

AHLI UNITED BANK – EGYPT S.A.E.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008**

INDEPENDENT AUDITORS' REPORT

To The Shareholders of Ahli United Bank (Egypt) S.A.E.

Report on the Financial Statements

We have audited the accompanying financial statements of Ahli United Bank (Egypt) S.A.E. represented in the balance sheet as at 31 December 2008, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the bank's Management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the instructions of the preparation and presentation of financial statements for Egyptian banks issued by the Central Bank of Egypt on 27 June 2002 and its amendments in addition to those amendments related to financial investments issued on 16 December 2008 as well as with relevant Egyptian laws and regulations. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 bank'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 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 financial statements.

Opinion

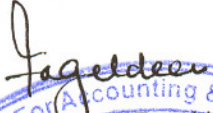

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, the financial position of Ahli United Bank (Egypt) S.A.E. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the instructions of the preparation and presentation of financial statements for Egyptian banks issued by Central Bank of Egypt on 27 June 2002 and its amendments in addition to those amendments related to financial investments issued on 16 December 2008 as well as with relevant Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

Nothing has come to our attention that causes us to believe that the bank is not in compliance with any of the provisions of the Central Bank of Egypt, the Banking and Monetary System Law No. 88 of 2003 for the year then ended.

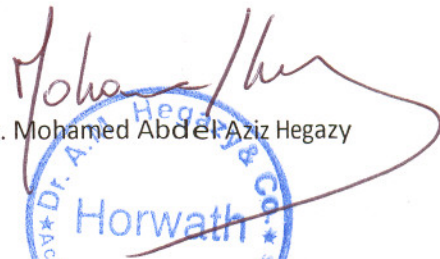
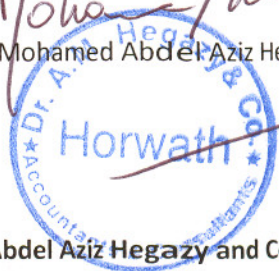
The Bank maintains proper accounting records that comply with the laws and the bank's articles of association and the financial statements are in agreement thereto.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the bank insofar as such information is recorded therein.



 Abdelmonsen A. Tageldeen
 Certified Public Accountant (USA)
 Fellow of the Egyptian Association
 of Accountants and Auditors
 R.A.A. 15058

Allied for Accounting and Auditing E&Y

Auditors



 Dr. Mohamed Abdel Aziz Hegazy
 Dr. Abdel Aziz Hegazy and Co. Horwath

Cairo: 2 March 2009

AHLI UNITED BANK- EGYPT S.A.E.**BALANCE SHEET****AT 31 DECEMBER 2008****TRANSLATION****Restated**

	Note	2008 LE'000	2007 LE'000
Assets:			
Cash and balances with Central Bank	4	510,412	188,016
Due from banks	5	820,793	1,892,204
Treasury bills and Negotiable Notes	6	730,816	529,995
Certificates of Deposit	7	27,576	-
Trading Financial assets	8	3,845	7,834
Loans to customers	9&10	4,105,418	2,521,147
<u>Financial Investments</u>			
Available for Sale	11	695,374	362,756
Held to Maturity	11	91,087	82,717
Financial Investments in subsidiaries and associates	12	10,153	27,230
Other assets	13	146,864	118,694
Fixed assets (Net)	14	140,431	60,307
Total Assets		<u>7,282,769</u>	<u>5,790,900</u>
Liabilities and shareholders' equity:			
Liabilities:			
Due to banks	15	527,554	712,158
Customers' Deposits	16	5,581,709	3,936,707
Other liabilities	17	119,305	165,674
Other provisions	18	124,843	215,902
Total liabilities		<u>6,353,411</u>	<u>5,030,441</u>
Shareholders' Equity:			
Issued and paid up capital	19	600,000	600,000
Reserves	19	84,015	98,172
Retained earnings		62,287	62,287
Total Shareholders' Equity		<u>746,302</u>	<u>760,459</u>
Net Profit for the year		183,056	-
Total Shareholders' Equity and Net Profit for the year		<u>929,358</u>	<u>760,459</u>
Total Liabilities and Shareholders' Equity		<u>7,282,769</u>	<u>5,790,900</u>
Contingent liabilities and commitments:			
Letters of guarantee, documentary credits and other commitments	20	1,353,724	1,225,489

The accompanying notes from 1 to 33 form an integral part of these financial statements.

Auditors' Report attached.

Fahad Al Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

James Goold
CEO and Managing Director

Auditors

Mr. Abdel Mohsen Tag Eldeen

Dr. Mohamed Abdel Aziz Hegazy

AHLI UNITED BANK- EGYPT S.A.E.**STATEMENT OF INCOME****TRANSLATION****FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 LE'000	Restated 2007 LE'000
Interest and similar income	21	481,566	383,276
Interest and similar expenses	21	(269,140)	(202,842)
Net interest income		212,426	180,434
Fees and commissions income		67,167	66,000
Fees and commissions expense		(1,043)	(816)
		66,124	65,184
Net income from fees and commissions		278,550	245,618
Dividends income		1,291	794
Net Trading Income	22	17,477	6,733
Profit from financial investments	23	40,222	2,779
Loan Loss Provision	9&10	(17,490)	(3,102)
Administrative expenses		(145,374)	(104,699)
Other operating revenue (expenses)	24	8,380	(4,556)
Net profit for the year		183,056	143,567
Earnings per share	26	2.76	2.16

The accompanying notes from 1 to 33 form an integral part of these financial statements.

AHLI UNITED BANK- EGYPT S.A.E.
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**
TRANSLATION

	Share Capital	Amounts Paid Under Capital Increase	Legal Reserve	Special Reserve	Revaluation Reserve for AFS Investments	Retained Earnings	Profit of the Year	Total
	LE'000	LE'000	LE'000	LE'000	LE'000	LE'000	LE'000	LE'000
Balance at 1 January 2007 (Previously reported)	500,000	100,000	68,369	1,413	-	-	-	669,782
Changes in accounting policies (prior years)	-	-	-	-	6,385	-	-	6,385
Balance at 1 January 2007 (Restated)	500,000	100,000	68,369	1,413	6,385	-	-	676,167
Transfer to share capital	100,000	(100,000)	-	-	-	-	-	-
Revaluation Reserve for AFS Investments (note 11)	-	-	-	-	14,667	-	-	14,667
Net profit for 2007 as restated (note 25)	-	-	-	-	-	-	143,567	143,567
Transfer to reserves	-	-	7,338	-	-	-	(7,338)	-
Transfer to retained earnings	-	-	-	-	-	62,287	(62,287)	-
Dividends	-	-	-	-	-	-	(73,942)	(73,942)
Balance at 31 December 2007	600,000	-	75,707	1,413	21,052	62,287	-	760,459
Balance at 1 January 2008	600,000	-	75,707	1,413	21,052	62,287	-	760,459
Revaluation Reserve for AFS Investments (note 11)	-	-	-	-	(14,157)	-	-	(14,157)
Net profit for the year	-	-	-	-	-	-	183,056	183,056
Balance at 31 December 2008	600,000	-	75,707	1,413	6,895	62,287	183,056	929,358

The accompanying notes from 1 to 33 form an integral part of these financial statements.

AHLI UNITED BANK- EGYPT S.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

TRANSLATION

	2008 LE'000	Restated 2007 LE'000
<u>Cash flows from operating activities</u>		
Net Profit for the year before taxes	183,056	143,567
Adjustments to reconcile net profit to net cash flows from operating activities		
Depreciation	11,438	7,072
Provisions	21,785	34,130
Revaluation differences of financial assets held for trading	2,080	94
Foreign currency revaluation differences	62	2,251
Provision used (other than loan loss provision)	(93,595)	(101,286)
Provisions no longer required	(6,538)	-
Gain on sale of financial investments	(38,345)	(3,011)
Operating income before changes in assets and liabilities from operating activities	79,943	82,817
Net decrease (increase) in assets and liabilities		
Due from banks	1,123,052	(964,555)
Treasury bills and Negotiable Notes	(213,675)	590,578
Certificates of Deposit	(27,576)	-
Financial assets held for trading	2,154	1,259
Financial investments available for Sale	(315,870)	(19,972)
Loans to customers	(1,604,266)	(1,455,779)
Other assets	5,582	(46,090)
Due to banks	(184,604)	706,416
Customers' deposits	1,645,002	1,028,117
Other liabilities	27,586	(25,358)
Net cash flows from (used in) operating activities	537,328	(102,567)
<u>Cash flows from investing activities</u>		
Purchase of financial investments held to maturity	(8,381)	(84,847)
Proceeds from sale of financial investments in subsidiaries and associates	24,271	-
Purchases of fixed assets	(118,080)	(60,536)
Net cash flows (used in) investing activities	(102,190)	(145,383)
<u>Cash flows from financing activities</u>		
Repayments of term loans	-	(40,581)
Dividends Paid	(73,955)	(1,664)
Net cash flows (used in) financing activities	(73,955)	(42,245)
Net increase (decrease) in cash and cash equivalents	361,183	(290,195)
Cash and cash equivalents at beginning of the year	239,437	529,632
Cash and cash equivalents at end of the year	600,620	239,437
Cash and cash equivalents are represented in:		
Cash and balances with Central Bank of Egypt	510,412	188,016
Due from banks	820,793	1,892,204
Treasury bills and Negotiable Notes	730,816	529,995
Due to banks	(750,426)	(1,873,478)
Treasury bills and Negotiable Notes more than 3 months	(710,975)	(497,300)
Cash and cash equivalents at end of the year	600,620	239,437

The accompanying notes from 1 to 33 form an integral part of these financial statements.

AHLI UNITED BANK- EGYPT S.A.E.
STATEMENT OF PROPOSED DIVIDENDS
FOR THE YEAR ENDED 31 DECEMBER 2008

TRANSLATION

	2008 LE'000	Restated 2007 LE'000
Net profit for the year	183,056	143,567
Less		
Capital gains	<u>(685)</u>	<u>-</u>
Net profit available for distribution	182,371	143,567
Retained earnings (Restated)- at beginning of year	<u>62,287</u>	<u>-</u>
Total	<u>244,658</u>	<u>143,567</u>
<u>Distributed as follows:</u>		
Legal reserve	9,119	7,338
Dividends to shareholders (first distribution)	30,000	30,000
Employees' profit share	17,325	13,942
Dividends to shareholders (second distribution)	30,000	30,000
Retained earnings	<u>158,214</u>	<u>62,287</u>
Total	<u>244,658</u>	<u>143,567</u>

AHLI UNITED BANK- EGYPT S.A.E.
TRANSLATION

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

1 ACTIVITY

Ahli United Bank- Egypt S.A.E an Egyptian Joint Stock Company was incorporated on the 8th of August 1978 as a commercial and business bank (under its Ex-name), in accordance with the law no. 43 of 1974 of Arab and Foreign Investments and its executive regulations. The Bank performs all banking operations related to its activity through its Head Office located in Cairo and a network of 23 branches.

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements are prepared in accordance with the regulations of the preparation of banks' financial statements issued by the Central Bank of Egypt on 27 June 2002 and its amendments, in addition to amendments made to the financial investments issued on 16 December 2008 and in accordance with the related Egyptian laws and regulations.

The revaluation policy for Available for sale financial investments has been changed with effect from 1 January 2008 as shown in note number (2-7) from being measured at the lower of cost, including changes in foreign currencies, or market and the decrease in value is recorded in the income statement to being measured at fair value and revaluation differences are recognized in the statement of changes in shareholders' equity and financial investments available for sale balance. These changes have been applied retrospectively on previous years.

Amortization method has been also changed from straight line method to effective interest rate method.

2-2 Foreign currencies transaction

The bank's accounting records are maintained in Egyptian pounds. Transactions in other currencies are recorded at rates of exchange ruling at the value date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Egyptian Pounds at the rates of exchange ruling at the balance sheet date. Currency translation differences on all monetary financial assets and liabilities are recorded in the income statement in the following items:-

- Net Trading income or net income arising from financial instruments originally classified as change in fair value through profit and loss for financial assets/ liabilities held for trading or originally recorded at fair value through profit and loss.
- Other operating income (loss) for other items.

2-3 Revenue recognition

Income is recognized on an accrual basis except for income on non-performing loans which is not accrued when the recovery of the principal or interest is in doubt. Dividends from Shares and Mutual Funds Certificates are recognized on the dividends declaration date.

2-4 Treasury bills and negotiable notes

Treasury bills and negotiable notes are recorded at nominal value and the unearned income is recorded under "Other liabilities". Treasury Bills are presented in the balance sheet net of the unearned income and accounted for at amortized cost using the effective interest rate.

2-5 Financial assets designated at fair value through profit and loss

This Group consists of financial assets held for trading and financial assets that the bank upon initial recognition designates to be measured at fair value through profit and loss.

Financial instruments that are classified as held for trading are those that the bank holds primarily for the purpose of short-term profit –taking or if it represents a part of specified financial instruments portfolio and there is an evidence of short-term profit-taking.

Financial assets designated at fair value through profit and loss are recognized when it relates to an investment portfolio that are managed and evaluated on a fair value basis according to the investment strategies and the risk management and had been reported to the senior management according to that basis.

2-6 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. All held to maturity financial investments are reclassified as available for sale in case of sale of significant amounts – except in emergency cases

2-7 Financial investments available for sale

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

2-8 For financial assets the following are done:

Purchases or sales of financial assets designated at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognised 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 designated at fair value through profit and loss at initial measurement are recognised at fair value plus directly attributable costs of acquisition or issue while financial assets designated at fair value through profit and loss at initial measurement are recognised only at fair value, any directly attributable acquisition or issue costs are recorded in the "Net trading income" in the income statement.

Financial assets are derecognised where the rights to receive cash flows from the asset have expired or the bank has transferred all the risks and rewards of the asset to another party, while a financial liability is derecognised 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.

Held to maturity financial investments are subsequently measured at amortised cost.

Gains and losses due to changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred.

Gains and losses arising from changes in fair value of available for sale financial investments are recognised directly in equity. When the asset is disposed of or impaired the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Monetary assets' interest income is recognized based on the amortized cost method in the income statement. The foreign currency revaluation differences related to available for sale investments are recognized in the income statement. Available for sale equity instruments related to dividends are recognized in the income statement when they are declared.

Fair values are obtained from quoted market prices in active markets based on Bid prices. Where no active market exists, or quoted prices are unobtainable, the fair value is estimated using a variety of valuation techniques – including discounted cash flow and other pricing models. Inputs to pricing models are generally market-based when available and taken from reliable external data sources. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates can not be reasonably assessed, an entity can measure the equity instrument at cost minus any impairment losses.

2-9 Financial Investments in Subsidiaries and Associates

Financial investment in subsidiaries and associates are recorded at cost. In case the fair value is lower than the book value for each specific investment, the book value is adjusted accordingly by the amount of the shortfall. Revaluation differences are recognized in the income statement under "Profit (loss) from financial investments". In case of recovery in value, it will be charged back to the same income statement account to the extent of the previous shortfall of prior periods.

2-10 Netting between financial instruments

Financial assets and Liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously.

Treasury bills, Repos and reverses Repos agreements are netted on the balance sheet and disclosed under treasury bills and negotiable notes.

2-11 Impairment of financial assets

1. Financial assets measured at amortized cost:

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of assets is impaired. A financial asset or a portfolio of assets is impaired and impairment losses is impaired if , and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated cash flows of the financial asset or the portfolio of financial assets that can be reliably estimated.

Objective evidence that a financial asset or a portfolio of financial assets is impaired includes observable data that comes to the attention of the bank about the following loss events:

- Significant financial difficulty of the issuer or the obligor.
- It becomes probable that the obligator will bankrupt or liquidate.

2. Financial investments available for sale:

The bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets under available for sale investments is impaired. In case of equity instruments classified as available for sale, a significant or prolonged decline in fair value of the instrument below its book value is considered in determining whether impairment exists.

2-12 Repossessed real estate in settlement of debts

Reposessed real estate in settlement of debts are recorded in the balance sheet under "Other Assets" at acquisition cost. In case of diminution of the fair value of these assets at the balance sheet date compared to their carrying value, the difference is charged to the Income Statement. In case of recovery in value, it will be charged back to the same income statement account to the extent of the previous shortfall of prior periods.

2-13 Provision for loans and contingent liabilities

Provisions for loans comprise both specific and general provisions calculated at a percentage of 1% to 5% of total loans and contingent liabilities, less approved guarantees in accordance with Central Bank of Egypt Grading Regulations issued on 6 June 2005.

Loans are written off when all recovery procedures taken by the bank are deemed ineffective. The write off is then deducted from the provision, which is increased by recovery from previously written off loans.

2-14 Commitments and contingent liabilities

Commitments and contingent liabilities are shown as off-balance sheet items under the commitments and contingent liabilities caption as it does not represent assets and liabilities of the bank as of the balance sheet date.

2-15 Cash and cash equivalents

For the purpose of the preparation of the cash flow statement, cash and cash equivalents comprise cash and balances with the Central Bank, due from banks and other financial institutions, treasury bills maturing within 3 months of the balance sheet date.

2-16 Fixed assets and Depreciation

Fixed assets are recorded at acquisition cost. Depreciation is provided on all premises and equipment other than freehold land, to write off the cost of each asset on a straight line basis over its expected useful life as follows:

Buildings and premises	5%
Integrated Information System	20%
Vehicles and transportation equipment	20%
Fixtures and Leasehold improvement	10%
Equipment and Tools	10%
Furniture	10%

2-17 Taxation

Taxation is provided in accordance with Egyptian fiscal regulations. Tax expense includes both current income tax and deferred income tax calculated using current tax rate.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2-18 Accounting estimates and assumptions

The preparation of financial statements requires management to make subjective judgments and estimates at times regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures. Those judgments and estimates are based on historical experience and other factors containing the expectations of the future events that are reasonably estimated in accordance of the available conditions and information.

a. Impairment of the available for sale equity instruments

In the case of available for sale financial investments, a significant or prolonged decline in its fair

Value below its cost is considered as impairment. Where such evidence exists, significant or prolonged decline needs a personal judgment. To make this judgement the bank assesses- besides other factors- the common share price volatility. In addition, impairment exists when there is objective evidence that a certain company has a financial difficulty in its cash flow from operating and financing activities, industry or sector or technological advance performance.

b. Financial investments held to maturity

Non- derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This category requires high degree of personal judgement therefore the bank tests whether there is a genuine intent and ability to hold such investments till maturity. Except for certain tightly defined circumstances such as if the bank sells an insignificant amount of held to maturity investments close to maturity date, investments will be reclassified as available for sale, which will be measured at fair value instead of amortized cost.

3 Financial instruments and Risk Management

3-1 Financial instruments

The bank's financial instruments represented as the financial assets and financial liabilities. Financial assets include cash balances, current accounts, bank deposits, investments and loans to customers and banks. Financial liabilities include customers' deposits and due to banks. It also includes contingent assets and liabilities disclosed under commitments and contingent liabilities.

Included in note (2) to the financial statements, the significant accounting policies adopted in the recognition and measurement of the significant financial instruments and related revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008**3-2 Financial instruments risk management****(a) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The bank manages this risk by:

- Correlating the interest rate on borrowings to the interest rate on lending.
- Referring to the discount rate of foreign currencies upon determining the interest rates.
- Note (32) to the financial statements discloses the average interest rates applied by the Bank during the year on the assets and liabilities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparts, and continually assessing the credit worthiness of counterparts. In addition to monitoring credit limits the bank manages the credit exposure relating to its trading activities by entering into collateral arrangements with counterparts in appropriate circumstances and limiting the duration of exposure.

In certain cases the bank may also close out transactions or assign them to other counterparts to mitigate credit risk.

The bank also seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customer in specific locations or business. It also obtains security when appropriate. The Bank adopts the following procedures to minimize credit risk:

- Preparing credit studies about the customers before dealing with them and determining credit risk rates related thereto.
- Obtaining the adequate guarantees to reduce the risks resulting from insolvency of customers or banks.
- Monitoring and preparing annual studies on customers in order to evaluate their financial and credit position and estimate the required provisions for non-performing loans.
- Distribution of loans portfolio and due from banks over various sectors to avoid concentration of risk.

Note (29) to the financial statements discloses the distributions of loans portfolio over the various sectors.

(c) Foreign currency risk

As the bank deals in different foreign currencies, the bank may be subject to the risk of fluctuating foreign currency prices. For the purpose of minimizing this risk, the bank considers balancing its foreign currency positions in accordance to the Central Bank of Egypt instructions in this regard.

Note (30) to the financial statements discloses significant currencies positions.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008**
4. Cash and balances with Central Bank of Egypt

	2008	2007
	L.E '000	L.E '000
Cash on hand	60,055	72,393
Reserve balances with Central Bank of Egypt	450,357	115,623
Total	510,412	188,016

5. Due from banks

	2008	2007
	L.E '000	L.E '000
A. Central Bank of Egypt:		
Deposits	279,993	1,076,108
	279,993	1,076,108
B. Local Banks		
Current accounts	21,942	13,473
Deposits	165,411	215,611
	187,353	229,084
C. Foreign Banks		
Current accounts	48,425	5,252
Deposits	305,022	581,760
	353,447	587,012
Total	820,793	1,892,204

6. Treasury bills and Negotiable Notes

	2008	2007
	L.E '000	L.E '000
Treasury Bills		
Treasury bills maturing in 91 days	20,000	32,925
Treasury bills maturing in 182 days	129,200	159,775
Treasury bills maturing in 365 days	638,075	352,425
	787,275	545,125
Unearned interest	(56,459)	(15,130)
Total treasury bills	730,816	529,995

AHLI UNITED BANK- EGYPT S.A.E.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

TRANSLATION

7. Certificates of Deposit

	2008	2007
	L.E '000	L.E '000
Certificates of deposit AUB- Qatar (maturity Jan.09)	27,576	-
Total	27,576	-

8. Trading financial assets

	2008	2007
	L.E '000	L.E '000
<u>Equity Instruments</u>		
Shares of local companies	756	3,324
Shares of foreign companies	1,604	3,055
Mutual funds certificates	1,485	1,455
Total Equity instruments	3,845	7,834
Total trading financial assets	3,845	7,834

9. Loans to customers

	2008	2007
	L.E '000	L.E '000
Loans to customers	4,244,040	2,627,855
Loan loss provision	(128,557)	(101,934)
Interest in suspense	(10,065)	(4,774)
Total	4,105,418	2,521,147

10. Loan loss provision

	2008		
	Specific	General	Total
	L.E'000	L.E'000	L.E'000
Balance at the beginning of the year	57,068	44,866	101,934
Charged during the year	-	17,490	17,490
Foreign currency re-valuation difference	87	153	240
Provisions no longer required	(6,538)	-	(6,538)
Recovered from previously written off loans	15,677	-	15,677
Transfer from specific and general provisions	(4,696)	4,696	-
Transfer from specific to contingent provisions	(3,684)	-	(3,684)
Transfer from contingent to general provisions	-	4,207	4,207
Used during the year	(769)	-	(769)
Provision at year end	57,145	71,412	128,557

**NOTES TO THE FINANCIAL STATEMENTS
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10. Loan loss provision (Continued)

	2007		
	Specific	General	Total
	L.E'000	L.E'000	L.E'000
Balance at the beginning of the year	467,324	38,817	506,141
Charged during the year	-	3,102	3,102
Foreign currency revaluation difference	(2,681)	(30)	(2,711)
Provisions no longer required	(7,227)	(3,898)	(11,125)
Recovered from previously written off loans	2,369	3,898	6,267
Transfer among specific and general provisions	(2,977)	2,977	-
Used during the year	(399,740)	-	(399,740)
Provision at year end	57,068	44,866	101,934

11. Financial Investments
A- Financial investments available for sale

	2008	2007
	L.E '000	L.E '000
Debt instruments – fair value		
Listed	660,113	322,134
Equity instruments - fair value		
Listed	5,949	5,950
Unlisted	29,312	34,672
Total financial investments available for sale	695,374	362,756

B- Financial investments held to maturity

Golden pyramids plaza Bonds due 2014 (listed)	82,706	82,717
Egyptian securitization Bonds due 2012 (listed)	8,381	-
Total financial investments held to maturity	91,087	82,717
Total financial investments (A+B)	786,461	445,473

Debt instruments are represented as:

Debt instruments with fixed rate	668,494	322,134
Debt instruments with floating rate	82,706	82,717
Total	751,200	404,851

NOTES TO THE FINANCIAL STATEMENTS
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11- Financial investments (Continued)

	Financial investments available for sale L.E '000	Financial investments held to maturity L.E '000
Balance as of 1/1/2008	362,756	82,717
Additions	472,830	10,929
Disposals	(126,055)	(2,547)
Revaluation Losses of fair value	(14,157)	-
Foreign currencies revaluation difference	-	(12)
Balance as of 31/12/2008	695,374	91,087
	Financial investments available for sale L.E '000	Financial investments held to maturity L.E '000
Balance as of 1/1/2007	331,623	-
Additions	123,740	82,717
Disposals	(107,274)	-
Revaluation Losses of fair value	14,667	-
Foreign currencies revaluation difference	-	-
Balance as of 31/12/2007	362,756	82,717

NOTES TO THE FINANCIAL STATEMENTS
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12. Financial Investments in subsidiaries and associates

	2008 L.E '000	2007 L.E '000	
Investments in subsidiaries:			
Delta Company for Tourism and Hotels (S.A.E)	-	27,230	60.5%
Ahli United Finance Company	<u>10,153</u>	<u>-</u>	81 %
Total	<u>10,153</u>	<u>27,230</u>	

Represented by:

Listed	-	27,230
Unlisted	<u>10,153</u>	<u>-</u>
Total	<u>10,153</u>	<u>27,230</u>

13. Other assets

	2008 L.E '000	2007 L.E '000
Accrued interest receivable	50,189	54,545
Reposessed assets in settlement of debts (net of provision of L.E 3,458 thousand)	29,183	27,769
Prepaid amounts for the purchase of fixed assets	53,684	27,166
Prepaid expenses	5,504	2,953
Refundable deposits	4,970	2,428
Other assets	<u>3,334</u>	<u>3,833</u>
Total	<u>146,864</u>	<u>118,694</u>

A provision of 10% is provided for the reposessed real estate in accordance to the CBE instructions as the bank has not sold the reposessed real estate during the legal period.

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NOTES TO THE FINANCIAL STATEMENTS
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TRANSLATION

14. Fixed assets (net of accumulated depreciation)

	Land	Buildings and Premises	Integrated Information systems	Vehicles	Fixtures and leasehold improvement	Equipment	Furniture	Total
	L.E '000	L.E '000	L.E '000	L.E '000	L.E '000	L.E '000	L.E '000	L.E '000
Cost								
Cost at 1 January 2008	3,768	44,043	29,124	5,559	11,332	7,707	5,576	107,109
Additions during the year	1,353	14,402	22,290	2,692	24,841	5,778	20,206	91,562
Total Cost at 31 December 2008	5,121	58,445	51,414	8,251	36,173	13,485	25,782	198,671
Accumulated Depreciation								
Balance at 1 January 2008	-	11,664	16,065	1,877	9,758	4,241	3,197	46,802
Depreciation for the year	-	1,867	5,662	1,103	830	721	1,255	11,438
Total Accumulated depreciation at 31 December 2008	-	13,531	21,727	2,980	10,588	4,962	4,452	58,240
Net book value at 31 December 2008	5,121	44,914	29,687	5,271	25,585	8,523	21,330	140,431
Net book value at 31 December 2007	3,768	32,379	13,059	3,682	1,574	3,466	2,379	60,307

Net book value includes an amount of LE 25,480 thousands of fixed assets under registration by the bank.
Legal procedures to register the assets are in progress.

15. Due to banks

	2008 L.E '000	2007 L.E '000
A. Local Banks:		
Current accounts	2,359	603
Deposits	480,000	693,778
	482,359	694,381
B. Foreign Banks:		
Current accounts	45,195	17,777
	45,195	17,777
Total	527,554	712,158

16. Customers' deposits

	2008	2007
	L.E '000	L.E '000
Term deposits	3,521,069	2,506,271
Savings certificates	658,502	228,107
Call accounts	820,836	617,283
Savings accounts	477,090	465,514
Other deposits	104,212	119,532
Total	5,581,709	3,936,707

17. Other liabilities

	2008	2007
	L.E '000	L.E '000
Accrued interest	32,803	20,059
Accrued expenses	13,814	8,766
Deferred revenue	3,090	2,369
Dividends payable	221	74,176
Other credit balances	69,377	60,304
Total	119,305	165,674

18. Other provisions

	2008						
	Balance at beginning of year	Charged during the year	Provisions used	Provisions no longer required	Transfer to loan provisions	Foreign currency revaluation difference	Balance at end of year
	L.E ‘000	L.E ‘000	L.E ‘000	L.E ‘000	L.E ‘000	L.E ‘000	L.E ‘000
Provisions for contingent claims	179,125	1,173	(93,304)	-	-	-	86,994
Provisions against Contingent liabilities	22,923	1,836	-	-	(523)	52	24,288
Other provisions	13,854	-	(291)	-	(2)	-	13,561
Total	215,902	3,009	(93,595)	-	(525)	52	124,843

18. Other provisions (Continued)

	2007				
	Balance at beginnin g of year	Charged during the year	Provisions used	Provisions no longer required	Balance at end of year
	L.E ‘000	L.E ‘000	L.E ‘000	L.E ‘000	L.E ‘000
Provisions for contingent claims	236,461	-	(57,336)	-	179,125
Provisions against Contingent liabilities	5,433	17,490	-	-	22,923
Other provisions	43,875	13,538	(30,819)	(12,740)	13,854
Total	285,769	31,028	(88,155)	(12,740)	215,902

19. Capital and reserves

i. Authorized capital

The authorized capital of the Bank is LE 1 billion.

ii. Issued and paid up capital

The issued and paid up capital of LE 600 million is divided into 60,000,000 common shares of a par value of LE 10 each.

iii. Reserves

- Legal Reserves

According to the Bank's statutes, 5% of the net profit for the year is to be retained to form a legal reserve; retention may cease when the legal reserve reaches 50% of the issued capital.

- Special Reserves

According to the Central Bank of Egypt's instructions, the balance of the special reserve should not be utilized without its prior approval.

- Reserve for AFS Investments re-evaluation

According to the Central Bank of Egypt's instructions issued on 16 December 2008 and its related treatments of financial investments for comparative years, AFS investments revaluation reserve was created.

20. Contingent liabilities and commitments

	2008	2007
	L.E '000	L.E '000
Letters of guarantee	1,090,442	1,047,135
Letters of credit (export and import)	221,489	162,471
Acceptances for suppliers facilities	41,793	15,883
Total	1,353,724	1,225,489

21. Net interest income

	2008	2007
	L.E '000	L.E '000
Interest received from loans and similar items:		
Loans and Facilities:		
- Customers	298,533	173,049
Treasury Bills, Bonds & Certificates of Deposit	84,141	97,527
Deposits and Current accounts	93,890	110,611
Financial investments in Debt instruments Held to maturity	5,002	2,089
	481,566	383,276
Interest paid on deposits and similar items:		
Deposits and Current accounts:		
- Banks	20,662	121,728
- Customers	248,478	81,114
	269,140	202,842
Net	212,426	180,434

22. Net Trading income

	2008	2007
	L.E '000	L.E '000
Gains from foreign exchange	19,311	6,594
Revaluation losses of equity instruments for trading	(2,080)	(94)
Equity instruments for trading	246	233
Total	17,477	6,733

23. Profit from financial investments

	2008 L.E '000	2007 L.E '000
Profit from sale of financial investments available for sale	30,896	2,779
Profit from sale of financial investments in associates and subsidiaries	7,194	-
Profit from sale of Treasury Bills	2,132	-
Total	40,222	2,779

24. Other operating revenue (expenses)

	2008 L.E '000	2007 L.E '000
Provisions no longer required	6,731	23,848
Other provisions	(4,295)	(31,028)
Profit from sale repossessed assets	3,960	-
Other	1,984	2,624
Total	8,380	(4,556)

25. Adjusted Net profit for 2007

	2007 L.E '000
Net profit (previously reported)	146,756
Difference from applying effective interest rate method on bonds	585
Adjusting the AFS revaluation difference	(3,805)
Other adjustments	31
Total	143,567

26. Earnings per share

	2008 L.E '000	2007 L.E '000
Net profit for the year	183,056	143,567
Employees' profit share	(17,326)	(13,942)
	165,730	129,625
Shareholder's profit share		
Weighted average number of shares outstanding	60,000	60,000
Earnings per share (LE)	2.76	2.16

27. Maturities of assets and liabilities

	Within one year L.E '000	More than one year L.E '000
A. Assets		
Cash and balances with Central Bank of Egypt	510,412	-
Due from banks	820,793	-
Certificates of Deposit	27,576	-
Treasury bills and Negotiable notes	730,816	-
Trading Financial assets	3,845	-
Loans to customers (net of provision)	3,691,549	413,869
Financial Investments available for sale	48,237	647,137
Financial Investments held to maturity	-	91,087
Investments in subsidiaries and associates	-	10,153
Other assets	93,180	53,684
Total	5,926,408	1,215,930
B. Liabilities		
Due to banks	527,554	-
Customers' deposits	4,923,207	658,502
Other liabilities	119,305	-
Total	5,570,066	658,502

28. Tax Position

- Corporate Taxes

The bank started its activities on 1 January 1979 under law 43 of 1974 and its amendments and enjoyed tax holiday and settled its corporate tax with the tax authority for the years up to 1982.

Below is a summary of corporate income and payroll tax status of the Bank:

For the years 1985-1987 the bank was granted a court ruling allowing carrying forward of taxable losses for these years and including the years 1983 and 1984 within the exemption years.

For the years 1988 -1993, the Bank has filled a legal case against the Tax Authority disputing certain tax elements. (Taxes paid on this period)

For the years 1994-1998 the appeal committee granted the bank taxable losses for the years and allowed the bank to carry forward these losses. The bank disputed certain tax elements. (Taxes paid on this period)

For the years 1999 to 2003 the dispute is currently with the appeal committee.

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For year 2004 (taxes paid on this period).

For the years 2005, 2006 and 2007 the bank submitted its tax returns on time. The inspection is still in process for 2005 and 2006.

The bank did not recognize deferred taxes assets due to the uncertainty that this amount would deem recoverable in the near future.

- Payroll Taxes

Payroll taxes on staff remuneration are settled with the authorities on a regular basis. Inspection was done for the years 1981 to 2005. No tax inspection took place from 2006

29. Distribution of assets and liabilities

A-By Sector	Loans to customers		Customers' deposits	
	2008	2007	2008	2007
	L.E '000	L.E '000	L.E '000	L.E '000
Agriculture	25,633	9,818	51,608	11,979
Industrial	1,624,927	1,073,222	371,887	234,044
Trading	327,105	130,542	304,184	786,485
Services	1,668,020	1,014,615	2,232,425	881,617
Social	316,839	269,430	2,087,342	1,741,736
Others	281,516	130,228	534,263	280,846
TOTAL	4,244,040	2,627,855	5,581,709	3,936,707

B- By Geographical Distribution	Due from banks		Due to banks	
	2008	2007	2008	2007
	L.E '000	L.E '000	L.E '000	L.E '000
Egypt	501,374	1,307,603	482,359	694,381
Europe	237,343	347,544	20	1,281
USA	10	84	12,832	12,539
Others	82,066	236,973	32,343	3,957
TOTAL	820,793	1,892,204	527,554	712,158

30. Significant currencies positions

	2008	2007
	Excess	Excess /
	/(Deficit)	(Deficit)
	L.E '000	L.E '000
Egyptian Pound	(523)	(958)
US Dollar	(2,762)	(2,548)
Sterling Pound	(33)	(55)
Euro	159	(164)
Other currencies	3,162	3,535

31. Related party transactions

All banking transactions with related parties are conducted in accordance with the normal banking practices and regulations.

The nature of such transactions and its balances are represented at the balance sheet date as follows

	2008	2007
Transactions' nature	L.E '000	L.E '000
Due from banks	75,510	101,982
Financial available for sale	-	811
Loans to customers and banks	-	31,500
Financial investment in subsidiaries and associates	-	27,230
Due to banks	3,308	2,839
Customers' deposits	279,814	1,398

32. Average interest rate

Average interest rates applied for assets and liabilities during the year are 8.3 % and 5.1% respectively.

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33. Comparative figures

The bank has restated comparative figures retroactively due to the change in accounting policy of financial investments as shown in note (2-1). Below is a summary of changed items:

	Balance before Restatement	Balance after Restatement
Balance Sheet		
Financial investments available for sale	344,893	362,756
Revaluation Reserve for AFS Investments	-	17,210
Retained earnings	65,476	62,287
Income Statement		
Treasury Bills, Bonds & Certificates of Deposit	99,031	99,616
AFS revaluation difference	3,805	-