Earning	Total
		EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Balance as at 31 December 2009		1,508,500	—	731,030	1,176,459	3,415,989
Special reserve (after tax)		—	—	63,466	—	63,466
General banking risk reserves		—	—	1,763	—	1,763
<b>Balance as at 31 December 2009 after restated</b>		<b>1,508,500</b>	<b>—</b>	<b>796,259</b>	<b>1,176,459</b>	<b>3,481,218</b>
Additional paid in capital		—	2,078	—	—	2,078
Dividends paid for year 2009		—	—	—	( 941,215 )	( 941,215 )
Transferred to legal reserves		—	—	58,823	( 58,823 )	—
Transferred to general reserves		—	—	176,421	( 176,421 )	—
Net change in AFS investments		—	—	74,387	—	74,387
Net income for the year ended 31 December 2010		—	—	—	990,166	990,166
Transferred to general banking risk reserves		—	—	36,579	(36,579)	—
<b>Balance as at 31 December 2010</b>		<b>1,508,500</b>	<b>2,078</b>	<b>1,142,469</b>	<b>953,587</b>	<b>3,606,634</b>
Balance as at 31 December 2010		1,508,500	2,078	1,142,469	953,587	3,606,634
Additional paid in capital capital increase	(33)	— 570,000	567,922 (570,000)	—	—	567,922 —
Dividends paid for year 2010	(35)	—	—	—	( 762,870 )	( 762,870 )
Transferred to legal reserves	(34)	—	—	36,930	( 36,930 )	—
Transferred to general reserves	(34)	—	—	153,788	( 153,788 )	—
Net change in AFS investments	(34)	—	—	( 318,266 )	—	( 318,266 )
Transferred from general banking risk reserves	(34)	—	—	( 38,248 )	38,248	—
Net income for year ended 31 December 2011		—	—	—	1 119,959	1,119,959
<b>Balance as at 31 December 2011</b>		<b>2,078,500</b>	<b>—</b>	<b>976,673</b>	<b>1,158,206</b>	<b>4,213,379</b>

The accompanying notes from (1) to (40) form an integral part of these separate financial statements and are to be read therewith.

## Separate Profit of Appropriation Statement For The Year Ended 31 December 2011

	Notes	2011 EGP(000)	2010 EGP (000)
Net Profit for year		<b>1,119,959</b>	990,166
General banking risk reserve	(34)	<b>( 47)</b>	( 36,579)
Gain (loss) retained earning in the beginning year		<b>38,294</b>	—
<b>Net Profit available for appropriation</b>		<b>1,158,206</b>	953,587
<b>Appropriation</b>			
Legal reserve	(34)	<b>55,998</b>	36,930
General reserve	(34)	<b>57,912</b>	153,787
Shareholders' dividend		<b>895,941</b>	667,511
Employees' profit share		<b>148,355</b>	95,359
		<b>1,158,206</b>	953,587

The accompanying notes from (1) to (40) form an integral part of these separate financial statements and are to be read therewith.

## Notes on the Separate Financial Statements

### 1 Background

HSBC Bank -Egypt (S.A.E) provide retail, corporate and investment banking services in Arab Republic of Egypt through eighty five branches and fourteen mini units served by more than 2500 staff at the date of the Separate balance sheet .

HSBC Bank – Egypt (S.A.E) established according to the investment law, in accordance with the decision no.60 for year 1982 taken by the minister of investment and international co-operation and published in "El Waqaa El Masria" newspaper on 17 May 1982 in Arab Republic of Egypt. The head office is located in Cairo. The Bank's shares have been delisted from the Egyptian stock exchange market on 31 December 2009. The Bank started its operation on 15 December 1982.

### 2 Summary of significant accounting policies

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

#### a *Basis of preparation*

The separate financial statements are prepared in accordance with Central Bank of Egypt instructions approved by its Board of Directors on 16 December 2008.

Changes applicable for the financial years starting on or after 1 January 2010:

The Bank's management applied CBE regulations to the separate financial statements preparation, presentation, measurement and recognition basis as well as the Egyptian Accounting Standards applicable to banking industry.

The following is a summary of significant changes in accounting policies and separate financial statements due to the application of these accounting adjustments:

The change in the disclosure requirements for the risk management objectives, policies and procedures and the capital risk management and other notes to the separate financial statements.

- The bank defines the related parties in accordance with the amended requirements and added new disclosures to the related party transactions disclosure.
- Consolidate all entities controlled by the bank either directly or indirectly, irrespective of its activity. Previously, there were no consolidations for entities that do not work in banking or activity. For better understanding for the user of the bank's financial position, the matter necessitates reference to the consolidated separate financial statements.
- The bank has reassessed the useful lives of the intangible assets, and no adjustments needed.
- The bank has changed the method of measurement of impairment loss for loans, advances, and other debt instruments measured at the amortized cost. The bank formed collective impairment provisions for group of assets carrying similar credit risk and characteristic or individual provision instead of forming general provision for the loans and advances.
- Revisiting foreclosed assets obtained by the bank in settlement of some customers' debts classification to ensure the correctness of its classification under non-current assets held for sale under other assets caption. There is no reclassification has been made. The values of these assets are the same.

#### b *Subsidiaries*

- Subsidiaries are all companies (including special purpose entities) over which the Bank has owned directly or indirectly the power to govern the financial and operating policies, generally the bank own more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity.
- The purchase method is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets, or/and asset given or/and equity instruments issued and loans assumed at the date of exchange, plus costs directly attributable to the acquisition. Net assets including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the Bank's share fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the separate income statement under the item "Other operating income/ (expenses)".
- Accounting for subsidiaries in the separate financial statements is recorded by using cost method. According to this method, investments recorded at cost of acquisition including goodwill if any and deducting impairment losses. Dividends are recorded in the separate income statement when adoption of the distribution has been occurred and affirming the Bank's right in collecting them has been recognized.

## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

#### c Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment by which, provide products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

#### d Foreign currency transactions and balances

The Bank keeps its accounting records in Egyptian pound. Foreign currency transactions are translated into Egyptian pound using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of each year at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognized in the separate income statement under the following items:

- Net trading income of the assets / liabilities held for trading.
- Owner's equity of the financial derivatives in the form of eligible coverage for cash flows or net investment.
- Other operating income (expenses) for the other items.

Changes in the fair value of monetary financial instruments in foreign currencies classified as investments available for sale (debt instruments) are classified as valuation differences resulting from changes in amortized cost of the instrument and differences resulted from changes in applicable exchange rates and differences resulted from changes in the instrument fair value. Valuation differences relating to changes in amortized cost are recognized in separate income statement under "Interest and similar income" while differences relating to changes in exchange rates are recognized under item "other operating income (expenses)". Differences resulting from changes in fair value are recognized under "fair value reserve – available for sale investments" in the equity caption.

Valuation differences resulting from non-monetary items include profits and losses resulting from changes in fair value such as equity instruments held at fair value through profits and losses, while valuation differences resulting from equity instruments classified as financial investments available for sale are recognized as "fair value reserve-available for sale investments" under the equity caption.

#### e Financial assets:

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

##### i Financial assets at fair value through profit or loss:

This category consists of financial assets held for trading and financial assets designated at fair value through profit or loss at inception.

- Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near term or if is part financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized. Derivatives can be classified as held for trading unless they are identified as hedging instruments.

— Financials assets designated at fair value through profit or loss are recognized when:

- Doing so significantly reduces measurement inconstancies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and issued debt securities.
- Equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.
- Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.

— Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the "net income from financial instruments classified at fair value though profit and loss"

— It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during it's holding year. Also, it is not permitted to reclassify any financial instrument

## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

valued at fair value through profit or loss category if it is initially recorded by the bank at fair value through profit or loss.

- In all cases the bank should not reclassify any financial instrument into financial instrument measured at fair value through profit and loss or to hold for trading investments.

#### ii *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 is classified as held for trading, or those that the bank upon initial recognition recorded as at fair value through profit or loss.
- Those that the bank upon initial recognition designates as available for sale.
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

#### iii *Financial investments held to maturity:*

Held to maturity financial investments are non-derivative assets which carry fixed or determinable payments and where the bank has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity investments as available for sale except in the emergency cases.

#### iv *Financial investments available for sale*

Available for sale financial investments are non-derivatives financial assets that are intended to be held for unspecified year and may be sold to provide liquidity or due to changes in shares prices, foreign exchange currencies, or interest rate.

The following applies to financial assets:

- Purchases or sales of financial assets at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.
- Financial assets that are not classified at fair value through profit and loss at initial recognition are recognized at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognized at fair value only and the transaction cost is recognized in the profit and loss under "net trading income"
- Financial assets are derecognized when the rights to receive cash flows have expired or when the bank transfer all asset risks and rewards to another party, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.
- Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value. While loans and advances and held to maturity investments are measured subsequently at amortized cost.
- Gains and losses arising from changes in fair value of financial assets designated at fair value through profit and loss are recorded in separate income statement during the year it occurred, while gains and losses arising from changes in fair value of available for sale financial investments are recognized in "fair value reserve for available for sale investments" in equity until the financial asset is sold, or impaired at which time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.
- Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in profit and loss. The foreign currency revaluation differences related to available for sale investments are recognized in the profit and loss. Dividends related to available for sale equity instruments are recognized in the profit and loss when they are declared.
- The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the Bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost and will be subject to impairment test.
- Debt instruments can be reclassified from the available for sale investments to "loans and receivables" or "financial assets held to maturity" using fair value when the bank has the intention and ability to hold the instrument on the future or till maturity. Any related profits or losses that have been previously recognized in equity are treated as follows:



## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

- i* Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method. The difference between the amortized cost using the effective interest method and the repayment value is amortized using the effective interest rate method.

In case of financial asset's impairment any profits or losses previously recognized in equity is recognized in profit and loss.

- ii* Profits and losses related to the financial assets without fixed or determinable maturity are recorded in equity till selling or disposing it.

In case of impairment, profit and losses that have been previously recognized directly in equity are recognized in the profit and loss.

— If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the profit and loss.

— In all cases, if the bank re-classified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

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#### **f** *Netting between financial instruments*

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

Treasury bills, Repos and reverse Repos agreements are netted on the separate balance sheet and disclosed under treasury bills.

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#### **g** *Derivative financial instruments*

Derivatives are recognized at fair value at the date of the derivative contract, and are subsequently revaluated at fair value. Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation methods as the discounted cash flow modules and the pricing lists modules, as appropriate. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

##### *i Derivatives that do not qualify for hedge accounting*

Derivative instruments that do not qualify for hedge accounting, changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the profit and loss under "net trading income". However, gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets or liabilities are included in "net income from financial instruments at fair value through profit or loss".

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#### **h** Interest income and expense

Interest income and expense related to financial instruments except for held trading investments or recorded at fair value through profit and loss is recognized under "interest and similar income" or Interest and similar charges.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter year

when appropriate to reach the net carrying amount of the financial asset or liability. 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 of the contract which is considered part of the effective interest rate, transaction costs include all other premiums or discounts.

When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off separate balance sheet in statistical records and are recognized under revenues according to cash basis as per the following:

## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

- When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans., mortgage loans for personal housing and small loans for businesses.
- For loans granted to corporate, interest income is recognized on cash basis after the Bank collects 25 % of the scheduling installments and after the installments continued to be regular for at least one year. Interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

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#### i Fees and commission income

Fees and commissions related to loan and advances are recognized as income when the service is rendered. Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off separate balance sheet and are recognized under income according to the cash basis when interest income is recognized in accordance with note (2 –H) above. Fees and commissions which represent part of the financial asset effective rate is recognized as adjustment to the effective interest rate.

Commitment fees recognized as revenue when there is probability that this loan will be used by the customer, as commitment fees represent compensation for the continuing interfere to own the financial asset. Subsequently it's recognized as adjustments to the effective interest rate of the loan. If the commitment year passed without issuing the loan, commitment fees is recognized as income at the end of the commitment year.

Fees and commission related to equity debts measured by fair value is recognized as income at initial recognition. Fees and commission related to marketing of syndicated loan is recognized as income when the marketing is completed and the loan is fully used or the Bank kept its share of the syndicated loan using the effective interest rate as used by the other participants.

Commission and fees arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed, commission and fees related to management advisory and other service are recognized as income based on the contract terms, usually on a time-appropriation basis. Asset management fees are recognized over the year in which the service is provided.

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#### j Dividend income

Dividends are recognized in the profit and loss when the bank's right to receive those dividends is established.

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#### k Impairment of financial assets

##### i Financial assets at amortized cost:

At each separate balance sheet date, 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:

- Great financial troubles facing the borrower or debtor.
- Breach of the loan agreement, e.g. default.
- Expected bankruptcy of borrower or subject to liquidation lawsuit or re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.
- Granting privileges or assignments by the bank to the borrower, due to economic or legal reasons, which are not granted by the bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

A substantive proof for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset.

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

## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

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 taking into consideration the following:

- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, be it significant or not, the bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment.
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will be separated from group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognized impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment. Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recoverable cash flows, excluding future expected credit loss not charged yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the separate income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".

If there is evidence that loan or other receivables, or financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the bank may measure the impairment loss using the fair value of the instrument through its market rate.

For guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

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

If historical impairment losses rates method is used for a group of financial assets that are collectively evaluated for impairment, future contractual cash flow will be used by the bank in future and the historical loss for a group of assets with similar credit risk characteristics are considered. Historical impairment loss rates are adjusted to reflect the effects of current circumstances that did not affect the year on which the historical impairment loss rates is based and to remove the effects of circumstances in the historical year that are not currently exist.

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

#### *ii Available for sale investments:*

At each separate balance sheet date, the Bank estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale or held to maturity is occurred. For listed equity instruments classified as available for sale investments, impairment is recognized if as it's significant and a prolonged decline it's price below it's acquisition cost is observed.

The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extends for a year of more than 9 months. When a decline in the fair value of an available for sale financial asset has been recognized directly in equity under fair value reserve and subsequent objective evidence of impairment emerges, the Bank recognizes the total accumulated loss previously recognized equity will be recognized in profit and loss. Impairment losses recognized on equity instruments on profit or loss are not subsequently reversed. Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased

and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

#### i Investment property

Investment property represents land and buildings owned by the bank and used to earn rental income or increase capital. Investment property doesn't include properties used by the bank during its normal course of operation or foreclosed assets. The accounting policy for investment property is the same as for fixed assets.

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#### m Intangible assets

##### i Software (computer programs)

The expenses, related to upgrading or maintenance of computer programs, are to be recognized as expenses in separate income statement, when incurred. The expenses connected directly with specific software and which are subject to the bank's control and expected to produce economic benefits exceeding their cost for more than one year, are to be recognized as an intangible asset. The direct expenses include staff cost of software upgrading teamwork, in addition to a suitable portion of respective overhead expenses.

The expenses which lead to increase or expansion of computer software beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The computer software cost recognized as an asset shall be amortized over the year expected useful life not more than five years

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#### n Fixed assets

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

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, 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. Maintenance and repair expenses are charged to other operating expenses during the financial year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	3 years or over the year of the lease if less
Furniture and safes	10 years
Typewriters calculators and air conditions	10 years
Motor vehicles	5 years
Computers and core systems	5 years
Fixtures and fittings	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each separate balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Gains and (losses) on disposals are determined by comparing proceeds with asset carrying amount. These gain and losses are included in other operating income (expenses) in the profit and loss.

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#### o Impairment of non-financial assets

Assets having no fixed useful life except for goodwill shall not be amortized, and their impairment shall be tested at least annually. The impairment of amortized assets is studied to determine if there are events or changes in the circumstances indicating that the book value may not be recoverable.

The impairment loss is recognized by the excess amount of book value over the realizable value. The recoverable value represents net realizable value of the asset or the usage amount whichever is higher. For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit. At each separate balance sheet date,

## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

non-financial assets with impairment has to be reviewed to determine if there is impairment reversal made to the profit and loss.

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#### p Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995, if the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset expected useful life, or the current value of the total lease payments represents at least 90% of the value of the asset then this lease is considered finance lease. Other than that the lease has to be considered operating lease.

##### a Leasing

Finance lease contracts recognize rent as expense in the year it occurred in profit and loss, including maintenance cost related to the leased assets.

If the bank decides to exercise the rights to purchase the leased assets, the cost of this right will be capitalized over the fixed asset and depreciated over the assets' expected remaining useful life in accordance with similar assets.

Operating lease payments less any discounts granted to lessee is recognized as expenses in the profit and loss using the straight line method over the contract term.

##### b Leasing out

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

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#### q Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with banks and treasury bills.

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#### r Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined taking into consideration the group of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

Provisions no longer required are reversed in other operating income (expense). Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

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#### s Financial guarantees contracts

The financial guarantees contracts are contracts issued by the bank as security for loans or overdrafts due from its customers to other entities, which require the bank to make certain payments to compensate the beneficiary for a loss incurred due to default of the debtor on maturity date and in accordance with debt instrument conditions. These financial guarantees are given to the banks, corporations and other entities on behalf of the bank's customers.

It's initially recognized at fair value including guarantee fees at the date of granting. Subsequently, the Bank's obligation shall be measured by the value initially recognized less guarantee fees amortization which is recognized in the profit and loss on a straight line basis over the higher of the guarantee life term or over the best payment

estimates required to settle the financial obligation resulted from the financial guarantee at the separate balance sheet date. These estimates are mainly based on management experience with similar transactions and historical losses.

Any increase in the obligations resulted from the financial guarantee, is recognized in "other operating income (expenses)" caption.

## Notes on the Separate Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

#### t *Employees benefits*

##### i *End of service benefits*

The bank contributes to the social insurance scheme related to the Social Insurance authority for the benefit of its employees according to the social insurance law number 79 of 1975 and its amendments. The separate income statement is charged with these contributions on an accrual basis.

Based on the bank's internal scheme, employees are granted end of service bonus according to the service year. Provision is provided based on the present value in light of the actuarial assumptions determined at separate balance sheet date and is recognized in the consolidated profit or loss under the caption of general and administrative expenses.

This provision is presented in the separate balance sheet under "other provisions caption".

##### ii *Share based payments*

HSBC Holding PLC grants shares to eligible employees under a share based payment scheme 'equity settled'. HSBC Egypt bears the cost of these shares which are amortized in the profit and loss on a straight line basis.

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#### u *Income tax*

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

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

Deferred tax is recognized due to the temporary differences resulting from reporting the value of assets and liabilities in one year for tax purpose, and in another year for financial accounting purpose. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing at the separate balance sheet date.

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

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#### v *Capital*

##### i *Capital cost*

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

##### ii *Dividends*

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

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#### w *Amanah activities*

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

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#### x *Comparative figures*

The comparative figures shall be re-classified, when necessary, to be in conformity with the changes to presentation used in the current year.

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management

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

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates, 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 risk and control them through reliable methods and updated systems.

The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications.

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

#### a Credit risk

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

#### i Credit risk measurement

Loans and advances to Banks and customers

Loans to customers and Banks, financial investments debt securities, current accounts and deposits at Banks, rights and obligations from others are considered financial assets exposed to credit risk represented in the inability of those parties to settle part or whole of their indebtedness on the date of maturity. The Bank minimizes the effect of this risk by the following:

- Preparing detailed credit studies about customers and banks before dealing with them to assess & determine the rates of the credit risk rates related to it.
- Obtaining adequate guarantees to reduce the possibility of loss in case of a customer or Bank default.
- Monitoring and preparing regular studies on customers in order to evaluate their financial and credit position and estimate the required provisions for non-performing balances.
- Diversifying loans portfolio among various sectors to minimize the concentration of credit risk.

Note No. (A/8) shows the sector diversification of the loans and advances portfolio.

The Bank evaluates the customer risk using internal policies for the different customers' categories. These policies are updated taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgment of the credit officer to reach the appropriate grading. The customers are classified into ten grading, which are divided into four ratings.

The following table shows the rating scale which reflects the range of expected defaults or payment delays, by which the credit centers may transfer from one rating to other depending on the change in the expected degree of risk. The customer's rating and the rating process are reviewed when necessary. The Bank evaluates the rating process and their expectations regarding the customers' defaults.

#### Bank's internal ratings scale

Rating description	Rating
Performing loans	1-6
Regular watching	7
Watch list	8
Non-performing loans	9-10

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

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

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

#### Debt instruments and treasury bills

The same methods used for credit customers are used for debt instruments and treasury bills. They represent better credit method and a readily available source to meet the funding requirements bills. The Bank use external ratings such as Standard and Poor's rating, Meris - Modes rating and Fitch rating to manage their credit risk.

#### ii Limiting and preventing risks policies

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

The Bank manage the credit risk it undertakes by placing limits on the amount of risk accepted in relation to single borrower, or groups of borrowers, and to the geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. The top management reviews on quarterly basis the sectorial and country credit concentration.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits where appropriate.

The following are other controls used by the bank to limit the credit risk.

#### Collaterals

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

- Real estate mortgage
- Business assets mortgage such as machines and goods.
- Financial instruments mortgage such as debt and equity instruments.

The Bank keen to obtain the appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured.

In addition, to minimize the credit loss the bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

The Bank determine type of collaterals the Bank held by the bank as security for financial assets other than loans and advances according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for Asset-backed securities and similar instruments are secured by a financial instrument portfolio.

#### Derivatives

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

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

#### Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties of significant volume of transactions. Generally, no netting between assets and liabilities at the



## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

separate balance sheet date relating to the master netting arrangements, as aggregate settlements are made. However, the credit risk related to contracts to the favor of the bank is reduced by a master netting arrangement as netting will be made with the counterparty to settle all transactions. The value of the credit risk faced by the Bank changes substantially within a short year of time, as it is affected by each transaction occur in the arrangement.

#### Credit-related commitments

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit are of the same credit risks as loans.

Documentary and commercial letters of credit – which are issued by the Bank on behalf of customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan.

Credit related commitment represent the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit related commitments, the Bank is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments, as most commitments represent commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are of high credit risk than short-term commitments.

#### iii Impairment and provisioning policies

The internal rating systems described in Note (1-A) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the separate balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the separate financial statements are usually lower than the expected amount determined from the expected loss models used.

The impairment provision appeared in the separate balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last two ratings. The table below shows the percentage of in-separate balance sheet items relating to loans and advances and the related impairment provision for each rating:

Bank's rating	31 December 2011		31 December 2010	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Performing loans	90.54%	40%	94.78%	13%
Regular watching	7.25%	4%	0.17%	0%
Watch list	0.05%	2%	0.05%	2%
Non-performing loans	2.16%	54%	5.00%	85%
	100%	100%	100%	100%

The Bank's internal rating assists management to determine whether objective evidence of impairment exists under EAS 26 , based on the following criteria set out by the Bank:

- Payment delinquency of principal or interest.
- Breach of loan conditions
- Initiation of bankruptcy or entering a liquidation or finance restructures.
- Deterioration of the borrower's competitive position.
- For economical or legal reasons, the bank granted the borrower additional benefits that will not be done in normal circumstances.
- Deterioration in the value of collateral.
- Deterioration of customer credit status.

The Bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

losses. These policies applied on all accounts have specific materiality on individual basis. Valuation usually includes the existing collateral, the related enforcements on these collaterals and the expected collections from those accounts.

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods.

#### iv General module to measure banking general risk

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

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

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE regulations exceeds the provision required for separate financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general Banking risk reserve" under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable. Note (34) shows the "general banking risk reserve" movement during the year.

#### v Maximum limits for credit risk before collaterals

	2011 EGP(000)	2010 EGP(000)
<b>Separate Balance Sheet items exposed to credit risks</b>		
Treasury bills	10,835,830	6,985,999
<b>Financial asset held for trading :</b>		
Debt instrument	15,673	-
<b>Loans and advances to customers:</b>		
<b>Retail loans:</b>		
Overdrafts	375,325	309,897
Credit cards	458,855	383,497
Personal loans	1,809,972	1,619,990
Mortgage loans	12,068	12,665
<b>Corporate loans:</b>		
Overdrafts	2,653,391	1,364,549
Direct loans	8,100,298	6,797,844
Syndicated loans	6,658,435	6,907,074
Financial derivative instruments	14,672	18,843
<b>Financial investments:</b>		
Debt instruments	5 320 701	5,565,349
Total	36,255,220	29,965,707
<b>Off-separate balance sheet items exposed to credit risk</b>		
Loan commitments and other irrevocable commitments related to credit	2,960,408	4,508,442
Letters of credit	1,709,786	981,202
Letters of guarantee	6,693,645	6,023,801
Cash covers	(557,222)	(455,607)
Total	10,806,617	11,057,838

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

The above table represents the maximum limit for credit risk as of 31 December 2011 and 31 December 2010, without taking into considerations any collateral. For on-balance-sheet items, amounts stated depend on net carrying amounts shown in the separate balance sheet.

As shown in the preceding table, 55.35% of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 58.05% as at 31 December 2010; while 14.72% represents investments in debt instruments against 18.57 % as at 31 December 2010.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loan and advances, and debt instruments as follows:

- 97.79% of the loans and advances portfolio is classified at the highest two ratings in the internal rating against 94.95% as at 31 December 2010
- 97.04% of the loans and advances portfolio having no past due or impairment indicators against 94.22% as at 31 December 2010
- Mortgage loans, which represent a significant part of the portfolio are covered by guarantees of total amount EGP 26 544 thousands.
- Loans and advances that have been evaluated on an individual basis of total amount EGP 443 545 thousands against EGP 878 478 thousand as at 31 December 2010.
- Investments in debt instruments and treasury bills contain more than 98.81% against 90.17% as at 31 December 2010 due from the Egyptian government.

#### vi Loans and advances

	<b>2011</b>	2010
	<b>EGP(000)</b>	EGP(000)
Loans and advances are summarised as follows:		
	<i>Loans and</i>	<i>Loans and</i>
	<i>advances to</i>	<i>advances to</i>
	<i>customers</i>	<i>customers</i>
Neither having past dues nor subject to impairment	<b>19,474,108</b>	16,389,706
Having past due but not subject to impairment	<b>150,691</b>	127,332
Subject to impairment	<b>443,545</b>	878,478
Total	<b>20,068,344</b>	17,395,516
Less:		
Unearned discount of discounted commercial papers	<b>(824)</b>	(373)
Interest in suspense	<b>(43,692)</b>	(29,193)
Impairment loss provision	<b>(583,781)</b>	(463,460)
Net	<b>19,440,047</b>	16,902,490

The Bank's total impairment loss for loans and advances amounted to EGP 583 781 thousand against to EGP 463 460 thousand as at 31 December 2010 of which EGP 249 076 thousand against EGP 356 473 thousand as at 31 December 2010 representing impairment of individual loans and the remainder amounting to EGP 334 705 thousand against to EGP 106 987 thousand as at 31 December 2010 representing impairment loss for the credit portfolio as a group.

Note (19) include additional information regarding impairment loss on loans and advances to customers. The Bank's portfolio increased by 15.37 % during the year. The Bank concentrates on dealing with large institutions or banks or individual of credit worthiness.

Loans and advances neither having past due nor subject to impairment

The credit quality of the loans and advances portfolio that are neither having past due nor subject to impairment are determined by the internal rating of the bank.

**Notes on the Separate Financial Statements** (continued)**3 Financial risk management** (continued)

Loans and advances neither having past due nor subject to impairment

**31 December 2011**

	<b>Retail</b>			
	<i>Personal Over-drafts</i>	<i>Credit cards</i>	<i>loans</i>	<i>Mortgage</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Performing loans	<b>345,199</b>	<b>429,684</b>	<b>1,672,650</b>	<b>12,068</b>
Regular follow up	—	—	—	—
Watch list	—	—	—	—
<b>Total</b>	<b>345,199</b>	<b>429,684</b>	<b>1,672,650</b>	<b>12,068</b>

  

	<b>Corporate</b>			
	<i>Over-drafts</i>	<i>Direct loans</i>	<i>Syndicated loans</i>	<i>Total loans and advances to customers</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Performing loans	2,539,480	6,657,962	6,401,501	18,058,544
Regular follow up	41,444	1,374,120	—	1,415,564
Watch list	—	—	—	—
<b>Total</b>	<b>2,580,924</b>	<b>8,032,082</b>	<b>6,401,501</b>	<b>19,474,108</b>

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

31 December 2010

	<b>Retail</b>			
	<i>Over-drafts</i>	<i>Credit cards</i>	<i>loans</i>	<i>Personal Mortgage</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Performing loans	291,022	360,911	1,538,406	12,665
Regular follow up	—	—	—	—
Watch list	—	—	—	—
<b>Total</b>	<b>291,022</b>	<b>360,911</b>	<b>1,538,406</b>	<b>12,665</b>

	<b>Corporate</b>			
	<i>Over-drafts</i>	<i>Direct loans</i>	<i>Syndicated loans</i>	<i>Total loans and advances to customers</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Performing loans	1,322,054	6,720,263	6,142,290	16,387,611
Regular follow up	582	782	—	1,364
Watch list	86	645	—	731
<b>Total</b>	<b>1,322,722</b>	<b>6,721,690</b>	<b>6,142,290</b>	<b>16,389,706</b>

**Notes on the Separate Financial Statements** (continued)**3 Financial risk management** (continued)

Loans and advances having past due and not subject to impairment

Loans and advances having past due until 90 days and not considered subject to impairment, unless there is information to the contrary. Loans and advances having past due and not subject to impairment as follows:

**31 December 2011**

	<b>Retail</b>				
	<i>Over-drafts</i>	<i>Credit cards</i>	<i>Personal loans</i>	<i>Mortgage</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Past due up to 30 days	28,412	16,507	38,025	—	82,944
Past due 30 - 60 days	1,047	5,497	17,979	—	24,523
Past due 60 - 90 days	11	2,957	12,824	—	15,792
<b>Total</b>	<b>29,470</b>	<b>24,961</b>	<b>68,828</b>	<b>—</b>	<b>123,259</b>
Fair value of collateral				<b>26,544</b>	<b>26,544</b>

**31 December 2011**

	<b>Corporate</b>			
	<i>Over-drafts</i>	<i>Direct loans</i>	<i>Syndicated loans</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Past due up to 30 days	—	22,450	—	22,450
Past due 30 - 60 days	—	3,835	—	3,835
Past due 60-90 days	—	1,147	—	1,147
<b>Total</b>	<b>—</b>	<b>27,432</b>	<b>—</b>	<b>27,432</b>
Fair value of collateral		<b>10,911</b>		<b>10,911</b>

In the initial recording of loans and advances, the fair value of guarantees is assessed based on valuation methods commonly used for similar assets. In subsequent years, fair value is updated to reflect its market price or price of similar assets.

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### 31 December 2010

	Retail				
	<i>Over-drafts</i>	<i>Credit cards</i>	<i>loans</i>	<i>Personal Mortgage</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Past due up to 30 days	14,732	12,884	22,771	—	50,387
Past due 30 - 60 days	1,558	4,052	11,515	—	17,125
Past due 60-90 days	1,081	2,477	7,574	—	11,132
<b>Total</b>	<b>17,371</b>	<b>19,413</b>	<b>41,860</b>	<b>—</b>	<b>78,644</b>
Fair value of collateral				<b>26,544</b>	<b>26,544</b>

#### 31 December 2010

	Corporate			
	<i>Over-drafts</i>	<i>Direct loans</i>	<i>Syndicated loans</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Past due up to 30 days	—	29,130	—	29,130
Past due 30 - 60 days	—	19,558	—	19,558
<b>Total</b>		<b>48,688</b>	<b>—</b>	<b>48,688</b>
Fair value of collateral	—	<b>1,139</b>		<b>1,139</b>

#### Loans and advances subject to individual impairment

##### \*Loans and advances to customers

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees amounted to EGP443,545 thousand against EGP878,478 thousand as at 31 December 2010.

The breakdown of the total loans and advances subject to individual impairment including fair value of collateral obtained by the Bank are as follows:

#### 31 December 2011

<i>Valuation</i>	Retail			Corporate			<i>Total</i>
	<i>Over drafts</i>	<i>Credit cards</i>	<i>Personal Loans</i>	<i>Over drafts</i>	<i>Direct Loans</i>	<i>Syndicated Loans</i>	
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	
Individual loans subject to impairment	657	4,209	68,494	72,467	40,784	256,934	443,545
Fair value of collateral				<b>32,056</b>	<b>8,893</b>		<b>40,949</b>

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

31 December 2010

Valuation	Retail			Corporate			Total
	<i>Over drafts</i>	<i>Credit cards</i>	<i>Personal Loans</i>	<i>Over drafts</i>	<i>Direct Loans</i>	<i>Syndicated Loans</i>	
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	
Individual loans subject to impairment	1,505	3,172	39,724	41,827	27,466	764,784	878,478
Fair value of collateral				<b>32,056</b>	<b>2,529</b>		<b>34,585</b>

#### Re-structured loans and advances

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting/postpone repayment terms. Renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability. These policies are subject to regular review. Long-term loans, especially loans to customers are usually subject to renegotiation.

	2011 EGP(000)	2010 EGP(000)
Loans and advances to customers		
<b>Corporate</b>		
Direct loans	5,173	9,974
Syndicated loans	429,042	—
<b>Retail</b>		
Personal loans	4,169	1,421
Total	<b>438,384</b>	11,395

#### vii Debt instruments and treasury bills

The table below shows an analysis of debt instruments and treasury bills according to the rating agencies (Mereis-rioters).

	<i>Treasury bills</i>	<i>Investments in securities</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)
AAA	—	82,963	82,963
AA- to AA+	—	44,370	44,370
A- to A+	—	65,876	65,876
Less than A-	10,835,830	5,143,165*	15,978,995
Total	<b>10,835,830</b>	<b>5,336,374</b>	<b>16,172,204</b>

\* Include Egyptian government bonds amounted to EGP 5,143,165 thousand.



**Notes on the Separate Financial Statements** (continued)**3 Financial risk management** (continued)viii *Concentration of risks of financial assets exposed to credit risk***Geographical sectors**

The following table represents a breakdown of the bank significant credit risk limits at their carrying mounts distributed by geographical sector. The bank breakdown these risks according to the Bank customers geographical area.

	Arab Republic of Egypt			Total
	Cairo	Alexandria and Delta	Upper Egypt Sinai and red sea	
	EGP(000)	EGP(000)	EGP(000)	
Treasury bills	10,835,830	—	—	10,835,830
Financial assets held for trading				
Debt instruments	15,673	—	—	15,673
<b>Loans and advances to customers</b>				
Retail:				
Over-drafts	301,131	54,255	19,939	375,325
Credit cards	458,855	—	—	458,855
Personal loans	1,569,318	100,692	139,962	1,809,972
Mortgage loans	8,245	3,333	490	12,068
Corporate:				
Over-drafts	2 349 627	300,684	3,080	2,653,391
Direct loans	7,027,424	623,207	449,667	8,100,298
Syndicated loans	6,114,831	192,714	350,890	6,658,435
Derivative financial instruments	14,672	—	—	14,672
Financial investment:				
Debt instruments	5,320,701	—	—	5,320,701
Other assets	359,777	6,872	10,728	377,377
Total as at 31 December 2011	<b>34,376,084</b>	<b>1,281,757</b>	<b>974,756</b>	<b>36,632,597</b>
Total as at 31 December 2010	<b>28,518,227</b>	<b>984,855</b>	<b>764,603</b>	<b>30,267,685</b>

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### Business sectors

The following table represents breakdown of the most significant credit risk limits at their carrying amounts distributed according to the business of the Bank's customers:

	<i>Industrial sector</i>	<i>Commercial sector</i>	<i>Service sector</i>	<i>Governmental sector</i>	<i>Other activities</i>	<i>Individuals</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Treasury bills	—	—	—	10,835,830	—	—	10,835,830
Financial assets held for trading							
Debt instruments	—	—	—	15,673	—	—	15,673
Loans and advances to customers							
Retail:							
Over-drafts	—	—	—	—	—	375,325	375,325
Credit cards	—	—	—	—	—	458,855	458,855
Personal loans	—	—	—	—	—	1,809,972	1,809,972
Mortgage loans	—	—	—	—	—	12,068	12,068
Corporate:							
Over-drafts	1,322,083	499,750	422,590	120,511	288 457	-	2,653,391
Direct loans	3,459,204	1,555,532	1,690,677	518,044	876 841	-	8,100,298
Syndicated loans	1,989,343	596,776	1,978,382	125,376	1 968 558	—	6 658 435
Derivative financial instruments	—	—	14,672	—	—	—	14,672
Financial investment:							
Debit instruments	—	—	193,209	5,127,492	—	—	5,320,701
Other assets	—	—	—	—	377 377	—	377,377
Total as at							
31 December 2011	<b>6,770,630</b>	<b>2,652,058</b>	<b>4,299,530</b>	<b>16,742,926</b>	<b>3 511 233</b>	<b>2,656,220</b>	<b>36,632,597</b>
Total as at							
31 December 2010	5,296,058	1 697,846	5,678,844	12,045,758	3 223 130	2,326,049	30,267,685

#### b Market risk

The bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

Bank treasury is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two separate teams. Regular reports are submitted to the Board of Directors and each business unit head.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate relating to retail transactions. Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### i Market risk measurement techniques

Market risk measurement techniques  
As part of market risk management the Bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option been applied. The major measurement techniques used to measure and control market risk are outlined below:

#### Value at Risk

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by the Bank for trading and non- trading portfolios and monitored by the ALCO committee.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding year is 10 days before closing the opening position. It also assumes that market movements during the holding year will be the same as 10-days before. The Bank's assessment of past movements is based on data for the past five hundred days. The Bank applies these historical changes in rates prices indicators....etc. directly to its current positions this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR considered a primary part of the Bank's market risk control technique VAR limits are established by the Board annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed by the ALCO committee.

The average daily VAR for the Bank during the current year was EGP 49 918 thousand against EGP 33 831 thousand as at 31 December 2010.

The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

#### Stress Testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances Stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the Bank treasury. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and Board of directors.

#### ii VAR summary

##### According to risk type

	31 December 2011			31 December 2010		
	<i>Average</i>	<i>High</i>	<i>Low</i>	<i>Average</i>	<i>High</i>	<i>Low</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Foreign exchange risk	<b>49,417</b>	<b>180,083</b>	<b>4,855</b>	33,529	118,780	7,895
Interest rate risk	<b>501</b>	<b>778</b>	<b>187</b>	302	621	118
Total VAR	<b>49,918</b>	<b>180,861</b>	<b>5,042</b>	33,831	119,401	8,013

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### Trading portfolio VAR by risk type

	31 December 2011			31 December 2010		
	<i>Average</i>	<i>High</i>	<i>Low</i>	<i>Average</i>	<i>High</i>	<i>Low</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Foreign exchange risk	<b>49,417</b>	<b>180,083</b>	<b>4,855</b>	33,529	118,780	7,895
Interest rate risk	<b>72</b>	<b>113</b>	<b>12</b>	41	84	16
Total VAR	<b>49,489</b>	<b>180,196</b>	<b>4,867</b>	33,570	118,864	7,911

#### Non-trading portfolio VAR by risk type

	31 December 2011			31 December 2010		
	<i>Average</i>	<i>High</i>	<i>Low</i>	<i>Average</i>	<i>High</i>	<i>Low</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Interest rate risk	<b>567</b>	<b>832</b>	<b>241</b>	294	575	135
Total VAR	<b>567</b>	<b>832</b>	<b>241</b>	294	575	135

The increase in VAR especially the interest rate risk mainly proportion to the increase in market interest rates volatility in the global financial markets.

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

#### iii Foreign exchange volatility risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis. The following table summarizes the Bank' exposure to foreign exchange volatility risk at the end of the financial year. The following table includes the carrying amounts of the financial instruments in their currencies:

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

31 December 2011						Equivalent EGP(000) Total
	EGP	USD	Euro	GBP	Other	
<b>Financial Asset</b>						
Cash and balances						
with Central bank	(2,789,259)	(1,917,046)	(29,720)	(11,048)	(1,753)	(4,748,826)
Due from banks	(1,016,844)	(2,702,601)	(2,041,832)	(908,530)	(58,097)	(6,727,904)
Treasury bills	(7,739,621)	(3,096,209)	—	—	—	(10,835,830)
Financial assets held for trading	(15,673)	—	—	—	—	(15,673)
Loans and advances to customers	(10,965,491)	(7,819,707)	(527,518)	(77,819)	(49,512)	(19,440,047)
Derivative financial instruments	—	(14,672)	—	—	—	(14,672)
<b>Financial investments:</b>						
Available for sale	(5,011,977)	(332,119)	—	—	—	(5,344,096)
Held to maturity	(49,675)	—	—	—	—	(49,675)
Other financial assets	(1,063,519)	(64,379)	(2,575)	(965)	(1,049)	(1,132,487)
Total financial assets	(28,652,059)	(15,946,733)	(2,601,645)	(998,362)	(110,411)	(48,309,210)
<b>Financial liabilities</b>						
Due to banks	285,928	457,946	116,962	10,244	—	871,080
Customer deposits	23,169,583	15,523,360	2,430,309	981,436	91,257	42,195,945
Financial derivative	—	14,227	—	—	—	14,227
Other financial liabilities	5,079,994	133,932	2,804	4,335	6,893	5,227,958
Total financial liabilities	28,535,505	16,129,465	2,550,075	996,015	98,150	48,309,210
Net financial position- separate balance sheet	(116,554)	182,732	(51,570)	(2,347)	(12,261)	-
Commitments related to credit	4,351,806	4,272,832	816,232	87,099	1,278,648	10,806,617
<b>31 December 2010</b>						
Total financial assets	(29,217,882)	(12,220,994)	(2,625,019)	(913,540)	(134,883)	(45,112,318)
Total financial liabilities	29,136,450	12,348,437	2,643,305	915,334	68,792	45,112,318
Net financial position- separate balance sheet	(81,432)	127,443	18,286	1,794	(66,091)	—
Commitments related to credit	5,973,161	3,034,281	721,485	40,122	1,288,789	11,057,838

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### iiii Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by Bank Treasury.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts categorized by the earlier of reprising or maturity dates.

#### 31 December 2011

	<i>Up to one month</i>	<i>1-3 Months</i>	<i>3-12 Months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
<b>Financial Asset</b>						
Cash and balances						
with Central bank	(2,895,289)	(1,853,537)	—	—	—	(4,748,826)
Due from banks	(6,727,904)	—	—	—	—	(6,727,904)
Treasury bills	—	(648,865)	(10,186,965)	—	—	(10,835,830)
Financial assets held for trading	—	—	—	(15,673)	—	(15,673)
Loans and advances to customers	(6,252,440)	(1,156,970)	(1,079,722)	(10,950,915)	—	(19,440,047)
Derivative financial instruments	—	—	(7,451)	(7,221)	—	(14,672)
<b>Financial investments:</b>						
Available for sale	—	—	(671,157)	(4,094,860)	(578,079)	(5,344,096)
Held to maturity	—	—	—	—	(49,675)	(49,675)
Other financial assets	—	(377,496)	(377,496)	(377,495)	—	(1,132,487)
Total financial assets	(15,875,633)	(4,036,868)	(12,322,791)	(15,446,164)	(627,754)	(48,309,210)
<b>Financial liabilities</b>						
Due to banks	871,080	—	—	—	—	871,080
Customer deposits	29,781,193	2,753,535	2,090,471	7,570,746	—	42,195,945
Derivative financial instruments	—	—	7,006	7,221	—	14,227
Other financial liabilities	—	—	—	5,227,958	—	5,227,958
Total financial liabilities	30,652,273	2,753,535	2,097,477	12,805,925	—	48,309,210
Interest re-pricing gap	14,776,640	(1,283,333)	(10,225,314)	(2,640,239)	(627,754)	—
<b>31 December 2010</b>						
Total financial assets	(16,726,191)	(4,087,249)	(8,875,234)	(14,773,120)	(650,524)	(45,112,318)
Total financial liabilities	28,892,058	2,486,368	3,039,148	10,694,744	—	45,112,318
Interest re-pricing gap	12,165,867	(1,600,881)	(5,836,086)	(4,078,376)	(650,524)	—

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### c Liquidity risk

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

Liquidity risk management process

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

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

The main year for liquidity management is the next day, week and month. The Bank calculates the expected cash flow for those years for monitoring and reporting purposes.

The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Credit risk department monitor the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

#### Non derivative cash flows

##### 31 December 2011

#### Financial liabilities

	<i>Over than 1 Up to one month</i>	<i>Over than 3 Month to 3 month</i>	<i>Over than 1 Months to 1 year</i>	<i>year to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Due to banks	<b>871,080</b>	—	—	—	—	<b>871,080</b>
Customers' deposits	<b>29,848,528</b>	<b>2,764,733</b>	<b>2,188,658</b>	<b>7,293,307</b>	<b>383,374</b>	<b>42,478,600</b>
Total of financial liabilities according to maturity date	<b>30,719,608</b>	<b>2,764,733</b>	<b>2,188,658</b>	<b>7,293,307</b>	<b>383,374</b>	<b>43,349,680</b>

##### 31 December 2010

#### Financial liabilities

	<i>Over than 1 Up to one month</i>	<i>Over than 3 Month to 3 month</i>	<i>Over than 1 Months to 1 year</i>	<i>year to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Due to banks	908,040	—	—	—	—	908,040
Customers' deposits	28,102,979	2,507,509	3,072,553	6,068,273	290,969	40,042,283
Total of financial liabilities according to maturity date	29,011,019	2,507,509	3,072,553	6,068,273	290,969	40,950,323

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### Funding approach

Sources of liquidity are regularly reviewed by bank treasury to maintain a wide diversification by currency geography source products and terms.

#### Off-separate balance sheet items

According to the table below and note no. (37)

#### 31 December 2011

	<i>Up to 1 year</i>	<i>Over 1 year and less than 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>
Letter of credit commitments	1,709,786	—	—	1,709,786
Loans commitments	2,627,828	—	—	2,627,828
Long commitments, bills on discount and other financial assets	5,794,039	674,964	—	6,469,003
Operating lease commitments	16,110	4,349	3,692	24,151
<b>Total</b>	<b>10,147,763</b>	<b>679,313</b>	<b>3,692</b>	<b>10,830,768</b>

#### 31 December 2010

	<i>Up to 1 year</i>	<i>Over 1 year and less than 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>
Letter of credit commitments	981,202	—	—	981,202
Loans commitments	4,184,453	—	—	4,184,453
Long commitments, bills on discount and other financial assets	4,898,896	993,287	—	5,892,183
Operating lease commitments	8,422	5,635	1,760	15,817
<b>Total</b>	<b>10,072,973</b>	<b>998,922</b>	<b>1,760</b>	<b>11,073,655</b>



## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### d Market risk

Fair value of financial assets and liabilities

- i Financial instruments measured at fair value using a valuation method.  
The total amount of the change in estimated fair value using a valuation method during the year, amounted to EGP 7 864 thousand against EGP 4 177 thousand as at 31 December 2010.
- ii Financial instruments not measured at fair value  
The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented on the Bank's separate balance sheet at their fair value.

	<i>Carrying value</i>	<i>Fair value</i>
	<i>EGP(000)</i>	<i>EGP(000)</i>
	<i>Current year</i>	<i>Current year</i>
<b>Financial assets</b>		
Due from banks	6,727,904	6,727,904
Loans and advances to customers		
Retail	2,656,220	2,656,220
Corporate	17,412,124	17,412,124
<b>Financial investments</b>		
Equity instruments available for sale	23,395	23,395
Held to maturity	49,675	57,539
<b>Financial liabilities</b>		
Due to banks	871,080	871,080
Customer deposits		
Retail	25,394,479	25,394,479
Corporate	16,801,466	16,801,466

#### Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value. The expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of similar asset of similar credit risk and due dates.

Loans and advances to customers

Loans and advances are net of provisions for impairment losses. Fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

#### Financial Investments

Financial investments shown in the above schedule includes only held to maturity assets investments; as available for sale investments are measured at fair value except for equity instruments that its market value can't be reliably determined. Fair value of held-to-maturity investments is based on market prices or broker/ prices. Fair value is estimated using quoted market prices for financial paper with similar credit maturity and yield characteristics where information is not available

#### Due to banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call.

The estimated fair value of fixed interest-bearing deposits and other loans not traded in an active market is based on discounted cash flows using interest rates for new debts of similar maturity dates.

## Notes on the Separate Financial Statements (continued)

### 3 Financial risk management (continued)

#### d Capital management

The Bank's objectives behind managing capital include elements other than equity shown in the separate balance sheet are represented in the following:

- Compliance with capital legal 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.

Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority's requirements (CBE) by the Bank's management through models based basel committee for banking control instructions, these data are submitted to CBE on quarterly basis.

CBE requires the following from the Bank:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

The numerator in capital adequacy comprises the following 2 tiers:

- Tier 1: It is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks) retained earnings and reserves resulting from profit appropriations except the general reserve for banking risks less any goodwill previously recognized and any carried forward losses.
- Tier 2: It is the subordinate capital comprising of the equivalent of the general reserve according to CBE credit rating bases issued by CBE not exceeding 1.25% of total assets and contingent liabilities applying the risk weights subordinate loans/deposits of maturing over more than 5 years (20% amortization of its value each year of the last five years of their maturity term) and 45 % of the increase between the fair value and carrying amount for the available for sale investments held to maturity investments and investments in subsidiaries.

On calculating the total numerator of capital adequacy it is to be considered that tier 2 should not be greater than tier 1 and subordinate loans (deposits) should not be greater than half of basic capital.

Assets are weighted by risk in a range from zero to 100 %. Classification is made according to the debit party for each asset to reflect the related credit risk taking into consideration cash guarantees. Same treatment is used for the off-separate balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.

The Bank complied with all internal requirements during the last years. The schedule below show the calculation of capital adequacy ratio for the year:

**Notes on the Separate Financial Statements** (continued)**3 Financial risk management** (continued)

	2011 EGP(000)	2010 EGP(000)
<b>Capital</b>		
<b>Tier 1 (basic capital)</b>		
Share capital (net of the treasury stocks)	<b>2,078,500</b>	1,510,578
General reserve	<b>904,124</b>	750,336
Legal reserve	<b>301,700</b>	264,770
Special reserve	<b>63,466</b>	63,466
Fair value reserve – available for sale	<b>(299,439)</b>	-
Other reserve	<b>6,728</b>	6,728
<b>Total basic capital</b>	<b>3,055,079</b>	2,595,878
<b>Tier 2 (subordinated capital)</b>		
Equivalent to general risk provision	<b>325,488</b>	132,226
45% of the increase in fair value than the book value for A.F.S	<b>3,539</b>	10,350
<b>Total subordinated capital</b>	<b>329,027</b>	142,576
<b>Total capital</b>	<b>3,384,106</b>	2,738,454
<b>Assets and contingent liabilities risk weighted</b>		
Assets on-separate balance sheet	<b>23,158,367</b>	19,291,916
Contingent liabilities	<b>2,880,660</b>	2,516,911
<b>Total risk weighted assets and contingent liabilities</b>	<b>26,039,027</b>	21,808,827
<b>Capital adequacy ratio (%)</b>	<b>13.00%</b>	12.56%

**4 Significant accounting estimates and assumptions**

The Bank make subjective estimates and judgments that affect the reported amounts of assets and liabilities with the next financial year a consistently estimations and judgments are continually evaluated and based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

i *Impairment losses for loans and advances*

The Bank reviews the portfolio of loans and advances at least quarterly. The Bank uses discretionary judgment on determining whether it is necessary to record impairment loss in the separate income statement. The Bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. This evidence include data indicating negative changes in a borrower's portfolio ability to repay to the Bank or local or economic circumstances related to default. On scheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of 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 experience.

ii *Impairment of available for sale equity investments*

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

## Notes on the Separate Financial Statements (continued)

### 4 Significant accounting estimates and assumptions (continued)

#### iii Fair value of derivatives

Fair value of financial instruments not quoted in an active market is determined using valuation techniques. These techniques (as models) are tested and reviewed yearly using qualified independently personnel other than those who prepared the techniques. All the models were prepared before and after using them to ensure that their results reflect accurate data and prices comparable to the market. These models are used to the extent it is practical actual data however some areas such as credit risk related to the Bank and counter party volatility and correlations requires management estimations. Changes in these estimation factors can affect the financial instrument's fair value disclosure. For example to the extent that management use credit marginal less than 20 points the estimated net fair value of derivatives amounted to EGP 14 672 thousand in assets against EGP 14 227 thousand in liabilities which represent its fair value as shown in (Note 20).

#### iv 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 high degree of judgment; in return the bank tests the intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity except for certain circumstances (selling an insignificant amount of held-to-maturity investments near to maturity date) then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost. In addition the Bank should suspend classifying investments as held to maturity caption.

If classification of investments as held to maturity is suspended the carrying amount shall increase by EGP 7 864 thousand to reach its fair value by increasing the valuation reserve available for sale within the equity caption.

#### vi Income tax

The Bank is subject to income tax which requires the use of estimates to calculate the income tax provision. There are a number of complicated processes and calculations to determine the final income tax. The Bank records a liability related to the tax inspection estimated results. When there is a difference between the final result of the actual tax inspection and the amounts previously recorded by the Bank such differences will be recorded in the year where differences noted. Income tax and deferred tax will be recorder in that year.

### 5 Segment analysis

#### a By activity segment

Activity segment include operations and assets used in providing banking services and managing related risks and yields which may differ from other activities. The segmentation analyses of operations according to the Banking activities are as follows:

- Large enterprises medium and small  
Activities include current accounts deposits overdraft loans credit facilities and financial derivatives.
- Investment  
Includes merging of companies purchase of investments financing company's restructure and financial instruments.
- Individuals  
Activities include current accounts savings deposits credit cards personal loans and mortgage loans.
- Other activities  
Include other banking activities such as fund management.  
Inter-segment transactions occur at the normal course of business of the Bank. Assets and liabilities at the separate balance sheet include operating assets and liabilities.

## Notes on the Separate Financial Statements (continued)

### 5 Segment analysis (continued)

31 December 2011

	<i>Corporate</i>	<i>small and Medium enterprises</i>	<i>Global Markets</i>	<i>Personal Financial Services</i>	<i>Other activities</i>	<i>Total</i>
	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>	<b>EGP(000)</b>
Income and expenses according to the activity segment						
Income activity segment	1,230,502	164,038	428,999	835,238	—	2,658,777
Expenses activity segment	(607,056)	(44,584)	(20,613)	(502,284)	—	(1,174,537)
Profit before tax	623,446	119,454	408,386	332,954	—	1,484,240
Tax	(163,525)	(27,546)	(91,110)	(82,100)	—	(364,281)
Segment profit for the year	459,921	91,908	317,276	250,854	—	1,119,959
Assets and liabilities according to activity segment						
Assets activity segment	(31,841,390)	(191,065)	(8,275,559)	(2,201,392)	(5,799,804)	(48,309,210)
Total assets	(31,841,390)	(191,065)	(8,275,559)	(2,201,392)	(5,799,804)	(48,309,210)
Liabilities activity segment	16,046,082	3,047,737	810,704	24,969,592	3,435,095	48,309,210
Total liabilities	16,046,082	3,047,737	810,704	24,969,592	3,435,095	48,309,210

## Notes on the Separate Financial Statements (continued)

### 5 Segment analysis (continued)

31 December 2010

	<i>Corporate</i>	<i>small and Medium enterprises</i>	<i>Global Markets</i>	<i>Personal Financial Services</i>	<i>Other activities</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Income and expenses according to the activity segment						
Income activity segment	1,166,743	119,177	290,579	642,091	—	2,218,590
Expenses activity segment	(564,651)	(33,544)	(7,895)	(380,637)	—	(986,727)
Profit before tax	602,092	85,633	282,684	261,454	—	1,231,863
Tax	(121,530)	(16,031)	(52,647)	(51,489)	—	(241,697)
Profit for the year	480,562	69,602	230,037	209,965	—	990,166
Assets and liabilities according to activity segment						
Assets activity segment	(23,658,062)	(546,220)	(12,409,721)	(1,941,381)	(6,556,934)	(45,112,318)
Total assets	(23,658,062)	(546,220)	(12,409,721)	(1,941,381)	(6,556,934)	(45,112,318)
Liabilities activity segment	16,070,167	2,160,641	1,067,388	21,604,664	4,209,458	45,112,318
Total liabilities	16,070,167	2,160,641	1,067,388	21,604,664	4,209,458	45,112,318

## Notes on the Separate Financial Statements (continued)

### 5 Segment analysis (continued)

#### b Analysis according to the geographical segment

31 December 2011

	Arab Republic of Egypt			
	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red sea	Total
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Income and expenses according to the geographical segment				
Income	2,421,808	135,842	101,127	2,658,777
Expenses	(1,014,389)	(106,711)	(53,437)	(1,174,537)
Profit before tax	1,407,419	29,131	47,690	1,484,240
Tax	(364,281)	—	—	(364,281)
Profit for the year	1,043,138	29,131	47,690	1,119,959
Assets and liabilities according to the geographical segment				
Assets geographical segment	(45,875,655)	(1,384,154)	(1,049,401)	(48,309,210)
Total assets	(45,875,655)	(1,384,154)	(1,049,401)	(48,309,210)
Liabilities geographical segment	42,903,152	3,804,140	1,601,918	48,309,210
Total liabilities	42,903,152	3,804,140	1,601,918	48,309,210

31 December 2010

	Arab Republic of Egypt			
	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red sea	Total
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Income and expenses according to the geographical segment				
Income geographical segment	2,001,161	106,608	100,313	2,208,082
Expenses geographical segment	(895,918)	(41,121)	(39,180)	(976,219)
Profit before tax	1,105,243	65,487	61,133	1,231,863
Tax	(241,697)	—	—	(241,697)
Profit for the year	863,546	65,487	61,133	990,166
Assets and liabilities according to the geographical segment				
Assets geographical segment	(43,159,908)	(1,102,288)	(850,122)	(45,112,318)
Total assets	(43,159,908)	(1,102,288)	(850,122)	(45,112,318)
Liabilities geographical segment	40,267,050	3,155,778	1,689,490	45,112,318
Total liabilities	40,267,050	3,155,778	1,689,490	45,112,318

**Notes on the Separate Financial Statements** (continued)**6 Net interest income**

	2011 EGP(000)	2010 EGP(000)
Interest from loans and similar income:		
Loans and advances to customers	1,404,660	1,106,783
Treasury bills and treasury bonds	989,664	683,525
Deposits and current accounts	214,203	385,337
Investments in debt instruments available for sale	565,171	402,833
	<b>3,173,698</b>	<b>2,578,478</b>
Interest on Deposits and similar Expenses:		
Deposits and current accounts:		
Banks	3,269	4,230
Customers	1,356,252	1,219,926
Total	1,359,521	1,224,156
Net	1,814,177	1,354,322

**7 Net fees and commission income**

	2011 EGP(000)	2010 EGP(000)
Fees and commission income:		
Fees and commissions related to credit	445,081	423,804
Custody fees	37,215	46,297
Other fees	10,341	10,245
	<b>492,637</b>	<b>480,346</b>
Fees and commission expenses:		
Brokerage fees paid	3,607	3,952
Other fees paid	30,243	25,664
	<b>33,850</b>	<b>29,616</b>
Net	458,787	450,730

**8 Dividends income**

	2011 EGP(000)	2010 EGP(000)
Available for sale financial investments	2,116	2,535
Subsidiaries	20,356	23,161
	<b>22,472</b>	<b>25,696</b>



**Notes on the Separate Financial Statements** (continued)**9 Net trading income**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Foreign exchange operations:		
Forex profit	<b>284,023</b>	283,321
Gain Debt instruments held for trading	<b>2,452</b>	10,988
Forward deals revaluation	<b>12,333</b>	12,055
	<b>298,808</b>	306,364

**10 Administrative expenses**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Staff costs		
Wages and salaries	<b>379,280</b>	299,685
Social insurance	<b>13,494</b>	10,711
	<b>392,774</b>	310,396
Other administrative expense	<b>483,677</b>	385,977
	<b>876,451</b>	696,373

**11 Other operating income**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Profit from revaluation of monetary assets and liabilities determined in foreign currency other than those classified for trading or originally classified at fair value through profit and loss	<b>2,885</b>	7,860
(Loss) on sale of property and equipment	<b>(241)</b>	(48)
Operating lease	<b>44,792</b>	43,868
Other provision	<b>(48,281)</b>	(12,096)
Gain from the services provided to operation lease user	<b>16,346</b>	11,027
Other	<b>3,135</b>	4,367
	<b>18,636</b>	54,978

**12 Impairment (loss)**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Loans and advances to customers		
Impairment losses	<b>(251,453)</b>	(276,186)
Impairment recovery	<b>815</b>	12,332
	<b>(250,638)</b>	(263,854)

**Notes on the Separate Financial Statements** (continued)**13 Income tax expenses**

	2011 EGP(000)	2010 EGP(000)
Current taxes	<b>(381,423)</b>	(246,593)
Deferred tax (note 31)	<b>17,142</b>	4,896
	<b>(364,281)</b>	(241,697)

(Note 30) shows additional information about deferred income tax income taxes differ when current applicable tax rates used as follows:

	2011 EGP(000)	2010 EGP(000)
Profit before tax	<b>1,484,240</b>	1,231,863
Tax rate	<b>25%</b>	20%
Income tax calculated on accounting profit	<b>371,060</b>	246,373
Add (Less)		
Non deductible expenses	<b>(310)</b>	276
Tax exemptions	<b>(25,637)</b>	(24,255)
Provisions	<b>31,930</b>	23,990
Interest in suspense	<b>3,921</b>	410
Depreciations	<b>959</b>	(201)
Total differences	<b>10,863</b>	220
Tier one	<b>2,000</b>	—
Tier two	<b>379,423</b>	246,593
Income tax according to the tax return	<b>381,423</b>	246,593
Effective tax rate	<b>25.70%</b>	20.02%

**Taxation position**

A summary of HSBC Bank Egypt tax position is as follows:

**a Corporate tax**

— Years from the inception till 1988

These years were inspected and disputes were settled in the Internal Committee.

— Years from 1989 till 1990

These years were inspected and there is a dispute between the bank and the Tax Authority. The court of Appeal issued its decision to reduce the tax base for these years. The Tax Authority had submitted an appeal to the decision.

— Years from 1991 till 2004

These years were inspected and disputes were settled in the Internal Committee and tax was fully settled for this year.

— Years from 2005 till 2006

These years were inspected and disputes were settled in the Internal Committee.

— Years from 2007 till 2009

The bank delivered the tax declarations for these period according to tax law No.91 for year 2005 and currently inspected with the position of the creditors for these year.

— Year 2010

The bank gave the tax declaration for this year at legal timing according to tax law No.91 for year 2005.

## Notes on the Separate Financial Statements (continued)

### 13 Income tax expenses (continued)

#### b Salary tax

— Years from 1982 till 2009

These years were inspected and were settled.

— Year 2010

The bank gave the final settlement for this year and inspection is continuous.

#### c Stamp duty Tax

— Years from 1982 till 31 July 2006

These years were inspected and tax was fully settled.

— Years from 1 August 2006 till 31 December 2008

This year was inspected and currently discusses the disputes in the internal committee.

— Years 2009 till 2010

The inspection date will be determined.

### 14 Earnings per share

Earnings per share calculated by dividing profit related to the shareholders' by the ordinary shares weighted average issued during the year after exclusion the average repurchased shares during the year and kept as treasury stocks.

#### a Essential

	2011	2010
	EGP(000)	EGP(000)
Net profit applicable to be distributed on the shareholders	1,158,206	953,587
Employees' profit share	(148,355)	(95,359)
	<b>1,009,851</b>	858,228
Common shares weighted average issued (1000 share)	24,744	17,958
Earnings per share/ EGP	40.81	47.79

### 15 Cash and balances with the Central Bank of Egypt (CBE)

	2011	2010
	EGP(000)	EGP(000)
Cash	415,053	459,859
Due from central bank (within the required reserve percentage)	4,333,773	3,874,813
	<b>4,748,826</b>	4,334,672
Interest free balances	2,895,289	2,903,120
Fixed interest rate balances	1,853,537	1,431,552
	<b>4,748,826</b>	4,334,672

**Notes on the Separate Financial Statements** (continued)**16 Due from banks**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Current accounts	<b>360,675</b>	133,387
Deposits	<b>6,367,229</b>	10,031,646
	<b>6,727,904</b>	10,165,033
Due from central bank (other than the required reserve percentage)	<b>1,003,015</b>	6,011,103
Local banks	<b>47,165</b>	46,778
Foreign banks	<b>5,677,724</b>	4,107,152
	<b>6,727,904</b>	10,165,033
Interest free balances	<b>360,675</b>	133,388
Fixed interest rate balances	<b>6,367,229</b>	10,031,645
	<b>6,727,904</b>	10,165,033
Current balances	<b>6,727,904</b>	10,165,033

**17 Treasury bills**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Treasury bills-Egyptian	<b>8,424,451</b>	6,985,999
Treasury bills-American	<b>2,411,379</b>	—
Total	<b>10,835,830</b>	6,985,999

Treasury bills represent the following:

	<b>2011</b>	2010
	EGP(000)	EGP(000)
91 days maturity	<b>654,025</b>	450
182 days maturity	<b>1,710,250</b>	259,750
273 days maturity	<b>2,430,925</b>	2,713,200
364 days maturity	<b>6,383,623</b>	4,323,750
Unearned interest	<b>(342,993)</b>	(311,151)
Total	<b>10,835,830</b>	6,985,999

**18 Financial assets held for trading**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Debt instruments		
Governmental bonds	<b>15,673</b>	0
Total Debt instruments	<b>15,673</b>	0
Total Financial assets held for trading	<b>15,673</b>	0

**Notes on the Separate Financial Statements** (continued)**19 Loans and advances**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
<b>Retail:</b>		
Overdrafts	375,325	309,897
Credit cards	458,855	383,497
Personal loans	1,809,972	1,619,990
Mortgage loans	12,068	12,665
Total	2,656,220	2,326,049
<b>Corporate loans including small loans:</b>		
Overdrafts	2,653,391	1,364,549
Direct loans	8,100,298	6,797,844
Syndicated loans	6,658,435	6,907,074
Total	17,412,124	15,069,467
Total loans and advance to customers	20,068,344	17,395,516
Less: unearned discount for discounted bills	(824)	(373)
Less: provision for impairment losses	(583,781)	(463,460)
Less: interest in suspense	(43,692)	(29,193)
Net	19,440,047	16,902,490
Total distributed as follows:		
Current balances	8,489,132	5,872,579
Non-current balances	10,950,915	11,029,911
Total	19,440,047	16,902,490

The bank accepted trading financial papers on 31 December 2011 of fair value amounted to EGP 230,693 thousand as a commercial loan guarantee.

**Provision for impairment losses:**

The Provision for impairment losses analysis for loans and advances to customers' classified according to its type as follows:

**31 December 2011**

	<b>Retail</b>				<i>Total</i>
	<i>Overdrafts</i>	<i>Credit cards</i>	<i>Personal loans</i>	<i>Mortgage loans</i>	
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	
Balance at the beginning of the year	1,960	3,576	41,303	—	46,839
Impairment losses	—	5,931	28,551	153	34,635
Amounts written off during the year	—	(4,357)	—	—	(4,357)
Recoveries during the year	(222)	—	(99)	—	(321)
Balance at the end of the year	1,738	5,150	69,755	153	76,796

**Notes on the Separate Financial Statements** (continued)**31 December 2011**

	<b>Corporate</b>			
	<i>Overdrafts</i>	<i>Direct loans</i>	<i>Syndicated loans</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Balance at the beginning of the year	28,176	89,419	299,026	416,621
Impairment losses	33,048	100,838	82,932	216,818
Recoveries during the year	—	(495)	—	(495)
Reschedule	—	—	(130,814)	(130,814)
Provision foreign revaluation difference	—	4,855	—	4,855
Balance at the end of the year	<b>61,224</b>	<b>194,617</b>	<b>251,144</b>	<b>506,985</b>

**31 December 2010**

	<b>Retail</b>				
	<i>Overdrafts</i>	<i>Credit cards</i>	<i>Personal loans</i>	<i>Mortgage loans</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Balance at the beginning of the year	423	3,533	31,908	1,036	36,900
Impairment losses	1,537	405	10,942	—	12,884
Amounts written off during the year	—	(362)	(1,547)	—	(1,909)
Recoveries during the year	—	—	—	(1,036)	(1,036)
Balance at the end of the year	1,960	3,576	41,303	—	46,839

**31 December 2010**

	<b>Corporate</b>			
	<i>Overdrafts</i>	<i>Direct loans</i>	<i>Syndicated loans</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Balance at the beginning of the year	27,748	103,350	38,284	169,382
Impairment losses	428	2,132	260,742	263,302
Amounts written off during the year	—	(10,798)	—	(10,798)
Recoveries during the year	—	(11,296)	—	(11,296)
Provision forex revaluation difference	—	6,031	—	6,031
Balance at the end of the year	28,176	89,419	299,026	416,621

## Notes on the Separate Financial Statements (continued)

### 20 Financial derivatives

#### Derivatives

The bank uses the following derivatives for hedging and non-hedging purposes:

- Currency forwards contracts represent commitments to purchase/sell foreign and local currency's including uncompleted portion of the immediate transactions.  
Credit risk is considered minimal at the Bank. Currency forward contracts represent future rate at a future dates that are individually negotiable. Cash settlement in future date is required. This settlement represents the difference between the contract rate and the actual current rate at the market. The settlement depends on the nominal value.
- Currency or/and interest swap contracts represent the commitments for to swap a group of cash flows to another. This contracts resulted is exchange of currencies or interest rates (for example fixed rate for floating rate) or both (ie cross-currency interest rate swaps). No exchange of principal takes place except for certain currency swaps. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis by comparing it to it's the current fair value and to a percentage of the contract notional amount. To control an existing credit risk the Bank assesses counterparties using the same techniques as for its lending activities.
- Option contracts in foreign currencies and/or interest rates represents contract agreements in which the buyer (issuer) give to seller (holders) a right not an obligations to buy (buy option) or to sell (sell option) at a certain date or within certain year of time by certain amount denominated in foreign currency or a financial instrument with prior agreed price. The buyer receive in return commission against burden of risk he took option contracts are either traded in the market or negotiable between the bank and one of its customers. The bank exposed to credit risk for the purchased options contracts only and to the extent of its book value which represent its fair value.
- The notional amounts of certain types of financial instrument is used as a basis for comparison purpose with financial instruments recognized on the separate balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and therefore does not indicate the Bank's exposure to credit or price risks.  
The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates related to them. The aggregate contractual or notional amount of the existing financial derivative instruments, the duration to which instruments are favorable or unfavorable, and the aggregate fair value of financial assets and liabilities derivatives can fluctuate significantly from time to time.
- The table below represent the fair value of financial derivatives existing at the separate balance sheet date

#### 31 December 2011

	<i>Contract amount Asset</i>	<i>Contract amount Liability</i>	<i>Assets</i>	<i>Liabilities</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Derivatives held for trading				
Foreign currency derivatives				
Currency swap contracts	91,989	(91,989)	1,751	(1,751)
Currency forward contracts	528,056	(528,279)	3,003	(2,558)
Currency exchange contacts	53,767	(53,720)	2,697	(2,697)
Interest rate derivatives				
Interest rate swap contracts	527,234	(527,234)	7,221	(7,221)
Total assets ( Liabilities) of derivatives held for trading			14,672	(14,227)

**Notes on the Separate Financial Statements** (continued)**20 Financial derivatives** (continued)**31 December 2010**

	<i>Contract amount Asset</i>	<i>Contract amount Liability</i>	<i>Assets</i>	<i>Liabilities</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Derivatives held for trading				
Foreign currency derivatives				
Currency swap contracts	6,989	(6,989)	345	(345)
Currency forward contracts	634,647	(226,085)	7,832	(7,091)
Interest rate derivatives				
Interest rate swap contracts	443,283	(443,283)	10,666	(10,666)
Total assets ( Liabilities) of derivatives held for trading			18,843	(18,102)

**21 Financial investments**

	2011 EGP(000)	2010 EGP(000)
<b>a Available for sale</b>		
Equity instruments unlisted (at cost)	23,395	25,727
Debt instruments listed (at FMV)**	5,320,701	5,565,349
Total available for sale investments (1)	5,344,096	5,591,076
B- Held to maturity		
Debt instruments unlisted *(Mutual fund )	49,675	55,000
Total held to maturity investments (2)	49,675	55,000
Total financial investments (1+2)	5,393,771	5,646,076
Current Balances	5,320,701	5,565,349
Non-Current Balances	73,070	80,727
Fixed interest debt instruments	5,393,771	5,646,076
Variable interest debt instruments	5,127,492	4,336,317
	242,884	1,284,032
	5,370,376	5,620,349

**31 December 2011**

	<i>Available for sale</i>	<i>Held to maturity</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)
Balance at beginning of the year	5,591,076	55,000	5,646,076
Additions	1,724,189	5,000	1,729,189
Disposals (Sale / Redemption)	(1,607,787)	(10,325)	(1,618,112)
Monetary assets forex differences	(45,116)	—	(45,116)
(Loss) from change in FMV	(318,266)	—	(318,266)
Balance at end of the year	5,344,096	49,675	5,393,771



**Notes on the Separate Financial Statements** (continued)**21 Financial investments** (continued)**31 December 2010**

	<i>Available for sale</i>	<i>Held to maturity</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)
Balance at beginning of the year	3,484,638	30,000	3,514,638
Additions	2,259,239	25,000	2,284,239
Disposals (Sale / Redemption)	(290,980)	—	(290,980)
Monetary assets forex differences	63,791	—	63,791
Gain from change in FMV	74,388	—	74,388
Balance at end of the year	5,591,076	55,000	5,646,076

\* The redemption amount of the mutual funds certificates as at 31 December 2011 amounted to (EGP57,539 thousands against EGP59,177 thousand as at 31 December 2010).

\*\* Debt instruments at listed fair market value include local bonds amounted to EGP5,127,492 thousands secured by the Egyptian ministry of finance.

**22 Investment in subsidiaries**

The Bank's total investment in subsidiaries amounted to EGP35,517 thousand the Bank's ownership percentage is as follows: (based on the last financial position for the company as at 30 September 2011)

	<i>country</i>	<i>Company's assets</i>	<i>Company's liabilities (without revenue)</i>	<i>Company's revenue</i>	<i>Company's profit</i>	<i>Company's Percentage</i>
		EGP(000)	EGP(000)	EGP(000)	EGP(000)	
HSBC Securities Egypt company (S.A.E)	Egypt	45,894	7,734	22,757	6,766	98%
Total		45,894	7,734	22,757	6,766	

**23 Intangible assets**

	<b>2011</b>	2010
	<i>Computer software</i>	<i>Computer software</i>
	EGP(000)	EGP(000)
Balance at beginning of the current year		
Cost	<b>3,783</b>	2,180
Amortization	<b>(1,398)</b>	(1,005)
Net book value at beginning of the current year	<b>2,385</b>	1,175
Additions	<b>85</b>	1,603
Amortization cost	<b>(669)</b>	(393)
Net book value as at 31 December 2011	<b>1,801</b>	2,385
Cost	<b>3,868</b>	3,783
Amortization cost	<b>(2,067)</b>	(1,398)
Net book value as at 31 December 2011	<b>1,801</b>	2,385

**Notes on the Separate Financial Statements** (continued)**24 Other assets**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Accrued revenues	<b>337,306</b>	277,827
Prepaid expenses	<b>25,408</b>	16,849
Advances to purchase fixed assets	<b>14,663</b>	7,302
Assets reverted to bank (after deducting the impairment)	<b>901</b>	901
Costs of establishing branches under construction	<b>30,110</b>	53,977
Others	<b>55,237</b>	45,678
<b>Total</b>	<b>463,625</b>	402,534

**25 Fixed Assets**

	<i>Lands and Buildings</i>	<i>Leasehold Improvement</i>	<i>Machines and Equipment</i>	<i>Others</i>	<i>Total</i>
	EGP(000)	EGP(000)	EGP(000)	EGP(000)	EGP(000)
Balance as at the beginning of the current year					
Cost	396,473	84,149	83,489	139,128	703,239
Accumulated depreciation	(58,257)	(59,218)	(27,546)	(90,558)	(235,579)
Net book value at beginning of the current year	338,216	24,931	55,943	48,570	467,660
Additions	28,669	15,755	9,816	9,293	63,533
Disposals (net)	—	—	(1,253)	(1,529)	(2,782)
Depreciation for the year	(17,791)	(15,622)	(7,027)	(17,084)	(57,524)
Net book value at the end of the year	349,094	25,064	57,479	39,250	470,887
Balance as at the end of the current year					
Cost	425,142	99,904	92,052	146,892	763,990
Accumulated depreciation	(76,048)	(74,840)	(34,573)	(107,642)	(293,103)
Net book value at the end of the year	349,094	25,064	57,479	39,250	470,887

**Notes on the Separate Financial Statements** (continued)**26 Investment Property**

As per Central Bank of Egypt approval dated 9 June 2004 the bank leased some of its head office floors which is located at Cornich El Nile Maadi.

	EGP(000)
Balance at beginning of the current year	
Cost	137,060
Accumulated depreciation	(9,399)
Net book value at beginning of the year	127,661
Additions	(389)
Depreciation	(7,206)
Net book value as at the end of year	120,066
Balance at end of the current year	
Cost	136,671
Accumulated depreciation	(16,605)
Net book value as at the end of year	120,066

**27 Due to banks**

	<b>2011</b> EGP(000)	2010 <b>EGP(000)</b>
Current accounts	<b>868,056</b>	905,946
Deposits	<b>3,024</b>	2,094
	<b>871,080</b>	908,040
Local banks	<b>881</b>	531
Foreign banks	<b>870,199</b>	907,509
	<b>871,080</b>	908,040
Interest free balances	<b>868,056</b>	905,946
Fixed interest balances	<b>3,024</b>	2,094
	<b>871,080</b>	908,040
Current balances	<b>871,080</b>	908,040

**Notes on the Separate Financial Statements** (continued)**28 Customers' deposits**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Demand deposits	<b>13,293,595</b>	12,367,774
Time and call deposits	<b>7,727,782</b>	9,193,056
Certificates of deposits	<b>8,474,085</b>	7,742,108
Saving deposits	<b>11,826,254</b>	9,770,775
Other deposits	<b>874,229</b>	680,761
	<b>42,195,945</b>	39,754,474
Corporate deposits	<b>16 801 466</b>	18,473,716
Individual deposits	<b>25 394 479</b>	21,280,758
	<b>42,195,945</b>	39,754,474
Interest free balances	<b>14,167,824</b>	12,695,599
Fixed interest balances	<b>28,028,121</b>	27,058,875
	<b>42,195,945</b>	39,754,474
Current balances	<b>34,625,199</b>	33,502,098
Non-current balances	<b>7,570,746</b>	6,252,376
	<b>42,195,945</b>	39,754,474

Customer deposits include deposits of EGP557,222 thousand as at 31 December 2011 against (EGP455,607 thousand as at 31 December 2010) which represent collateral for irrecoverable export letter of credit. There is no major difference between its carrying value and fair value.

**29 Other liabilities**

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Accrued interest	<b>171,740</b>	164,070
Unearned revenue	<b>72,116</b>	68,157
Accrued expenses	<b>140,964</b>	83,804
Creditors	<b>56,939</b>	46,925
Other credit balances	<b>90,605</b>	73,775
Total	<b>532,364</b>	436,731

**Notes on the Separate Financial Statements** (continued)**30 Other Provisions**

	<i>Provision for claims</i>		<i>Provision for contingent liabilities</i>		<i>Total</i>	
	<b>2011</b> EGP(000)	2010 EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)
Balance at the beginning of the year	<b>52,721</b>	41,951	<b>25,240</b>	30,089	<b>77,961</b>	72,040
Formed during the year	<b>48,880</b>	16,945	—	—	<b>48,880</b>	16,945
Transferred from other credit balance	—	781	—	—	—	781
Provision valuation difference	<b>33</b>	24	—	—	<b>33</b>	24
	<b>101,634</b>	59,701	<b>25,240</b>	30,089	<b>126,874</b>	89,790
Used during the year	<b>(10,022)</b>	(6,980)	—	—	<b>(10,022)</b>	(6,980)
Transferred to credit balances	<b>(1,347)</b>	—	—	—	<b>(1,347)</b>	—
Provisions no longer required	—	—	<b>(599)</b>	(4,849)	<b>(599)</b>	(4,849)
Balance at the end of the year	<b>90,265</b>	52,721	<b>24,641</b>	25,240	<b>114,906</b>	77,961

**31 Deferred tax**

Deferred income taxes calculated entirely on the differences of deferred tax in accordance with liabilities method using the effective tax rate of 25% for the current financial year.

Offset between deferred tax assets and deferred tax liabilities if there is legal reason to set off current tax assets against current tax liabilities and also when the deferred income taxes belong to the same department of taxation.

Deferred tax assets and liabilities

The movement of deferred tax assets and liabilities is as follows:

Deferred tax assets and liabilities balances

	<i>Deferred tax assets</i>		<i>Deferred tax liabilities</i>	
	<b>2011</b> EGP(000)	2010 EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)
Fixed assets	—	—	<b>(6,221)</b>	(7,180)
Provisions (other than loans provision)	<b>46,812</b>	30,627	—	—
other items (Investment revaluation differences)	—	2	—	—
Total tax assets (liabilities)	<b>46,812</b>	30,629	<b>(6,221)</b>	(7,180)
Net tax assets (liabilities)	<b>40,591</b>	23,449		

**Notes on the Separate Financial Statements** (continued)**31 Deferred tax** (continued)

Deferred tax assets and liabilities movements

	<i>Deferred tax assets</i>		<i>Deferred tax liabilities</i>	
	<b>2011</b> EGP(000)	2010 EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)
Balance at the beginning of the year	<b>30,629</b>	25,531	<b>(7,180)</b>	(6,979)
Additions	<b>16,183</b>	5,098	<b>959</b>	(201)
Balance at the end of the year	<b>46,812</b>	30,629	<b>(6,221)</b>	(7,180)

**32 End of service compensation benefit**

	<b>2011</b> EGP(000)	2010 EGP(000)
Liability stated in separate balance sheet for:		
End of service benefits	184,470	149,641
Amounts recognized in separate income statement:		
End of service benefits	47,940	32,150

The principal actuarial assumptions used are as follows:  
- Rates of death/disability of the British table A49-52ULT  
- Rate of salary increase  $S_x = S_{20} * (1.05)^{(X-20)}$

**33 Capital**

	<i>Number of shares</i>	<i>Ordinary shares</i> EGP(000)	<i>Total</i> EGP(000)	<i>Issuance premium included in other reserve issuance premium</i> EGP(000)
Balance at beginning of the year	17,958,334	1,508,500	1,508,500	6,728
Additions	6,785,715	570,000	570,000	—
Balance at end of the year	24,744,049	2,078,500	2,078,500	6,728

**a Authorised capital**

The authorized capital amounted to EGP 750 000 000.

According to the Extraordinary General Assembly decision on 12 March 2006 the authorized capital has been increased to EGP 1 750 000 000.

According to the Extraordinary General Assembly decision on 30 November 2010 the authorized capital has been increased to EGP 5 000 000 000.

**b Issued and paid up capital**

— The issued and paid up capital amounted to EGP 500 000 004 represented in 5952381 fully paid shares at par value of EGP 84 each. The foreign shareholders own 94.53% of the capital which was paid in US Dollars at the prevailing rates on the subscription dates.

## Notes on the Separate Financial Statements (continued)

### 33 Capital (continued)

- According to the Extraordinary General Assembly decision on 12 March 2006 the issued capital has been increased by EGP 572 500 068 by issuing 6 815 477 shares. The foreign shareholders own 94.53% of the capital which was paid in US Dollars at the prevailing rates on the subscription dates. Accordingly the issued and paid up capital is EGP 1 072 500 072 distributed in 12767858 fully paid shares at par value of EGP 84 each.
- According to the Board of Directors decision on 30 October 2007 the issued capital has been increased by EGP 435 999 984 by issuing 5190476 shares. The increase was fully paid of which foreign shareholders own 94.53% that was paid in US Dollars at the prevailing rates on the subscription dates and the increase is marked in the commercial register.
- According to the Extraordinary General Assembly decision on 30 November 2010, the bank agreed to increase the issued capital to be EGP 2 078 500 116 by an increase of EGP 570 000 060 by issuing 6785715 shares.
- Accordingly the issued and fully paid up capital is EGP 2 078 500 116 represented in 24744049 fully paid shares at par value of EGP 84 each.

### 34 Reserves and retained earnings

	2011 EGP(000)	2010 EGP(000)
Reserves		
General reserve	<b>904,124</b>	750,336
Legal reserve	<b>301,700</b>	264,770
Special Reserve	<b>63,466</b>	63,466
General banking risk reserve	<b>94</b>	38,342
Other reserves- issuance premium	<b>6,728</b>	6,728
Fair value reserve-investments available for sale	<b>(299,439)</b>	18,827
Total reserves at the end of the year	<b>976,673</b>	1,142,469

Reserves movements during the year are as follows:

#### a General reserve

	2011 EGP(000)	2010 EGP(000)
Balance at the beginning of the year /year	<b>750,336</b>	573,915
Transferred from prior year profits	<b>153,788</b>	176,421
Balance at the end of the year	<b>904,124</b>	750,336

#### b Legal reserve

	2011 EGP(000)	2010 EGP(000)
Balance at the beginning of the year/ year	<b>264,770</b>	205,947
Transferred from prior year profits	<b>36,930</b>	58,823
Balance at the end of the year	<b>301,700</b>	264,770

In accordance with local laws 5% of the net profit shall be transferred to un-distributable reserve until it reaches to 20% of the capital.

**Notes on the Separate Financial Statements** (continued)**34 Reserves and retained earnings** (continued)**c** *General banking risk reserve*

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Balance at the beginning of the year (restated)	<b>38,342</b>	1,763
Transferred to general banking reserve	<b>47</b>	36,579
Transferred to retained earning	<b>(38,295)</b>	—
Balance at the end of the year	94	38,342

In accordance with the Central Bank of Egypt instructions general banking risk reserve is formed to meet unexpected risks; and this reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt.

**d** *Reserve for excess than par value - issuance premium*

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Balance at the beginning of the year	6,728	6,728
Balance at the end of the year	6,728	6,728

This reserve represents the difference between the value of shares acquired by the shareholders and employees during capital increase in years 1998 and 1999 (price per share was EGP168) and its par value (price per share EGP84) in addition to the gain resulted from sale of treasury shares in year 2000 after deducting the capital increase occurred in year 2002.

**e** *Fair value reserve available for sale investments*

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Balance at the beginning of the year	<b>18,827</b>	(55,560)
Net change in investments available for sale	<b>(318,266)</b>	74,387
Balance at the end of the year	<b>(299,439)</b>	18,827

This reserve represents the change in available for sale investments fair value.

**f** *Special reserve*

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Balance at the beginning of the year (adjusted)	<b>63,466</b>	63,466
Balance at the end of the year	<b>63,466</b>	63,466

In accordance with the Central Bank of Egypt instructions special reserve is formed to meet unexpected risks; and this reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt.



## Notes on the Separate Financial Statements (continued)

### 34 Reserves and retained earnings (continued)

#### g Retained earning

	2011 EGP(000)	2010 EGP(000)
Movement on retained earnings		
Balance at the beginning of the year (adjusted)	953,587	1,176,459
Net profit for year	1,119,959	990,166
Dividends for year	(762,870)	(941,215)
Transferred to legal reserve	(36,930)	(58,823)
Transferred to general banking risk reserve	38,247	(36,579)
Transferred to general reserve	(153,787)	(176,421)
Balance at the end of the year	1,158,206	953,587

### 35 Dividends

Payment of dividends is not registered unless being approved by the General Assembly. The B.O.D proposes to the General Assembly – supposed to be held on 1 March 2012 – payment of EGP 49.89 per share as cash dividends for year 2011 with a total amount of EGP895,941,283 (Year 2010 actual payment amounted to EGP 37.17 per share with a total amount of EGP667,511,275).

In addition to cash dividends, the B.O.D. proposes payment of EGP 148,355,000 as staff profit sharing as per the bank's statute. (Year 2010 staff profit sharing amounted to EGP95,358,743).

### 36 Cash and cash equivalents

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balance of maturity dates within less than three months from the date of acquisition:

	2011 EGP(000)	2010 EGP(000)
Movement on retained earnings		
Cash and due from		
Central Bank of Egypt (note 15)	415,053	459,859
Due from banks (note 16)	6,727,904	9,795,570
Treasury bills (note 17)	648,865	143,785
	7,791,822	10,399,214

### 37 Commitment and contingent liabilities

#### a Legal claims

There are lawsuits filed against the Bank as at 31 December 2011 and formed provision during the year amount of EGP 803 thousand for lawsuits.

#### b Capital Commitment

The Bank's total capital commitments related to building and completing new branches amounted to EGP19,001 thousand which has not been finished as at 31 December 2011. The Bank paid EGP11,118 thousand as at 31 December 2011. The management is confident that net profit will be recognized, will be used to pay these commitments.

**Notes on the Separate Financial Statements** (continued)**37 Commitment and contingent liabilities** (continued)**c Commitments for loans, guarantees and facilities**

Bank Commitments for loans guarantees and facilities are represented as follows :

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Acceptances	<b>209,417</b>	275,224
Letters of guarantee (*)	<b>6,693,645</b>	6,023,801
Letters of credit (import and export)	<b>1,709,786</b>	981,202
Other contingent liabilities	<b>123 163</b>	48,765
Commitments for loans	<b>2,627,828</b>	4,184,453
Cash margin	<b>(557,222)</b>	(455,607)
<b>Total</b>	<b>10,806,617</b>	11,057,838

(\*) The letters of guarantee outstanding balance as at 31 December 2011 includes an amount of EGP2,179,554 thousand which represents the value of issued letter of guarantee backed by counter guarantees from other HSBC Group members against EGP2,030,233 thousands as at 31 December 2010.

**d Commitments for operating lease contracts**

The total minimum lease payments for irrevocable operating leases are as follows:

	<b>2011</b>	2010
	EGP(000)	EGP(000)
Less than one year	<b>16,110</b>	8,422
More than one year and less than five years	<b>4,349</b>	5,635
More than five years	<b>3,692</b>	1,760
	<b>24,151</b>	15,817

## Notes on the Separate Financial Statements (continued)

### 38 Related party transactions

The Bank is a subsidiary of parent HSBC Holdings plc which owns 94.53% of ordinary shares. The remaining percentage (5.47%) is owned by other shareholders.

Number of banking transactions with related parties has been conducted in the normal course of the business including loans deposits and foreign currency swaps. There is no related party transaction with the parent company other than the payment of dividends on ordinary shares.

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

#### a Loans and advances to related parties

	<i>Top management members</i>		<i>Top management Subsidiaries</i>	
	<b>2011</b> EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)	2010 EGP(000)
Loans and advances to customers				
Existing loans at the beginning of the year	<b>16</b>	1,600	<b>43</b>	—
Loans issued during the year	<b>51</b>	—	<b>14</b>	1,600
Loans redeemed during the year	—	(1,600)	<b>(41)</b>	—
Existing loans at the end of the year	<b>67</b>	—	<b>16</b>	1,600
Interest on loans	—	725	—	604

— No provisions required for loan given to related parties.

— Loans granted to the Top management members represent credit cards amounted to EGP 67 thousands

#### b Deposits from related parties

	<i>Top management member</i>		<i>Subsidiaries</i>	
	<b>2011</b> EGP(000)	2010 EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)
<b>Due to customers</b>				
Deposits at the beginning of the financial year	<b>15,287</b>	16,102	<b>41,603</b>	59,490
Deposits received during the financial year	<b>12,247</b>	14,551	<b>1,835</b>	624
Deposits redeemed during the financial year	<b>(4,501)</b>	(15,366)	<b>(3,233)</b>	(18,511)
Deposits at the end of the financial year	<b>23,033</b>	15,287	<b>40,205</b>	41,603
The cost of deposits and similar costs	<b>732</b>	229	<b>1,107</b>	1,034

The preceding deposits are of no guarantee they carry fixed interest rate and recoverable on call

## Notes on the Separate Financial Statements (continued)

### 38 Related party transactions (continued)

#### C Other related party transactions

	<i>Top management member</i>		<i>Subsidiaries</i>	
	<b>2011</b> EGP(000)	2010 EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)
Fees and commission income	—	—	1,788	1,676

The cost of services by HSBC Group as at 31 December 2011 amounted to EGP181,596 thousand against (EGP112,393 thousand as at 31 December 2010).

	<i>HSBC group and top management Members</i>		<i>Subsidiaries</i>	
	<b>2011</b> EGP(000)	2010 EGP(000)	<b>2011</b> EGP(000)	2010 EGP(000)
Due from banks	<b>28,230</b>	50,001	—	—
Investments held to maturity	<b>49,675</b>	55,000	—	—
Due to banks	<b>515,298</b>	462,508	—	—
Investments in subsidiaries	—	—	<b>35,517</b>	35,517

On 17 September 2007 HSBC Middle East agreed with HSBC Egypt and HSBC Bahrain dated on 2 November 2007 and HSBC Hong Kong on 21 September to sell to HSBC Egypt part of loans portfolio. HSBC Egypt purchased these loans based on nominal value with no recourse according to the above mentioned agreement interest will be split among parties based on the percentage of loans bought by HSBC Egypt to total loan portfolio granted by HSBC Middle East. These loans are subject to loans classification and provisioning rules as set out by Central Bank of Egypt, the balance as at 31 December 2011 amounted to USD122,804 thousand equivalent to EGP740,619 thousand and has been added to customers loans.

#### d Board of directors and top management benefits

	<b>2011</b> EGP(000)	2010 EGP(000)
Salaries and short-term benefits	<b>12,130</b>	6,481
End of service benefits	<b>8,824</b>	1,949
Shares granted under the privileges of employees and in accordance with the regulations of the head office of (HSBC) Group United Kingdom	<b>5,722</b>	5,020

The total top 20 employees allowances, salaries, compensation and incentive shares amounted to EGP 51,515,159.

## Notes on the Separate Financial Statements (continued)

### 39 Mutual funds

#### HSBC first Mutual fund (Kol youm)

The mutual fund is an activity authorized for the bank by virtue of Capital Market Law No.95/1992 and its Executive Regulations. The fund is managed by Hermes for Managing Mutual Funds .The certificates of the fund reached 1,000,000 certificates with an amount of EGP100,000,000 of which 50,000 certificate (with nominal value of EGP5,000,000) were allocated to the bank to undertake the funds' activity.

The Bank holds as at 31 December 2011 a number of 467,648 certificates amounted to EGP49,674,621 with a redeemable value amounted to EGP 57,539,045 against 477,824 certificates amounted to EGP49,999,557 with redeemable value amounted to EGP54,141,511 as at 31 December 2010.

The redeemable value of the certificate amounted to EGP123.04 against EGP113.31 as at 31 December 2010. The outstanding certificates at that date reached 21,292,884 certificates against 19,377,718 certificates as at 31 December 2010.

According to the fund's management contract and its prospectus HSBC Egypt shall obtain fee and commission for supervision on the fund and other managerial services rendered by the bank. Total commission amounted to EGP10,038 thousand for the year ended 31 December 2011 against EGP 7 881 thousand for the year ended 31 December 2010 under the item of fees and commission income caption in the separate income statement.

#### HSBC Second Mutual fund (Astkrar)

The mutual fund is an activity authorized for the bank by virtue of Capital Market Law No.95/1992 and its Executive Regulations. The fund is managed by Hermes for Managing Mutual Funds .The certificates of the fund reached 1,000,000 certificates with an amount of EGP100,000,000 of which 50,000 certificate (with nominal value of EGP5,000,000) were allocated to the bank to undertake the funds' activity.

The fund credit has ended during the 1st quarter of 2011 and the contribution amount has been redeemed were the certificates owned by the bank has reached 50,000 certificates with an amount of 5000,000 as of 31 December 2010.

According to the fund's management contract and its prospectus HSBC Egypt shall obtain fee and commission for supervision on the fund and other managerial services rendered by the bank. Total commission amounted to EGP47 thousand for the year ended 31 December 2011 against EGP2,159 thousand for the year ended 31 December 2010 under the item of fees and commission income caption in the separate income statement.

### 40 Important events

Some events took place during the first quarter of year 2011 that had a significant impact on all economic sectors in Egypt and led to a notable decline in most of the economic activities.

The effect of these events depends greatly on the time period and expected extent to which these events should come to end, in addition to the projected impact.

The bank has performed a reassessment of all credit risks attached to its loans portfolio using stress testing approach to identify the impact of the political and economic unrests and develop a plan to mitigate these risks. This resulted in increasing impairment loss provision for loans segments over the normal bases by EGP150.7 million as of 31 December 2011.

Accordingly, the total impairment loss provision for loans and advances reached EGP583,781 thousands as of 31 December 2011 compared to EGP463,460 thousands as at 31 December 2010, divided into EGP249,076 thousands as of 31 December 2011 against EGP356,473 thousands as at 31 December 2010 representing individual impairment provisions, in addition to remaining EGP334,705 thousands as of 31 December 2011 compared to EGP106,987 thousands as of 31 December 2010 representing collective impairment provision.

## HSBC Bank Egypt Head Office and Branches

### *Head Office & Corniche El Maadi Branch*

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Tel: (202) 2529 8750

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BIC EBBK EG CX

### *Cairo Branch*

3 Aboul Feda Street, Zamalek, Cairo, Egypt.

Tel: (202) 2739 6001

Fax: (202) 2736 4010

### *Gezira Sporting Club Branch*

Gezira Sporting Club, Sarayah El Gezira Street, Zamalek, Cairo, Egypt.

Tel: (202) 2736 0863

Fax: (202) 2736 0879

### *Mohandessin Branch*

8 Geziret El Arab Street, Mohandessin, Giza, Egypt.

Tel: (202) 3337 0756

Fax: (202) 3337 0813

### *Lebanon Branch*

25 Lebanon Street, Mohandessin, Giza, Egypt.

Tel: (202) 3346 7090

Fax: (202) 3346 7092

### *Gameat El Doual Branch*

54 Gameat El Doual Street, Mohandessin, Giza, Egypt.

Tel: (202) 3748 6879

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### *Shooting Club Branch*

40 Kambiz Street, Giza, Egypt.

Tel: (202) 3760 7936

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### *Sphinx Branch*

1 Ahmed Orabi Street, Mohandessin, Giza, Egypt.

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### *Dokki Branch*

80 Mosadak Street, Dokki, Giza, Egypt.

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### *Vinni Branch*

8 El Sad El Aaly Street, Dokki, Giza, Egypt.

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Fax: (202) 3749 6329

### *Messaha Branch*

10A Hussein Wassef Street, Messaha, Dokki, Giza, Egypt.

Tel: (202) 3748 6512

Fax: (202) 3748 6574

### *Giza Residence Branch*

44/46 Giza Street, Giza, Egypt.

Tel: (202) 3748 6092

Fax: (202) 3748 6072

### *Agouza Branch*

128 Nile Street, Agouza, Giza, Egypt.

Tel: (202) 3761 8126

Fax: (202) 3761 8154

### *Down Town Branch*

13 Kasr El Nil Street, Down Town, Cairo, Egypt.

Tel: (202) 2578 8819

Fax: (202) 2578 8455

### *Kasr El Nil Branch*

41 Kasr El Nil Street, Mostafa Kamel Square, Down Town, Cairo, Egypt.

Tel: (202) 2393 0571

Fax: (202) 2393 0872

### *Kasr El Aini Branch*

93 El Kasr El Eini Street Cairo, Egypt.

Tel: (202) 2792 6447

Fax: (202) 2792 4938

### *Nile City Branch*

Nile City Tower, Corniche El Nil, Ramlet Beaulac Cairo, Egypt.

Tel: (202) 2461 9701

Fax: (202) 2461 9703

### *Shoubra Branch*

71 Shoubra Street, Shoubra, Cairo, Egypt.

Tel: (202) 2431 5271

Fax: (202) 2431 6026

### *Azhar Branch*

160 Gohar El Kaed Street, Darrasah, Cairo, Egypt.

Tel: (202) 2589 0724

Fax: (202) 2589 0857

### *Manial Branch*

67 Abdel Aziz Al Seoud Street, Manial, Cairo, Egypt.

Tel: (202) 2361 1151

Fax: (202) 2361 1158

### *Haram Branch*

179 Haram Street, Haram, Giza, Egypt.

Tel: (202) 3981 6875

Fax: (202) 3743 1514

### *Sixth of October City Branch*

Block No 43A, Industrial Area, Sixth of October City, Egypt.

Tel: (202) 3832 7938

Fax: (202) 3834 6900

### *Raya Branch*

Raya Building, Sixth of October City, Egypt.

Tel: (202) 3835 3968

Fax: (202) 3835 3969

### *Hyper One Branch*

Hyper One Market, El Shiekh Zayed City, Egypt.

Tel: (202) 3850 7990

Fax: (202) 3850 799

### *Dandy Mall Branch*

28th Km, Cairo/Alexandria Desert Road, Dandy Mall Egypt.

Tel: (202) 3539 0174

Fax: (202) 3539 0173

### *Smart Village Branch*

Building 122B, Smart Village

28th Km Cairo/ Alexandria Desert Road, Egypt.

Tel: (202) 3537 0602

**HSBC Bank Egypt Head Office and Branches** (continued)

Fax: (202) 3537 0606

*Heliopolis Branch*

1 Roxy Square, Heliopolis, Cairo, Egypt.

Tel: (202) 2451 1480

Fax: (202) 2258 3152

*El Obbour Buildings Branch*

13 El Obbour Buildings, Salah Salem Street, Cairo, Egypt.

Tel: (202) 2403 1379

Fax: (202) 2403 1408

*El Orouba Branch*

90 Beirut Street, Heliopolis, Cairo, Egypt.

Tel: (202) 2415 3371

Fax: (202) 2415 3378

*Hegaz Branch*

70 El Hegaz Street, Heliopolis, Cairo, Egypt.

Tel: (202) 2241 7372

Fax: (202) 2241 7232

*Safir Branch*

1 El Sheikh Hassouna El Nawawi Street, Heliopolis, Cairo, Egypt.

Tel: (202) 2418 9938

Fax: (202) 2418 9943

*El Shams Club Branch*

15 Abdel Hamid Badawy Street, Heliopolis, Cairo, Egypt.

Tel: (202) 2622 0828

Fax: (202) 2620 4982

*Masaken Sheraton Branch*

3 Khaled Ibn El Walid Street, Masaken Sheraton, Heliopolis, Cairo, Egypt.

Tel: (202) 2266 6426

Fax: (202) 2266 6430

*Korba Branch*

4 Ibrahim Street, El Korba Square, Heliopolis, Cairo, Egypt.

Tel: (202) 2291 1609

Fax: (202) 2291 1618

*Baghdad Premier Centre*

10 Baghdad Street, El Korba, Cairo, Egypt.

Tel: (202) 2418 9948

Fax: (202) 2418 9953

*El Thawra Branch*

109 El Thawra Street, Ard El Golf, Nasr City, Cairo, Egypt.

Tel: (202) 2414 2157

Fax: (202) 2417 4428

*City Stars Branch*

Tower A2 City Stars, Omar Ibn El Khattab Street, Heliopolis, Cairo, Egypt.

Tel: (202) 2480 2356

Fax: (202) 2480 2358

*City Lights Branch*

1 Makram Ebeid, City Lights Building, Nasr City, Cairo, Egypt.

Tel: (202) 2671 8883

*Nasr City Branch*

29 El Batrawy Street, Nasr City, Cairo, Egypt.

Tel: (202) 2401 7147

*Abou Dawoud El Zahiry Branch*

62 Abou Dawoud El Zahiry Street, Nasr City, Cairo, Egypt.

Tel: (202) 2672 0522

Fax: (202) 2672 0526

*Zomor Branch*

64 Ahmed El Zomor Street, Ext. Zaker Hussein, Nasr City, Cairo, Egypt.

Tel: (202) 22713063

Fax: (202) 2401 3562

*Abbaseya Branch*

95 El Abbaseya Street, Abbaseya, Waily Station, Cairo, Egypt.

Tel: (202) 2684 4859

Fax: (202) 2684 4838

*Maadi Branch*

1B Road 256, Maadi, Cairo, Egypt.

Tel: (202) 2519 5459

Fax: (202) 2519 5458

*Maadi Club Branch*

Maadi Club, Maadi, Egypt.

Tel: (202) 2380 4729

Fax: (202) 2380 4775

*New Maadi Branch*

10/2 El Nasr Road, New Maadi, Cairo, Egypt.

Tel: (202) 2754 4816

Fax: (202) 2754 5521

*Katameya Heights Branch*

Katameya Heights, Fifth District, New Cairo, Egypt.

Tel: (202) 2984 0998

Fax: (202) 2759 3887

*El Tagamoo Branch*

106 Town Centre Mall, Tagamoo 5, Cairo, Egypt.

Tel: (202) 2920 1716

Fax: (202) 2920 0123

*El Sherouk Branch*

El Sherouk Academy, Suez/Ismailia Road, El Sherouk City, Cairo, Egypt.

Tel: (202) 2688 0210

Fax: (202) 2688 0220

*Obbour City Branch*

3 City Club Fence, Obbour City, Egypt.

Tel: (202) 4610 4196

Fax: (202) 4610 4362

*Tenth of Ramadan Branch*

Gawhara Village, Gawhara Mall, Behind El Rowad Club, 10th Ramadan City, Egypt.

Tel : (2015) 386 317

Fax : (2015) 386 310

*Sokhna Branch*

1st Industrial Park, El Ein El Sokhna, Suez, Egypt.

Tel: (062) 339 2035

Fax: (062) 339 2038

**HSBC Bank Egypt Head Office and Branches** (continued)*Alexandria Branch*

47 Sultan Hussein Street, Azarita, Alexandria, Egypt.

Tel: (203) 487 2949

Fax: (203) 487 2925

*Semouha Branch*Azhar El Saraya Buildings, Semouha,  
Alexandria, Egypt.

Tel: (203) 421 0002

Fax: (203) 421 0008

*Saraya Branch*

Borg El Delta, Corniche El Saraya, Sidi Beshr, Alexandria, Egypt.

Tel: (203) 358 2202

Fax: (203) 358 2339

*Sidi Gaber Branch*Panorama El Sharq Tower, 103 Sidi Gaber Street,  
Sidi Gaber, Alexandria, Egypt.

Tel: (203) 523 2057

Fax: (203) 523 3915

*Yacht Club Branch*

Kalaet Kaytbay Street, El Anfoushy, Alexandria, Egypt.

Tel: (203) 483 0506

Fax: (203) 483 0537

*Mirage Mall Branch*International Garden, Alexandria / Cairo Desert Road  
entrance, Alexandria, Egypt.

Tel: (203) 381 5232

Fax: (203) 380 2575

*Glym Branch*

556 Horreya Road, Glym, Alexandria, Egypt.

Tel: (203) 583 6711

Fax: (203) 584 5562

*Kafr Abdou Branch*38 Int of Ahmed Abdel Aziz St. with Abdel Kader Ragab  
Kafr Abdou-Roushdy- Alexandria, Egypt.

Tel: (203) 541 4138

Fax: (203) 541 4139

*Borg El Arab Branch*Services Area, Fifth District, facing Police Station,  
Borg El Arab, Alexandria, Egypt.

Tel: (203) 459 5470

Fax: (203) 459 5473

*Hacienda Branch*

(operates during summer only)

Hacienda White Mall, Alexandria Marsa Matrouh Road,  
138th Km, Sidi Abdel Rahman, Northern Coast.

Alexandria, Egypt.

Tel: (2046) 922 4319

Fax: (2046) 922 4323

*Mansoura Branch*

182 Geish Street, El Mansoura, Dakkahleya, Egypt.

Tel: (2050) 230 8124

Fax: (2050) 230 8122

*Tanta Branch*

32 Saeed Street, Tanta, Egypt.

Tel: (2040) 3291394

Fax: (2040) 3291 396

*Port Said Branch*

27 El Gomhoureya Street, Port Said, Egypt.

Tel: (2066) 324 4698

Fax: (2066) 324 4694

*Damietta Branch*

Damietta Port, Damietta, Egypt.

Tel: (2057) 292 114

Fax (2057) 292 113

*Sharm El Sheikh Branch*Shamandoura Mall, Ne'ema Bay, Sharm El Sheikh,  
Egypt.

Tel: (2069) 360 0615

Fax: (2069) 360 0613

*Sharm Azur Branch*Villa Chris Village, Peace Road, Sharm El Sheikh,  
Egypt.

Tel: (2069) 360 3790

Fax: (2069) 360 3793

*Nabq Branch*Oriental Resort Main Gate, Nabq Bay,  
Sharm El Sheikh, Egypt.

Tel: (2069) 371 0072

Fax: (2069) 371 0390

*Nabq Travco*

Mirabel Resort, Jaz, Nabq Bay, Sharm El Sheikh, Egypt.

Tel: (2069) 371 0072

Fax: (2069) 371 0390

*Ritz Carlton Branch*Carlton Mall, Hadabet Om El Seed, Sharm El Sheikh,  
Egypt.

Tel: (2069) 366 6009

Fax: (2069) 366 6012

*Hilton Dreams Branch*

Hilton Dreams Hotel, Sharm El Sheikh, Egypt.

Tel: (2069) 360 3040 Ext (306)

*Hurghada Branch*Kotta's West Side Mall, Villages Road, Hurghada,  
Egypt.

Tel: (2065) 3440 741

Fax: (2065) 3440 742

*Sheraton Road Branch*

Sheraton Road, Hurghada, Egypt.

Tel: (2065) 345 0106

Fax: (2065) 345 0110

*Marmara Branch*

Village Road, Club Marmara, Hurghada, Red Sea, Egypt.

Tel: (2065) 346 5231

Fax: (2065) 346 5232

*Hurghada Marina Branch*

Sakkala Square, New Marina, Hurghada, Egypt.

Tel: (2065) 345 0113

Fax: (2065) 345 0115

*Banking District Branch*3 Banking district, El Kawthar district,  
Hurghada, Egypt.



## HSBC Bank Egypt Head Office and Branches (continued)

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Tel: (2065) 345 3062

Fax: (2065) 345 3065

### *El Gouna Branch*

Abu Tig Marina, El Gouna, Hurghada, Egypt.

Tel: (2065) 3580 571

Fax: (2065) 358 0570

### *Makadi Branch*

Makaddi Bay Km32, Safaga Road, Hurghada, Egypt.

Tel: (2065) 359 0550

Fax: (2065) 359 0551

### *Ras Shokeir Branch*

(operates from 11 till 30 of each month)

112 Km Hurghada Road, Ras Shokeir, Egypt.

Tel: (2065) 3463 401

Fax: (2065) 3463 404

### *Touristic Road Branch:*

Touristic Road, in front of Duty free shop.

Tel: (2065) 346 3400

Fax: (2065) 346 3404

### *Marsa Alam Branch*

65 Kilo South El Qusier, Marsa Alam, Egypt.

Tel: (2065) 375 0181

Fax: (2065) 375 0186

### *Luxor Branch*

Khaled Ibn El Walid Street, Iberotel Hotel, Luxor,

Quenna, Egypt.

Tel: (2095) 235 7853

Fax: (2095) 235 7786

### *Assiut Branch*

Assiut University, Assiut, Egypt.

Tel: (2088) 2373 681

Fax: (2088) 2373 686

### *Soho SOH*

Soho Square, Savoy Hotel main gate, White Knight

Coast

Tel: (2069) 3600 881

### *Mokattam MOK*

3 El Nafoura Square, Mokattam

Tel: (202) 2667 9890

Fax (202) 2667 9894

## The HSBC Group: International Network (as at 27 February 2012)

Services are provided by around 7,200 offices in 85 countries and territories:

<b>Europe</b>	<i>Offices</i>		<i>Offices</i>
Armenia	7	Luxembourg	6
Austria	1	Malta	43
Belgium	2	Monaco	3
Channel Islands	31	Netherlands	1
Czech Republic	2	Poland	8
France	409	Russia	3
Germany	14	Slovakia	2
Greece	21	Spain	4
Ireland	7	Sweden	2
Isle of Man	3	Switzerland	17
Italy	2	Turkey	333
Kazakhstan	10	United Kingdom	1,276
<b>Asia-Pacific</b>			
Australia	35	Macau Special Administrative Region	7
Bangladesh	13	Malaysia	65
Brunei Darussalam	11	Maldives	1
China	185	New Zealand	11
Cook Islands	1	Pakistan	11
Hong Kong Special Administrative Region	261	Philippines	21
India	113	Singapore	22
Indonesia	144	Sri Lanka	17
Japan	10	Taiwan	52
Korea, Republic of	14	Thailand	2
		Vietnam	20
<b>Americas</b>			
Argentina	186	Guatemala	1
Bahamas	4	Honduras	75
Bermuda	11	Mexico	1,071
Brazil	1,344	Nicaragua	1
British Virgin Islands	2	Panama	69
Canada	241	Paraguay	7
Cayman Islands	8	Peru	24
Chile	8	United States of America	481
Colombia	23	Uruguay	15
Costa Rica	33	Venezuela	1
El Salvador	84		
<b>Middle East and Africa</b>			
Algeria	2	Libya	1
Angola	1	Mauritius	12
Bahrain	6	Nigeria	1
Egypt	86	Oman	5
Iraq	11	Palestinian Autonomous Area	1
Israel	1	Qatar	3
Jordan	4	Saudi Arabia	83
Kenya	1	South Africa	5
Kuwait	1	United Arab Emirates	20
Lebanon	5		

*Associated companies are included in the network of offices.*

## The HSBC Group

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HSBC Bank Egypt S.A.E.'s ultimate parent company is HSBC Holdings plc. Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises around 7,200 offices in 85 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 132 countries and territories.

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