



**Banque Misr's Financial Summary for Fiscal Year 2007/2008**  
**Balance Sheet as at 30/6/2008**

Values in EGP millions

Item	June 2008	June 2007	% Growth
Cash and balances with banks	54806	47284	15.9
Financial investments	52110	41669	25.1
Loans to customers and banks	40612	43382	(6.4)
Debit balances and other assets	5925	4996	18.6
Fixed assets	404	397	1.8
<b>Total Assets</b>	<b>153857</b>	<b>137728</b>	<b>11.7</b>
Due to banks	19513	13230	47.5
Customer deposits	117569	107614	9.3
Supporting deposits	5679	5679	0
Credit balances and other provisions	5635	5853	(3.7)
Shareholders' equity	5305	5199	2
Net profit for the year	156	153	2
<b>Total Liabilities and Shareholders' Equity</b>	<b>153857</b>	<b>137728</b>	<b>11.7</b>

- 1- Net financial position increased to EGP 153.875 billion compared to EGP 137.728 billion, achieving a growth of 11.7%
- 2- Deposits increased to EGP 117.569 billion compared to EGP 107.614 billion, achieving a growth of 9.3%
- 3- Loan portfolio increased to EGP 60.7 billion compared to EGP 60.1 billion, achieving a growth of 9%
- 4- Investment portfolio increased to EGP 52.1 billion compared to EGP 41.7 billion, achieving a growth of 25.1%
- 5- Shareholder Equity before consolidation of reserves reached EGP 5.3 billion as of 30/06/2008 compared to EGP 5.2 billion as of 30/06/2007
- 6- Capital coverage rate as of 30/06/2008 registered 13.18%



## Net Operating Income Statement for Fiscal Year 2007/2008

Values in EGP millions

Item	June 2008	June 2007	% Growth
Net Operating revenues	6160	2632	134
Operating expenses	(2341)	(1934)	21
Non-operating profits	1	(1)	200
Profits before taxes and provisions	3820	697	448
Provisions	(3540)	(405)	774
Taxes	(124)	(139)	(11)
<b>Net profits for the year</b>	<b>156</b>	<b>153</b>	<b>2</b>

1- Net profit reached EGP 156 million as of 30/06/2008 compared to EGP 153 million as of 30/06/2007, achieving a growth rate of 2%

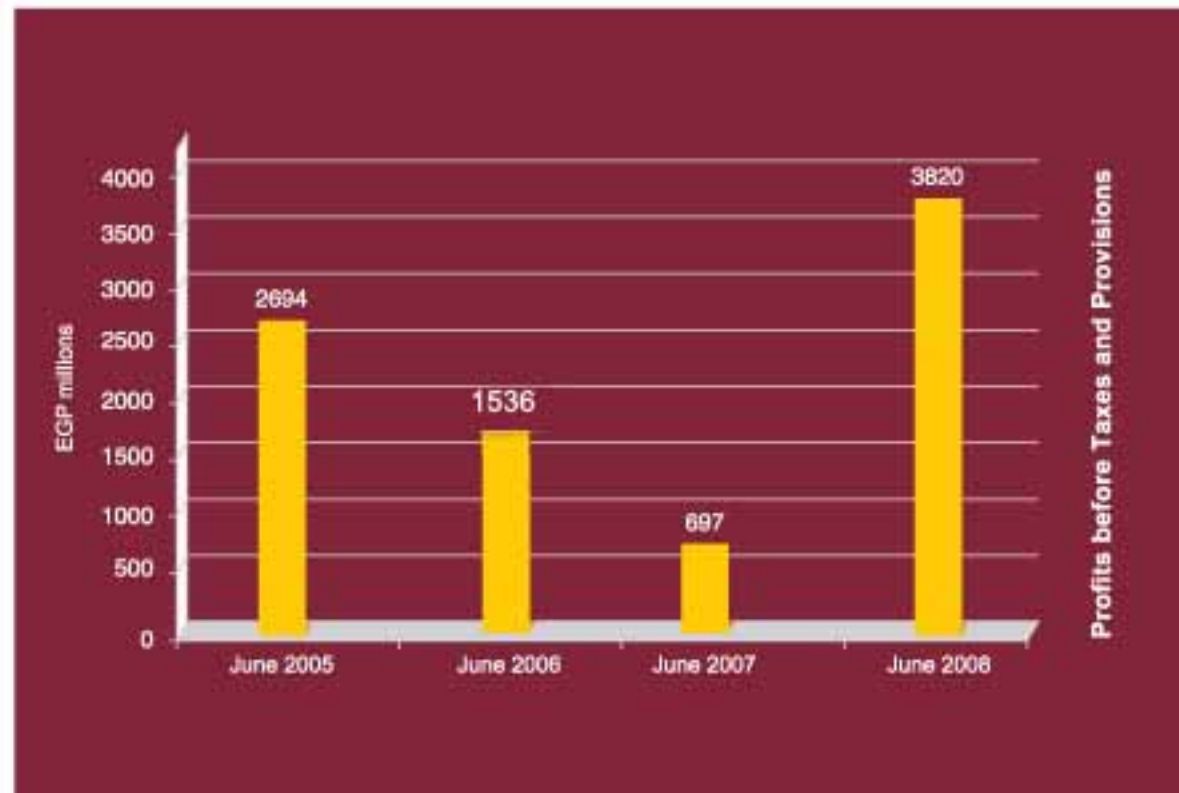
2- Operating revenues reached EGP 6160 million compared to the previous figure of EGP 2632 million, whereby figures reported as of 30/06/2008 included profits from the sale of financial investments worth EGP 4275 million compared to EGP 142 million in fiscal year 2006/2007

3- Profits before taxes and provisions reached EGP 3820 million as of 30/06/2008, compared to EGP 697 million in fiscal year 2006/2007, an increase of EGP 3123 million

Developments in Bank Operations from June 2005 to June 2008 - Profits Before Taxes and Provisions

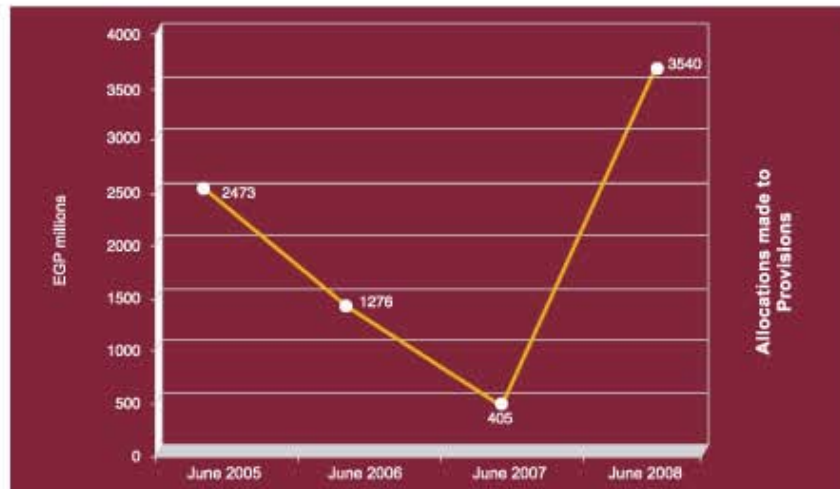
Values in EGP millions

Fiscal Year	Profits before Taxes and Provisions	Change in Profits before Taxes and Provisions	% Change
June 2005	2694		
June 2006	1536	(1158)	(43)
June 2007	697	(839)	(54.6)
June 2008	3820	3123	(448.1)



Values in EGP millions

Fiscal Year	Allocations made to Provisions	Change in Allocations made to Provisions
June 2005	2473	
June 2006	1276	(1197)
June 2007	405	(871)
June 2008	3540	3135

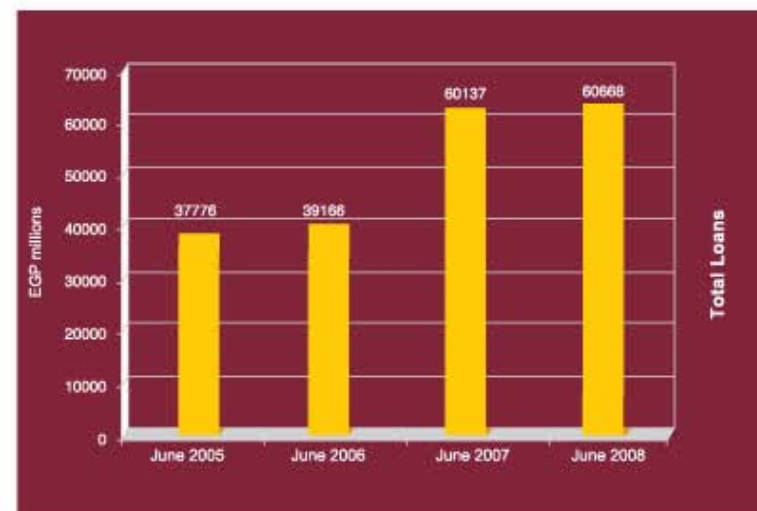


## Developments in Bank Operations from June 2005 to June 2008

### Total Loans

Values in EGP millions

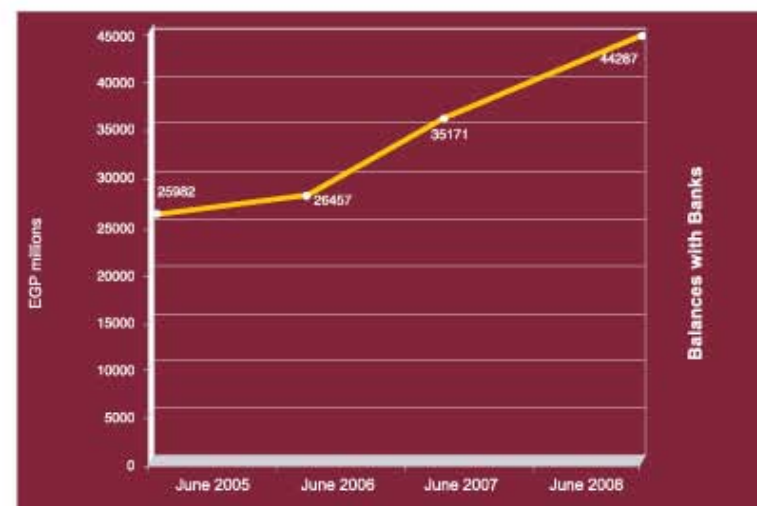
Fiscal Year	Total Loans	Change in Total Loans	% Change
June 2005	37776		
June 2006	39166	1390	3.7
June 2007	60137	20971	53.5
June 2008	60668	531	0.9



## Balances with Banks

Values in EGP millions

Fiscal Year	Balances with Banks	Change in Balances with Banks	% Change
June 2005	25982		
June 2006	26457	475	1.8
June 2007	35171	8714	32.9
June 2008	44287	9116	25.9

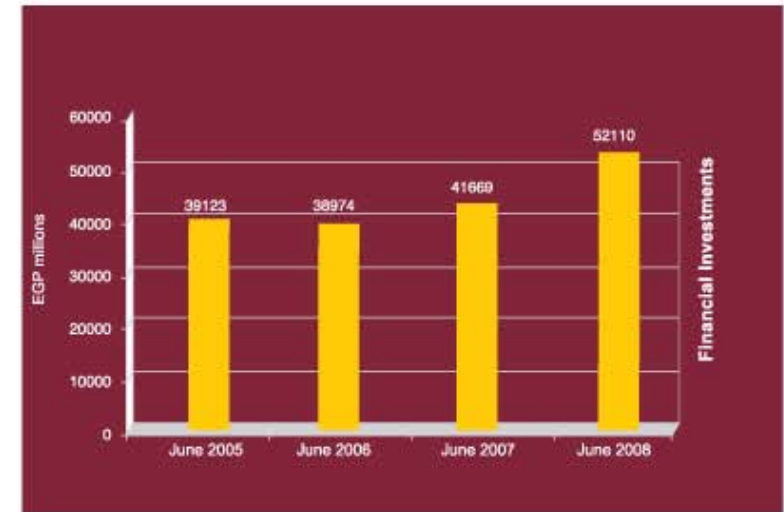


Developments in Bank Operations from June 2005 to June 2008

Financial Investments

Values in EGP millions

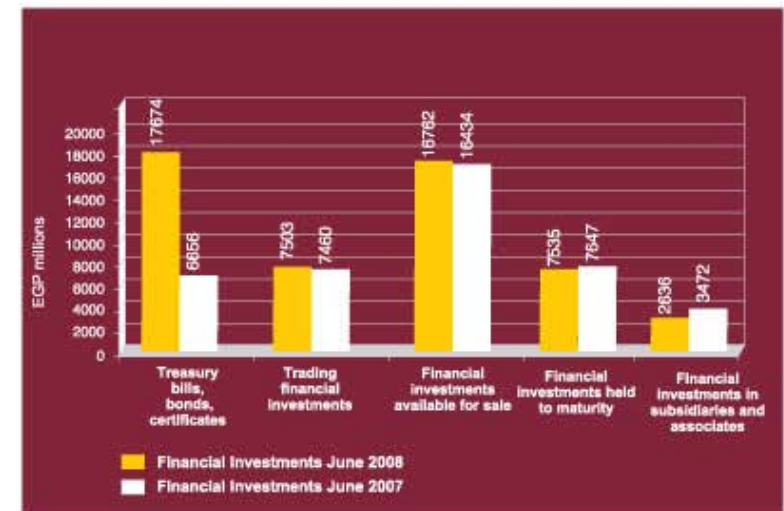
Fiscal Year	Financial Investments	Change	Growth Rate (%)
June 2005	39123		
June 2006	38974	(149)	(0.4)
June 2007	41669	2695	6.9
June 2008	52110	10441	25.1



Financial Investments Analysis

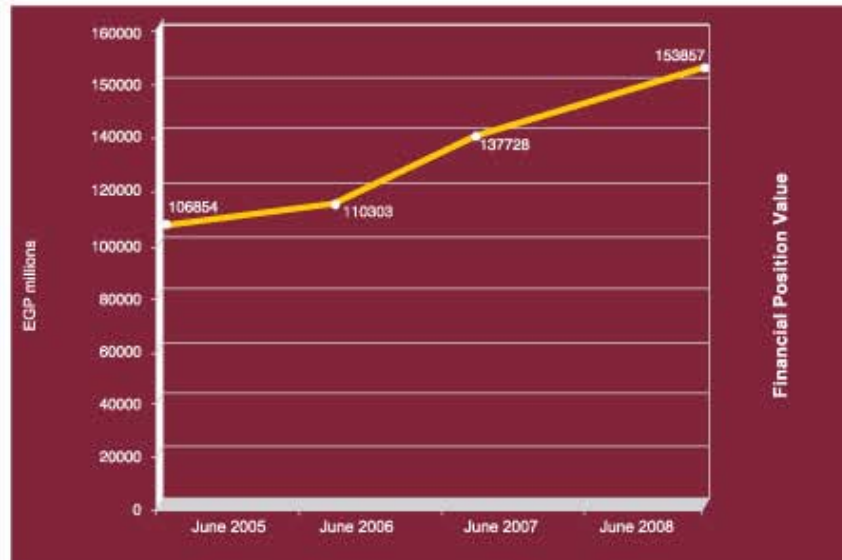
Values in EGP millions

Item	June 2008	June 2007
Treasury bills, bonds, certificates	17674	6656
Trading financial investments	7503	7460
Financial investments available for sale	16762	16434
Financial investments held to maturity	7535	7647
Financial investments in subsidiaries and associates	2626	3472
<b>Total</b>	<b>52110</b>	<b>41669</b>



Values in EGP millions

Year	Financial Position Value	Change in Value of Financial Position	% Change
June 2005	106854		
June 2006	110303	3449	3.2
June 2007	137728	27425	24.9
June 2008	153857	16129	11.7



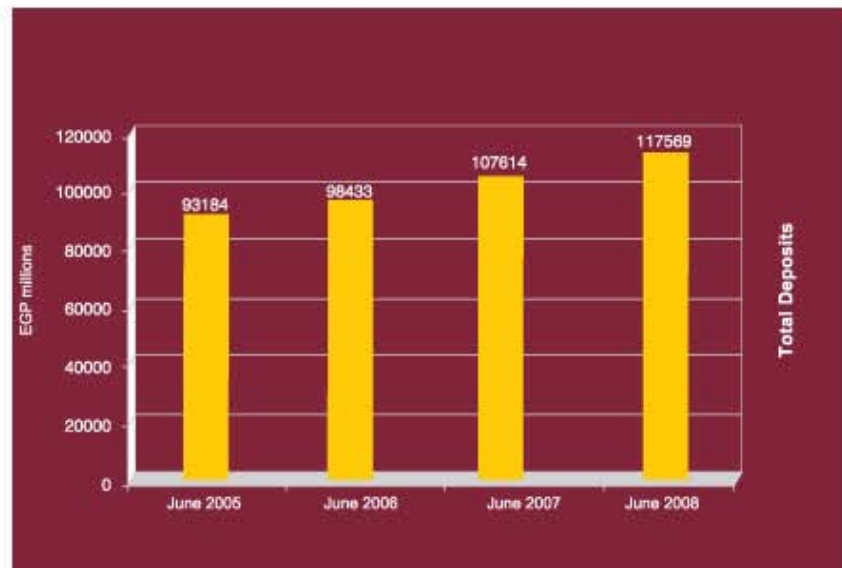


Developments in Bank Operations from June 2005 to June 2008

Deposits

Values in EGP millions

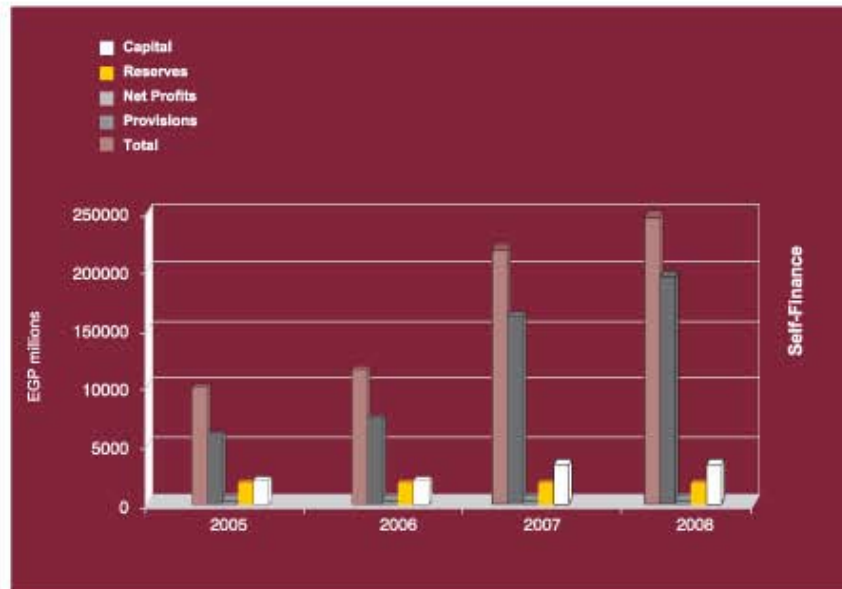
Year	Total Deposits	Change in Deposits	% Change
June 2005	93184		
June 2006	98433	5249	5.6
June 2007	107614	9181	9.3
June 2008	117569	9955	9.3

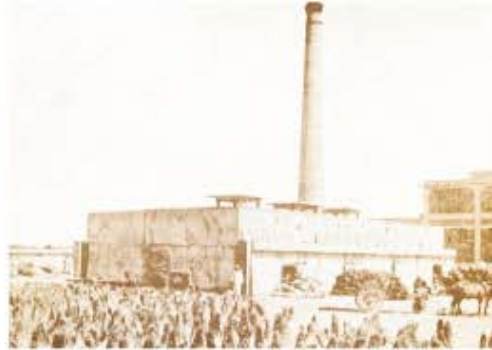
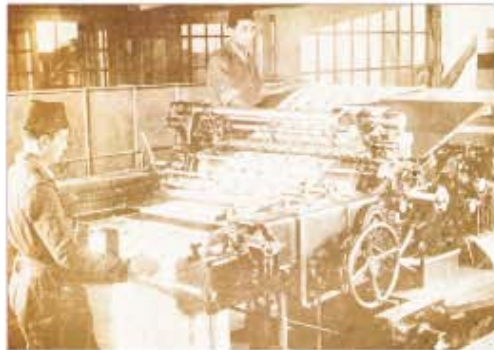




Values in EGP millions

	2008	2007	2006	2005
Capital	3400	3400	1800	1800
Reserves	1905	1799	1677	1578
Net Profits	156	153	145	140
Provisions	19321	15934	7276	6006
<b>Total</b>	<b>24782</b>	<b>21286</b>	<b>10898</b>	<b>9524</b>





## BANKS

African Export-Import Bank  
Bank BNP Paribas  
Misr Bank-Europe GmbH  
Banque Misr Lebanon S.A.L.  
Cairo International Bank ( Kampala )  
Egyptian Workers Bank  
Banque Du Caire  
Export Development Bank of Egypt  
SAMBA Financial Group  
Cairo Amman Bank

## FINANCIAL SERVICES

Misr Concord Co. for Limited Investment  
Arab Trade Finance Program  
Misr Limited Investment Company  
Misr Exchange Company  
Misr Co. for Clearing, Settlement and Depository  
El Rowad Fincorp Brokerage Company  
Misr Exterior Company for Financial Investments  
Egyptian Global Fund for Investments  
International Co. for Numerous Investments  
Misr Alexandria Financial Investments Fund Company  
International Co. for Financial Leasing (Incolease )  
Port Said Investment & Industrial Development Company  
Misr for Financial Investments  
Belton for Fund Management  
First Restructure Fund Banks Tourism Sector  
The EGYPT Trust  
VISA Inc.  
The Holding Co. Financial Investments  
Haikala Turnaround Fund  
Egyptian Credit Bureau - ESTAALAM  
International Centre for Management & Evaluation  
Egyptian Banks for Takaful Insurance Co. (Properties )  
Egyptian Banks for Takaful Insurance Co. (Life Insurance )  
SWIFT Organization

## CEMENT

Suez Cement Co.  
Egyptian Cement Portland Tora Co.

Quena Cement  
Misr Beni Swief Cement Company  
North Sinai Cement Co.  
Sinai Cement Co.

## STEEL

Alexandria National Co. for Iron & Steel  
El Ezz Co. for Flat Steel Industry  
Egyptian for Steel Products  
The International Co. for Steel Industry  
EVACO  
El Nasr Co. for Castings  
Egyptian International Co. for Aluminum Profiles  
10th of Ramadan Co. for Building Materials Investments

## ELECTRECITY

Midor Co. for Electricity ( Midallic )

## OIL & Gas

Middle East Co. for Tanks & Petroleum Pipelines  
Egyptian Co. for Oil Tankers

## PETROCHEMICALS

Clariant Egypt Co.  
Misr Canada Co. for Producing & Mixing Oil  
Alexandria Co. for Specialized Petroleum Products (Aspec)  
Alexandria Co. for Oil Additives ( Akpa )  
Alexandria Company for Mineral Oils  
Sidi kirir Petrochemicals Company  
Misr Co. for Chemical Industry  
ADMCO

## FERTILIZERS

Financial and Industrial Co. for Manufacturing  
Phosphatic Fertilizers  
Alexandria Co. for Fertilizers ( Abu Kir )  
Chemical Industries Co. (KIMA)

## BAHGAT GROUP

International Co. for Electronics  
International Electrical Products  
Printed Circuit Boards Egypt  
Egyptian for Plastic Manufacturing  
Egyptian for Air-condition Units & Refrigeration  
International Co. for Household Goods  
EgyHouse  
Egy Marble  
Dream Park SOB  
Dream Land for Urban Development  
Pyramids Dream Land for Golf  
El Forsan Dream Land  
Dream Land Markets  
Dream Land for Conferences  
Dream Land Health Residence

## TEXTILES and CLOTHING

Misr Al Ameriya Co. for Spinning & Weaving  
Damietta Co. for Spinning & Weaving  
Goldentex Wool  
National Co. for Spinning & Weaving  
Arab Co. for Garment Components

## COTTON TRADING

Talaat Harb Co. for Cotton  
Eastern Co. for Linen & Cotton

## PAPER PRODUCTS

Misr Edfu Co. for Pulp, Writing & Printing Paper  
South Upper Egypt for Paper Bags

## AGRICULTURAL ACTIVITIES

AL Salheya Co. for Investment & Development  
Aswan National Co. for Mechanism & Agricultural Development  
National Seed Co.  
New Cairo Poultry  
Egyptian Poultry Company



## FOOD INDUSTRIES

El Nubareya for Sugar  
Dakahlia Co. for Sugar  
Faiyum Sugar Works Co.  
National Co. for Food Security  
El Mohandes Co. for Food Products ( Schweppes )  
National Company for Maize Products  
United Griding Co.  
Misr Co. for Food & Dairy Products  
Coca Cola Manufacturing and Bottling  
Misr Refrigeration & Storing Company  
(Free Zone in Port Said)

## MOTOR CARS TRADING

Eastern Co. for Motor Cars ( East )  
Contact Motor Cars Trading Co.

## WOOD MANUFACTURES

Nagaa Hammady Co. for Fiberboard

## Plastic products

Pibe and Plastic Products Manufacturing

## TOURISM

Arab International Co. for Hotels and Tourism  
Global Co. for Hotels & Touristic Establishments  
(Conrad Hotel )  
Rowad Tourism (The Pioneers ) Co.  
Misr Travel Co.  
Land Mark Hotel Company  
Upper Egypt for Tourism Developping  
Arab Hotel Company for Egyptian Media Production City  
South Sinai Coast Co. for Investment & Touristic Development  
Fontana Co. for Touristic Development  
Taba First Hotel  
El Tegaryoon Co. for Touristic Development  
United International Co. for Tourism  
Suez Co. for Building Materials & Urban Development  
Cass Kids Hotel Co.  
Primeer Co. for Touristic and Real Estate Investment

New Ismailia Co. for Touristic Investments  
Egyptian Investment Co.  
Taba Touristic Development Co.  
Adnan for Touristic Investment  
International Co. for Touristic Development

## GENERAL SERVICES

Arab International Medical Co.  
International Ophthalmology Clinic  
Dar El-Fouad Hospital  
International Egyptian Co. for Medical Insurance  
E.H.M. Company for Health Services  
Misr Renaissance Co. for Cinema  
Egyptian Media Production City Company  
Nile Sat Company  
Egyptian Industry Support Co.  
El Tahreer for Garages  
Cooperative Society Banque Misr Staff

## TRANSPORTATION

National Navigation Co.  
National Port Saed for Motor Transport  
Air Cairo  
Glopal SIROCO Air  
Misr Edco Co. for Mritime Transport

## CONSTRUCTION

Misr Abu Dhabi Co. for Investment  
Misr Investment Company  
National Co. for Housing for Professional Syndicates  
Egyptian Chinese Joint Company  
Construction & Development Group Company  
Misr Al Ameria Co. for Real Estate Investment  
Suez Gulf Development Company  
North West Suez Gulf Area Development Co.  
Upper Egypt Investment Company (UEICO)  
The Great Arab Egyptian Co. for Development  
& Communities Investments

## Real Estate Investments

Misr Construction Co.  
The Egyptian Liquidity Facility Company  
Egyptian Real Estate Co.  
Talaat Mostaffa Group (TMG)  
Smart Village Co. for Real Estate Investments  
10th of Ramadan Co. for Buildings  
National Investment & Reconstruction (Nirco)  
SOHAG for Investment and Development  
Maspero for Urban Development  
Nasr City Housing and Construction Co.  
Altra Elevators

## IT & COMMUNICATIONS

Nile Telecommunications Company  
Stock-Net Egypt Company  
Egyptian Banks for Technological Progress  
Mediterranean Smart Cards Company  
Microfilm & Technological Systems Company  
Egyptian Co. for Developing Invoices Processing Systems  
Gironil Company  
Egyptian Co. for Data Transmission  
Telecom Egypt & Data Systems Co.  
Egyptian Co. for Smart Village Development & Management  
Centra Technological Company  
Raya ( E - Finance)  
Giza Systems

## PHARMACEUTICALS

Aventis Pharma  
International Company for Cosmetics

	48,778	89,678	
	76,551	117,451	13
	13,737	74,637	13
	29,500	70,400	13
	43,115	84,015	13
	63,991	104,891	13
	28,877	61,777	13



## Auditors Report To Banque Misr Shareholders

We have audited the financial statements of Banque Misr (S.A.E) as of June 30, 2008 from which the accompanying summarized financial statements were derived in accordance with Egyptian Standards on Auditing and in the light of provision of applicable Egyptian laws and regulations.

In our report dated February 17, 2009 we expressed an unqualified opinion on the bank's financial statements as of June 30, 2008 which derived from the accompanying summarized financial statements present fairly, in all material respects, the financial position of the bank as of June 30, 2008 and the results of its operations, cash flows and changes in shareholder's equity for the year then ended in accordance with the rules of preparation and presentation of the financial statements of banks and evaluation standards issued by the Central Bank of Egypt on June 27, 2002 and its amendments.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For the better understanding of the Bank's financial position as of June 30, 2008 and the results of its operations, cash flows and changes in shareholder's equity for the year then ended, and the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

Cairo, 17<sup>th</sup> March 2009



Wahid Abdel Ghaffar  
BAKER TILLY  
Wahid Abdel Ghaffar & Co.  
Certified Accountants & Advisors

Auditors



Atef Ibrahim Mohamed Warda  
Central Auditing Organization

## Summarized Balance Sheet As of June 30, 2008

Amounts In Thousand Pounds

Assets	Notes	30/6/2008	30/6/2007
Cash and due from banks		54,805,767	47,284,288
Treasury Bills and bonds (discountable to the Central Bank of Egypt)		17,674,054	6,237,565
The Central Bank of Egypt deposit certificate		0	417,861
Trading investments	4	7,502,867	7,460,026
Available -for- sale investments	5	16,762,761	16,434,304
Loans to customers and banks (net of provision)	6,7	40,612,093	43,381,897
Held -to- maturity investments	8	7,535,012	7,646,474
Investments in subsidiaries and associates	9	2,635,699	3,472,281
Debit balances and other assets		5,925,411	4,995,960
Fixed assets (net of accumulated depreciation)		403,831	396,953
<b>Total Assets</b>		<b>153,857,495</b>	<b>137,727,609</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks		19,513,450	13,230,454
Customers' deposits	10	117,569,021	107,613,605
Supported deposits		5,678,893	5,678,893
Credit balances and other provisions	11	3,840,181	4,083,674
Long term loans	12	1,794,469	1,798,131
<b>Total Liabilities</b>		<b>148,396,014</b>	<b>132,404,757</b>
<b>Shareholders' Equity</b>			
Issued & paid-in capital	13	3,400,000	3,400,000
Reserves	13	1,905,381	1,922,852
<b>Total shareholders' equity</b>		<b>5,305,381</b>	<b>5,322,852</b>
Net profit for the year		156,100	0
<b>Total liabilities &amp; shareholders' equity</b>		<b>153,857,495</b>	<b>137,727,609</b>





Assets	Notes	30/6/2008	30/6/2007
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**Contingent Liabilities & Commitments**

Liabilities for letters of guarantee, documentary credits and other commitments

12,096,948

11,870,089

- The accompanying notes are an integral part of these summarized financial statements and to be read with.

Chairman

Deputy Of Chairman

Auditors

Wahid Abdel Ghaffar  
BAKER TILLY  
Wahid Abdel Ghaffar & Co.  
Certified Accountants & Advisors

Atef Ibrahim Mohamed Warda  
Central Auditing Organization



Assets	30/6/2008	30/6/2007
Return on loans and due from banks	5,422,669	4,859,392
Return on treasury bills and bonds	2,335,388	2,795,340
<b>Less : Interest expense</b>	<b>8,357,461</b>	<b>7,453,419</b>
	(599,404)	201,313
Fee and commission income	694,429	568,227
Dividend income	981,785	604,827
Gains arising from foreign currencies transactions	427,647	23,976
Gains arising from sale of investments	4,274,697	141,882
Valuation differences of trading investments	208,139	939,718
Other operating income	173,029	152,168
Net operating income	6,160,322	2,632,111
<b>Less :</b>		
General administrative expenses & others	1,531,792	1,895,879
Provisions	3,540,300	405,056
Valuation differences of other investments	809,118	38,671
<b>Operating profits</b>	<b>279,112</b>	<b>292,505</b>
Non operating profits (loses)	521	(896)
Net profit before income tax	279,633	291,609
<b>Less : Income tax</b>	<b>123,533</b>	<b>138,609</b>
Net profit for the year	156,100	153,000
<b>Earnings per share</b>	<b>0,180</b>	<b>0,308</b>

Income Statement for the year  
ended June 30, 2008

Assets	30/6/2008	30/6/2007
Net Profits of the year	156,100	153,000
	156,100	153,000
<b>Distributed as follows :</b>		
Legal reserve	15,610	15,300
Reserve for fixed assets price increase	7,805	7,650
General reserve	15,610	15,300
Supportive reserve	-	15,300
5% upgrading work system fund and promoting employee's capabilities and skills	6,244	6,120
Country profit share *	83,123	69,997
Employee's share	27,708	23,333
	156,100	153,000

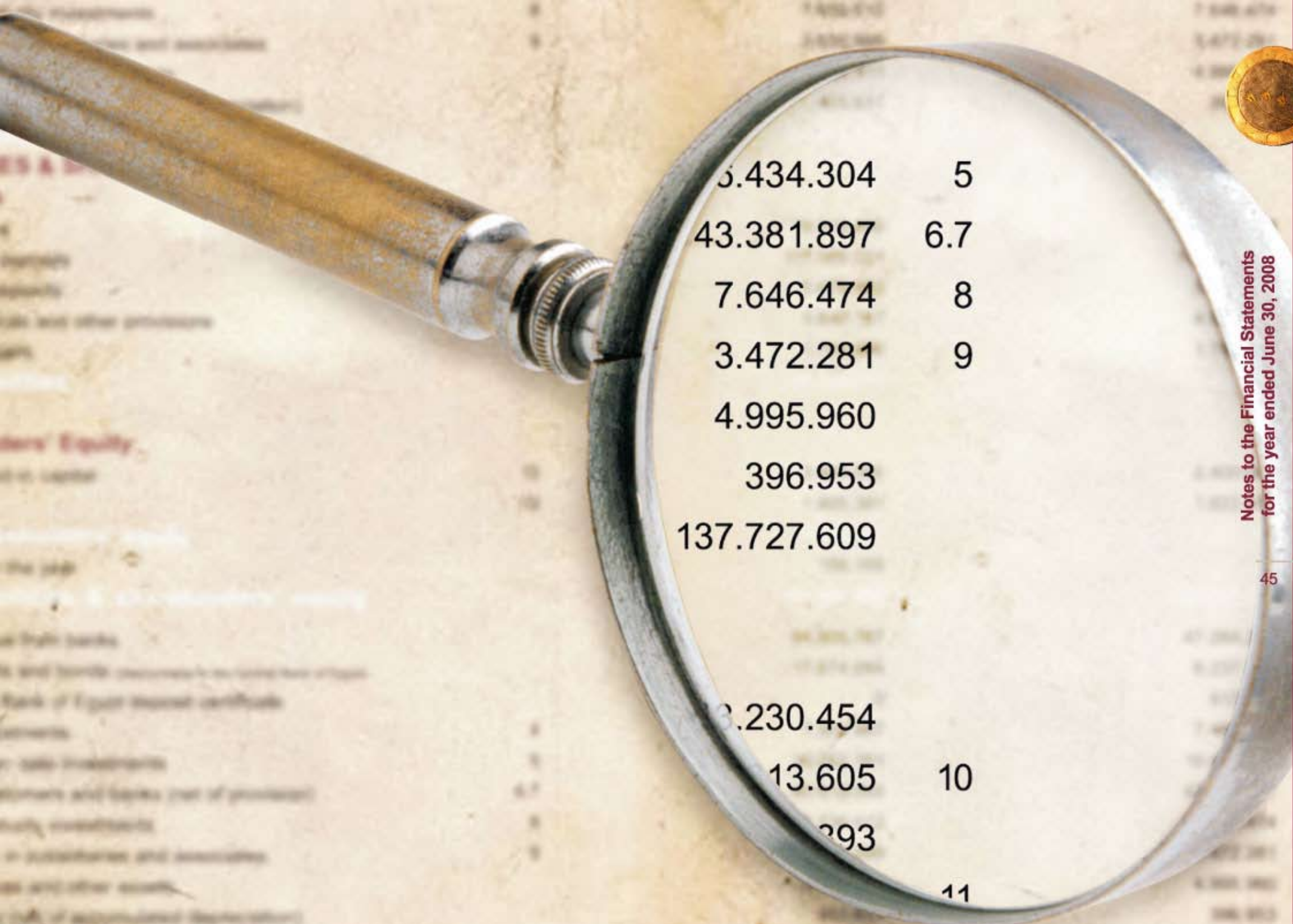
\* The state's quota in profits should be directed to back up the supportive reserve.

	Capital	Legal Reserve	General Reserve	Special Reserve	Other Reserve	Retained Profits	Net Profit of the period	Total
Balance as at July 1, 2006	1,800,000	130,649	187,732	531,119	949,282	-	-	3,598,782
Net profit for the year	-	-	-	-	-	153,000	-	153,000
Capital increase	1,600,000	-	-	-	-	-	-	1,600,000
Transferred to reserves	-	15,300	15,300	5,595	87,875	( 123,547)	-	523
Dividends paid	-	-	-	-	-	( 29,453)	-	( 29,453)
Balance as at June 30,2007	3,400,000	145,949	203,032	536,714	1,037,157	-	-	5,322,852
Net profit for the year	-	-	-	-	-	-	156,100	156,100
Transferred to reserves	-	-	-	13,694	( 31,165)	-	-	( 17,471)
Balance as at June 30,2008	3,400,000	145,949	203,032	550,408	1,005,992	-	156,100	5,461,481



**Summarized Statement of Changes  
in Shareholders' Equity  
for the year ended June 30, 2008**

Assets	30/6/2008	30/6/2007
Net cash flows(used in) provided by operating activities	(4,025,764)	2,313,164
Net cash flows provided by (used in) investing activities	2,274,098	(1,707,376)
Net cash flows (used in) provided by financing activities	(26,995)	1,645,468
<b>Net change in cash and cash equivalent during the year</b>	<b>(1,778,661)</b>	<b>2,251,256</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12,832,850</b>	<b>10,581,594</b>
<b>Cash and cash equivalents at the year end</b>	<b>11,054,189</b>	<b>12,832,850</b>



5.434.304	5
43.381.897	6.7
7.646.474	8
3.472.281	9
4.995.960	
396.953	
137.727.609	
3.230.454	
13.605	10
293	
	11

## 1.THE BANK'S ACTIVITY

Banque Misr "An Egyptian Joint Stock Company" was established as a commercial bank on April 3, 1920. The Bank had taken the form of an Arab Societee Anonym starting February 13, 1966. The objective of the bank is to provide all banking and financial activities allowed for commercial banks in accordance with Law No. 88 of 2003, and other laws governing the banking activities through its head office in Cairo and its four hundred and sixty eight branches in Egypt and abroad.

## 2.SIGNIFICANT ACCOUNTING POLICIES APPLIED

### a- Basis of the Financial Statements Preparation

The financial statements were prepared in accordance with the basis of preparing the bank's financial statements issued by the Central Bank of Egypt on June 27, 2002 and its amendments.

### b- Foreign Currencies Transactions

- The Bank maintains its accounts in Egyptian Pound, transactions in foreign currencies are translated during the financial year at the exchange rates prevailing at the transaction date. At the balance sheet date all monetary assets and liabilities in foreign currencies are revalued at the exchange rates prevailing at that date. Foreign currencies valuation differences are charged to the income statement under gains (losses) from foreign currencies transactions item.

- Forward exchange contracts are to be valued at the balance sheet date at fair value on that date using the forward rates of periods remaining until contracts' maturity date. The resulting valuation differences are to be charged to the income statement under the item of "gains (losses) arising from foreign currencies transactions". Currency SWAP contracts are recorded on the date of commitment under "contingent liabilities and commitments". The difference between the two parts of the contract is recorded under "debit balances and other assets" or "credit balances and other liabilities" being considered as unrealized gain / loss on the date of commitment.

- The swap differential is to be amortized over the contract term as an addition to, or a deduction from, interest on loans and balances at banks, in the income statement , whereas gains/ (losses) resulting from the exercise of the swap contract are to be recorded in the Income statement under gains/ (losses) from foreign currencies transactions.

- Premium paid on currency swap contracts is recorded under debit balances and other assets, and is charged to the income statement under gains/ (losses) from foreign currencies transactions, based on the result of revaluation currency swap contracts at their fair values.

- For currency swap contracts purchased by the bank to cover currency swap contracts sold to its customers, for the purpose of hedging the risks associated with their activities, difference between premium paid on purchased contracts, and premium collected on sold contracts is recorded as of the contract commencement date, under credit balances and other liabilities. The difference is to be amortized in the income statement under gains/ (losses) from foreign currencies transactions on an accrual basis.

### c- Revenue Recognition

Income is recognized on accrual basis except for the interest income on doubtful loans, which ceases when the recovery of interest or principal is in doubt. Dividend income is recorded when declared.

### d- Treasury Bills

Treasury bills are recorded at par value whereas the issuance discount is recorded under "Credit Balances and Other Liabilities". Treasury bills are presented on the balance sheet net of issuance discount.

### e- Central Bank Of Egypt Notes

Central Bank Of Egypt notes are recorded at par value whereas the issuance discount is recorded under "credit balances and other liabilities" Central Bank Of Egypt notes are presented on the balance sheet net of issuance discount.

### f- Valuation of Trading Investments

Trading investments including investment portfolios managed by others and trading mutual fund certificates not issued by banks or insurance companies are to be valued at year end using the fair value which represents the market price. The valuation differences are to be charged to the income statement.



Trading investments that lost any of their classification terms are to be valued at their book value which is to be reduced with any decline according to a comprehensive study for the company's latest financial statements. The valuation differences are to be charged to the income statement.

Mutual fund certificates issued by banks and insurance companies are to be valued at fair value which represents the redeemable value on the valuation date. The valuation differences are to be charged to the income statement.

#### **g. Valuation of Available for Sale Investments**

Available for sale investments are valued at the cost (taking into consideration changes in the foreign exchange rates), or fair value whichever is lower. The valuation differences are charged to the income statement under revaluation of other investments, except for those differences of previous years that should be booked as a special reserve under shareholders' equity.

In case of any decline in the value of the investment, the special reserve for such investment is to be used where as, the remaining decline is to be charged to the income statement. If the investment is subsequently sold, its share in the special reserve included in the shareholders equity is to be charged to the income statement.

#### **h. Valuation of Held to Maturity Investments**

Bonds purchased at their initial issuance offerings, are valued at their amended cost which represents the nominal value included of any premium or excluded of any discount. The premium/discount is to be amortized using the straight line method. The issuing premium / discount is to be amortized using the straight line method .the amortization is charged to the income statement under "treasury bills and bonds income item".

The same method is applied for bonds purchased from the stock market at a value higher or lower than their par value. The cost is to be reduced by any interests related to periods precedent to the acquisition date.

The book value is to be amended with any decline in the fair value compared with the book value of every bond and the decline is to be charged to the income statement under other investments' valuation difference item. Any recovery of such decline is permitted and is to be recognized in the income statement in the limits of valuation differences recognized in the income statements in previous periods.

The book value of bonds in foreign currencies is to be amended with the valuation result according to the exchange rates prevailing at the valuation date. The valuation differences are to be charged to the income statement under item "gains (losses) arising from foreign currencies transaction" item.

Mutual Fund Certificates that should be retained by the bank till the termination of the mutual fund as the bank is considered the establisher of the mutual fund, are recorded at cost, however any decline in the redemption value compared with cost, is to be charged to the income statement under the item of other investments' valuation differences. Any recovery of such decline is permitted and is to be added to the same item within the limits of valuation differences recognized in the income statements in previous periods.

#### **i. Valuation of Investments in Subsidiaries and Associates**

Investments in subsidiaries and associates are valued at cost. In case of any deterioration in the fair value of these investments compared to their book value, the book value is to be amended with any decline in the fair value compared to the book value for every individual investment and the decline is to be charged to the income statement under other investments' valuation differences item. Any recovery of such decline is permitted and is to be recognized in the income statement in the limits of valuation differences recognized in the income statements in previous periods.

#### **j. Gains on Sale of Financial Investments**

Differences resulting from sale of held for trading, available for sale, held to maturity or Investments in subsidiaries and associates, are to be charged to the income statement.

#### **k. Valuation of Assets Ceded to the Bank in Settlement of Debts**

Assets that reverted to the bank are recorded in the balance sheet, under debit balances and other assets on the basis of their assigned value. Any difference, resulting from the decline in their fair values below their ceded values at the balance sheet date, is charged to the income statement. Any increase in their fair values should be added to the income statement, limited to any previously recorded decline in the income statement, related to previous financial periods.

A provision for real properties, for which an extension period was granted to the bank for their disposal, is reported under other provisions.

#### **l. Loans and Contingent Liabilities Provision (performing and non-performing)**

A provision is established for specific loans and contingent liabilities performing and non performing. In Accordance with the rules and basis for the assessment of the creditworthiness of customers and the formation of provisions issued by the Central Bank of Egypt on 24 May, 2005.

Loans are written-off when it is no longer feasible to collect such loans, by debiting the provision, any proceeds of bad debts that were previously written off are added thereto.

#### **m. Contingent Liabilities and Commitments**

Contingent liabilities, in which the bank is a party, as well as commitments on forward, currency swap and interest rate swap contracts are presented as an off-balance sheet item under "contingent liabilities and commitments", as these do not represent actual assets or liabilities on the balance sheet date.

#### **n. Cash and Cash Equivalents**

For the purpose of preparing the statement of cash flows, cash and cash equivalents include cash, due from the Central Bank of Egypt, banks' current accounts balances and treasury bills, maturing within 3 months from the acquisition date.



**o- Depreciation and Amortization**

Fixed assets are valued at acquisition cost and depreciated by the straight-line method using appropriate depreciation rates determined based on the estimated useful life for each type of asset.

Buildings & construction	5%	Vehicles	20%
Automated systems	25%	Furniture	100%
Equipment	12.5%	Electricity generators and centrals	33.5%
IT equipment	25%	Central Air Condition Units	12.5%

The fixed assets of Paris Branch are depreciated by the straight-line method, using rates appropriate to those applied in the preparation of the financial statements according to the country's location.

**p. Taxes**

- Taxes on the bank's profit are computed in accordance with laws and regulations prevailing whether in Egypt or in the countries in which the bank's branches are located.
- A provision is formulated for tax claims after conducting a comprehensive study of such claims.

**3- FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT POLICIES****3/1 Financial Instruments**

A. The bank's financial instruments are represented in financial assets and liabilities. Financial assets include cash, due from banks balances, current accounts and deposits with banks, financial investments and loans to customers and banks. Financial liabilities include customers' deposits and due to banks. Financial instruments also include rights and obligations to others that stated in contingent liabilities and commitments.

Note No. (2), to the financial statements includes the accounting policies applied to measure and recognize of the financial instruments, and their associated revenues and expenses.

**B- Fair Value of Financial Instruments**

The financial instruments fair values do not substantially deviate from their book value at the balance sheet date according to the valuation basis applied in accounting policies to the assets and liabilities, which is included in the notes to the financial statements.

Notes No. (5, 8,9) to the financial statements disclose the fair values of investments other than trading investments at the balance sheet date.

**C- Forward exchange Contracts**

According to the instructions of the Central Bank of Egypt, the bank execute forward contracts only to cover its needs or its customers' needs in foreign currencies resulting from dealing with the bank. All forward contracts are short term transactions.

**3/2 Risk Management of Financial Instruments****A- Interest Rate Risk**

The value of some financial instruments will fluctuate due to the changes in interest rates related thereto. The bank follows some procedures to minimize the risk such as:-

- Correlating the interest rates on borrowing and lending.
- Determining the applied interest rates in consideration with the prevailing discount rates on various currencies.

**B- Credit Risk**

Loans to customers & banks, bond investments, due from banks and rights and others' obligations stated in contingent liabilities are considered from the financial assets which are exposed to the credit risk which is represented in customer's inability to repay a part or full amount of the loan at maturity date.

The bank follows the following procedures to minimize the credit risk:

- Preparing credit studies about the customers & banks before dealing with them and determining the credit risk rates related thereto.
- Obtaining the adequate guarantees in order to reduce the risks that might be created in case of customers or banks failure.
- Following up and performing continuous studies about customers and banks in order to evaluate their financial & credit positions and estimate the required provisions to non performing loans.
- Distribution of loans portfolio and other assets over various sectors.



### C- Foreign Currencies Risk

The nature of bank's activity requires dealing in many foreign currencies which expose the bank to the risk of fluctuation in exchange rates. To minimize this risk, the bank maintains balanced foreign currencies positions according to Central Bank of Egypt instructions.

## 4- TRADING INVESTMENT

Amounts In Thousand Pounds

Description	30/6/2008	30/6/2007
Stocks	87,272	456,810
Treasury Bonds	484,718	518,512
Mutual funds certificates	840,145	724,591
Investments portfolios managed by others	6,090,732	5,760,113
	<b>7,502,867</b>	<b>7,460,026</b>
<b>Trading Investments are Represented in:</b>		
Investments listed in the stock exchange market	6,297,249	6,536,726
Investments not listed in the stock exchange market	1,205,618	923,300
	<b>7,502,867</b>	<b>7,460,026</b>

## 5- AVAILABLE FOR SALE INVESTMENTS

Amounts In Thousand Pounds

Description	30/6/2008	30/6/2007
Investments in stocks	5,004,360	6,166,965
Investments in treasury bonds	11,605,670	10,115,479
Investments in mutual funds certificates	152,731	151,860
	<b>16,762,761</b>	<b>16,434,304</b>
<b>Available for Sale Investments are Represented in:</b>		
Investments listed in the stock exchange market	11,965,700	11,120,775
Investments not listed in the stock exchange market	4,797,061	5,313,529
	<b>16,762,761</b>	<b>16,434,304</b>
The fair market value for available for sale investments listed at the stock exchange market.	13,184,469	12,830,844

## 6- LOANS TO CUSTOMERS AND BANKS

Amounts In Thousand Pounds

Description	30/6/2008		30/6/2007	
Discounted commercial bills	1,195		7,807	
Loans to customers	59,897,473		59,569,802	
Loans to banks	769,764		559,632	
	<b>60,668,432</b>		<b>60,137,241</b>	
<b>Deduct:</b>				
Unearned discount for discounted commercial bills	(25)		(203)	
Loans provision	(17,443,642)		(14,566,055)	
Interest in suspense	(2,612,672)		(2,189,086)	
	<b>40,612,093</b>		<b>43,381,897</b>	

## 7- LOANS PROVISION (PERFORMING / NON PERFORMING)

Amounts In Thousand Pounds

Description	30/6/2008			30/6/2007		
	* Specific	General	Total	* Specific	General	Total
Balance at the Beginning of the Year	14,030,191	566,759	14,596,950	5,199,125	561,781	5,760,906
Others	-	-	-	8,901,567	-	8,901,567
Provided from the year profit	3,010,765	67,439	3,078,204	378,344	-	378,344
Proceeds from previously written-off loans	236,773	-	236,773	83,730	-	83,730
Difference from translation of provisions in foreign currencies	(211,253)	9,739	(201,514)	(7,438)	4,978	(2,460)
	<b>17,066,476</b>	<b>643,937</b>	<b>17,710,413</b>	<b>14,555,328</b>	<b>566,759</b>	<b>15,122,087</b>
Utilized from provision during the year	(95,013)	-	(95,013)	(525,137)	0	(525,137)
Balance at Year End	<b>16,971,463</b>	<b>643,937</b>	<b>17,615,400</b>	<b>14,030,191</b>	<b>566,759</b>	<b>14,596,950</b>

\* Includes provisions for loans to entities in the amount of EGP 171,758 thousand as of June 30, 2008 (EGP 30,895 thousand as of June 30, 2007) reported under other debit balances.

## 8- INVESTMENTS HELD TO MATURITY

Amounts In Thousand Pounds

Description	30/6/2008	30/6/2007
Bonds	6,625,311	6,735,922
Certificates of Mutual Funds established by the Bank	909,701	910,552
	<b>7,535,012</b>	<b>7,646,474</b>
<b>Held to Maturity Investments are Represented :</b>		
Investments listed in the stock exchange market	513,234	451,266
Investments not listed in the stock exchange market	7,021,778	7,195,208
	<b>7,535,012</b>	<b>7,646,474</b>
The fair market value for investments held to maturity listed at the stock exchange market	513,234	463,050

## 9- INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Amounts In Thousand Pounds

Description	30/6/2008	30/6/2007
Investments in subsidiaries (banks and companies)	2,046,638	2,168,631
Investments in associates (banks and companies)	589,061	1,303,650
	<b>2,635,699</b>	<b>3,472,281</b>
<b>Investments in Subsidiaries and Associates are Represented in:</b>		
Investments listed in the stock exchange market	239,164	1,086,625
Investments not listed in the stock exchange market	2,396,535	2,385,656
	<b>2,635,699</b>	<b>3,472,281</b>
The fair market value for investments in subsidiaries and associates listed at the stock exchange market	1,304,589	3,503,719



## 10- CUSTOMERS DEPOSITS

Amounts In Thousand Pounds

Description	30/6/2008	30/6/2007
Demand deposits	6,626,493	5,522,783
Time deposits and call accounts	34,896,913	32,142,805
Saving and certificate of deposits	24,346,217	20,409,085
Saving Deposits	49,637,654	47,481,682
Other Deposits	2,061,744	2,057,250
	<b>117,569,021</b>	<b>107,613,605</b>

## 11- CREDIT BALANCES & OTHER PROVISIONS

The balance as of June 30, 2008 amounted to LE 3,840,181 thousands and includes other provisions as follows:

Amounts In Thousand Pounds

Year ended 30/6/2008	Balance at the beginning of the year	Transfers during the period	Provided from profit of the year	Other additions	Differences of re-evaluating the provisions in Foreign Currencies +/-	Utilized during the year	Balance at the end of the year
Expected claims provision	623,258	(447)	160,486	58,719	(1,628)	(63,766)	776,622
Contingent liabilities provision	253,084	0	273,131	0	(1,733)	(4,019)	520,463
Other provisions	186,311	447	28,479	0	(347)	(5,397)	209,493
<b>Total</b>	<b>1,062,653</b>	<b>0</b>	<b>462,096</b>	<b>58,719</b>	<b>(3,708)</b>	<b>(73,182)</b>	<b>1,506,578</b>

Year ended 30/6/2007							
Expected claims provision	693,047	0	0	20,800	446	(91,035)	623,258
Contingent liabilities provision	236,239	0	0	16,955	(110)	0	253,084
Other provisions	309,806	0	26,712	6,541	31	(156,779)	186,311
<b>Total</b>	<b>1,239,092</b>	<b>0</b>	<b>26,712</b>	<b>44,296</b>	<b>367</b>	<b>(247,814)</b>	<b>1,062,653</b>



## 12- LONG TERM LOANS

Amounts In Thousand Pounds

Description	30/6/2008	30/6/2007
The social fund for development loans	57,150	73,350
Loans from foreign entities	137,319	124,781
Supportinated loans	1,600,000	1,600,000
	1,794,469	1,798,131

## 13. Shareholders' Equity and Reserves

### A- Authorized Capital

Authorized capital amounted to LE. 15000 million.

### B- Issued and paid - in capital

Issued and paid - in capital amounted to LE. 3400 million Distributed on 680 million shares with nominal value of LE. 5 each and paid in full.

### C- Reserves

- In accordance with the bank's statutes, 10% of the annual net profit is retained to form the legal reserve which ceases when the reserve balance reaches 100% of the paid - in capital.

- In accordance with the Central Bank of Egypt instructions, the balance of the special reserve cannot be utilized without recourse to the Central Bank of Egypt.

## 14- VALUATION DIFFERENCES OF OTHER INVESTMENTS

Description	Foreign exchange during the year + (-)	Foreign exchange till the year end + (-)	Total
Available for sale investment	579,762	237,647	817,409
Held to maturity investment	2,279	85,431	87,710
Investments in subsidiaries and associates	227,077	438,820	665,897
	809,118	761,898	1,571,016

## 15. Earnings per Share

Amounts In Thousand Pounds

Description	30/6/2008	30/6/2007
Net profit for the year	156,100	153,000
Renovation of work system fund	(6,244)	(6,120)
Employee shares	(27,707)	(23,332)
Shareholders share	122,149	123,548
<b>Divided by :</b>		
Weighted average number of shares	680,000	413,333
Earnings per share	0,180	0,308

## 16- Merge Misr Exterior Bank

On September 16, 2004, the Central Bank of Egypt issued the merge Decree of the above bank with Banque Misr. The Actual merger took place at the end of the same day according to the Clause 79 for the Central Bank Law No 88 for 2003 which states that Misr Exterior Bank with its rights & Obligations will be replaced by Banque Misr.

This merger was against obtaining a twelve years non-bearing interest Loan (Loan without grantee) amounting to LE 1.6 billion from the Central Bank of Egypt for 12 years without any commission or fees and to be utilized to support the capital adequacy.

## 17- Acquisition Bank Misr Banque du Caire

On March 21, 2007 General Assembly of Bank Misr approve the possession of Bank Misr for all the shares of Banque du Caire amounted to 400 million outstanding shares with a nominal value of L.E. 4 per share with a total cost of LE 1.6 billion.

On April 3, 2007 The Board of Directors of the Central Bank of Egypt take the decision No. ( 707 ) for the year 2007 approving for the acquisition of Bank Misr for the entire shares capital issued and paid Banque du Caire.

These two decisions are published in Egyptian events newspaper on may 16,2007 edition no (109).

## 18- Framework Agreement between Bank Misr and Banque du Caire

By the end of June 2007 some of Banq du Caire assets were purchased by Bank Misr represented as follows :

- The debts of some customers of Bank du Caire amounted to LE 19,7 Billion ,and all the related credit balances ,the Revenue suspense LE 0.8 Billion and the related provision amounted to LE 8.5 Billion in addition to the blocked deposits of these debts amounted to LE 0.3 Billion against the assets purchased amounted to LE 10.4 Billion.
- Five branches stated in United Arab of Emirates amounted to LE 377 Million.
- Some national and international financial investments amounted to LE 5,1 Billion.

## 19- COMPARATIVE FIGURES

Certain reclassification has been made to some comparative figures in order to conform to current year presentation.