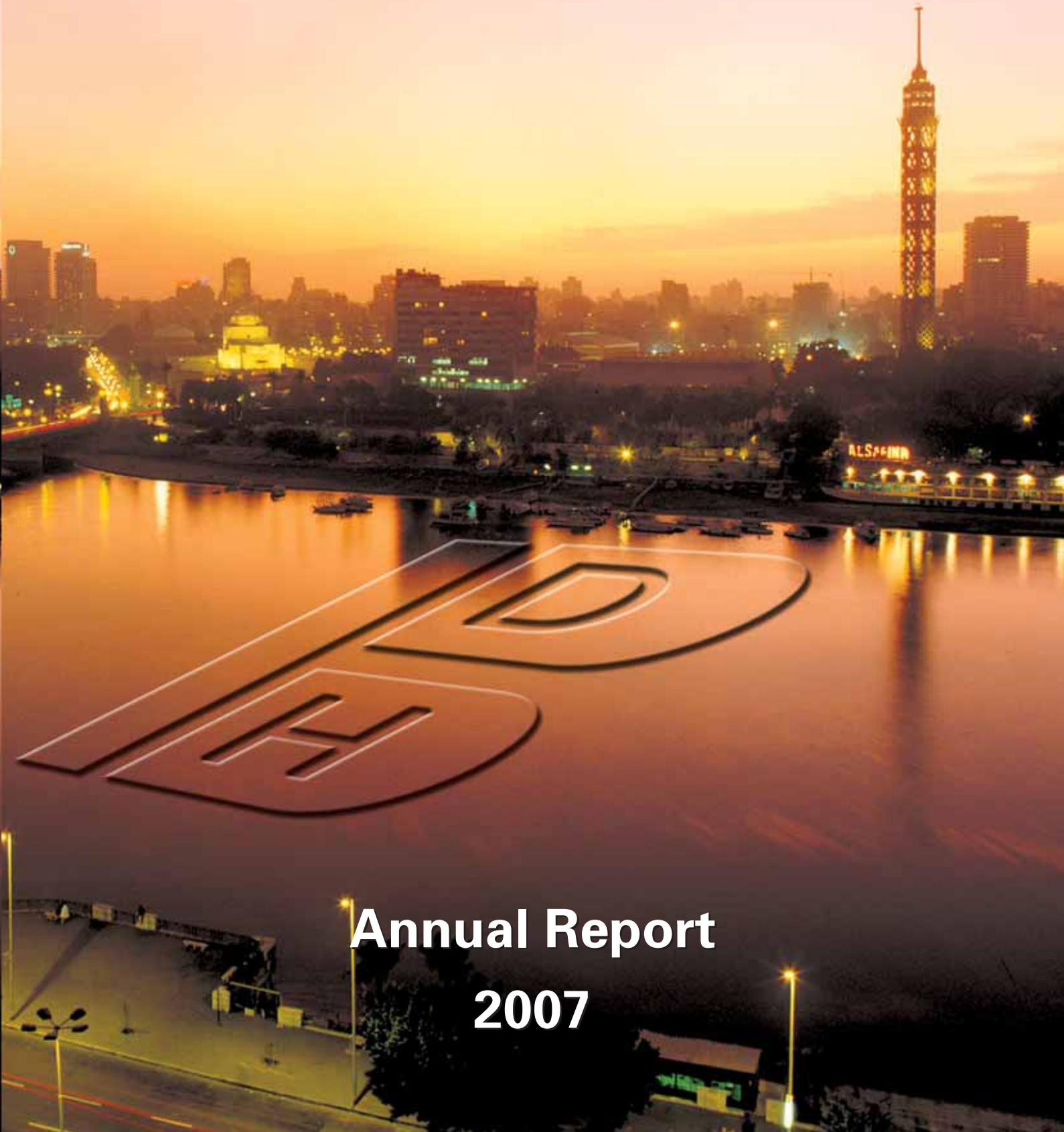




**بنك التعمير والإسكان**  
**Housing & Development Bank**



**Annual Report**  
**2007**

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# Financial Highlights & Ratios

(Egyptian Pounds '000)

<b>Fiscal Year End</b>	<b>2006</b>	<b>2007</b>	<b>Growth Rate %</b>
Total Assets	9 118	10 635	16.6
Customers Loans (net)	4 160	4 702	13
Housing projects	334	381	14
Total Deposits	4 898	4 805	(1.9)
Other Contingents	195	237	21.5
Net Return	165	275	67
Net Activity Return	279	492	76.3
Year Net Profit	110	182	65.5
Return on Equity	21.5%	31.7%	47.4
Return on Assets	1.2%	1.7%	41.7
Share's Earning	2.07	2.8	35.3

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# Chairman and Managing Director's Statement

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## Chairman and Managing Director's Statement

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The year 2007 witnessed a severe global financial crisis that began in the United States of America by the unforeseen end of the inflated real-estate bubble. The value of the residential real-estate has increased in the last six years at a rate of 75% reaching a value close to \$75 trillion. In fact, until this latest episode, real estate prices in the USA had never fallen in the aggregate. This historical real estate boom created highly inflated values for many assets in many different sectors. This was achieved through the huge amount of debts incurred to secure the real estate, mainly as a result of the availability of cheap funds, the facilities of the international loans and an increase in the securitization of the real-estate debts. Banks and lending institutions facilitated the arrival of the real-estate crisis by allowing homeowners to obtain loans based on an increment of the actual price of the asset, as well as not requiring adequate collateral for the asset. This runs contrary to the custom of giving loans at a higher percentage of the real-estate value without heeding to get suitable financial payments when getting the real-estate financing. The inflated values created much risk in the market which was only exacerbated by the lack of accurate pricing for the risk factors. As individuals were unable to repay their loans, some even after selling their mortgaged assets, the banks and financial institutions resorted to being restricting their lending operations to maintain some cash against bad debts, which were expected to be written off as the value of the assets plummeted. This was then followed by a steep decline in the values of the banks' shares in the stock market. Thus, a crisis of global proportion had brewed.

The subprime mortgage crisis in America quickly infected global markets, with some being hit more than others. Even states lacking direct American investment, such as Saudi Arabia, saw a fall in value in realms such as the stock market. In some cases, this was even more than the decline seen in countries that do not maintain restrictions on the foreign investments, such as some European ones.

There are three plausible trends that contributed to this phenomenon. The first trend was the intensive entry of international banks and financial institutions into the American real-estate lending market. The second trend was the general economic stagnation in the United States of America that is represented by the growing budget deficit, the disturbance of the trade balance and the continuous rise in unemployment and inflation. This trade deficit impacts all financial markets, as United States of America is the biggest importer in the world. This last factor creates a global fear because of the continuous falling of the exchange rate of the USD against other major currencies.

The Egyptian economy saw a different story though. The fiscal year of 2006-2007 witnessed the highest growth in the history of modern Egypt (7.1%) following an impressive growth rate reached in 2005-2006 (6.8%), thus affirming the likeliness of a continuation of this boom of economical activity. This economic performance has been widespread in most of the diverse sectors of the economy as well. The investment rate increased steadily from 18.7% to 21.2% of the Gross National Product as well as foreign cash flows increased from \$6.1 billion in 2005-2006 to \$11.1 billion in 2006-2007. This 82% growth ranked Egypt at the top of the list of North African countries with regard to receiving foreign capital and only second on the entire African Continent.

Housing and Development Bank was proud to be a part of this success. The Bank witnessed, for the first time, the announcement of the financial statements of the Bank collectively, including the main share in the Holding Company for Investment and Development as well as the Development and Housing Company for the Real-estate Investment. The publishing of the collective financial statements of the bank is intended to express in full transparency the operations of the Bank and its economic performance. It also reflects the importance of the Sister Companies as a basic element in the general strategy of the Bank and its future performance. Due to these factors, the Bank has decided to publish its financial statements collectively in the future and to continue to announce the Bank's financial statements individually. The profits of the collective operation reached 504 million Egyptian pounds and the net profit totaled 188.7 million Egyptian pounds for the year ending 31/12/2007.

The Bank has managed to have distinguished results in the fiscal year 2007 as total assets reached about 10.635 billion Egyptian pounds with an impressive growth rate of 16.6% compared to its counterparty as of 31/12/2006 and the balance of the deposits reached about 4.805 billion Egyptian pounds within an impressive growth rate of 1.9% compared to its counterparty as of 31/12/2006 . The net profit reached about 182 million Egyptian pounds with growth rate of 65.5% compared to its counterparty on 31/12/2006. The administrative, general consumption charges reached about 198 million Egyptian pounds, which represents 40% of the net revenues of the business compared to 56% on 31/12/2006. This is an indication of the success of the investment in human resources and the efficient infrastructure of the bank's information systems. Our Bank, by virtue of the strength of its financial position and the sufficiency of its allocations, has succeeded in becoming a strong competitor among many large banks that are renown for efficiency and strength.



In the domain of the geographical expansion, the Bank took necessary steps to grow the network of branches through the opening of new branches throughout the year. There are currently 43 branches, in addition to 5 collection offices, connecting all the branches of the bank with its communication network. Some branches have already developed the re-engineering of its infrastructure, such as the El Sheikh Zayed, El Minya and Borg El Arab branches. The new organizational chart of the Bank has contributed heavily to the effectiveness of the bank as a whole. A new electronic branch has been opened in Nasr City, performing all banking services to the clients around 24 hours a day. The number of (ATM) machines has been increased to 75 while the P.O.S. reached 70 outlets. The HDB CALL CENTER has been thoroughly developed and has extended working hours as well as having increased the number of service providers in order to provide the best service to the clients inside and outside Egypt.

In the domain of banking retail activities, there has been much development of the Card Center and the development of a diverse portfolio of personal loans that satisfy the clients' needs such as car loans, educational expenses loans, ten years housing loans and the real-estate financing loan. In addition to this, issuance already been given for a diversified group of credit cards, discount cards and pre-paid cards such as HDB card, Master Card, Premium Card and Felucy Card, which explains the 66% increase in the issuing of cards over the fiscal year.

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To ensure maximum diversification of the Bank's loan and credit portfolio, and to reduce credit risks that may be caused by a high degree of the credit concentration, the Bank has participated in a group of corporate loans with other banks to contribute in the financing of several sectors including communication, petrochemicals and real-estate. Their diversified revenues, as well as retail banking loans, contributed in causing the boom in the Banks' net revenues as they represent a dominant percentage in the credit portfolio of the Bank. The Bank was also eager to provide a diversified group of saving pools in both local and foreign currencies with competitive interest rates.

As a bank, it is important to note that we have two competing elements in our charter; that of clarifying the credit portfolio from bad debts as well that of magnifying the credit portfolio of the Bank. Both of these missions are constantly being heeded in our operation as both of them directly affect the profit of the Bank.

Additionally, with the aim of promoting the securities' market, the Bank has initiated executive measures during the past year for establishing an accumulative fund, called the iAl Taamir Fund for Investment, in the size of 100 million Egyptian pounds. To ensure an efficient operation, its management has been entrusted to one of the specialized companies. In addition, there is currently a study being prepared for the issuance of security bonds for part of the individuals loans portfolio within a limit of 400 million Egyptian pounds. This is being done in coordination and participation of the Commercial International Bank, which is acting as a financial consultant and a manager of the portfolio of 200 million Egyptian pounds. There is also the establishment of a floating of security bonds in the form of shares according to the rules of Islamic Sharia' within a limit of 200 million Egyptian pounds through participation with one of the specialized companies.



As 2007 has witnessed the entrance of many international banking institutions into the Egyptian market there has been an increase in demand for distinguished banking staff. The Bank is eager to continue supporting the distinguished employees of our institution and developing their skills through local and foreign training programs. The total number of the employees was 2,413 employees at the end 2007. The total number of the participants in the training programs reached 1,643 trainees for a total number of training hours of 49,512 hours, distributed through 184 programs during the year.

For the housing business, the implementation of new projects has already begun in new cities such as El Sheikh Zayed City, El Obour City and New Cairo City. In addition to this, the Bank has had an active role in implementing the National Housing Project, according to the electoral program of His Highness the President of Egypt, for providing the housing units to the persons of limited income. With the participation of both Banque Misr and the National Bank of Egypt, the Bank has signed a number of financing protocols only with the National Project with the governorates of Dakahlia, Ismailia, Alexandria, El Sharkiya and El Behira.

The Bank has also signed a bridge loan with the governorates of Assuit, El Fayoum and Sohag for the financing on 600 housing units in the Assuit governorate, 2,016 units in the El Fayoum governorate and 480 units in the Sohag governorate. This is in addition to the implementation of 1,340 housing units by the Bank in El Obour city within the guidelines of the National Housing Project.

Due to the comprehensiveness of the Bank's role in relation to the community, the Bank initiated a project to establish the Suzan Mubarak Library in El Zagazig City with the aim of disseminating culture and awareness among citizens. The Bank has also supported philanthropic institutions in the domains of health, education and social services in addition to the participation in more than 28 exhibitions and conferences that had been held during the year.

The activities of the Bank during the previous year have revealed impressive results that are reflected in the following points:

- 1- The Bank succeeded to maintain the quality of its credit portfolio, as well as recruiting and attracting of new deposits. This occurred despite the shift of 2 billion Egyptian pounds to the Central Bank of Egypt as a result of the implementation of the Law No. 139 for 2006 for establishment of an account in the name of Ministry of Finance at the Central Bank of Egypt.
- 2- The increased market share of our Bank in the market as it succeeded to grow the loans portfolio at a percentage of 13%. This is despite the intense competition from both domestic and foreign entities.
- 3- The rate of the capital sufficiency has reached 14.3%.

4- Rise of the financial investments of the Bank. The Bank has contributed to and started the procedures of establishing the following companies during 2007:

- Development Company for Financial and Real-estate Marketing
- Development Company for Real-estate Investment Funds
- Development Company for Security and Environment (Protection)
- Housing and Development Company for Insurance

5- Increase in the circulation rate of the shares in the stock market. The Bank is now considered one of the 30 most active companies in terms of the circulation value during the year as the market value of the capital reached 2,454 million Egyptian pounds on 31/12/2007

The Extra Ordinary General Assembly of the Bank on 5/11/2007 approved an increase in the amount of licensed capital from one billion Egyptian pounds to 3 billion Egyptian pounds. They also approved an increase in the paid up capital from 550 million Egyptian pounds to 1150 million Egyptian pounds delegating the Board of Directors of the Bank to undertake the procedures of floating according to the rule of the law. On 16/1/2008, there was an announcement for the underwriting bulletin in the first stage at an increment of 120 million Egyptian pounds for the old shareholders at a rate of one share per 4.5833 shares. The announcement for the remaining 75% of the increment of the capital at the fare value will be completed during the year 2008.

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Finally, we are trying our best to achieve even greater accomplishments for the sake of the sustainability and efficiency, and to be successful by the virtue of God in order to provide and create developed banking services to satisfy the needs of our noble clients.

In conclusion, I would like to thank my colleagues, the members of the Board of Directors, and the employees in the Bank for their great effort that produced all of these wonderful results.

Also I have the honour to thank Mr. Engineer Minister of Housing, Utilities and Urban Communities as well as Dr. Governor of the Central Bank of Egypt for their loyal cooperation and their continuous support and care for the Bank's progress and success.

Chairman and Managing Director



Fathy El Sebai Mansour

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# Management

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# Shareholding Structure

	%Share of unit	%Share of sector
<b>Financial organizations</b>		<b>29.46%</b>
Misr Insurance Company	25.72%	
Others	3.74%	
<b>Non Financial Organizations</b>		<b>70.54%</b>
New Urban Communities Organization	22.49%	
Houses Financing Fund	12.71%	
Egyptian Awkaf Organization	11.74%	
Others	23.60%	
<b>Total</b>		<b>100%</b>

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# Board of Directors

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Mr. Fathy El-Sebai Mansour	Chairman and Managing Director Representative of New Urban Communities Organization
Mr. Essam Mohamed Abo Hamed	Vice Chairman Representative of Colleagueship Fund of Employees of Housing and Development Bank
Eng. Sawsan Ibrahim El-Shorbugy	Representative of New Urban Communities Organization
Eng. Hussein Mahmoud Gafar El-Gibaly	Representative of New Urban Communities Organization
Eng. Safwat Mahmoud Ghanem	Representative of New Urban Communities Organization
Eng. Mohamed Magd-El-Din Ibrahim	Representative of Housing Financing Fund
Eng. Fouad Madbouly Mohamed	Representative of Housing Financing Fund
Mr. Gamal Fahmy Mohamed Abd El-Monem	Representative of Egyptian Awkaf Organization
Mr. Amna Ahmed Ali	Representative of Egyptian Awkaf Organization
Mrs. Samia Mohamed Ibrahim Hida	Representative of Egyptian Reinsurance Company
Mr. Mohamed Mahmoud Abd El-Gawad	Representative of Egyptian Reinsurance Company
Mr. Hussein Mohamed Farid El-Gendy	Representative of Commercial International Bank (Egypt)
Mr. Adel Fatouh Hammad	Representative of Misr Insurance Company
Mr. Ali Salem Hamza	Representative of Misr Development Company
Mr. Amr Abd El Rahman Nabil Shetta	Shareholder

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# The Division Heads and Zones

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Mr. Samir Soliman Ahmed Naser	Financial
Eng. Ali Ibrahim Ali El-Zoghby	Engineering Affairs
Eng. Hossam Abd-El-Azeem Fayaz	Technical Affairs
Mr. Ashraf Mohamed El-Bassiouny Hegazy	Marketing
Mr. Abd El Rahman Abd El Baset	Central Operations
Mr. Adel Ahmed Talaat Mohamed	Control
Mrs. Thanaa Mohy El-Din Snosy El-Garhy	Planning and Financing
Mr. Hussein Mohamed Hussein Ismail	Credit Risk Management
Mr. Yousry Mohamed Saleh Ahmed	Administration
Mr. Adel Mohamed El-Bedewi Fouad	Information Technology
Eng. Sherifa Saad Allah Medwar	Real Estate
Mr. Mohamed Ibrahim El Azabawy	First Zone (South Cairo Branches)
Mr. Adel Mohamed Abd El Mohsen Sultan	Second & Third Zone (East & North Cairo Branches)
Mr. Ahmed Mohi El-Din Megahed	Forth Zone (West Cairo Branches)
Mr. Essam El Din Taha Ali El Lethy	Fifth Zone (Lower Egypt Branches)
Mr. Moemen Mahmoud Zaki Ibrahim	Sixth Zone (Upper Egypt Branches)
Mr. Ahmed Raafat Badran	Seventh Zone (Canal & North Sinai Branches)
Mr. Mahmoud Atteya Abd El-Aziz Aettya	Nasr City Branch
Mr. Hussein Mostafa Kamal El-Gendy	Main Branch

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# Housing and Development Bank Group

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# Auditors' Report

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## To The Shareholders of Housing and Development Group (Egyptian Stock Company)

We have audited the financial statements of Housing and Development Group (Egyptian Stock Company) represented by the Balance Sheet as on December 31, 2007, as well as the Income, Cash Flows and Changes in Shareholder's Equity Statements for the financial year ending on this date. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion of these financial statements based on our audit applied to it.

We didn't audit the financial statements of The Holding Company For Investment And development (Egyptian Stock

Company) affiliated company (the banks share reached 90 pct) which amounted to EGP 106 799 340 and a total revenues of EGP 7 262 219 on 31/12/2007 and our opinion therein depends on the auditors report of this company.

We conducted our audit in accordance with the Egyptian standards of auditing and in the light of the provisions of applicable Egyptian laws. The Egyptian audit standards require planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes, on a test basis, examining documents, evidences supporting the amounts and explanations in the financial statements. The audit also includes assessing the applied accounting policies and principals and the significant estimates made by the management as well as evaluating the overall financial statements presentation. We have obtained the information and explanations, which we deemed necessary for our audit. We believe that our audit provides a reasonable basis to express our opinion on the financial statements.

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In our opinion, the financial statements referred to above and the complementary explanations attached thereto present fairly, in all material respects, the financial position of the Group as on December 31, 2007. The results of its operations and its cash flows for the year then ended in accordance with the Egyptian accounting standards and in the light of related Egyptian laws and regulations and the evaluation bases issued by the Central Bank of Egypt on 27 June 2002 and its amendments.

Cairo: 20/2/2008

### Auditors

Hisham Al-Afandi

KPMG Hazem Hassan

Public Accountants

and Consultants

Rashad Housni

Mostafa Shawki (Mazars)

Public Accountants

and Consultants

# Balance Sheet

For the financial year ended 31/12/2007

(Egyptian Pounds)	Note	31/12/2007	31/12/2006
<b>Assets</b>			
Cash and balances at The Central Bank of Egypt	4	618 877 713	634 340 745
Balances at banks	5	3 098 656 984	409 241 212
Treasury bills and other commercial papers deductible at the Central Bank of Egypt	6	85 228 636	635 427 236
Financial investments for trading purpose	7	456 584 126	424 555 903
Financial investments available for sale	8	64 375 758	49 776 410
Loans to customers (after deduction of provision)	9-10	4 701 535 803	4 159 780 806
Financial investments kept till maturity date	11	795 773 422	1 020 357 595
Financial investments in affiliated and joint venture companies	12	72 037 440	67 868 000
Housing Projects (after deduction of provision)	13	621 251 461	334 324 992
Debit balances and other assets (after deduction of provision)	14	267 715 083	241 962 652
Fixed assets (after deduction of accumulated depreciation)	15	74 936 645	66 493 001
<b>Total Assets</b>		<b>10 856 973 071</b>	<b>9 044 128 552</b>
<b>Liabilities and Shareholders' Equity</b>			
Liabilities			
Balances due to banks	16	100 680 489	615 109
Customers' deposits	17	4 787 367 931	4 809 185 329
Credit balances and other liabilities	18	2 804 155 561	1 102 582 723
Dividends creditors		140 686	47 671 574
Long term loans	19	2 147 559 664	2 301 401 888
Other provisions	20	236 930 042	195 250 962
Deferred taxes	21	306 151	287 180
<b>Total Liabilities</b>		<b>10 077 140 524</b>	<b>8 456 994 765</b>
<b>Shareholders' Equity</b>			
Paid-in capital	22	550 000 000	500 000 000
Reserves		22 810 905	72 810 905
Retained earnings		5 653 093	5 653 093
Total Shareholders' Equity		578 463 998	578 463 998
Net profit for the year		188 720 098	----
Total Shareholders' Equity and Net Profit for the year		767 184 096	578 463 998
Minority Rights		12 648 451	8 669 789
<b>Total Liabilities and Shareholders' Equity</b>		<b>10 856 973 071</b>	<b>9 044 128 552</b>
<b>Contingent liabilities and commitments</b>			
Liabilities against Letters of Guarantee, Documentary Credits and other undertakings			
	23	168 170 551	93 024 661

# Income Statement

for the financial year ended 31/12/2007

(Egyptian Pounds)	Note	31/12/2007	31/12/2006
Return on loans and balances at banks		641 881 360	460 422 696
Return on treasury bills and bonds		181 064 559	252 565 900
		822 945 919	712 988 596
<b>Less:</b>			
Cost of deposits and borrowing		(539 762 257)	(542 061 754)
<b>Net return</b>		<b>283 183 662</b>	<b>170 926 842</b>
Profits on housing projects	24	99 572 208	56 273 384
Commissions on selling Housing Units		3 972 076	935 283
Commissions and charges on banking services		54 294 073	33 410 577
Dividends received on shares and investment deeds		4 214 825	3 591 487
Foreign exchange operation profits (losses)	25	2 166 772	1 525 746
Profits on sale of financial investments for trading purposes		4 250 201	38 294
Profits on sale of other financial investments		-----	34 000
Evaluation differences of financial investments for trading purposes		41 756 128	18 597 961
Other operations revenues		10 796 540	3 462 935
<b>Net activity revenues</b>		<b>504 206 485</b>	<b>288 796 509</b>
<b>Less:</b>			
Commissions and charges on banking services		(2 947 178)	(2 655 346)
Provisions		(86 399 606)	(10 914 624)
Evaluation differences of other financial investments		(1 921 757)	318 227
Administrative and general expenses, depreciation and amortization		(202 837 177)	(158 497 711)
Other operation expenses		(20 038 579)	(62 751)
<b>Profits for the year</b>		<b>190 062 188</b>	<b>116 984 304</b>
Profits not related to the activity		215 007	138 999
<b>Net profits for the year before deferred tax</b>		<b>190 277 195</b>	<b>117 123 303</b>
Internal tax		(580 000)	(654 484)
Deferred tax	21	(18 971)	(36 700)
<b>Net profit for the year after tax</b>		<b>189 678 224</b>	<b>116 432 119</b>
<b>Less:</b>			
Minority Rights		(958 126)	(569 789)
<b>Net profit for the year after deduction of Minority Rights</b>		<b>188 720 098</b>	<b>115 862 330</b>

# Cash Flow Statement

for the financial year ended 31/12/2007

(Egyptian Pounds)	31/12/2007	31/12/2006
<b>Cash flows from operations activities</b>		
Net profits for the year before taxes	190 277 195	117 123 303
Alterations to settle profits as against cash flows from operation activities		
Depreciation and amortization	17 935 704	9 992 056
Provisions	86 399 606	10 914 624
Evaluation differences of financial investments for trading purpose	(41 756 128)	(18 597 961)
Evaluation differences of other financial investments	1 921 757	(318 227)
Utilized from provisions except loans provision	(736 377)	(1 658 743)
Provisions written off	(562 810)	(500 000)
Evaluation differences of provisions	(187 881)	-----
Profits on sale of fixed assets	(215 007)	(138 999)
Profits on sale of financial investments for trading purpose	(4 250 201)	(38 294)
Profits on sale of other financial investments	-----	(34 000)
Minority Rights	(958 126)	(569 789)
<b>Operating profits before changes in assets and liabilities utilized in operation activities</b>	<b>247 867 732</b>	<b>116 173 970</b>
<b>Net decrease (increase) in assets</b>		
Deposits at banks	(2 201 941 630)	(189 617 195)
Financial investments for trading purpose	13 978 106	(36 007 498)
Treasury bills with maturity exceeds three months	-----	(38 150 000)
Treasury bills with reselling clause	-----	64 926 167
Loans to customers	(541 759 180)	(87 577 538)
Housing projects	(286 926 469)	(32 581 615)
Debit balances and other assets	(25 752 431)	(17 543 877)
Collections (Payments ) Central Bank of Egypt certificate deposits	-----	705 000 000
<b>Net increase (decrease) in liabilities:</b>		
Balances due to banks	100 065 380	(345 766)
Credit balances and other liabilities	1 538 627 172	716 768 976
Minority Rights	12 648 451	8 669 789
Customers Deposits	(21 817 398)	(1 147 645 949)
<b>Net cash flows resulting from (utilized in) operation activities</b>	<b>(1 165 010 267)</b>	<b>62 069 464</b>
<b>Cash flows from investment activities</b>		
Returns (Payments) to financial investments in affiliated and joint venture companies	(4 169 440)	23 482 000
Financial Investments available for sale	(16 521 105)	(31 431 835)
Returns on sale of fixed assets	215 007	138 999
Payments to purchase financial investments kept till maturity	224 584 173	(94 506 574)
Payments to purchase fixed assets and setting up and furnishing branches	(26 379 348)	(8 709 128)
<b>Net cash flows resulting from (utilized in) investment activities</b>	<b>177 729 287</b>	<b>(111 026 538)</b>

(Egyptian Pounds)	31/12/2007	31/12/2006
Cash flows from financing activities		
Long term loans	(153 842 224)	(144 297 481)
Return from capital increment	62 894 778	104 242 103
Profit Paid dividends	40 936	(7 795 328)
<b>Net cash flows resulting from (utilized in) financing activities</b>	<b>(90 906 510)</b>	<b>(47 850 706)</b>
<b>Net decrease in cash and cash equivalent during the year</b>	<b>(1078187490)</b>	<b>(96 807 780)</b>
Cash and cash equivalent balance at the beginning of the year	2 323 226 723	784 607 267
<b>Cash and cash equivalent balance at the end of the year</b>	<b>1 245 039 233</b>	<b>687 799 487</b>
<b>Cash and cash equivalent at the end of the year are represented in:</b>		
Cash and balances at the Central Bank of Egypt	618 877 713	634 340 745
Balances at banks	3 098 656 984	409 241 212
Treasury bills governmental papers deductible at the Central Bank of Egypt	85 228 636	1 666 275 000
Deposits at banks	(2 557 724 100)	(355 782 470)
Treasury bills with maturity exceeds three months	-----	(931 275 000)
Treasury bills buying with reselling clause	-----	-----
Governmental papers deductible at the Central Bank of Egypt	-----	(735 000 000)
<b>Cash and cash equivalent at the end of the year</b>	<b>1 245 039 233</b>	<b>687 799 487</b>

The accompanying notes form an integral part of the financial statement.

# Complementary explanations for the consolidated financial statements

for the year ended 31/12/2007

## 1. Bank's Activity

Housing and Development Bank is an Egyptian Joint Stock Company established on 30/6/1979 as an investment and business bank by virtue of Ministerial Decree No. 147 for the year 1979. The Bank handles all banking activities related to its nature through the head office in Giza governorate, 45 branches, and outlets in prominent cities in Egypt.

## 2. The most important accounting policies applied

### A- Basis of preparing the financial statements

The financial statements are prepared according to the Egyptian accounting standards that comply with the international accounting standards and the applicable local laws and regulations and basis of evaluation published in November 2002.

### B- Consolidation basis of the financial statements:

#### Affiliated joint venture companies:

The affiliated joint venture companies are represented in those companies that the Bank control directly or indirectly by monitoring the financial and operation policies aiming to achieve the benefits from their activities.

For the purpose of specifying the monitoring operation, the following items are taken into consideration:

- The bank's capability to control more than half of the voting rights in these companies
- The bank's authority to nominate or retire most of the Board of Directors' members.
- The Bank's authority over most voters in the meeting of the Board of Directors of these companies.
- The financial statements for the 2 affiliated joint venture companies are consolidated in the financial statements of Housing and Development Group since the date of control till the date in which the bank stops maintaining this right.
- Herein after quoted the above mentioned 2 affiliated joint venture companies:
- The Holding Company for Investment and Development an Egyptian joint stock company (The Bank's share are represented in 90 pct of its capital)
- Housing and Development company for real estate investment an Egyptian joint stock company (the bank's share in its capital are represented in 60 PCT as direct investment and 34.2 PCT as indirect investment totaling 94.2 PCT)
- (since the Holding Company for Investment and Development owns 38 PCT of the capital of Housing and Development Company for real estate Investment therefore the bank's indirect investment has been calculated as follows: ( 90 PCT X 38 PCT = 34.2 PCT)

### C- The Consolidation Procedures :

When preparing the consolidated financial statements, the bank accumulated the financial statements of the holding company together with that of the affiliated companies by adding similar items of assets, liabilities, shareholders equity, revenues and expenses so that the accumulated financial statements show all the financial information of the group as one entity.



The following steps are taken when preparing the consolidated financial statements:

- The ledger value for investments of the holding company are excluded after being amended according to shareholders equity method in each affiliated company .
- Minority rights in the net profit / loss of the affiliated companies are determined during the year of the report .
- Minority rights in the net consolidated assets of the affiliated companies are determined and shown separately in the financial statements .
- Complete exclusion of trading balances, revenues and expenses, profit dividends and profit and losses resulted from the group activities which are among in the assets.
- The consolidated financial statements are prepared by using united accounting polices for similar transactions and events that happened in the same circumstances .
- When the minority rights from losses of affiliated companies exceeds their shareholders equity , this loss in addition to any other losses related to them are charged to majority rights except those which are mandatory to bear . If the affiliated company recorded profits in future then this profit will be added to the majority rights to the extent that was previously charged .

D- Central Bank of Egypt Stocks':

Central Bank of Egypt Stocks' are recorded in a separate item among

"treasury bills and other commercial papers deductible at the Central Bank of Egypt

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## 2. Financial instruments and management of related risks

2-1. The financial instruments:

(A) The financial instruments are represented in the financial assets and liabilities. The financial assets include balance of cash, current accounts, balances at banks, financial investments, loans to customers and banks. The financial liabilities include customers' deposits, balances due to banks, also rights and obligations stated in the contingent Liabilities and Commitments.

Explanation No. 2 includes the applied accounting policies concerning recording and measuring significant financial instruments and the revenue and expenses related thereto.

(B) Fair value of the financial instruments:

In accordance with the applied evaluation bases of the bank's assets and liabilities, which are stated in the explanations for the financial statements. The fair value of the financial instruments does not differ significantly from its book value on the date of the Balance Sheet. Regarding financial investments other than those held for trading purposes, explanations Nos. 8, 11 and 12 explain their fair value on the date of the Balance Sheet.

(C) Forward contracts:

In accordance with The Central Bank of Egypt instructions, the bank does not enter into forward contracts except as needed to cover its requirements in foreign currencies and its customers' needs to meet their obligations in foreign currencies resulted from their dealings made through the Bank. Those transactions are characterized as being of a short-term nature.

## 2-2. The management of financial instruments risk

(A) Income rate risk: The value of some of the financial instruments practices some variances as a result of the change of its income rate. The Bank takes some measures in order to minimize the result of this risk to its lower level, for example:

- Monitoring the discount rates of various currencies in the process of determining the income rates.
- Monitoring the maturity of assets and liabilities and the related income rate.

Explanation Nos. 27 and 28 show the average income rates applied through the year on assets and liabilities.

(B) Credit risk: Loans to customers and banks and financial investments as bonds also balances and deposits at banks and rights and obligations from other parties are considered to be financial assets exposed to credit risk which is represented in the inability of those parties to pay due amounts partially or totally on maturity dates.

The Bank adopted some procedures to minimize the credit risk to its lower level, for example:

- Preparing credit studies of customers and banks before dealing with them and
- determining the level of credit risk related to such deals.
- Maintaining the sufficient collateral to reduce risks that may grow from inability of customers and banks.
- Following up and studying of customers and banks periodically to evaluate their financial and credit positions and to estimate the provisions needed for irregular balances.

Explanation No. 29 shows the diversification of Bank's loans portfolio among various sectors.

(C) Risk of variances of foreign exchange rates: Due to the Bank's deals in some foreign currencies according to the nature of its activity, this may expose the Bank to the risk of variances of foreign exchange rates. For the purpose of minimizing such risk to its lower level, the Bank is balancing financial positions of foreign currencies in accordance with The Central Bank of Egypt regulations issued in this regard.

The explanation No. 30 explains the position of significant currencies on the date of the Balance Sheet( 31/12/2007).



## 6. Treasury Bills and other commercial papers deductible at the Central Bank of Egypt

(Egyptian Pounds)	2007	2006
Treasury bills	86 000 000	931 275 000
Central Bank of Egypt certificates of deposits	---	735 000 000
	86 000 000	1 666 275 000
(-)Unearned income	(771 364)	(30 847 764)
<b>Total</b>	<b>85 228 636</b>	<b>1 635 427 236</b>

## 7. Financial investments for trading purpose

(Egyptian Pounds)	2007	2006
Shares	41 832 439	33 795 356
Bonds	48 722 015	61 055 019
Financial investments' portfolio managed by others	307 955 717	279 449 742
Investment funds certificates	58 073 955	50 255 786
<b>Total</b>	<b>456 584 126</b>	<b>424 555 903</b>
Financial investments for trading purpose are composed of the following:		
Financial investments registered in the Stock Exchange	456 584 126	424 555 903

## 11. Financial investment kept till maturity

(Egyptian Pounds)	2007	2006
Governmental bonds maturing 2007/2014	733 811 392	973 190 565
Egyptian Arab Land Bank securities bond	61 640 000	46 845 000
	795 451 392	1 020 035 565
Housing bonds maturing 2017	322 030	322 030
<b>Total</b>	<b>795 773 422</b>	<b>1 020 357 595</b>
<b>Financial investment kept till maturity are composed of</b>		
Financial investments registered at the stock exchange	795 773 422	1 020 357 595

## 12. Financial investments in affiliated and joint venture companies

(Egyptian Pounds)	2007		2006	
	Amount	Share%	Amount	Share%
Housing and Development Company for Utilities	3 500 000	35	3 500 000	35
Taamir Company for Mortgage	64 100 000	24.84	64 100 000	18.65
Taamir Company for Real Estate Registration Services	50 000	1	25 000	1
Taamir for Assets Managements	2 463 000	61.6	243 000	15.70
Taamir company for security and cleaning services	1 324 440	84.9		
Taamir company for real estate investments funds	600 000	24		
<b>Total</b>	<b>72 037 440</b>		<b>67 868 000</b>	

Financial investments in affiliated and joint venture companies are composed of

(Egyptian Pounds)	2007	2006
Financial investments not registered at the stock exchange	72 037 440	67 868 000

### 13. Housing projects (net)

(Egyptian Pounds)	2007	2006
<b>(A) Housing projects</b>		
Allocated lands for housing projects *	350 031 613	111 216 610
Works under implementation	203 339 382	78 555 091
Finished works	65 452 178	142 713 269
Real Estate investments **	4 835 030	4 246 764
<b>Total</b>	<b>623 658 203</b>	<b>336 731 734</b>
(-) Provision for housing projects	(2 406 742)	(2 406 742)
<b>Housing projects in net</b>	<b>621 251 461</b>	<b>334 324 992</b>

- One housing unit of El-Bashair project is hired from 1/12/2003 to 30/11/2007 and two units are hired from 1/5/2006.
- 2 commercial units of Pyramids projects are hired from 1/11/2006.
- 18 housing units of Hurghada project are hired for 3 years from 1/4/2005 to 31/3/2009. In addition to hiring of six shops of Casabianca Village in north Costi, and one units of administration building in Nasr city are hired from 1/5/2006.

In accordance with Egyptian accounting standards value of these units are credited to 'Real Estate Investments' item in the financial statements and 2.5% depreciation rate is calculated on building value related to hiring units and charged to the income statement on 31.12.2007.

### 14. Debit balances and other assets (after deduction of provision)

(Egyptian Pounds)	2007	2006
Accrued revenues (deposits, loans, investments)	100 121 738	80 346 513
Accrued revenues (subsidy) (*)	16 652 753	28 572 472
Down payments on account of purchasing of fixed assets	42 691 976	19 984 406
Assets assigned to the bank in lieu of bad debts (**)	13 095 644	37 837 109
Indemnities and petty cash	1 606 802	1 535 607
Paid under corporate tax	35 764 838	32 514 838
Various debit balances	61 574 013	46 199 200
	<b>271 507 764</b>	<b>246 990 145</b>
(-) Provision for debit balances	(3 792 681)	(5 027 493)
<b>Total</b>	<b>267 715 083</b>	<b>241 962 652</b>

(\*) Represents the amount accrued on Ministry of Finance within the period from 1/7/2007 to 31/12/2007 calculated as the difference between the interest rate on subsidized loans - granted to New Urban Communities Organization, Houses Financing Fund in the frame of state's plan of Economical and Social Development - plus ordinary activity of the bank, and the interest rate on loans granted to the bank from the Central Bank of Egypt plus 1% to 1.5% as margin to the bank in accordance with the economic and social development's plan rules.

(\*\*) Represents the value of assets assigned to the bank in lieu to the bad debts amounted to EGP 13.10 million on 31/12/2007 from Casabianca, BeauRivage Fayed and El Golf Obour city projects

## 17. Customers deposits'

(Egyptian Pounds)	2007	2006
Current accounts	635 471 126	613 512 042
Time and Call deposits	1 522 303 176	2 391 279 721
Certificates of deposits and saving accounts	955 664 708	718 383 893
Saving deposits	1 617 445 553	1 037 218 431
Other deposits	56 483 368	48 791 242
<b>Total</b>	<b>4 787 367 931</b>	<b>4 809 185 329</b>

## 18. Credit balances and other liabilities

(Egyptian Pounds)	2007	2006
Accrued income	132 616 306	146 842 332
Payments to installments account	209 548 068	566 069 416
Payments to reserve housing units	177 741 451	43 696 717
Creditors to purchase land	227 868 745	19 381 456
Accrued expenses	15 695 129	9 425 073
Accrued for contractors	15 935 008	8 888 596
Cheques under collection and settlement notes	1 830 882 050	118 107 046
Various creditors / collateral values	3 476 588	2 098 577
Liabilities for staff medical care (*)	20 000 000	
credit balances and other liabilities	169 408 502	187 418 361
Income taxes	983 714	654 484
<b>Total</b>	<b>2 804 155 561</b>	<b>1 102 582 423</b>

\* the balance represents the present value of the liabilities of staff medical care determined by actuarial expert according to the following assumptions:

- 1- the interest rate used as a discount basis was 8% annually.
- 2- The inflation rate for medical care was 3% annually.
- 3- British Death schedule A49-52 has been applied.

Net present value determine by the actuarial expert on 31/12/2007 as follows:

<b>Staff</b>	<b>: EGP 16 370 537</b>
<b>Retired</b>	<b>: EGP 2 860 820</b>
<b>Total</b>	<b>: EGP 19 231 357</b>

## 20. Other provisions

(Egyptian Pounds)		2007	
	Provision for contingent liabilities	Provision for contingent claims (*)	Total
Balance at the beginning of the year	5 433 270	189 417 692	194 850 962
Composed during the year	----	34 978 715	34 978 715
Transferred from provision for loans	5 743 850	----	5 743 850
Transferred from provision for debit balances	----	2 092 892	2 092 892
Utilized from provision for claims	----	(736 377)	(736 377)
<b>Total</b>	<b>11 177 120</b>	<b>225 752 922</b>	<b>236 930 042</b>

(Egyptian Pounds)		2006	
	Provision for contingent liabilities	Provision for contingent claims (*)	Total
Balance at the beginning of the year	6 568 770	185 563 690	192 132 460
Composed during the year	----	5 914 624	5 914 624
Transferred to provision for debit balances	----	(2 478)	(2 478)
Transferred to provision for loans	(1 135 500)	----	(1 135 500)
Utilized from Provision for contingent claims	----	(1 658 144)	(1 658 144)
<b>Total</b>	<b>5 433 270</b>	<b>189 817 692</b>	<b>195 250 962</b>

Composed to face the possible tax liabilities and legal disputes.

## 21. Deferred tax

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(Egyptian Pounds)		2007	2006
<b>(A) Recorded liabilities arised from deferred tax:</b>			
Deferred tax liabilities reached EGP 306151 on 31.12.2007. It was calculated as follows:			
Tax depreciation in accordance with income tax law 91/2005:		11 443 568	10 167 192
		11 348 716	9 983 692
<b>Less:</b>			
Calculated depreciation in accordance with Egyptian Accounting Standards			
Differences of permanent depreciation		94 852	183 500
Tax rate		20%	20%
Deferred tax liabilities		18 971	36 700
<b>Plus:</b>			
Balance at the beginning of the year		287 180	250 480
		<b>306 151</b>	<b>287 180</b>
<b>(Egyptian Pounds)</b>		<b>2007</b>	<b>2006</b>
<b>(B) Unrecorded deferred tax assets:</b>			
Provision for debts		69 616 743	60 803 925
Provision for contingent liabilities		2 235 424	1 086 654
Provisions for legal disputes		3 297 846	3 264 800
<b>Total</b>		<b>75 150 013</b>	<b>65 155 379</b>

These deferred tax assets have not been recorded because there is no possibility to using these assets items in decreasing the deserved taxes on the bank during the coming years.

Deferred tax recorded as an asset is decreased with the value that has no tax benefit during the coming years.

## 22. Capital and reserves

(C) The Share value from the shareholders in profits of the year:

(Egyptian Pounds)	2007	2006
Net profit	188 720 098	115 862 330
Board of Directors Bonus	(2 500 000)	(1 500 000)
Employees share in the profit (net profit of the year)	(26 000 000)	(15 600 000)
Shareholders share in the net profit of the year	160 220 098	98 762 330
Weighted average for the shares	55 000 000	44 887 500
The share's earning in the shareholders' quota in the net profit of the year	2.8	2.2

## 26. Capital Commitments

(A) Investments

(Egyptian Pounds)	2007		
	Value of participation	Amount paid	Remaining and not yet required
<b>Financial investments available for sale</b>			
Middle East Fund for Restructuring	40 000 000	38 361 940	1 638 060
<b>Financial investments in banks capital and joint venture companies</b>			
Taamir Mortgage Company	93 200 000	64 100 000	29 100 000
Taamir Company for Assets Management	6 160 000	2 463 000	3 697 000
Taamir Company for Real Estate Investment Funds	6 990 000	1 747 500	5 242 500
Taamir Company for security and cleaning services	3 311 100	1 324 440	1 986 660
<b>Total</b>	<b>149 661 100</b>	<b>107 996 880</b>	<b>41 664 220</b>

(B) Fixed assets and branches' equipments

Value of commitments related to contracts of purchasing fixed assets and installations of branches and not performed yet till balance sheet date amounted to EGP 46177.

## 27. Maturity of assets and liabilities

(Egyptian Pounds)

	Maturity within one year	Maturity within more than one year
<b>Assets</b>		
Cash and balances at the Central Bank of Egypt	618 877 713	-----
Balances at banks	3 098 656 984	-----
Treasury bills and other governmental notes discountable	85 228 636	-----
Financial investments for trading purpose	456 584 126	-----
Financial investments available for sale	-----	64 375 758
Loans to customers	748 746 565	4 341 165 155
Financial investments kept till maturity	83 353 189	712 420 233
Financial investments in affiliated and joint venture companies	-----	72 037 440
Housing projects	65 452 178	558 206 025
Debit balances and other assets	215 720 144	55 787 620
<b>Total</b>	<b>5 372 619 535</b>	<b>5 803 992 231</b>
<b>Liabilities</b>		
Balances due to banks	100 680 489	-----
Customers' deposits	2 214 257 670	2 573 110 261
Credit balances and other liabilities	2 615 359 043	188 796 518
Long term loans	146 046 327	2 001 513 337
<b>Total</b>	<b>5 076 343 529</b>	<b>4 763 420 116</b>

## 29. Assets and contingent liabilities distribution

(Egyptian Pounds)		2007		2006	
(A) Assets	Local currency	Foreign currency	Local currency	Foreign currency	
<b>Loans to customers</b>					
Business public sector	2 296 807 222	-----	2 284 282 260	-----	
Business private sector	546 907 383	1 293 000	335 202 725	-----	
Services public sector	16 231 856	-----	19 913 810	-----	
Family sector	2 224 505 259	4 158 000	1 859 960 154	-----	
<b>Total</b>	<b>5 084 451 720</b>	<b>5 451 000</b>	<b>4 499 358 949</b>	<b>-----</b>	
(Egyptian Pounds)		2007		2006	
(B) Liabilities	Local currency	Foreign currency	Local currency	Foreign currency	
<b>Customers' deposits</b>					
Business public sector	1 366 221 542	935 740	2 463 865 122	3 692 600	
Business private sector	462 432 191	37 724 345	332 106 940	52 180 243	
Services public sector	17 521 467	-----	11 100 758	-----	
Family sector	2 716 097 425	131 093 966	1 856 714 125	86 831 814	
Other	54 439 995	901 260	2 192 000	501 727	
<b>Total</b>	<b>4 616 712 620</b>	<b>170 655 311</b>	<b>4 665 978 945</b>	<b>143 206 384</b>	
(Egyptian Pounds)		2007		2006	
(C) Contingent liabilities and commitments	Local currency	Foreign currency	Local currency	Foreign currency	
Business private sector	133 071 000	-----	770 092 000	-----	
other	27 336 690	7 762 861	12 910 948	3 021 713	
<b>Total</b>	<b>160 407 690</b>	<b>7 762 861</b>	<b>90 002 948</b>	<b>3 021 713</b>	

The items that have not been mentioned should be read with the complementary notes of the financial statements of Housing and Development Bank.

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# **Housing and Development Bank Financial Statement**

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# Auditors' Report

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## To the shareholders of Housing and Development bank (Egyptian stock company)

We have audited the financial statements of Housing and Development Bank (Egyptian Stock Company) represented by the Balance Sheet as on December 31, 2007, as well as the Income, Cash Flows and Changes in Shareholder's Equity Statements for the financial year ending on this date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion of these financial statements based on our audit applied to it.

We conducted our audit in accordance with the Egyptian standards of auditing and in the light of the provisions of applicable Egyptian laws. The Egyptian audit standards require planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes, on a test basis, examining documents, evidences supporting the amounts and explanations in the financial statements. The audit also includes assessing the applied accounting policies and principals and the significant estimates made by the management as well as evaluating the overall financial statements presentation. We have obtained the information and explanations, which we deemed necessary for our audit. We believe that our audit provides a reasonable basis to express our opinion on the financial statements.

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In our opinion, the financial statements referred to above and the complementary explanations attached thereto present fairly, in all material respects, the financial position of the Bank as on December 31, 2007. The results of its operations and its cash flows for the year then ended in accordance with the Egyptian accounting standards and in the light of related Egyptian laws and regulations and the evaluation bases issued by the Central Bank of Egypt on 27 June 2002 and its amendments.

Cairo: 20/2/2008

### Auditors

Hisham Al-Afandi

KPMG Hazem Hassan

Public Accountants

and Consultants

Rashad Housni

Mostafa Shawki (Mazars)

Public Accountants

and Consultants

# Balance Sheet

For the financial year ended 31/12/2007

(Egyptian Pounds)	Note	31/12/2007	31/12/2006
<b>Assets</b>			
Cash and balances at The Central Bank of Egypt	4	618 877 713	634 340 745
Balances at banks	5	3 098 656 984	409 241 212
Treasury bills and other commercial papers deductible at the Central Bank of Egypt	6	----	1 616 874 122
Financial investments for trading purpose	7	421 359 043	392 021 219
Financial investments available for sale	8	64 375 758	49 776 410
Loans to customers (after deduction of provision)	9-10	4 701 535 803	4 159 780 806
Financial investments kept till maturity date	11	795 773 422	1 020 357 595
Financial investments in affiliated and joint venture companies	12	213 485 400	193 733 000
Housing Projects (after deduction of provision)	13	380 928 658	334 324 992
Debit balances and other assets (after deduction of provision)	14	266 178 141	241 563 807
Fixed assets (after deduction of accumulated depreciation)	15	74 045 912	65 961 676
<b>Total Assets</b>		<b>10 635 216 834</b>	<b>9 117 975 584</b>
<b>Liabilities and Shareholders' Equity</b>			
Liabilities			
Balances due to banks	16	100 680 489	615 109
Customers' deposits	17	4 805 086 893	4 898 194 209
Credit balances and other liabilities	18	2 589 101 248	1 102 246 366
Dividends creditors		139 636	47 312 250
Long term loans	19	2 147 559 664	2 301 401 888
Other provisions	20	236 930 042	194 850 962
Deferred taxes	21	287 894	286 530
<b>Total Liabilities</b>		<b>9 879 785 866</b>	<b>8 544 907 314</b>
<b>Shareholders' Equity</b>			
Paid-in capital	22	550 000 000	500 000 000
Reserves		22 810 905	72 810 905
Retained earnings		257 365	257 365
Total Shareholders' Equity		573 068 270	573 068 270
Net profit for the year		182 362 698	----
Total Shareholders' Equity and Net Profit for the year		755 430 968	573 068 270
<b>Total Liabilities and Shareholders' Equity</b>		<b>10 635 216 834</b>	<b>9 117 975 584</b>
<b>Contingent liabilities and commitments</b>			
Liabilities against Letters of Guarantee, Documentary Credits and other undertakings			
	23	168 170 551	93 024 661

# Income Statement

for the financial year ended 31/12/2007

(Egyptian Pounds)	Note	31/12/2007	31/12/2006
Return on loans and balances at banks		641 881 360	460 422 696
Return on treasury bills and bonds		174 218 528	252 539 007
		816 099 888	712 961 703
<b>Less:</b>			
Cost of deposits and borrowing		(540 823 435)	(547 584 361)
<b>Net return</b>		<b>275 276 453</b>	<b>165 377 342</b>
Profits on housing projects	24	99 572 208	56 273 384
Commissions and charges on banking services		54 294 073	33 418 458
Dividends received on shares and investment deeds		7 418 645	3 564 624
Foreign exchange operation profits (losses)	25	2 166 772	1 525 746
Profits on sale of financial investments for trading purposes		4 250 201	38 294
Profits on sale of other financial investments		-----	34 000
Evaluation differences of financial investments for trading purposes		39 065 728	16 063 298
Other operations revenues		10 206 484	3 462 935
<b>Net activity revenues</b>		<b>492 250 564</b>	<b>279 758 081</b>
<b>Less:</b>			
Commissions and charges on banking services		(2 947 178)	(2 655 346)
Provisions		(86 399 606)	(10 514 624)
Evaluation differences of other financial investments		(1 921 757)	(318 227)
Administrative and general expenses, depreciation and amortization		(198 794 389)	(156 839 258)
Other operation expenses		(20 038 579)	(62 751)
<b>Profits for the year</b>		<b>182 149 055</b>	<b>110 004 329</b>
Profits not related to the activity		215 007	138 999
<b>Net profits for the year before deferred tax</b>		<b>182 364 062</b>	<b>110 143 328</b>
Deferred tax		(1 364)	(36 050)
<b>Net profit for the year</b>		<b>182 362 698</b>	<b>110 107 278</b>
The share's earning in the shareholders' quota in the net profit for the year		2.80	2.07

The accompanying notes form an integral part of the financial statements.

# Cash Flow Statement

for the financial year ended 31/12/2007

(Egyptian Pounds)	31/12/2007	31/12/2006
<b>Cash flows from operations activities</b>		
Net profits for the year before taxes	182 362 698	110 107 278
Alterations to settle profits as against cash flows from operation activities		
Depreciation and amortization	11 135 817	9 974 815
Provisions	86 399 606	10 514 624
Evaluation differences of financial investments for trading purpose	(39 065 728)	(16 063 298)
Evaluation differences of other financial investments	1 921 757	(318 227)
Utilized from provisions except loans provision	(736 377)	(1 658 743)
Evaluation differences of provisions	(187 881)	-----
Written off provisions	(562 810)	(500 000)
Profits on sale of fixed assets	(215 007)	(138 999)
Profits on sale of financial investments for trading purpose	(4 250 201)	(38 294)
Profits on sale of other financial investments	-----	(34 000)
<b>Operating profits before changes in assets and liabilities utilized in operation activities</b>	<b>236 801 874</b>	<b>111 845 156</b>
<b>Net decrease (increase) in assets:</b>		
Deposits at banks	(2 201 941 630)	(189 617 195)
Financial investments for trading purpose	13 978 105	(6 007 477)
Financial investments available for sale	(16 521 105 )	(31 431 835)
Treasury bills and other commercial papers deductible at The Central Bank Of Egypt	1 616 874 122	716 250 878
Treasury Bills with reselling clause		64 926 167
Loans to customers	(590 547 954)	(87 577 539)
Housing projects	(46 603 666)	(32 581 615)
Debit balances and other assets	(23 379 520)	(17 145 033)
<b>Net increase (decrease) in liabilities:</b>		
Balances due to banks	100 065 380	(345 766)
Customers Deposits	(93 107 316)	(1 058 637 069)
Credit balances and other liabilities	1 491 580 931	686 275 391
<b>Net cash flows resulting from (utilized in) operation activities (1)</b>	<b>487 199 221</b>	<b>155 954 063</b>
<b>Cash flows from investment activities</b>		
Returns (Payments) to financial investments in affiliated and joint venture companies	(19 752 400)	(102 383 000)
Payments to purchase financial investments kept till maturity	(14 795 000)	(94 506 574)
Received from return of financial investments kept till maturity	239 379 173	---
Payments to purchase fixed assets and setting up and furnishing branches	(19 242 224)	(8 160 562)
Returns on sale of fixed assets	237 178	138 999
<b>Net cash flows resulting from (utilized in) investment activities (2)</b>	<b>185 826 727</b>	<b>(204 911 137)</b>

<b>(Egyptian Pounds)</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
Cash flows from financing activities		
Long term loans	(153 842 224)	(144 297 481)
Capital increment	—	104 242 103
Profit Paid dividends	(47 172 614)	(7 795 328)
<b>Net cash flows resulting from (utilized in) financing activities (3)</b>	<b>(201 014 838)</b>	<b>(47 850 706)</b>
<b>Net increase (decrease) in cash and cash equivalent during the year (1+2+3)</b>	<b>472 011 110</b>	<b>(96 807 780)</b>
Cash and cash equivalent balance at the beginning of the year	687 799 487	784 607 267
<b>Cash and cash equivalent balance at the end of the year</b>	<b>1 159 810 597</b>	<b>687 799 487</b>
<b>Cash and cash equivalent at the end of the year are represented in:</b>		
Cash and balances at the Central Bank of Egypt	618 877 713	634 340 745
Balances at banks	3 098 656 984	409 241 212
Treasury bills governmental papers deductible at the Central Bank of Egypt	-----	1 616 874 122
Deposits at banks	(2 557 724 100)	(355 782 470)
Treasury bills with maturity exceeds three months	-----	(911 383 555)
Governmental papers deductible at the Central Bank of Egypt	-----	(705 490 567)
<b>Cash and cash equivalent at the end of the year</b>	<b>1 159 810 597</b>	<b>687 799 487</b>

The accompanying notes form an integral part of the financial statement.

# Changes in Shareholders' Equity Statement

for the financial year ended 31/12/2007

2006	Paid up capital	Retained for capital increment	Legal Reserve	General Reserve	Special Reserve	Other Reserves	Retained Earnings	Net profit of the year	Total
<b>(Egyptian Pounds)</b>									
<b>Balance as</b>									
<b>on 1/1/2006</b>	<b>102250000</b>	<b>61640414</b>	<b>34925000</b>	<b>199723746</b>	<b>6153306</b>	<b>1238923</b>	<b>-----</b>	<b>-----</b>	<b>405931389</b>
Capital increment	102250000	-----	-----	-----	-----	-----	-----	-----	102250000
Net profit of the year	-----	-----	-----	-----	-----	-----	110107278	-----	110107278
Transferred from									
retained reserves	233859586	-----	(34925000)	(199723746)	-----	789160	-----	-----	-----
Kept For									
Capital increment	61640414	(61640414)	-----	-----	-----	-----	-----	-----	-----
Rest of issuance									
expenses	-----	-----	-----	-----	-----	1992103	-----	-----	1992103
Transferred to									
the Reserve	-----	-----	-----	-----	-----	138999	(138999)	-----	-----
Distributed Profits	-----	-----	5498414	57000000	-----	-----	(109710914)	-----	(47212500)
<b>Balance as</b>									
<b>on 31/12/2006</b>	<b>500000000</b>	<b>-----</b>	<b>5498414</b>	<b>57000000</b>	<b>6153306</b>	<b>4159185</b>	<b>257365</b>	<b>-----</b>	<b>573068270</b>
<b>Balance as</b>									
<b>on 1/1/2007</b>	<b>500000000</b>	<b>-----</b>	<b>5498414</b>	<b>57000000*</b>	<b>6153306</b>	<b>4159185</b>	<b>257365</b>	<b>-----</b>	<b>573068270</b>
Transferred from									
Reserve	50 000 000	-----	-----	(50000000)	-----	-----	-----	-----	-----
Net profit for the year	-----	-----	-----	-----	-----	-----	-----	182362698	182362698
<b>Balance as</b>									
<b>on 31/12/2007</b>	<b>550000000</b>	<b>-----</b>	<b>5498414</b>	<b>7000000</b>	<b>6153306</b>	<b>4159185</b>	<b>257365</b>	<b>182362698</b>	<b>755430968</b>

\* The capital has been increased with EGP 50 million from the general reserve according to the decision of the general assembly of the Bank on 27/3/2007 and it has been marked on the ledger of the Bank with the amount of increment so that the capital reached EGP 550 million on 12/7/2007.

# Profit Distribution Statement

for the financial year ended 31/12/2007

(Egyptian Pounds)	31/12/2007	31/12/2006
Net profit for the year (as per the Income Statement)	182 362 698	110 107 278
<b>Less:</b>		
Profits on selling of fixed assets (transferred to the capital reserve in accordance with the provisions of the law)	(215 007)	(138 999)
<b>Net profit for the year</b>	<b>182 147 691</b>	<b>109 968 279</b>
<b>Plus:</b>		
Retained earnings at the beginning of the year	257 365	-----
<b>Net profit for the year available for distribution</b>	<b>182 405 056</b>	<b>109 968 279</b>
<b>Distributed as follows:</b>		
Legal reserve	9 120 253	5 498 414
General reserve	40 000 000	57 000 000
Shareholders' dividends	82 500 000	30 112 500
Employees' share	26 000 000	15 600 000
Board of directors' remuneration	2 500 000	1 500 000
Retained earnings at the end of the year	22 284 803	257 365
<b>Total</b>	<b>182 405 056</b>	<b>109 968 279</b>

# Complementary explanations for the financial statements

for the year ended 31/12/2007

## 1. Bank's Activity

Housing and Development Bank is an Egyptian Joint Stock Company established on 30/6/1979 as an investment and business bank by virtue of Ministerial Decree No. 147 for the year 1979. The Bank handles all banking activities related to its nature through the head office in Giza governorate, 48 branches, and outlets in prominent cities in Egypt.

## 2. The most important accounting policies applied

### A- Bases of preparing the financial statements

The financial statements are prepared according to the Egyptian accounting standards that comply with the international accounting standards and the applicable local laws and regulations and basis of evaluation published in Nov. 2002.

### B- Transactions in foreign currencies

The bank maintains its accounts in Egyptian Pounds and transactions in other currencies are recorded during the financial year on the basis of exchange rates applicable on the date of execution of those transactions. At the end of the financial year all balances of assets and liabilities of foreign currencies monetary in nature are translated at the exchange rate prevailing at that date, translation differences are taken to the Income Statement under foreign exchange operation (profits/losses). The balances of forward exchange contracts are evaluated at the end of the financial year at the market value on that date using the forward exchange rates for the remaining periods until maturity dates of such contracts. Translation differences are taken to the Income Statement under foreign exchange operation (profits/losses).

### C- Income recognition

Income is recognized on an accrual basis, except the recognition of interest on doubtful loans, which cease when the recovery of interest or principal is in doubt. Interest on unpaid due installments of housing units are credited to the revenues under the consideration that those units are sold on installment basis recovering ownership rights. The revenues of shares and investment deeds are recorded upon the announcement of their related distributions. Commissions received and income from banking services is recorded on the dates of the transactions. Income on selling housing units is recorded upon contracting and delivering housing units to the buyers.

### D- Treasury Bills

Treasury bills are recorded at nominal value and the unearned discount is recorded in "credit balances and other liabilities". Treasury bills are presented in the balance sheet net of the unearned discount.

### E- Treasury Bills' buying (selling) with rebuying (reselling) clause

Buying (selling) treasury bills' operations with the commitment to rebuying (reselling) are recorded in the Balance Sheet. The cost / return related to such operations are recorded in the income statement under the item "return on treasury bills and bonds".

### F- The Central Bank of Egypt Bonds':

The Central Bank of Egypt bonds' are recorded in the balance sheet with their net present value under the item "treasury bills and other commercial papers deductible at the Central Bank of Egypt".

### **G- Evaluation of financial investments for trading purposes**

Financial investments including financial investments portfolio managed by other parties and funds' deeds that are not issued by banks and insurance companies, which are held for trading purposes, are evaluated at the end of the financial year at market value. Evaluation differences are taken to the Income Statement. Financial investments for trading purposes that missed one of the conditions needed to classify it as financial investments for trading purposes are evaluated at the end of the financial year at book value, which is decreased in case of a permanent decrease occurred in such value on basis of a subjective study for the latest approved financial statements for the companies issuing those securities. Evaluation differences are taken to the Income Statement.

### **H- Evaluation of financial investments available for sale**

These investments are evaluated at the lower of cost or fair value after taking into consideration the effect of the exchange rate differences that are charged to the income statement under "evaluation differences of other financial investments" and in case of increase in the value, such increase is added to the same item within the limit of amounts charged to the income statement of previous financial periods.

### **I- Evaluation of financial investments kept till maturity**

Bonds purchased upon initial issue are evaluated at adjusted cost, which represents the nominal value, plus issuing premium or less issuing discount as the case may be. Amortization of issuing premium / discount is to be depreciated by means of annual allowance, such depreciation is recorded under the item "Treasury bills yield and Bonds" in the income statement.

### **J- Evaluation of financial investments in affiliated and joint venture companies**

Financial investments in affiliated and joint venture companies are evaluated at the book value. In case a permanent decrease occurred in its book value compared to the market value, the book value is amended by the value of the decrease for each investment separately, and the difference is charged to the Income Statement under evaluation differences of other financial investments. In case a permanent increase occurred in its market value, differences are added to the same item in the frame of what have been charged to the income statements of previous fiscal years.

### **K- Evaluation of housing projects**

The cost of works under implementation includes the cost of allocated lands for housing projects, the cost of the constructions therein, the borrowing expenses that are capitalized during the borrowing period until related work is finished and all related expenses. Finished housing units are evaluated at the lower of cost or fair value; the fair value is evaluated in the light of detailed studies. In case the fair value is below the cost value, the difference is charged to the income statement under "evaluation differences of housing projects". In case of an increase in the fair value, such increase shall be credited to the income statement within the limits of amounts charged to the income statement in previous financial periods. The bank participation in housing joint project is evaluated at the lower of cost or fair value. In case the fair value is below the cost value, the difference is charged to the income statement under "evaluation difference of the bank participation in housing joint project".



Real estate investments are recorded at the cost value and depreciated at a fixed installment method using suitable depreciation rates. As of the financial year 2003, the cost and the sell price of the housing units for specific projects are calculated according to the location characters without affecting the total cost of the project.

#### **L- Evaluation of assets acquired in settlement of customers' debts**

These assets are stated in the balance sheet under "debit balances and other assets" on the basis of their assigned value. In case the fair value of these assets, on balance sheet date, is below the value by which they were reverted to the bank, the difference is charged to the income statement. In case of an increase in the fair value. Such increase shall be credited to the income statement within the limits of amounts charged to the income statement in previous financial periods.

#### **M- Loans and contingent liabilities provisions**

In accordance with the Central Bank of Egypt uniform customs' and rules' related to evaluation of customers' credit worthiness and establishment of provisions that are considered a substitute to the assets classification bases and establishment of provisions issued in 1991 (i.e. circular No. 321). The bases of the credit worthiness are determined upon offering the facilities or increasing or renewal of same and upon establishing the provisions for the loans including balances of debit current accounts, contingent liabilities and commitments, personal loans, housing loans and small loans for economic activities. In the event that efforts to recover them are unsuccessful, loans are written off by debiting the provisions. Conversely, the provision is increased by collection of loans previously written off.

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#### **N- Contingent liabilities and commitments**

Contingent liabilities in which the Bank is a party, in addition to the engagements of forward contracts as well as interest rate contracts and other contracts, are recorded off the Balance Sheet under Contingent Liabilities and Commitments, as they do not represent assets or actual liabilities on the date of the Balance Sheet.

#### **O- Cash and cash equivalents**

For the purpose of preparing the cash flow statement, cash and cash equivalents item includes cash balances, balances at The Central Bank of Egypt, balances of current accounts at banks, and treasury bills with maturity of less than three months from the date of acquisition.

#### **P- Depreciation**

Fixed assets are depreciated at a fixed installment method using suitable depreciation rates that are determined on basis of the production lifetime estimated for each asset as follows:

Building and establishments	5%
Equipment and machines	25%
Furniture	10%
Means of transportation	25%

Obour branch is depreciated at a fixed installment method for 25 years ending 2018.

## **Q- Taxes**

- Taxes falling on the bank are computed pursuant to the laws, regulations and instructions in force in Egypt.
- A tax obligations provision is made in the light of tax claims and after applying the necessary study which include income tax calculated on achieved profit on both present tax (computed pursuant to the laws, regulations and instructions applied in this regard and by using tax rates applied on the date of balance sheet) and postponed taxes, accrued taxes are evidenced directly in the income statement and income taxes related to owners' equity items are evidenced directly in owners' equity.
- Postponed tax is the tax originating from presence of some differences resulted from disagreement of period of the recognition of amount of some assets and liabilities between applied tax regulations and accounting basis used in the preparation of the financial statements.
- The amount of postponed tax determination is based on the used method by which the assurance or settlement of the present value of such assets and liabilities by the use of tax rates applied on the date of preparation of balance sheet.
- The postponed tax is recognized as an asset of the bank when there is strong assurance of the possibility of using this asset to reduce the accrued taxes during the forthcoming years, the postponed tax recognized as bank asset is reduced by the part that will not achieve the expected tax benefit during the next years.

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## **U-Employees Privileges:**

Medical expenses for retired employees are transferred to the income statement. In the past, the bank used to calculate these privileges for both employees and retired ones on the basic payments and real cost on the time of the event.

## **3. Financial instruments and management of related risks**

### **1. The financial instruments:**

(A)The financial instruments:

are represented in the financial assets and liabilities. The financial assets include balance of cash, current accounts, balances at banks, financial investments, loans to customers and banks. The financial liabilities include customers' deposits, balances due to banks, also rights and obligations stated in the contingent Liabilities and Commitments. Explanation No. 2 includes the applied accounting policies concerning recording and measuring significant financial instruments and the revenue and expenses related thereto.

(B) Fair value of the financial instruments:

In accordance with the applied evaluation bases of the bank's assets and liabilities, which are stated in the explanations for the financial statements. The fair value of the financial instruments does not differ significantly from its book value on the date of the Balance Sheet. Regarding financial investments other than those held for trading purposes, explanations Nos. 8, 11 and 12 explain their fair value on the date of the Balance Sheet.



(C) Forward contracts:

In accordance with The Central Bank of Egypt instructions, the bank does not enter into forward contracts except as needed to cover its requirements in foreign currencies and its customers' needs to meet their obligations in foreign currencies resulted from their dealings made through the Bank. Those transactions are characterized as being of a short-term nature.

## **2. The management of financial instruments risk**

(A) Income rate risk:

The value of some of the financial instruments practices some variances as a result of the change of its income rate. The Bank takes some measures in order to minimize the result of this risk to its lower level, for example:

- Monitoring the discount rates of various currencies in the process of determining the income rates.
- Monitoring the maturity of assets and liabilities and the related income rate.

Explanation Nos. 27 and 28 show the average income rates applied through the year on assets and liabilities.

(B) Credit risk:

Loans to customers and banks and financial investments as bonds also balances and deposits at banks and rights and obligations from other parties are considered to be financial assets exposed to credit risk which is represented in the inability of those parties to pay due amounts partially or totally on maturity dates.

The Bank adopted some procedures to minimize the credit risk to its lower level, for example:

- Preparing credit studies of customers and banks before dealing with them and
- determining the level of credit risk related to such deals.
- Maintaining the sufficient collateral to reduce risks that may grow from inability of customers and banks.
- Following up and studying of customers and banks periodically to evaluate their financial and credit positions and to estimate the provisions needed for irregular balances.

Explanation No. 30 shows the diversification of Bank's loans portfolio among various sectors.

(C) Risk of variances of foreign exchange rates:

Due to the Bank's deals in some foreign currencies according to the nature of its activity, this may expose the Bank to the risk of variances of foreign exchange rates. For the purpose of minimizing such risk to its lower level, the Bank is balancing financial positions of foreign currencies in accordance with The Central Bank of Egypt regulations issued in this regard.

The explanation No. 31 explains the position of significant currencies on the date of the Balance Sheet.

#### 4. Cash and balances at The Central Bank of Egypt

(Egyptian Pounds)	2007	2006
<b>Cash</b>	<b>257 029 093</b>	<b>115 597 205</b>
Balances at The Central Bank of Egypt in the framework of mandatory reserve	361 848 620	518 743 540
<b>Total</b>	<b>618 877 713</b>	<b>634 340 745</b>

#### 5. Balances at banks

(Egyptian Pounds)	2007	2006
<b>The Central Bank of Egypt</b>		
Current accounts	507 660 802	27 646 595
Deposits	2 275 549 126	241 987 460
	2 783 209 928	269 634 055
<b>Local banks</b>		
Current accounts	25 058 816	17 710 862
Deposits	212 571 322	36 344 360
	237 630 138	54 055 222
<b>Foreign banks</b>		
Current accounts	8 213 266	8 101 285
Deposits	69 603 652	77 450 650
	77 816 918	85 551 935
<b>Total</b>	<b>3 098 656 984</b>	<b>409 241 212</b>

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#### 6. Treasury Bills and other commercial papers deductible at the Central Bank of Egypt

(Egyptian Pounds)	2007	2006
Treasury bills with more than 91 days	-----	931 275 000
The Central Bank of Egypt depositing certificate	-----	715 000 000
	-----	1 646 275 000
(-)Unearned income	-----	(29 400 878)
<b>Total</b>	<b>-----</b>	<b>1 616 874 122</b>

#### 7. Financial investments for trading purpose

(Egyptian Pounds)	2007	2006
Shares	41 832 439	33 795 356
Bonds	48 722 015	61 055 019
Financial investments' portfolio managed by others	284 520 439	257 809 814
Investment funds certificates	46 284 150	39 361 030
<b>Total</b>	<b>421 359 043</b>	<b>392 021 219</b>
Financial investments for trading purpose are composed of the following:		
Financial investments registered in the Stock Exchange	421 359 043	392 021 219

## 8. Financial investments available for sale

(Egyptian Pounds)	2007	2006
<b>Investments in shares:</b>		
Shares in companies	64 375 758	49 776 410
	64 375 758	49 776 410
Financial investments available for sale are composed of the following:		
Financial investments registered in the Stock Exchange *	2 445 300	2 527 850
Financial investments not registered in the Stock Exchange	61 930 458	47 248 560
<b>Total</b>	<b>64 375 758</b>	<b>49 776 410</b>

\*The market value for the financial investments available for sale registered in the Stock Exchange reached the amount of EGP 2 445 300 on 31/12/2007 against EGP 2 527 850 on 31/12/2006.

## 9. Loans to customers (after deduction of provision)

(Egyptian Pounds)	2007	2006
Subsidized loans	2 254 336 339	2 410 505 191
Unsubsidized loans	2 446 084 528	1 773 365 400
Due installments (housing loans)	25 189 369	31 343 364
Due installments (long term loans)	364 292 484	284 144 994
Loans to customers	5 089 902 720	4 499 358 949
(-) Provision for loans to customers	(348 083 715)	(304 019 627)
(-) Suspended gains	(40 283 202)	(35 558 516)
<b>Total</b>	<b>4 701 535 803</b>	<b>4 159 780 806</b>

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## 10. Provision for loans (regular/irregular)

(Egyptian Pounds)	2007		
	Specified	General	Total
Balance at the beginning of the year	211 377 572	92 642 055	304 019 627
Composed during the year	6 415 560	43 584 440	50 000 000
Transferred to the provisions for liabilities	(5 743 850)	----	(5 743 850)
Revaluation differences	(187 881)	----	(187 881)
Utilized during the year	(4 181)	----	(4 181)
<b>Balance at the end of the year</b>	<b>211 857 220</b>	<b>136 226 495</b>	<b>348 083 715</b>

(Egyptian Pounds)	2006		
	Specified	General	Total
Balance at the beginning of the year	211 378 171	86 506 555	297 884 726
Composed during the year	----	5 000 000	5 000 000
Transferred from the provisions for liabilities	----	1 135 500	1 135 500
Utilized during the year	(599)	----	(599)
<b>Balance at the end of the year</b>	<b>211 377 572</b>	<b>92 642 055</b>	<b>304 019 627</b>

## 11. Financial investment kept till maturity

(Egyptian Pounds)	2007	2006
Governmental bonds maturing 2007/2014	733 811 392	973 190 565
Egyptian Arab Land Bank securities bond	61 640 000	46 845 000
	795 451 392	1 020 035 565
Housing bonds maturing 2017	322 030	322 030
<b>Total</b>	<b>795 773 422</b>	<b>1 020 357 595</b>
<b>Financial investment kept till maturity are composed of</b>	<b>2007</b>	<b>2006</b>
Financial investments registered at the stock exchange	795 773 422	1 020 357 595

\* Evaluation has been done with the original value of the bonds.

## 12. Financial investments in affiliated and joint venture companies

(Egyptian Pounds)	2007		2006	
	Amount	Share%	Amount	Share%
Contribution in the capital of banks and joint venture companies:				
Housing and Development Company for Utilities	3 500 000	35	3 500 000	35
Taamir Company for Mortgage	64 100 000	24.84	64 100 000	18.65
Taamir Company for Real Estate Registration Services	50 000	1	25 000	1
Housing Company for Security and Cleaning Services	608 400	39	-----	-----
Holding Company for Investment and Development	90 000 000	90	90 000 000	90
Housing and Development Company for Real Estate Investment	54 000 000	60	36 000 000	60
Taamir Company for Assets Management	627 000	15.70	108 000	15.70
Taamir Company for Real Estate Funds	600 000	24	-----	-----
<b>Total</b>	<b>213 485 400</b>		<b>193 733 000</b>	

Financial investments in affiliated and joint venture companies are composed of

(Egyptian Pounds)	2007	2006
Financial investments not registered at the stock exchange	213 485 400	193 733 000

## 13. Housing projects (net)

(Egyptian Pounds)	2007	2006
<b>(A) Housing projects</b>		
Allocated lands for housing projects	109 708 810	111 216 610
Works under implementation	203 339 382	78 555 091
Finished works	65 452 178	142 713 269
Real Estate investments	4 835 030	4 246 764
<b>Total</b>	<b>383 335 400</b>	<b>336 731 734</b>
(-) Provision for housing projects	(2 406 742)	(2 406 742)
<b>Housing projects (net)</b>	<b>380 928 658</b>	<b>334 324 992</b>

- One housing unit of El-Bashair project is hired from 1/12/2003 to 30/11/2009 and two units are hired from 1/5/2006.
- Three commercial units of Pyramids projects are hired from 1/11/2006.
- 18 housing units of Hurghada project are hired for 3 years from 1/4/2005 to 31/3/2008. In addition to hiring of "six shops of Casabianca Village in north Cost", and two units of administration building in Nasr city are hired from 1/2/2006 to 31/1/2010.

In accordance with Egyptian accounting standards value of these units are credited to "Real Estate Investments" item in the financial statements and 2.5% depreciation rate is calculated on building value related to hiring units and charged to the income statement on 31.12.2007.

#### 14. Debit balances and other assets

(Egyptian Pounds)	2007	2006
Accrued revenues (deposits, loans, investments)	101 831 738	80 346 513
Accrued revenues (subsidy) (*)	16 652 753	28 572 472
Down payments on account of purchasing of fixed assets	42 691 976	19 984 406
Assets assigned to the bank in lieu of bad debts (**)	13 095 644	37 837 109
Indemnities and petty cash	1 606 802	1 302 092
Paid under corporate tax	35 764 838	32 514 838
Various debit balances	58 327 071	46 033 870
Debit balances and other assets	269 970 822	246 591 300
(-) Provision for debit balances	(3 792 681)	(5 027 493)
<b>Total</b>	<b>266 178 141</b>	<b>241 563 807</b>

(\*) Represents the amount accrued on Ministry of Finance within the period from 1/7/2007 to 31/12/2007 calculated as the difference between the interest rate on subsidized loans – granted to New Urban Communities Organization, Houses Financing Fund in the frame of state's plan of Economical and Social Development – plus ordinary activity of the bank, and the interest rate on loans granted to the bank from the Central Bank of Egypt plus 1% to 1.5% as margin to the bank in accordance with the economic and social development's plan rules.

(\*\*) Represents the value of assets assigned to the bank from Casabianca, BeauRivage Fayed and El-Golf Obour city projects amounted to EGP 13.10 million on 31/12/2007.

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#### 15. Fixed assets (after deduction of accumulated depreciation)

2007	Land	Buildings and Establishments	Means of transportation	Equipments and Machines	Furniture	Total
<b>(Egyptian Pounds)</b>						<b>2007</b>
Cost at the beginning of the year	6 990 624	80 138 851	7 232 834	35 850 925	20 537 043	150 750 277
Additions during the year	122 070	9 139 871	171 415	15 550 745	3 058 716	28 042 817
(-) Exclusions during the year	----	----	(127 517)	----	(8 837 060)	(8 964 577)
Cost on 31/12/2007 (1)	7 112 694	89 278 722	7 276 732	51 401 670	14 758 699	169 828 517
Accumulated depreciation						
at the beginning of the year	----	37 502 832	6 793 314	26 368 062	14 124 393	84 788 601
Depreciation of the year	----	4 002 040	325 364	12 015 015	1 388 750	17 731 169
(-) Accumulated depreciation						
of exclusions	----	----	(127 511)	----	(6 609 654)	(6 737 165)
Accumulated depreciation						
on 31/12/2007 (2)	-----	41 504 872	6 991 167	38 383 077	8 903 489	95 782 605
Net fixed assets						
at the end of the year (1)-(2)	7 112 694	47 773 850	285 565	13 018 593	5 855 210	74 045 912
Net fixed assets						
at the beginning of the year	6 990 624	42 636 019	439 520	9 482 863	6 412 650	65 961 676

The fixed assets (after deduction of depreciation) as on 31/12/2007 include the amount of EGP 14.4 million which represents net value of land, buildings and establishments not registered yet in the name of the bank. The necessary legal procedures to register those assets are under process.

## 16. Balances due to banks

(Egyptian Pounds)	2007	2006
<b>Foreign banks:</b>		
Current accounts	122 451	-----
Deposits	558 038	615 109
<b>Local Banks:</b>		
Deposits	100 000 000	-----
<b>Total</b>	<b>100 680 489</b>	<b>615 109</b>

## 17. Customers deposits'

(Egyptian Pounds)	2007	2006
Current accounts	635 599 719	613 893 234
Time and Call deposits	1 539 893 545	2 479 907 409
Certificates of Deposits and saving accounts	955 664 708	718 383 893
Saving deposits	1 617 445 553	1 037 218 431
Other deposits	56 483 368	48 791 242
<b>Total</b>	<b>4 805 086 893</b>	<b>4 898 194 209</b>

## 18. Credit balances and other liabilities

(Egyptian Pounds)	2007	2006
Accrued income	132 703 379	147 401 966
Payments to installments account	209 548 068	566 069 416
Payments to reserve housing units	177 741 451	43 696 717
Creditors to purchase land	13 882 945	19 381 456
Accrued expenses	15 543 436	9 223 861
Accrued for contractors	15 935 008	8 888 596
Cheques under collection and settlement notes	1 830 882 050	118 107 046
Various creditors / collateral values	3 459 138	2 094 800
Liabilities for staff medical care *	20 000 000	-----
credit balances and other liabilities	169 405 773	187 382 508
<b>Total</b>	<b>2 589 101 248</b>	<b>1 102 246 366</b>

\* The balance represents the present value of liabilities for staff medical care determined by the actuarial expert according to the following assumptions:

-The interest rate used as a discount basis was 8% annually.

-The inflation rate for medical care was 3% annually.

-British death schedule A49-52 has been applied.

Net present value determined by the actuarial expert on 31/12/2007 was as follows:

<b>Staff</b>	<b>16 370 537</b>
<b>Retired</b>	<b><u>2 860 820</u></b>
	<b>19 231 357</b>

## 19. Long term loans

The value of long-term loans amounted to EGP 2116 million on 31/12/2007 as compared to EGP 2284 million on 31/12/2006, which are represented in (89) loans from total (99) loans specified to the bank from the Central Bank of Egypt in the frame of state's plan of economic and social development.

### These loans are specified for the following activities:

- Loans specified for the bank main activity in housing sector (sold units – individuals – governorates – associations) (26 loans).
- Loans specified to finance Houses Financing Fund activities (20 loans).
- Loans specified to finance New Urban Communities Organization activities (23 loans).
- Loans specified to finance General Organization for Housing and Construction association (20 loans).

The interest rates on said loans are 9% annually, which is determined according to the current interest rates on the date of grant. According to this regime, those loans were regranting for customers with subsidize interest rates ranging between 3% to 6%, the difference between borrowing and lending rates plus margin (1% to 1.5%) is charged to the State Treasury. This regime has been stopped as of 1997.

Said loans mature on (28) equal annual installments start after two years (grace period) from the date of acquisition.

The value of the accrued installment within year 2007 amounted to EGP 146 million and EGP 22 million as accelerated payments.

In addition to a loan amounted to EGP 31.5 million specified to the Bank from the social fund for financing small projects.

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### Details for the loans granted to the Bank during the year

(Egyptian Pounds)	2007	2006
Balance at the beginning of the year	2 284 402	2 441 199
Granted during the year	-----	-----
Paid installments	(146 046)	(146 675)
Accelerated payment	(22 296)	(10 122)
Balance	2 116 060	2 284 402
Social fund	31 500	17 000
<b>Total</b>	<b>2 147 560</b>	<b>2 301 402</b>

## 20. Other provisions

(Egyptian Pounds) 2007

	Provision for contingent liabilities	Provision for contingent claims (*)	Total
Balance at the beginning of the year	5 433 270	189 417 692	194 850 962
Composed during the year	----	34 978 715	34 978 715
Transferred from provision for loans	5 743 850	----	5 743 850
Transferred from provision for debit balances	----	2 092 892	2 092 892
Utilized from provision for claims	----	(736 377)	(736 377)
<b>Total</b>	<b>11 177 120</b>	<b>225 752 922</b>	<b>236 930 042</b>

(Egyptian Pounds) 2006

	Provision for contingent liabilities	Provision for contingent claims (*)	Total
Balance at the beginning of the year	6 568 770	185 563 690	192 132 460
Composed during the year	----	5 514 624	5 514 624
Transferred to provision for debit balances	----	(2 478)	(2 478)
Transferred to provision for loans	(1 135 500)	----	(1 135 500)
Utilized from Provision for contingent claims	----	(1 658 144)	(1 658 144)
<b>Total</b>	<b>5 433 270</b>	<b>189 417 692</b>	<b>194 850 962</b>

Composed to face the possible tax liabilities and legal disputes.

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## 21. Deferred tax

(Egyptian Pounds) 2007 2006

### (A) Recorded liabilities arised from deferred tax:

Deferred tax liabilities reached EGP 1364 on 31.12.2007. It was calculated as follows:		
Tax depreciation in accordance with income tax law 91/2005:	11 142 639	10 155 065
<b>Less:</b>		
Calculated depreciation in accordance with Egyptian Accounting Standards	11 135 818	9 974 815
Differences of permanent depreciation	6 821	180 250
Tax rate	20%	20%
Deferred tax liabilities	1 364	36 050
<b>Plus:</b>		
Balance at the beginning of the year	286 530	250 480
	287 894	286 530

### (B) Unrecorded deferred tax assets:

Provision for debts	69 616 743	60 803 925
Provision for contingent liabilities	2 235 424	1 086 654
Provisions for legal disputes	3 297 846	3 264 800
<b>Total</b>	<b>75 150 013</b>	<b>65 155 379</b>

These deferred tax assets have not been recorded because there is no possibility to using these assets items in decreasing the deserved taxes on the bank during the coming years.

Deferred tax recorded as an asset is decreased with the value that has no tax benefit during the coming years.

## 22. Capital and reserves

### (A) Authorized Capital:

- The authorized capital is EGP 1000 million, the issued and paid up capital is 550 million totaling 55 million share each with 10 Egyptian Pound as a name value.

### (B) reserves:

- According to the bank's by law, 5% of the net annual profit is retained to feed the legal reserve; retention is ceased when balance of legal reserve reaches 20% of paid up capital.

- According to the Central Bank of Egypt instructions, it is not allowed to use balance of special reserve without referring to the Central Bank of Egypt in this concern.

- Reserves that reached EGP 22.80 million are composed of:

- EGP 5.5 million as legal reserve.

- EGP 7 Million as general reserve.

- EGP 6.20 million as special reserve.

- EGP 4.10 million as other reserves.

### (C) The Share value from the shareholders in profits of the year:

(Egyptian Pounds)	2007	2006
Net profit	182 362 698	110 107 278
Board of Directors Bonus	(2 500 000)	(1 500 000)
Employees share in the profit (net profit of the year)	(26 000 000)	(15 600 000)
Shareholders share in the net profit of the year	153 862 698	93 007 278
Weighted average for the shares	55 000 000	44 887 500
The share's earning in the shareholders' quota in the net profit of the year	2.80	2.07

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## 23. Contingent liabilities and commitments

(Egyptian Pounds)	2007	2006
Letters of guarantee	160 407 690	90 002 948
Documentary credits (import and export)	7 762 861	3 021 713
<b>Total</b>	<b>168 170 551</b>	<b>93 024 661</b>

## 24. Earnings of the bank's housing projects

(Egyptian Pounds)	2007	2006
Housing units selling	161 988 480	95 430 497
Cost of selling housing units	(91 264 501)	(56 604 008)
Total earnings	70723 979	38 826 489
Other housing earnings	28 848 229	17 446 895
<b>Total</b>	<b>99 572 208</b>	<b>56 273 384</b>

## 25. Foreign exchange operations profits

(Egyptian Pounds)	2007	2006
Profits of foreign currency exchange	2 322 536	1 364 029
Revaluation differences from monetary assets and liabilities balances	(155 764)	161 717
<b>Total</b>	<b>2 166 772</b>	<b>1 525 746</b>

## 26. Capital Commitments

(A) Value of commitments related to financial investments and not required to be settled on the date of the balance sheet amounted to EGP 52393660 as follows:

(Egyptian Pounds)	2007		
	Value of participation	Amount paid	Remaining and not yet required
<b>Financial investments available for sale</b>			
Middle East Fund for Restructuring	40 000 000	38 361 940	1 638 060
<b>Financial investments in banks capital and joint venture companies</b>			
Taamir Mortgage Company	93 200 000	64 100 000	29 100 000
Taamir Company for Assets Management	1 570 000	627 000	943 000
Taamir company for Security and Cleaning Services	1 521 000	608 400	912 600
Taamir Company for Real estate Investments	72 000 000	54 000 000	18 000 000
Taamir Company for Real Estate Investment Funds	24 000 000	600 000	1 800 000
<b>Total</b>	<b>210 691 000</b>	<b>158 297 340</b>	<b>52 393 660</b>

(B) Fixed assets and branches' equipments:- Value of commitments related to contracts of purchasing fixed assets and installations of branches and not performed yet till balance sheet date amounted to EGP 2 660 917.

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## 27. Maturity of assets and liabilities

(Egyptian Pounds)

	Maturity within one year	Maturity within more than one year
<b>Assets</b>		
Cash and balances at the Central Bank of Egypt	618 877 713	----
Balances at banks	3 098 656 984	----
Treasury bills and other governmental notes discountable	----	----
Financial investments for trading purpose	421 359 043	----
Financial investments available for sale	----	64 375 758
Loans to customers	748 746 565	3 952 789 238
Financial investments kept till maturity	83 353 189	712 420 233
Financial investments in affiliated and joint venture companies	----	213 485 400
Housing projects	63 045 436	317 883 222
Debit balances and other assets	210 390 521	55 787 620
<b>Total</b>	<b>5 244 429 451</b>	<b>5 316 741 471</b>

### Liabilities

Balances due to banks	100 680 489	----
Customers' deposits	2 231 976 632	2 573 110 261
Credit balances and other liabilities	2 414 173 475	174 927 773
Deferred tax liabilities	----	287 894
Dividends creditors	139 636	----
Long term loans	146 046 327	2 001 513 337
Other provisions	236 930 042	----
<b>Total</b>	<b>5 129 946 601</b>	<b>4 749 839 265</b>

## **28. Applied interest rates during the year**

Average interest rates on assets and liabilities reached 9.7% and 7.8% respectively.

## **29. Tax position**

### **A- Corporate tax**

- As for the period 1980-1984, it was forwarded to the court until the determination of the beginning year of activity 1980.
- As for the period 1985-1988, tax auditing and settlement for this period had been implemented.
- As for the period 1989-1997, the duties had been paid according to appeal committee decision and conciliation is in process with the tax authority.
- As for the period 1998-2001, it was inspected and disputes were transferred to the internal committee.
- As for the period 2002-2004, it was inspected.
- As for the period from 2005-2006 the tax declaration has been presented in accordance with the law no. 91 for the year 2005.
- The tax attestation of the years 2001 till 2006 did not show profits subject to corporate taxes.
- The bank's management had established the suitable provision for corporate tax.

### **B- Stamp tax**

- As for the period till 31/7/2006, it had been inspected and paid for most of the bank's branches, some branches are still under inspection.
- Law No. 143 for the year 2006 has been applied since 1/8/2006 and the bank's management had established the suitable provision for stamp tax.

### **C- Work earning tax**

- As for the period 1980-1997, tax auditing and settlement for this period had been implemented.
- As for the period from 1998-2002, it was inspected and disputes were transferred to the internal committee.
- As for the period from 2003-2004, it was inspected and the tax had not been determined.
- As for the period from 2005-2006, the tax declaration has been presented in accordance with the Law No. 91 for the year 2005.

The bank's management had established the suitable provision for work earning tax.



### 30. Assets and contingent liabilities distribution

(Egyptian Pounds)	2007		2006	
(A) Assets	Local currency	Foreign currency	Local currency	Foreign currency
Loans to customers				
Business public sector	2 296 807 222	-----	2 284 282 260	-----
Business private sector	546 907 383	1 293 000	335 202 725	-----
Services public sector	16 231 856	-----	19 913 810	-----
Family sector	2 224 505 259	4 158 000	1 859 960 154	-----
<b>Total</b>	<b>5 084 451 720</b>	<b>5 451 000</b>	<b>4 499 358 949</b>	<b>-----</b>

(Egyptian Pounds)	2007		2006	
(B) Liabilities	Local currency	Foreign currency	Local currency	Foreign currency
Customers' deposits				
Business public sector	1 366 221 542	935 740	2 463 865 122	3 692 600
Business private sector	480 151 153	37 724 345	421 115 820	52 180 243
Services public sector	17 521 467	-----	11 100 758	-----
Family sector	2 716 097 425	131 093 966	1 856 714 125	86 831 814
Other	54 439 995	901 260	2 192 000	501 727
<b>Total</b>	<b>4 634 431 582</b>	<b>170 655 311</b>	<b>4 754 987 825</b>	<b>143 206 384</b>

(Egyptian Pounds)	2007		2006	
(C) Contingent liabilities and commitments	Local currency	Foreign currency	Local currency	Foreign currency
Business private sector	133 071 000	-----	77 092 000	-----
Other	27 336 690	7 762 861	12 910 948	3 021 713
<b>Total</b>	<b>160 407 690</b>	<b>7 762 861</b>	<b>90 002 948</b>	<b>3 021 713</b>

### 31. Position of significant currencies

(Egyptian Pounds)	2007	2006
US Dollars	2020	(10 204)
Sterling Pound	412	174
Euro	6054	830
Saudi Riyal	1528	553
Others	356	188

### 32. Trust activities

The value of customers' securities deposited for custody at the bank amounted to EGP 53.7 million on 31/12/2007.

### 33. Transactions with related parties

The bank conducts transactions with the related parties according to the rules and customs instructed by its management, which may differ than that applied with other parties.

(Egyptian Pounds)	2007	2006
Loans	371 969 503	414 509 142
Deposits	1 437 671 190	2 292 989 049
Investments	61 640 000	46 845 000

### 34. Related events

The extraordinary general assembly in its meeting on 12/2/2005 agreed on principal to merge Housing and Development bank with Egyptian Arab Land bank, take the executive procedures to evaluate the assets and liabilities for both banks to reach the fair value for each share, authorize the board of directors of each bank to take the necessary procedures to finish the merging process and propose to the extraordinary general assembly of each bank viewing the final results of the merging process and taking the final decision in this respect.

The board of directors has agreed on 10.9.2007 to establish Al-Taamir Fund for Investment for EGP 100 million. Prime Company for Financial Investments has been appointed to manage the fund and the Central Bank of Egypt has agreed on 30/1/2008 to establish the fund.

### 35. Figures of comparison

Figures of comparison were amended to cope with the classifications of the Financial Statements of the present year.



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# Contacts

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### Sharm El-Sheikh (Nabq)

Address : 11 South of Nabq, Arab Sat, Commercial Mall  
Telephone : +2069 6205479 - 9205469  
Fax : +2069 3710266

### El Fayoum

Address : 18 Takseem El Horrya, El Fayoum  
Telephone : +2084 6308872 - 6308871 - 6313702  
Fax : +2084 6308874

## Upper Egypt Region

### Beni Souef Branch

Address : Building No. 1h, Housing and Development Bank Buildings, Beni Souef El-Gadida City  
Telephone : +2082 2240163 - 2240863 - 2240162  
Fax : +2082 2240862  
P.O.Box : Beni Souef El-Gadida Post Office

### El-Menia Branch

Address : Engineer Syndicate building, Cornish El-Nil St., El-Menia  
Telephone : +2086 2339944 - 2329650 - 23668856  
Fax : +2086 2368857  
P.O.Box : 73 El-Menia  
\*\*ATM

### Assiut Branch

Address : 2, El-Gomhoreya St., El-Wagh El-Kebly Company Towers, Assiut  
Telephone : +2088 299004 - 299003 - 299002 - 299001  
Fax : +2088 299005  
P.O.Box : 151 Assiut  
\*\*ATM

### Sohag Branch

Address : Judges' Tower, Naser City, Sohag  
Telephone : +2093 4602262 - 4604156  
Fax : +2093 4601036  
P.O.Box : 58 Sohag  
\*\*ATM

### Qena Branch

Address : Modereyet El-Amn Square, Borg El-Modereya, Qena  
Telephone : +2096 5321603 - 5344116  
Fax : +2096 5321605  
P.O.Box : 61 Qena  
\*\*ATM

### Hurgada Branch

Address : Sindbad Tourism Village - Tourism Villages Zone - Hurgada  
Telephone : +2065 3441328 - 3441330  
Fax : +2065 3441483  
P.O.Box : 389 Hurgada  
\*\*ATM

### Aswan Branch

Address : Building No. 9, El-Akkad District, El-Sadat Road, Aswan  
Telephone : +2097 2305963 - 2309976  
Fax : +2097 2305972  
P.O.Box : 114 Aswan  
\*\*ATM

### Aswan Branch (Cornish El-Nil)

Address : 9 Cornish El-Nil, Aswan  
Telephone : +2097 2330485  
Fax : +2097 2330486  
P.O.Box : 114 Aswan

### El-Menia El-Gadida Branch

Address : Building No. 33, second district, city project, El-Menia El-Gadida City, East the Nile  
Telephone : +2086 2295401 - 2295011  
Fax : +2086 2295401  
P.O.Box : 73 El-Menia