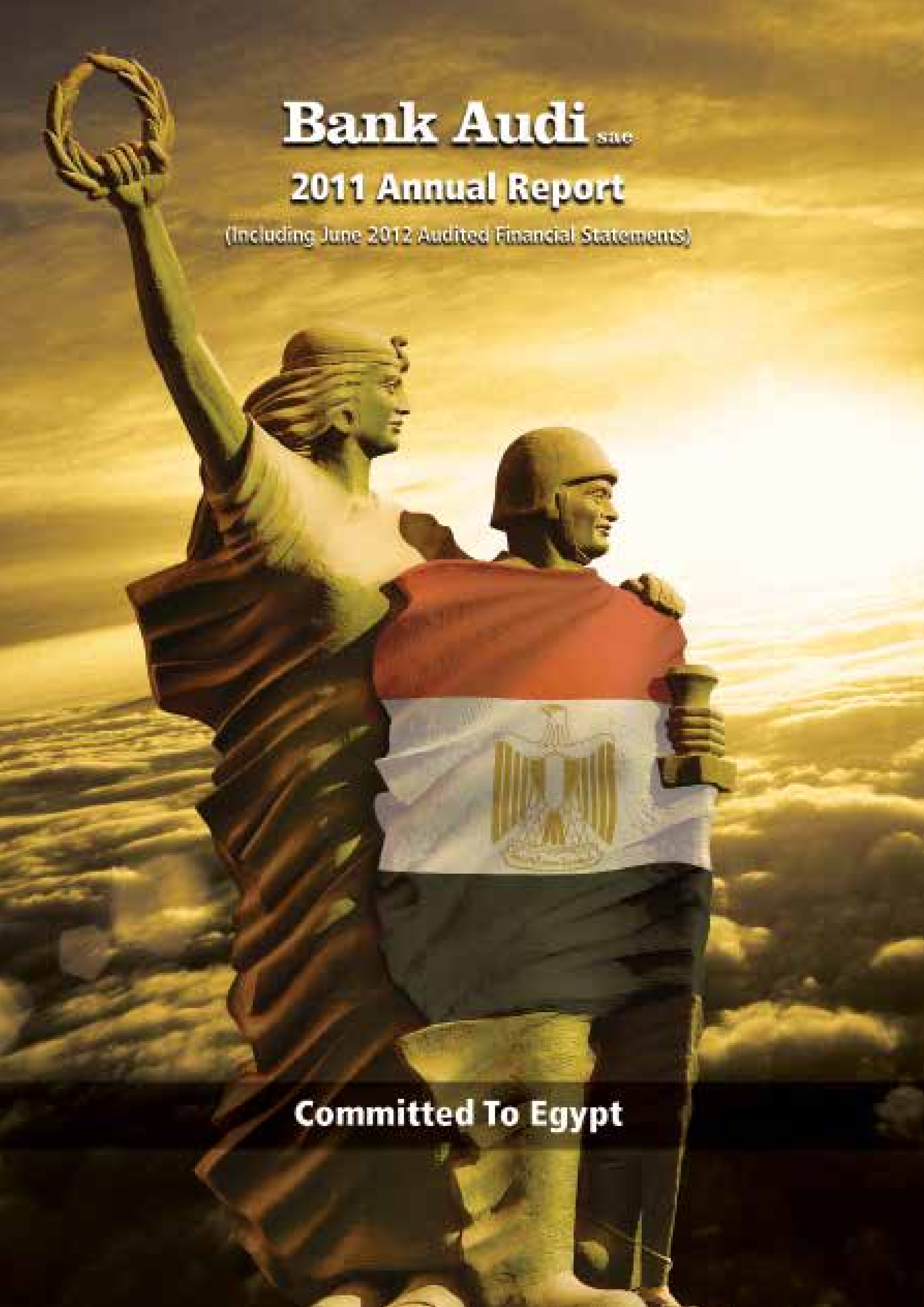
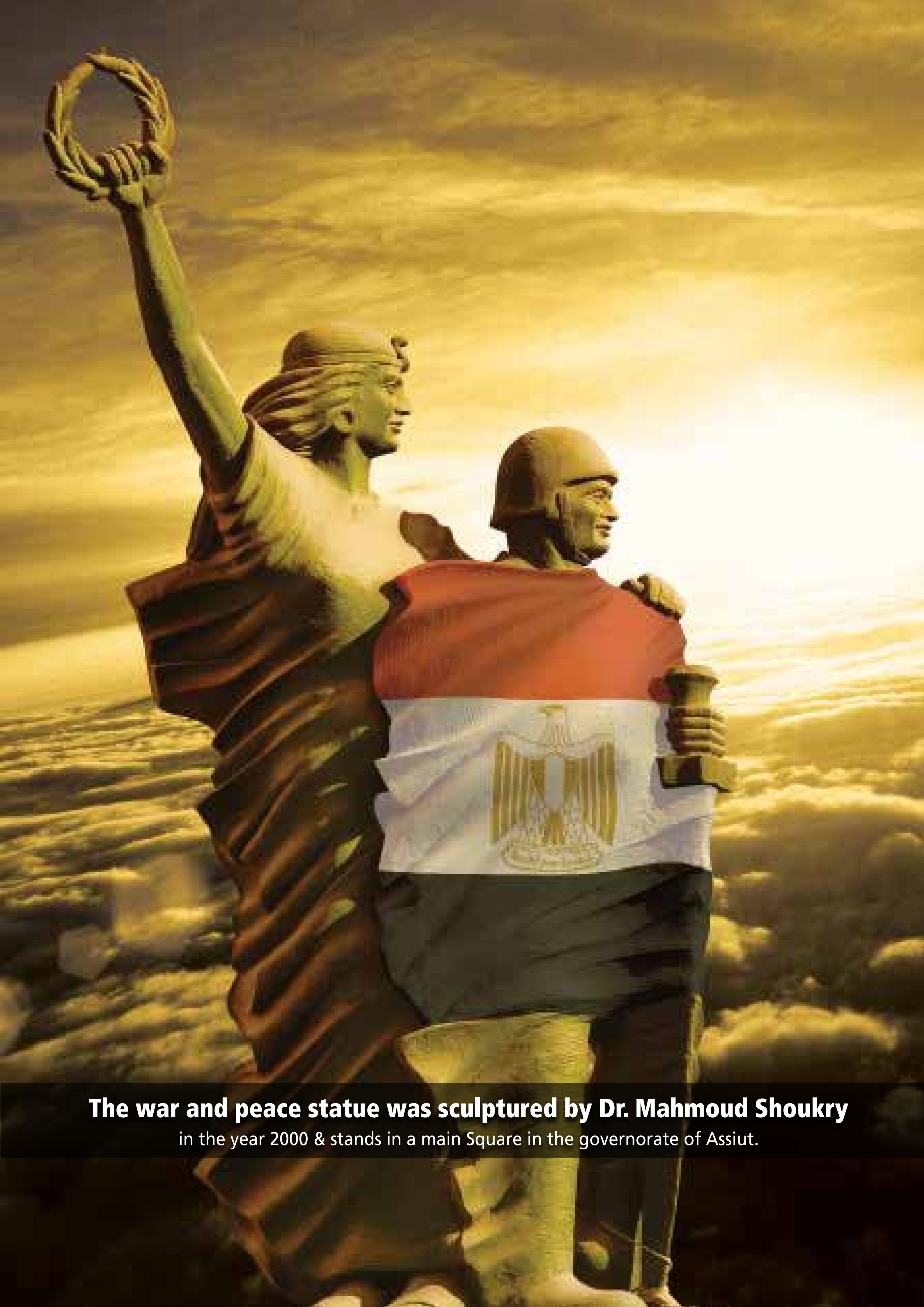
Bank Audi sae

2011 Annual Report

(Including June 2012 Audited Financial Statements)



Committed To Egypt



The war and peace statue was sculptured by Dr. Mahmoud Shoukry
in the year 2000 & stands in a main Square in the governorate of Assiut.

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

Including 30 June 2012 Audited Financial Statements

Total Assets
Growth

Times from 2006 to 2011

Net Loans & Advances
Growth

Times from 2006 to 2011

Customers' Deposits
Growth

Times from 2006 to 2011

Net Profit
Growth

Times from 2006 to 2011

INDEX

INDEX

Committed to Egypt

To some it is just another market to us it is a jewel on the crown, a symbol of civilization, an icon of kindness, giving, patience and virtue. The Land of history that is striving to have a great future.. Om El Donya … and we chose to stay on course and never to abandon ship.

...We Chose To Carry The Flag

1. 2011 Overview & Financial Performance

A. The Chairman's Statement

It is already reasonable to look back over the 18 months since the start of 2011 and to conclude that this period will be recorded as one of the most critical for change in modern Egyptian history. In turn, it created a unique banking experience from a combination of the instability of the local political situation, poor economic indicators, ongoing security concerns and the lack of short term clarity in international market and banking trends that impact Egypt.

The real assessment of institutions in this exceptional period is how well their tangible and intangible assets and strengths were able to withstand these stresses and tests. What we saw in this period of suddenly changing and difficult circumstances, was a challenge to these fundamentals, namely the strategy of the bank; the value of the institution; the ability to predict the future environment and manage risk; the skill of employees to manage crisis; and the speed of adaptation to changing realities while remaining committed to our core ethos, for Bank Audi sae – Egypt, after its noteworthy development over the 5 years ending December 2010, this was the first real major testing of what we had built within our bank and our ability to face up to such a combination of potential adversities. I am proud and delighted to state that the Bank met these challenges with no less success than its outstanding achievements during the years of establishment under more favorable conditions.

In the wake of the January 2011 revolution, the bank quickly - and early in the first quarter - explored the possibilities of the near future, and modified its various business priorities through a detailed re-analysis of its business development plan and budget. The first objective, given the uncertain future, was to strengthen the financial solvency of the Bank in the short term by supplementing general provisions for expected and unexpected losses. This was done without deflecting from the Bank's medium term development strategy of expanding its activities and converting into a fully-fledged financial institution to rank among the top banks in Egypt.

Our ability to take this prudent and cautionary approach to building up our reserves and buffers beyond those required by the Central Bank of Egypt and our Auditors, reflected the strength of our business model and activities. It was sustained by the tangible increase in our profits in 2011 which enabled us to balance financial preservation and constraint in the short term with a continuing drive to grow and develop new activities as part of our medium term strategic plan, thus we were able to align our short and medium term goals under the toughest circumstances surrounding our business in 2011, and maintain a firm and constant commitment to playing an effective role in Egypt, with a clear emphasis on supporting the national Egyptian interests.

This commitment to Egypt and emphasis demonstrated the determination of our shareholders and the Board of Directors that the Bank Audi group had joined the Egyptian market to remain and participate actively in it by fulfilling our clients' needs and the development of Egyptian society, whether during more normal or intense market conditions. This long-term commitment and clear emphasis towards the Egyptian society reflects the values of Bank Audi sae that not only underpin our strategic objectives but form a fundamental part of the heartbeat and pulse of our organization. Our commitment has been supplemented by an injection of new capital in 2012.

In 2011, the Bank was able to report increased net profit before impairment charges, other provisions and taxes of EGP 293.3 million (from EGP 238.6 million in 2010), while total assets grew by 10.9%. In fact, our contribution to the economy through net loans to customers managed to grow by a satisfactory 10.9% to EGP 7.9 Billion. Our 2011 results demonstrated the benefit of our selectivity and professionalism in building business activities, our emphasis on developing customer relationships with the requisite service quality and the soundness of our risk and control functions and liquidity management.

With net financial income increasing by an annual 17.6% in 2011 and outpacing the 12.3% rise in general and administrative expenses, overall efficiency strengthened further, with our cost to income ratio improving by 230 basis points to 48.5%. Subsequently, the Bank's return (before provisions and taxes) on average assets maintained its 1.75% level in 2011.

The Bank continued to enjoy a strong liquidity level, with primary liquidity representing 54.2% of customers' deposits and capital adequacy of 12.4% at year end 2011.

These improvement trends continued apace through the first six months of 2012 despite similar environment conditions that persisted in Egypt and the region. For these six months, net profit before impairment charges, other provisions and taxes were EGP 237 million (in comparison to the same 6 month period in 2011 of EGP 130.8 million) even though our total assets showed a 4% decrease from year end 2011. This was partly due to our continued commitment and contribution to the economy as our net loans and facilities to customers reached EGP 8.7 billion, a growth of 10.6% from year end 2011. Even more dramatic and impressive was a 40.6% increase in net financial income while administrative expenses only increased 3.7% during this first six months of 2012 in comparison to the same period in 2011.

These positive outcomes in the first half of 2012 enabled us to release to retained earnings the EGP 127 million precautionary general provisions made in 2011 that was not required by the Central Bank of Egypt or our Auditors, resulting in the restated balance sheet for 31 December 2011. In this same six months period we have been able to increase our general banking risk reserve from EGP 32.7 million at year end 2011 to EGP 63.8 million. Finally, our financial strength and long-term commitment to the Egyptian banking market was further underlined by the Board and General Assembly approving an increase in Bank Audi sae's authorized and issued capital by US dollars 35 million from the US dollars 200 million shown in the audited accounts for 30 June 2012.

The Bank's Management believes that despite the difficult business conditions persisting in Egypt and the Middle East and North Africa region and their adverse effects on the banking sector, the medium term outlook should be much brighter, once political stability, governance and economic efficiency return. Therefore our financial cushioning and commitment is forward looking reflecting our expectation of continuing uncertainties in the local, regional and global banking environment whilst providing a platform for exploiting rapidly any future risk assessed investment and growth opportunities as part of our strategic development plan.

As part of investing for the future, in 2011 we launched new initiatives in retail banking including Fawry bill payment services, mortgages and revamped Islamic banking and deposit services for affluent clients. Similarly on the corporate banking side, we put into place the initial platform for specialist support to selective SME's and Global Transaction Services for mid and large sized companies.

In Corporate Banking, the Bank continued to increase its customer base by adding clients in sectors least affected by the environment and those that did not suffer credit rating downgrades. This was supplemented by continuing financing through syndicated loans whereby we participated in 8 syndications for around EGP one billion. Credit quality and risk based returns were upheld by frequent re-evaluation of our corporate loan portfolio and conservative envisaging of the required cushion of provisions based on assessing each client's changing risk profile and aligning our pricing to risk based market conditions.

In our Retail Banking business, the Bank succeeded in 2011 in achieving a growth rate of 15.9% higher than market which grew by 5.7%, These achievements were accomplished through offering new products to new customer segments, while launching several non-traditional deposit schemes to satisfy requirements based on our deepening relationship and understanding of our existing customer segments. As part of this approach we have started to put into place the initial platform and expertise to commence offering selective and specialized banking services to the affluent segments of the community.

The retail loan portfolio quality remained healthy due to many pro-active and timely steps and actions taken in our lending programmes, and this enabled us to perform favourably and prudently in comparison to the general Egyptian retail bank loan market. Most important of these actions was regular amendment of the lending policies in light of the Egyptian political and economic risks and market conditions, as well as the use of self-developed analytical data supported by our own information systems and proven staff expertise along with implementing a diversification approach in our new business and collection strategies.

Mortgage activity began in mid 2011 by identifying 13 credible real estate developers to work with, out of which the Bank has already signed 3 contracts. We have concluded other mortgage contracts for preferential treatment with different sectors including insurance and telecommunications.

Our activity with Small and Medium Enterprises (SMEs) began in the second quarter of 2011 with the SME loan portfolio reaching EGP 59 million as at end of December 2011 allocated to fund 30 clients creating around 115 new jobs.

Our Islamic Banking activity was re-organised in the middle of the second half of 2011, under a newly appointed Shariaa Board whose members were drawn from some of the best regarded and most professional Islamic banking specialists regionally & internationally. A new Islamic Banking department was established with a focus on financing customers with products in accordance with Islamic law principles (for example Mudaraba & Murabaha).

We continued with enhancements in our Operations, IT support and security, and HR Management as well as in the quality of our Risk Management, Compliance, Internal Audit functions, not least reflected in our tested and effective business continuity and portfolio reviews.

It is our optimism and creativity in products and services with our customers' changing requirements in mind, which continuously builds Bank Audi sae's differentiation. Last but not least, I believe we have a management team and staff that can deliver to our expectations whether in stressed conditions or beyond and I would like to thank them for their continuing support of our efforts to create, enhance and differentiate our sustainable performance, even in the unprecedented operating environment that we have faced in Egypt.

I take this opportunity to thank our valued customers and my entire team for the commendable performance, dedication and hard work put in over the past several years. I sincerely believe that with the continued support of our valued stakeholders, we will achieve our Vision.

Hatem A. Sadek

B. Bank Audi sae - Strategic Direction & Values

During 2011, Bank Audi sae continued strengthening its platform to deliver on our strategic objectives & values in line with our Vision and Mission and aligned with the Values of the Bank Audi sal - Audi Saradar Group.

Our Vision

To be "The Egyptian partner of choice to bank with, work for and invest in".

Our Mission

To sustain & grow stakeholder interests by:

- Achieving customer satisfaction in our chosen markets through superior service, effective products and efficient delivery channels.
- Nurturing staff loyalty and a culture of success.
- Maximizing shareholders' value and sustainable return.
- Being an active partner and good citizens in our community.

Our Values

Creativity	: Encourage innovation and continuous development.
Human Interaction	: Promote diversity, provide equal opportunity, reward talent and value teamwork
Integrity	: Promote trust through transparency and open communications with all stakeholders.
Accountability	: Accept responsibility for our decisions and actions to perpetuate our reputation and continue to embrace the challenges of change.
Citizenship	: Be a good citizen in the community in which we live and work.
Quality	: Strive for excellence and professionalism in everything we do.

C. Bank Audi sae - Key Financial Highlights

Bank Audi sae is driven by an uncompromising mission to build quality, and to provide superior and consistent services. In 2011 we have once again delivered consistent financial performance as follows:

IN EGP MM AS AT DECEMBER END	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Total Assets	314	5,703	8,115	8,734	11,491	15,677	17,796
Total Loans & advances	92	1.003	2.501	4,270	4,878	7,111	7,916
Customers' Deposits	284	4,879	6,463	6,700	9,467	13,715	15,697
Net income before tax & provisions	-3.6	9	30	79	167	238	293
Net profit IFRS	-76.7	1.5	-42.4	29.6	107.2	174.6	127.5

- Total balance sheet recorded EGP 17.8 billion at the end of December 2011 compared to EGP 15.7 billion at the end of December 2010.
- Customers' deposits reached EGP 15.7 billion at the end of December 2011 versus EGP 13.7 billion at the end of December 2010, primarily from increased individual deposits, representing a growth rate of 14%.
- Loans & advances were EGP 7.9 billion at the end of December 2011 compared to EGP 7.2 billion at the end of December 2010.
- 97% of the loans and advances portfolio were classified at the highest two ratings in the internal rating at 31 December 2011 against 96% at end of the comparative year.
- 91% of the loans and advances portfolio had no past dues or impairment indicators at 31 December 2011 against 87% at end of the comparative year.

In EGP MM	Dec-10	Dec-11	Change	%
Balance Sheet data				
Assets	15,677	17,796	2,118.48	13.5%
Customers' Deposits	13,715	15,697	1,981.74	14.4%
Net Loans	7,203	7,916	713.42	9.9%
Equity	1,397	1,502	127	9.2%
Earning data				
Net interest income	341.08	431.82	90.75	26.6%
+Non interest income	143.71	138.13	(5.58)	-3.9%
= Total income	484.79	569.96	85.17	17.6%
- General operating expenses	246.23	276.62	30.38	12.3%
= Operating profits	238.55	293.34	54.78	23.0%
- Requested LLPs as per credit policy in compliance with IFRS	13.89	87.38	73.49	529.1%
- Income tax	50.05	78.46	28.41	56.8%
= Net profit	174.61	127.49	(47.12)	-26.9%

Bank Audi Market Share Developments as at December end	2005	2006	2007	2008	2009	2010	2011
Total AssetsTotal	0.04%	0.67%	0.80%	0.84%	1.00%	1.22%	1.36%
Loans & advances	0.03%	0.29%	0.66%	0.99%	1.13%	1.57%	1.60%
Total Deposits	0.06%	0.83%	0.92%	0.87%	1.12%	1.45%	1.60%

D. Bank Audi sal - Audi-Saradar Group

Bank Audi sal - Audi Saradar Group ("The Group") is a fully fledged bank, with operations in Lebanon, Europe and the Middle East and North Africa region. Founded in 1830 in Lebanon and incorporated in its present form in 1962 as a private joint stock company with limited liability ("Société Anonyme Libanaise"), The Group offers universal banking products and services covering Corporate, Commercial, Individual and Private Banking services to a diversified client base, mainly in the MENA region. It ranks first among Lebanese banks as per major banking aggregates and stands among the top Arab banking groups. In addition to its historic presence in Lebanon, Switzerland and France, it is present in Jordan, Egypt, Syria, Sudan, Saudi Arabia, Qatar, Abu Dhabi (through a representative office), Gibraltar and Monaco.

The Group's ultimate objective is to become the most integrated regional bank by both business lines and countries of presence, and one of the privileged partners of individual customers and corporates in the arab MENA region at large. The Group is currently a significant player in three core businesses:

- Corporate and Commercial Banking through Bank Audi sal in Lebanon, Bank Audi Saradar France sa, Bank Audi sal - Jordan Branches, Bank Audi Syria sa , Bank Audi sae in Egypt, and Bank Audi LLC in Qatar;
- Retail and Individual Banking through Bank Audi sal in Lebanon, Bank Audi sal - Jordan Branches, Bank Audi Syria sa, and Bank Audi sae in Egypt;
- Private Banking through Banque Audi (Suisse) sa, Audi Saradar Private Bank sal (Lebanon), Bank Audi SAM in Monaco, Audi Capital in Saudi Arabia, and Bank Audi LLC in Qatar;

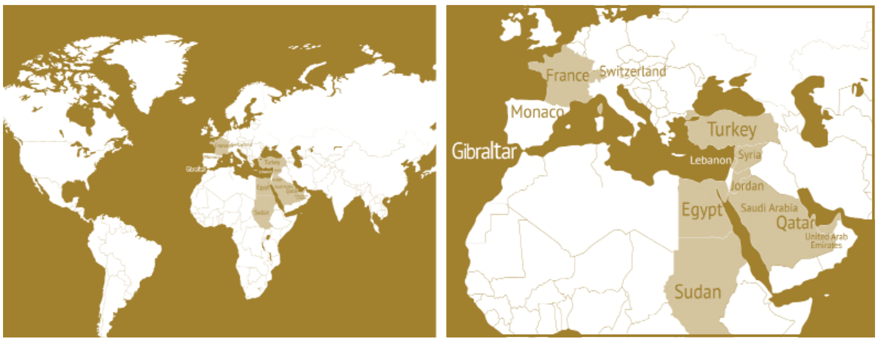
The Group also developed capabilities in Investment Banking, Online Brokerage and Insurance business through a number of wholly-owned subsidiaries.

Despite the atypical banking market environment in the region, The Group pursued its expansion strategy and was granted a license to establish a banking entity in Turkey on October 27, 2011, the first such license to be given in this country in more than ten years. The fact that The Group was privileged is yet another acknowledgment of its good financial standing and of its eligibility. The importance of this development is tied to its expected impact on further consolidating The Group's leading regional positioning and strengthening its competitive standing.

The Group's achievements and performances in 2011 were recognized by several Lebanese, regional and international references including 6 as Best Bank in Lebanon; Leadership Achievement Award (Asian Banker); Best Corporate Governance Company (World Finance Magazine); and Best New Card Award in the Middle East (Card Middle East 2011).

Group Consolidated Activity Highlights (at end June 2012):-

- US$ 28.8 billion in total assets
- US$ 24.7 billion in customers' deposits
- US$ 2.6 billion of shareholders' equity
- US$ 230.1 million of consolidated net profits in the first half of 2012



E. Global and Regional Economy

The global economy witnessed a decelerating activity during the year 2011, with real GDP growth estimated at 3.8% by the IMF, down from 5.2% in the previous year. While a number of external shocks such as the Japan natural disaster and the Libyan turmoil left their imprints on global growth respectively through a disruption in global supply chains and soaring oil prices during the first few months of the year, the global economic recovery practically stalled due to the exacerbation of Euro zone debt woes during the second half-year.

The heightening of fiscal driven sovereign distress dampened consumer and investor confidence and triggered volatility in trade flows across the globe, in turn taking a toll on the real economy. Labor markets across the world's most advanced economies continued to be characterized by lingering weaknesses tied to a protracted global recovery but recorded some improvement relative to the previous year. The advanced economies' unemployment rate stood at a near three-decade high of 7.9%, albeit declining slightly from a peak of 8.3% in 2010.

With the global economic momentum slowing down given the weakness of private sector demand, and some of the world's largest economies hit by a sovereign indebtedness related crisis, financial volatility increased markedly, especially during the latter part of the year, triggering a sell-off in global capital markets. With government indebtedness exceeding GDP for the first time in the world's largest economies, concerns about fiscal sustainability and, as a result, banking sector health, increased. Global credit conditions consequently tightened further, which contributed to further slowing down in world output growth.

The prevailing global economic and financial context warranted an extended accommodative monetary stance on behalf of the world's largest Central Banks, especially given the more or less subdued demand-driven inflationary pressures. Banking sector regulators mostly maintained interest rates at historically low levels while continuing to provide large amounts of liquidity to the banking system in an aim to appease market tensions.

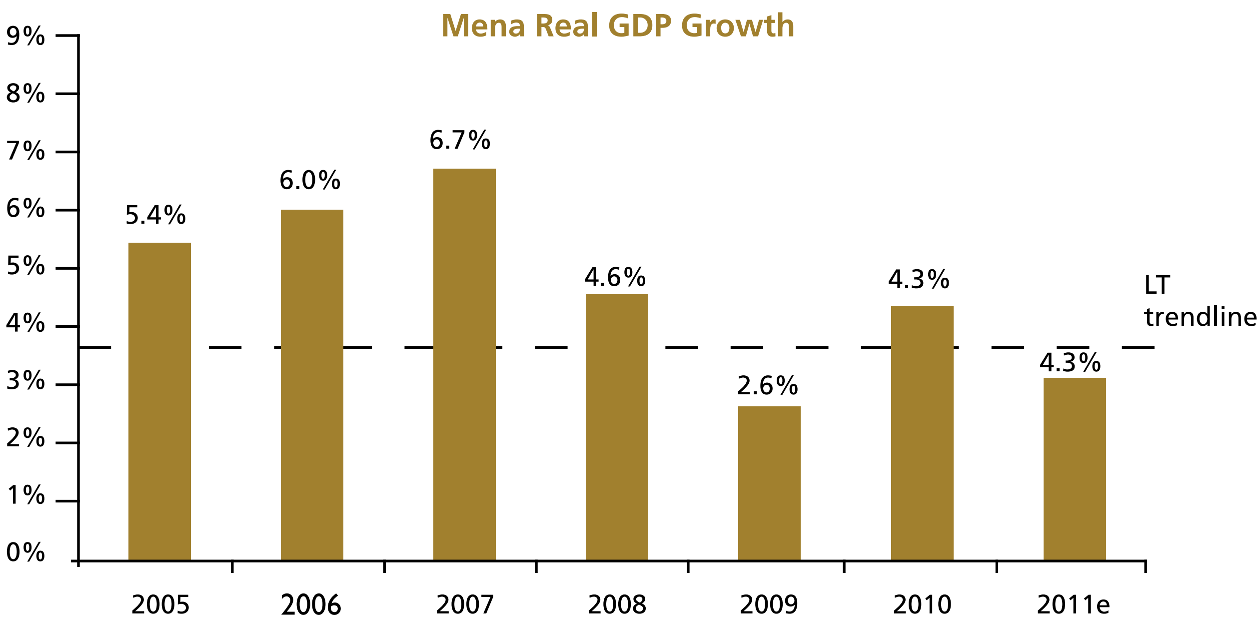
World Economic Indicators

	2008	2009	2010	2011e	Avg. 08-11e
Real GDP growth	2.8%	-0.6%	5.2%	3.8%	2.8%
A verage inflation	6.0%	2.5%	3.7%	5.0%	4.3%
Current account balance /GDP	0.3%	0.4%	0.5%	0.7%	0.5%
Fiscal balance/GDP	-2.0%	-6.7%	-5.5%	-4.5%	-4.7%
Government debt/GDP	59.5%	65.9%	70.0%	70.1%	66.4%

Sources: IMF , Bank Audi's Group Research Department

Over and above global economic and financial developments, the Middle East and North Africa region witnessed an acute political turmoil throughout the past year on the basis of widespread protests triggered by political and socioeconomic demands. The deteriorating politico-security conditions had obvious contractionary effects on the region's real economy. Within this environment, the IMF revised downward its MENA growth estimates for 2011 to 3.1% amid growing near-term uncertainties. The region's external growth drivers, such as inflows, FDI and tourists were adversely impacted by the regional turmoil.

Such adverse spillovers were partly compensated by favorable domestic growth drivers driven by higher government social spending with corollary effects on private demand. While the regional turmoil had undoubtedly near term costs in terms of lost output, forgone investment, weakened inflows and monetary pressures, it is believed that a successful transition to a MENA region with improved political freedoms and human rights, better governance and bolstered institutional framework cannot ultimately provide positive spillovers on economic efficiency and ultimately the region's standard of living and welfare.



Sources: IMF , Bank Audi's Group Research Department

F. The Egyptian economy

Throughout 2011, Egypt underwent unparalleled political developments on the domestic scene initiated by the revolution of the 25th of January altering the whole politico-economic landscape. A military council consequently took control of Egypt on a temporary basis until presidential elections could be held in May/June 2012. But the relatively volatile period of transition delayed the implementation of economic reforms and liberalization, as reforms were put on the back burner until at least the country completed the political transition. The challenges of establishing a new political order and delivering on expectations for economic recovery remained daunting and unprecedented. Beyond what may become an elongated economic transition period, significant opportunities are envisaged anchored on the potential outgrowth of an economy with a large cyclical output gap and underutilized capacities operating at much below potential output and full employment.

Egypt's ongoing political unrest, driven by growing domestic bickering and arising sectarian conflicts, continued to undermine investor confidence which took a toll on several economic indicators during 2011. Throughout the year, most sectors were hit by the political upheaval, namely tourism, Trade, Financial and business services, telecommunications and manufacturing. Defensive sectors such as pharmaceuticals and fertilizers were mildly affected by instabilities and Canal Suez revenues showed a significant deal of resilience. Consumer spending maintained its positive growth though slowing down within the currently prevailing politico-security context, while investment was estimated to have dropped significantly within an overall cautious investor mood with circa US$ 15 billion worth of projects being suspended.

As ongoing instabilities throughout the year significantly weighed down on economic activity, real GDP growth was estimated to have slowed to 1.2% in FY 2011, against 5.1% in FY 2010 as per IMF figures. In parallel, the consumer price index rose by 11.1% in FY 2011 (as per IMF statistics) due to the impact of rising international commodities and food prices coupled with the depreciation of the Egyptian pound. Despite this, the current account deficit managed to maintain its previous year's level of 2% of GDP. As a matter of fact, exports actually increased by 15% in full-year 2011, boosted mainly by a rise in oil prices as petroleum products remain Egypt's main export item, accounting for almost 45% of the total.

Sources: IMF , Bank Audi's Group Research Department

The overall political uncertainties deprived the economy of its lucrative touristic seasons. The number of tourists dropped by a yearly 38% to attain 9.8 million in 2011, after a growth of 18% in 2010, as per information provided by the Ministry of Tourism. Also, revenues originated by the sector contracted by 30% in 2011 to US$ 8.8 billion (compared to an increase of 16% a year earlier). On the other hand, the Suez Canal was operating more or less normally amid the crisis and hydrocarbon revenues proved almost totally resilient to the turmoil.

At the FDI level, foreign businesses showed a strong tendency to stay away until political visibility gets better. As a result of the upheaval, UNCTAD slashed projections of FDI inflows by 65% to reach a total of US$ 2.2 billion in 2011, versus a growth of 3.8% a year earlier. On the other hand, workers' remittances, which accounted for close to US$ 8 billion in foreign exchange revenues annually were only slightly affected by the uncertainty and at a less significant pace than other foreign currency inward flows. Remittances actually helped sustain liquidity in Egypt's financial system and supported its balance of payments.

The political crisis also led to a significant bulge in the public deficit as the government increased spending on subsidies and public works projects adding to the post-revolution adopted 15% wage hike in the public service, while revenues were depressed by a fall in economic activity and trade. Egypt's fiscal balance was estimated to have widened to 10.3% of GDP in 2011 on the back of an increase in public expenditures exceeding that of public revenues. In late November, the Central Bank issued dollar-denominated Treasury bills for the first time since April 2010 in an effort to tap cheap sources of finance and lower the cost of domestic borrowing. Also, the government turned to the IMF for a US$ 3.2 billion two-year reform program. Public debt rose to 76.2% of GDP as government borrowing witnessed a rapid increase to finance a widening budget deficit.

Amid considerable conversions from local currency holdings to foreign currency holdings, the Egyptian Pound hit a near six-year low of close to EP 6 per US$. Egypt was somehow vulnerable to a reversal of large flows of foreign portfolio investment that had been attracted by high yields on domestic government debt. Within this context, Egypt's foreign currency reserves plunged by US$ 17.1 billion in 2011 to reach US$ 18.1 billion. In late November, the Central Bank raised its interest rates for the first time since 2008. It increased the overnight deposit rate by 100 bps to 9.25%, the lending rate by 50 bps to 10.25% and the discount rate by 100 bps to 9.5%.

At the capital markets level, Egyptian equities fell by 49.1% in 2011 driven by panic sales overriding fundamentals in a market where foreigners contributed to about one fifth of its annual share trading. Debt insurance costs soared to their highest in 20 months, as evidenced by the 5-year CDS spread which rose from 260 basis points at the beginning of the year to 640 basis points at year-end, almost a three-year high. In parallel, international rating agencies downgraded Egypt's sovereign ratings. Moody's downgraded consecutively its Egypt rating from "Ba1" to "B2", while Standard and Poor's and Fitch cut their ratings from "BB+" to "B" and "BB-" respectively. The rating actions were prompted firstly by an overall political uncertainty and concerns about whether a transition to an effective and stable government would be achieved, and secondly by the adverse effect this political uncertainty was having on the country's fiscal position and broader economic performance.

It was normal that the sluggish economic performance impacted banking performance and operating conditions. Banking activity, measured by total assets of commercial banks, reported stagnation in 2011 and banking sector deposits decreased by 0.1% over the same period. As a result of currency conversions from Egyptian pounds to US dollars, the year saw an increase in foreign currency deposits which edged up by 7.9% while those in local currency went down by 2.3% in 2011. Driven by an adverse quantity effect, aggregate profits of listed Egyptian banks edged down by a yearly 22.5% during the first nine months of 2011, versus an increase of 17% a year earlier, reflecting weak activity growth and a tougher operating environment.

Comparative Banking Sector Indicators

(in US$ Billion)	Dec-09	Dec-10	Variation	% Change	Dec-10	Dec-11	Variation	% Change
Egypt								
Bank Assets	210.0	221.0	11.0	5.2%	221.0	216.7	-4.3	-1.9%
Bank Deposits	159.7	164.0	7.4	4.7%	164.0	163.9	-0.1	-0.1%
Bank Loans	78.9	78.9	0.0	0.0%	78.9	81.1	2.2	2.8%
MENA								
Bank Assets	1,886.1	1,995.4	109.3	5.8%	2,011.8	2,145.6	133.8	6.7%
Bank Deposits	1,283.8	1,370.5	86.8	6.8%	1,380.4	1,473.7	93.2	6.8%
Bank Loans	962.6	1,008.0	45.5	4.7%	1,012.1	1,096.7	84.6	8.4%

Sources: Central Bank of Egypt , MENA Central Banks, Bank Audi's Group Research Deparment.

The Central Bank of Egypt (CBE) played a decisive role in crisis management during 2011.
The CBE announcements during the Revolution underpinned confidence in the banking sector's liquidity with the system-wide ratio of loans to deposits at around 49% which allowed it to absorb liquidity shocks. CBE reconfirmation that it guaranteed depositors' money in banks helped to mitigate consumer panic as did its security efforts on cash transportation to service ATM's and its clear directives throughout the 15 days during which the banks were closed allowed the re-opening process to be organized smoothly. The containment of inflation at 9.07% and the maintenance of dollarization rates within an expected range were additional welcome signs of CBE's strong management of the Egyptian banking sector.

Committed to Egypt

There came moments of anger, others of fear, and so many times the challenges were formidable, but to us our commitment to our customer stemmed from our commitment to Egypt. We kept going; helping investors invest more, extending our support where it's due across all industries and sectors to help re-build Egypt

...We Carried The Flag

2. Business & Risk Performance

A. Business Performance

I. Corporate Banking

Year 2011 was a challenging one for most of the bank's departments in general, having started with targets to achieve a sustainable growth rate across all sectors. However the unclearness of the market conditions coupled with political instability affected negatively most of the Lines of Businesses and Corporate Banking specifically.

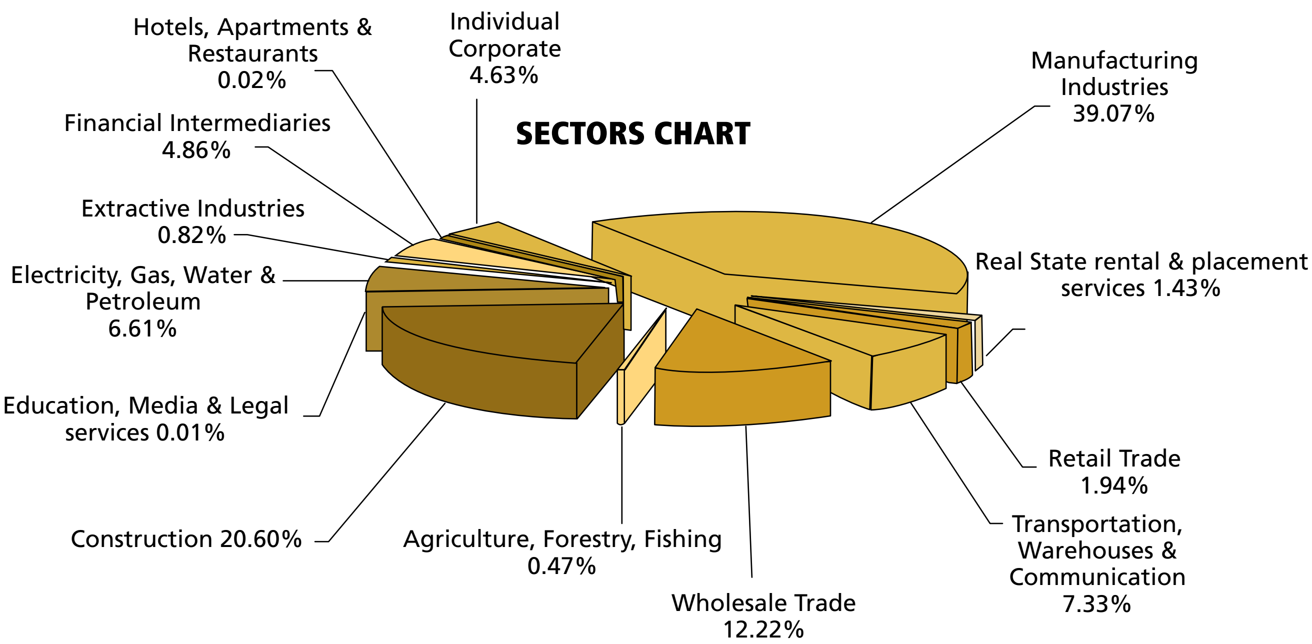
Consequently a flexible corporate banking strategy was adopted enabling the Bank to:

- Wisely balance between moving carefully and safely ahead with new loans while maintaining our usual services provided to all of our existing clients.
- Maintain our effective support to all our corporate clients through intensive calls to be on top of their changing needs.

This strategy enabled us to maintain our clientele base and attract additional key market players across different sectors.

Furthermore to mitigate our risk, a full portfolio review coupled with stress testing was implemented many times during 2011, to ensure that all existing facilities were well structured, collateralized and adequately risk priced, while all necessary advice and support were provided to the clients to ensure their ability to cope with the fluctuating market conditions. On the other hand, full in-house support, coaching & training were provided to our corporate teams to assure their capabilities in handling these tough conditions and to apply the most experience to the situation.

Despite the above constraints, we were able to achieve a tangible growth rate of 7.24%, increasing our corporate loan portfolio from EGP 6billion to EGP 6.7billion, while slightly increasing our corporate deposit base from EGP 10.6 billion to EGP 11 billion.



We were substantially able to continue our support to all key sectors and related industries whether manufacturing or trading. As part of our civic role, we have continued to support the Egyptian economy while full stability is recovered. In parallel, this close focus and follow up will continue to be applied in 2012 to all existing clients to avoid any sudden events and to enable proactive and timely actions whenever needed.

Furthermore, it remains our aim to participate actively in most of the big transactions and syndicated loans which will be circulated in the market, subject to the following criteria:

- Being of an added economic value to the development process required in Egypt for the coming period.
- Providing more jobs opportunities and accordingly having a positive social impact.
- Generating foreign currency sources for the country whether through FDIs or export proceeds.

II. Retail Banking

During 2011, and despite tough market conditions, the Retail banking activities played an important role in the following:-

- Growing the bank franchise, witnessed by increasing our individual deposits from EGP 3 billion to EGP 4.7 billion
- Growing the overall retail loan portfolio by 15.9% without reducing its quality and ranking 2nd in the percentage of portfolio growth rates in the market.
- Our auto loan market share growth reaching 15.8 %.
- Ranked 5th in portfolio size growth in the retail credit cards portfolio.
- Launch of Fawry Bill payment service which is an electronic collection service that allows customers to pay bills and/or top up their accounts conveniently through the company's network of banks and retailers. This service is enabled currently through branches and very soon through our ATM network.
- The Launch of SMS Alerts Service on Bank Audi sae's Visa Electron Debit Cards in an ongoing effort to provide Bank Audi sae's clients with the best service quality and ensure their maximum level of satisfaction and security.
- New features have been added to Audi on Line website. These features are for the customer to: Order checkbooks, Request Official Statements and Communicate his/her questions, suggestions and inquiries.
- The launch of a new 5 years EGP Time Deposit available only for companies.
- Launch of the banker's loan with very competitive edge in term of maximum loan amount, loan tenor and loan pricing.
- Re-launch of the doctor and dentist program with competitive features as increasing the loan tenor and maximum loan amount.
- Tie up of deals with several merchants and business partners to provide Bank Audi sae customers with a wide range of competitive product offering (examples are: club finance, tuition finance …etc).
- Numerous tie ups with a wide range of merchants to provide continuous discounts and exclusive offers for Bank Audi sae card holder to meet customer expectations and needs.

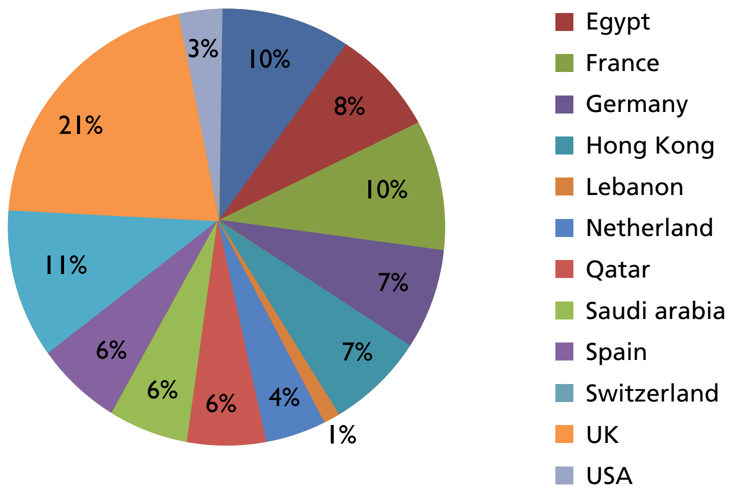
Finally additional products & features will be available to Bank Audi sae clients during 2012, including:-

- Launch of a 24/7 Platinum MasterCard as a new electronic card concept.
- Cash acceptance through our ATM services with several benefits.

III. Treasury & Capital Markets

- In year 2011, the Treasury services became a growing part of the Bank's business. Despite the political & economic turmoil during 2011, financial results exceeded those of 2010. This is due to the important role that the Treasury played in managing the Bank's liquidity in an efficient and prudent way, thus safely steering the Bank away from liquidity crunches suffered by some other Financial Institutions.
- Moreover, anchored by the efficient management of the bank's spreads, better results and an ability to serve a wider range of clients were achieved.
- Finally, the Treasury & Capital Markets Department maintained excellent relationships both internally & externally, thus boosting the Bank's image in the market.

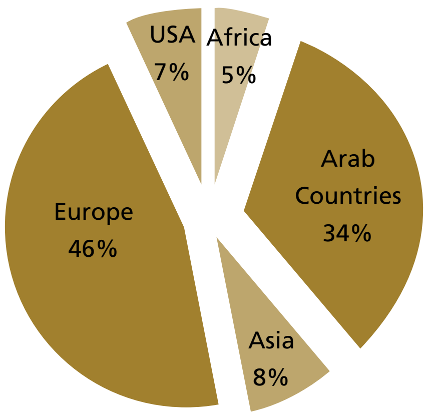
Foreign Currency Bank's Placements by Country



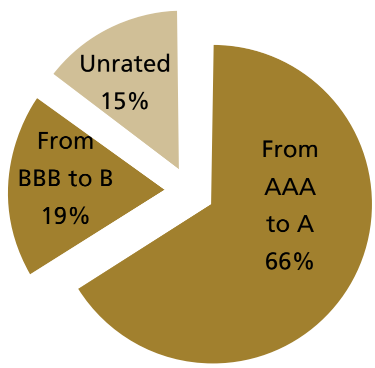
IV. Financial Institutions & Correspondent Banking

- Despite Egypt suffering several rating downgrades during 2011, which led to a challenging business year, the Financial Institutions Department succeeded to secure all proper channels required for financing trade finance (over EGP 1 billion) and treasury needs (over EGP 4.5 billion) and assured a smooth business operation.
- Needless to mention that the achieved spectacular financial results during 2010, which was published in 2011, and the financial soundness of the Group, were among the key elements for correspondent banks to duly meet Bank Audi sae financial requirements & obligations.
- On the other hand, The Financial Institutions have contacted all its correspondent banks globally to confirm satisfying all our financial & non-financial obligations in due time. As a strategic action, FI diversified its countries' coverage through the introduction of further banks to its correspondents' list to ensure the additional availability of limits to meet all business requirements.
- For year 2012, the FI will enlarge its scope by targeting the non-banks Financial Institutions through our strong Franchise in the Egyptian Market, in addition to the horizontal increase of our correspondents & countries of coverage to ensure full client satisfaction.

International Exposure
by Region



International Exposure
by Entities' Ratings



V. Small & Medium Enterprises (SMEs)

- The demand for SMEs finance in Egypt is huge as SMEs are estimated to constitute more than 95% of the total number of business entities. However only 10% of this potential demand is estimated to be met, leaving a remarkable untapped market.
- Despite the high volatility of SMEs to market changes, this is out-weighted by its considerable adjustability to those changes in the short-run compared to larger corporate business. This makes SMEs banking a thriving market niche overcoming adversities following the Jan.25 revolution.
- In that context, Bank Audi sae sought to enter the SMEs market to achieve an initial goal of "being in the count" as one of the banks lending to selective SMEs and providing appropriate other services. Initially we have focused on SMEs with sales turnover not greater than EGP 75Million.Our preliminary objectives are to:
    1) Expand our share of the SME banking market.
    2) Create a high portfolio quality through clientele diversification and business understanding.
    3) Attract other banking service usage from SMEs including deposits.
    4) Escalate to be one of the lead banks in SMEs relationship banking.

Our slogan at the SMEs is "Helping the client" rather than "Lending the client".

New Activities launched during 2011

VI. Islamic Banking

During 2011, the Bank has successfully established the necessary Islamic Platform, where an eminent Islamic Shariaa Board was nominated along with renovating an existing Islamic branch and established a new one in the second quarter of 2012. The Islamic Banking Corporate department was also formed to provide the necessary capabilities required to handle Syndications, Large Corporate and SMEs financing and Islamic Funds with acceptable Shariaa compliant financial solutions and services. We have already been mandated as the lead arranger for possibly the first Islamic Project Finance Syndication in Egypt. At the same time, we have established the relevant infrastructure to offer Retail Islamic Banking services in Egypt in order to provide core Assets & Liabilities Islamic products complying to the Shariaa principles.

VII.Global Transaction Services (GTS)

Global Transaction Services is a newly established department during 2011 to provide cash management, trade finance, foreign exchange, custody and margin trading services to companies, through addressing their complete business cycle, while creating a strong Bank/Client reciprocal relationship.
During 2011 we launched the GTS concept with our existing clients and a new Margin Trading Product.

VIII. Affluent Banking

The diverse and changing nature of affluence among society, led us in 2011 to study the market and international practices and offerings of banks in the field of wealth and funds management. We concluded that there was a requirement for specialized professional services that Bank Audi and The Group could offer in Egypt and the relevant skills and platforms are being designed, starting with our existing Affluent clientele. This will include providing a highly personalized banking service exclusively reserved to meet all the banking needs of selective high net worth individuals and their families, focused particularly on preserving and enhancing their legitimate wealth through effective management of their assets and liabilities according to their risk appetite and return aspirations.

IX.Mortgage Finance

Bank Audi sae's new mortgage activities are led by a team of experts who maintain a focus on exceptional client service while keeping abreast of market trends and customer desires. Our team delivers financial loan solutions efficiently and professionally to eligible clients.
Mortgage financing schemes will serve Bank Audi Egypt's strategy to expand its business in Egypt and capitalize on the changing business opportunities in the corporate real estate company financing market, while trying to accommodate our individual clients through their life cycle of residential real estate requirements.

In 2011 and first quarter of 2012, we successfully:

1. Promoted quality mortgage loans according to law 148, 2001, CBE and bank policy with nil default.
2. Signed a Contract with a Mortgage Sub fund to provide mortgages to moderate income individuals/families, balancing our commercial and social responsibilities (first private sector bank to sign).
3. Signed agreement with 3 developers
4. Signed Mortgage Deals with 3 payroll companies

B. Risk Performance & Capital Management

I. Risk Performance

Risk management at Bank Audi sae is embedded around:

- Accompanying business growth and supporting the bank's management in the implementation of the bank's strategy;
- Preserving and contributing to the enhancement of the Bank's financial strength by ensuring that risks and rewards are properly balanced;
- Pro-actively identifying and then minimizing the capital and revenue impact of undesirable events that might or do occur;
- Setting the risk appetite which determines the risk boundaries within which Management operates; and constantly monitoring the risk profile to ensure that the Bank is operating within set risk appetite, tolerance and control limits.

To achieve these Risk Management objectives, Bank Audi sae, like the Group, follows four key pillars that underpin its approach to risk management:

• **Risk Governance:** ensuring a clear and effective organizational structure with proper accountability and responsibility at the Management and Board levels, as it relates to risk. Bank Audi sae's Risk Management division operates independently from the business and decision-makers, yet supporting them in making informed choices and distinguishing among alternative courses of action. Risk responsibilities follow the classic 'three-line defense' structure, namely the Lines of Business and Shared Support Functions; the Risk Management, Compliance and Legal departments; and the Internal Audit Department and External Auditors.

Risks are properly disclosed to various internal and external stakeholders in a transparent, systematic, structured, timely and accurate manner, in order to allow them to make prompt and informed decisions.

The responsibilities of Bank Audi sae's Board of Directors with regards to risk management are to ensure that the Risk Management framework is designed in a way to enhance and facilitate the Bank's ability to pursue its strategic objectives, while ensuring that no excessive risk is taken beyond its approved risk appetite and tolerance. Mainly conducted through the Board Risk Committee and High Credit Committee, the Board's responsibilities also include setting the risk appetite, approving and reviewing the risk framework and policies, and reviewing and following up on the development of the risk management function.

• **Risk Institutionalization:** through risk appetite setting, designing and applying an appropriate Internal Capital Adequacy Assessment Process (ICAAP), and policies and procedures; a Risk Charter approved by the Board of Directors sets out guiding principles underpinning the responsibilities, authority and functioning of Risk Management across Bank Audi sae. The risk appetite is established or reviewed at least on an annual basis, and is meant to provide the boundaries within which business lines and shared support functions operate. The setting of the risk appetite at the bank is a result of a formal dialogue between the Board, the executive and senior management representing the lines of business and shared support functions, and the Risk Management function with reciprocal communications with The Group's risk function. The Bank maintains constant communication of the risk appetite to business lines and monitors the risk profile to ensure that it remains within the Board's tolerance and approved limits.

In addition, the bank has developed appropriate stress testing procedure to measure the Bank's vulnerability to exceptional but plausible events and regular stress testing is conducted for material risks that the Bank's Board and management determine the bank might be reasonably exposed to. This Risk approach also is embedded in the bank's capital planning and budgeting process, The Bank continuously monitors areas of concerns to probe for vulnerabilities to risk events, particularly related to the loan portfolio, a practice accentuated during 2011, given the political and economic situation in Egypt, where regular stress tests were conducted on liquidity and asset quality.

• **Risk Infrastructure:** with The Group and bank's strategic objectives in mind, the Bank's Risk and Finance functions are participating with The Group Risk and The Group Finance on a Group strategic project aimed at creating an analytical and reporting platform for the Group from a unified set of data. This project was named "Integrated Finance and Risk Management" (IFRM) framework and is planned to allow data aggregation in a meaningful manner with a timely, consistent and consolidated view of enterprise data. It will also allow The Group and Bank Audi sae to utilize more advanced analytical tools tailored to their specific requirements and as part of decision-making processes.

• **Risk Methodologies:** using the most appropriate and advanced measurement techniques to assess risk. The Group has taken a strategic decision to move toward advanced approaches in risk management which require both competent quantitative skills and adequate analytical tools. Again The Group and the bank's risk functions are collaborating in creating and strengthening their risk analytics capabilities for the development, calibration, validation and maintenance of various risk-related models to support the business in its decision-making processes.

For Bank Audi sae, the main risks that are being managed and mitigated to an acceptable level are:

Macroeconomic and geopolitical risk

- Current economic and market conditions may adversely affect our results.
- Changes in foreign currency exchange rates may affect our results.

Macro prudential, regulatory and legal risks to our business model

- Our businesses are subject to wide-ranging legislation and regulation and to regulatory and governmental oversight. Unfavorable legislative or regulatory developments, or changes in the policy of regulators or governments, could have a significant adverse effect on our operations, financial condition and prospects.

Risks related to our business

- Market fluctuations may reduce our income or the value of our portfolios.
- Keeping Liquidity and or ready access to funds is essential to our businesses.
- Any reduction in the credit rating assigned to Egypt could increase our cost or availability of funding and adversely affect our liquidity position and interest margins.

I.Credit Risk Management

Started its operations since acquiring Cairo Far East Bank in 2006 by formulating the Credit Policy Manual, approved later by The Board of Directors.
The credit risk culture is embedded within every person taking a commercial decision at Bank Audi sae. Commercial activities are accompanied with an independent risk assessment that identifies the key risks, as well as the return on a risk-adjusted basis within the underlying transaction.

The main role of the Credit Risk Management Department is to minimize the risk of potential losses stemming from the credit activity to ensure stakeholders interests. This is done through several roles played by the different functions in the department, namely: preparation of investigation reports for credit facility applicants; review of the credit proposals and presenting

recommendations to the authorized credit committees; follow-up of fulfillment of documentation and guarantees for the approved facilities; follow-up of utilization within approved purposes and maturities; actions and advice on handling non performing loans to recover the banks debts.
Among the other responsibilities the Credit Risk Management has is the reporting function to the Central Bank of Egypt, the Management & the Board of Directors.

A similar role with different processes is carried out by the independent Retail Credit Department, starting with the credit policies and terms and conditions for retail loan programs, through significant in-house developed use of analytics and databases, to collection strategies and techniques to identify and recover retail credit impairments at the earliest opportunity.

II.Operational Risk Management

Operational risk exists in all activities and can materialize in various ways, such as errors, frauds or business interruptions that can result in direct and indirect lost income or reputational damage. At Bank Audi sae, the primary responsibility for the management of operational risk resides in the business. To monitor and control operational risk so as to maintain it within Board-approved risk tolerances, operational risks are assessed on a regular basis by evaluating the effectiveness of the control design against risk registries and implementing corrective actions where needed.

In addition, a system of incident-reporting and a set of risk indicators together help confront ex ante risk assessments to reality and improve controls before a situation develops into lost income exceeding tolerances. The Group has recently purchased and is implementing a special purpose operational risk management tool which will closely mirror the methodologies it has developed internally, and which are designed to ensure a more efficient group-wide implementation of the operational risk policy. As an additional layer of mitigation against operational events, The Group and the Bank purchase insurance coverage from highly rated reinsurers. This coverage is purchased wherever economically feasible.

The Operational Risk department was founded in 2006 and established the framework for Operational Risk through which the main focus of the department was to identify the risks that the Bank might be exposed to and to mitigate these risks by recommending the adequate controls for such threats. In addition, the department reviews and coordinates approval of new products and services procedures prior to launch.

III. Market Risk Management

The bank is exposed to market risk, primarily arising from open positions related to currency, of which each is exposed to market movements and foreign exchange rates. The Bank separates its exposure to market risk into trading and non-trading portfolios. The Bank's market risk management division oversees, reports and advises management and its committees, (such as ALCO) and the lines of business on the market risks arising from trading and non-trading activities, Regular reports are submitted to the Board of Directors and each business unit head.

Foreign currency and interest rate risks arise out of the Bank's interest and currency exchange rate sensitive assets and liabilities.
The mismatch in the re-pricing dates of these positions creates interest rate risk for the Bank, which is inherent to its banking activities. The Bank sets appetite, tolerance and limits for its various market risks to ensure that they remain within acceptable bounds.

The Market risk function started in 2007 by establishing and applying a Market Risk Management framework by which the risk department independently identifies, analyses and monitors all market risk factors within the bank. The function also conducts different scenario and stress testing and correlates its findings to capital adequacy, liquidity and profitability to provide advice to senior management and the Board .The market risk department is responsible for working with the chief risk officer and The Group in formulating and implementing BASEL II & III requirements of the regulator and to improve the Bank's ability to assess and absorb shocks arising from financial and economic stress.

Liquidity Risk Management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can manifest in the following two forms:

- Funding liquidity risk is the risk that the Bank's financial condition becomes adversely affected as a result of its inability to meet both expected and unexpected current and future cash flow and collateral needs in a timely and cost efficient manner;
- Market liquidity risk is the risk that the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption ultimately leading to loss.

The Bank addresses these risks in two distinct environments:

1. Normal conditions where the Bank must satisfy daily liquidity needs (flows) and the liquidity risk associated with those needs (ex. in conjunction with expanding product or business mix, settlement, deposit/loan growth, etc.);
2. Stressed conditions if and when the Bank might face liquidity strains due to idiosyncratic or systemic conditions.

Liquidity Adequacy

Management considers the Bank's liquidity position to be strong, based on its liquidity metrics as of December 31, 2011, and believes that the Bank's funding capacity is sufficient to meet its on and off-balance sheet obligations. The Bank's funding strategy is intended to ensure sufficient liquidity and diversity of funding sources to meet actual and contingent liabilities through both normal and stress periods. Primary sources of funding include a stable customer deposit base.

The Bank's short term liquidity ratios are at healthy levels and the Bank maintains pools of liquid unencumbered securities and short term placements. The Bank also actively monitors the availability of funding from third parties as well as The Group. In 2011 additional measures were taken to further strengthen the liquidity adequacy compared with normal periods, each according to its context. Measures taken include daily or intra-day monitoring of cash note availability, scale-down of lending activity, and additional build-up of short term liquid assets (placements with central banks or high rated bank counterparts). Collaborative discussions and reporting with Senior Management, Finance, Treasury and Market Risk functions are maintained on a regular basis.

In terms of governance, processes are designed to ensure that the Bank's liquidity position remains strong and the Asset-Liability Committee formulates and oversees execution of the Bank's liquidity policy (which essentially lays down the Bank's liquidity management strategy). The liquidity risk policy for identifying, measuring, monitoring, and reporting of liquidity risk, and the contingency funding plan are recommended by Risk Management, reviewed by ALCO, approved by the Executive Committee, and finally ratified by the Board of Directors. Measurement, monitoring and reporting are performed for the most part by either Treasury or Risk Management, each of whom inform and may escalate to ALCO based on key risk indicators and both regulatory and internal limits.

Treasury is responsible for executing the Bank's liquidity policy, as well as maintaining the Bank's liquidity risk profile according to ALCO directives, all within the risk appetite set by the Board of Directors. The Group's Treasury and Capital Markets division communicates with the Bank's Treasury departments to ensure adequate liquidity conditions and back stop support if required at the Group level. The Bank monitors liquidity adequacy in each currency separately, especially for significant currency positions and uses a variety of metrics to monitor and manage liquidity. The Bank performs liquidity stress tests as part of its liquidity monitoring. The purpose is to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. Although considered as a source of available liquidity, the Bank does not view borrowing capacity at central bank discount window as a primary source of funding, but rather as a secondary one. In addition, the Bank holds high quality, marketable securities available to ensure liquidity.

II. Capital Management

The Bank's capital strategy focuses on sustaining a long term capital position sufficient to cover all material risks underlying from its various business activity and report a "well capitalized" status as per regulatory requirements and ICAAP, while remaining flexible to take advantage of arising opportunities. Changes in shareholders' equity, net earnings of the year and dividends policies are inter-linked with the preservation of capital strength.

EGP Million	Dec-10	Dec-11
Risk - weighted assets	9,825	10,986
Credit risk	9,099	10,051
Market risk	16	10
Operational risk	710	925
Tier one capital		
(Including profits after dividend distribution)	1,254	1,256
Tier one ratio	12.8%	11.4%
Tier two ratio	0.77%	0.80%
Total CAR	13.5%	12.2%


Bank Audi
sae
Committed
to Egypt

3. Corporate Governance

A. Board of Directors

Members	Status	Executive Committee	Corporate Governance & Remuneration Committee	Risk Committee	High Credit Committee	Audit Committee
Mr. Hatem A. SADEK Chairman & Managing Director	Executive	√	√ (invitee)	√	√	
Mrs. Fatma I. LOTFY Deputy Chairman & Managing Director	Executive	√			√	
Mr. Yehia KAMEL Deputy Managing Director	Executive	√	√ (invitee)			√ (invitee)
Mr. Abdallah I. AL HOBAYB	Independent			√		√
Mr. Raymond W. AUDI	Non-Executive					
Dr. Freddy C. BAZ	Non-Executive		√	√		
Dr. Marawan M. GHANDOUR	Non-Executive		√			√
Mr. Samir N. HANNA	Non-Executive				√	
Mr. Maurice H. SAYDÉ	Independent					√
Dr. Mohamed E. TAYMOUR	Independent		√			

Mr. Ahmed F. IBRAHIM **Secretary of the Board**

B. Governance, Risk & Controls

2011 witnessed a renewed interest globally by regulators and Governments in governance practices in banks. The year was particularly marked by the issuance of a number of international governance-related regulatory directives and guidance notes. Bank Audi sae had already instigated its own Governance framework that largely conformed to such directives and guidelines and was adapted to the Bank's needs and to the high expectations of stakeholders such as its depositors, regulators and the markets in general. The Bank and the Group are satisfied that the Board and Management and their respective committees are effectively assisting in exerting the requisite oversight over the Bank and that our activities are run with adequate attention to sound Governance practices.

Today, Bank Audi's Governance framework encompasses a number of policies, charters, and terms of reference covering a wide range of issues including risk supervision, compliance, audit, remuneration, evaluation, succession planning, ethics and conduct, budgeting, and capital management. Clear lines of responsibility and accountability are in place throughout the organization with a continuous chain of supervision for the Bank and The Group as a whole, including effective channels of communication to and from the Board. Strategic objectives setting corporate values and promoting high standards of conduct have been established and widely communicated throughout the bank providing appropriate incentives to ensure appropriate professional behavior.

The Bank has adopted a sound and practical system of governance, risk management and controls based around a professional leadership team composed of the Board, its executive members and senior managers. For balanced decision making and monitoring, committees at Board, executive and operational levels match the Bank's activities and organizational structure. In addition, governance is supplemented by the experience, integrity and roles of the Bank's independent, non-executive Board members and its Risk Management, Compliance, Legal and Audit teams.

Corporate Governance

BoD Structure	10 Members – 3 Executives – 4 Non Executives- 3 Independent Directors.
BoD Committees	Governance, Nomination & Remuneration Committee - Risk Committee - Audit Committee-Executives Committee.
Management Committees	Management Committee - Change Committee - Credit Committee - Assets & Liabilities Committee - Compliance & Anti - Money Laundering Committee - Security & Business Continuity Committee - Human Resources Committee - Operative Information Technology Committee - Purchasing Committee.
Set of Charters	Corporate Governance Guidelines – Chart of Authorities - Committee Charters.

Committed to Egypt

The results will show our progress, our performance spells growth, but to us helping the Egyptian economy stand on it’s feet is a far more important Priority.

...We Carried The Flag

4. Financial Statements

A . Audited Financial Statements as at 30 June 2012

BANK AUDI (S.A.E)

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2012
TOGETHER WITH AUDITORS' REPORT

Ernst & Young Allied for Accounting and Auditing
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants & Consultants

Allied for Accounting & Auditing E&Y
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants & Consultants

Auditors' Report
To The Shareholders Of Bank Audi sae

Report on the Financial Statements

We have audited the accompanying financial statements of Bank Audi (S.A.E), represented in the financial position as of 30 June 2012, and the related statements of income, change in equity and cash flows for the period then ended, and a summary of significant accounting policies and other notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of the bank as of 30 June 2012, and of its financial performance and its cash flows for the period then ended in accordance with the Central Bank of Egypt's rules relating to the preparation and presentation of bank's financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and the related applicable Egyptian laws and regulations relating to the preparation of those financial statements.

Report on Other Legal and Regulatory Requirements

Nothing came to our attention that during the period ended 30 June 2012, the bank was not in compliance with the laws and regulations of the Central Bank of Egypt, and banking and monetary institution no. 88 of 2003.

The bank maintains proper accounting records that comply with the laws and the bank's articles of association and the financial statements agree with the bank's records.

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

Cairo: 2 August 2012

Auditors

Nabil Akram Istanbouli
Allied for Accounting & Auditing E&Y
Public Accountants & Consultants

المتضامنون للمحاسبه والمراجعة
A. Member of
Ernst & Young Global
الطريق الدائري - القطاميه - مبنى راما

Hesham El-Afandy
KPMG Hazem Hassan
Public Accountants & Consultants

KPMG حازم حسن
محاسبون قانونيون ومستشارون

N.B. Translation of financial statements Originally issued in Arabic

Bank Audi sae

STATEMENT OF FINANCIAL POSITION
30 June 2012

	Note No	30 June 2012 EGP	31 December 2011 EGP (Restrted)
Assets			
Cash and balances with Central Bank of Egypt	(15)	863 551 441	1 031 606 838
Due from banks	(16)	1 852 780 019	2 831 843 033
Treasury bills and other governmental notes	(17)	3 379 993 287	4 639 894 188
Loans and facilities to banks	(18)	63 173 357	33 699 054
Loans and facilities to customers	(19)	8 717 494 143	7 882 605 229
Financial derivatives	(20)	1 490 887	2 084 001
Financial Investments:			
Available for sale	(21)	1 542 459 583	791 193 380
Held to maturity	(21)	97 374 967	95 015 379
Intangible assets	(22)	5 579 100	4 403 470
Other assets	(23)	306 840 485	221 825 501
Fixed assets	(24)	256 478 010	261 333 120
Total assets		17 087 215 279	17 795 503 193
Liabilities and Equity Liabilities			
Due to banks	(25)	64 886 074	374 799 882
Customers' deposits	(26)	14 977 606 695	15 697 040 397
Financial derivatives	(20)	5 199 717	3 326 050
Other loans	(27)	181 770 000	-
Other liabilities	(28)	154 835 339	174 439 672
Other provisions	(29)	12 464 118	6 762 777
Current income tax liability		68 809 332	30 870 364
Deferred tax liability	(30)	10 354 771	5 869 692
Total liabilities		15 475 926 046	16 293 108 834
Equity			
Paid up capital	(31)	1 123 437 365	1 123 437 365
Reserves	(32)	155 841 679	118 738 711
Retained earnings	(32)	332 010 189	260 218 283
Total equity		1 611 289 233	1 502 394 359
Total Liabilities and Equity		17 087 215 279	17 795 503 193

The accompanying notes from page (6) to page (66) are integral part of these financial statements and are to be read therewith

Auditors' report attached.

Fatma Lotfy
Deputy Chairman & Managing Director

Hatem Sadek
Chairman & Managing Director

Bank Audi sae

STATEMENT OF FINANCIAL POSITION

30 June 2012

	Note No	For the period From 1/4/2012 To 30/6/2012 EGP	For the period From 1/1/2012 To 30/6/2012 EGP	For the period From 1/4/2011 To 30/6/2011 EGP	For the period From 1/1/2011 To 30/6/2011 EGP
Interest income on loans and similar income	(6)	381 617 370	740 540 136	287 852 679	574 671 491
Interest expense on deposits and similar expense	(6)	(228 584 476)	(458 375 091)	(187 484 270)	(374 914 703)
Net interest Income		153 032 894	282 165 045	100 368 409	199 756 788
Fees and commissions income	(7)	37 567 406	77 838 409	26 741 374	54 089 458
Fees and commissions expense	(7)	(1 810 518)	(3 612 259)	(1 295 751)	(3 083 632)
Net income from fees and commissions		35 756 888	74 226 150	25 445 623	51 005 826
Dividends income	(8)	49 997	49 997	50 000	50 000
Net trading income	(9)	652 676	737 817	62 447	222 408
Gains from financial investments	(21)	4 797 394	7 508 306	588 204	1 136 627
Impairment charges on credit losses	(12,19)	(12 781 336)	(52 608 346)	(12 674 169)	(52 872 510)
Administrative expenses	(10)	(71 408 506)	(138 650 086)	(66 877 685)	(133 697 059)
Other operating income	(11)	1 676 863	4 433 268	2 690 492	10 344 849
Net profit before income taxes		111 776 870	177 862 151	49 653 321	75 946 929
Income tax expenses	(13)	(44 760 818)	(74 964 392)	(18 484 270)	(31 592 770)
Net profit for the period		67 016 052	102 897 759	31 169 051	44 354 159
Earning per share (pound/share)	(14)	3.35	5.14	1.56	2.22

The accompanying notes from page (6) to page (66) are integral part of these financial statements and are to be read therewith.

Bank Audi sae

STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2012

	Note No	Issued & Paid up Capital EGP	Reserves EGP	Retained Earnings EGP	Total EGP
Balances as of 31 December 2010					
Dividends for the year 2010 (Employees' share)	(32E)	1 123 437 365	99 173 687	174 613 775	1 397 224 827
Transferred to legal reserves	(32C)	-	-	(14 747 438)	(14 747 438)
Adjust deferred taxes recorded in special reserve	(32A)	-	8 730 689	(8 730 689)	-
Adjust deferred taxes recorded in general banking risk reserve	(32B)	-	3 894 212	-	3 894 212
Transferred to general banking risk reserves	(32B)	-	1 641 895	-	1 641 895
Transferred to capital reserves	(32E)	-	18 343 793	(18 343 793)	-
Net Profit for the period ended 30 June 2011		-	64 906	(64 906)	-
Net Change in investments available for sale after deduct taxes		-	-	44 354 159	44 354 159
Net Change in other fair value reserve		-	(14 096 194)	-	(14 096 194)
Balances as of 30 June 2011		-	392 435	-	392 435
		1 123 437 365	118 145 423	177 081 108	1 418 663 896
Balances as of 31 December 2011 (as issued previously)					
Previous years adjustments	(37)	1 123 437 365	118 738 711	133 226 949	1 375 403 025
Balances as of 31 December 2011 (Restated)		-	-	126 991 334	126 991 334
Transferred to legal reserves	(32C)	1 123 437 365	118 738 711	260 218 283	1 502 394 359
Transferred to general banking risk reserves	(32B)	-	25 000	(25 000)	-
Net Profit for the period ended 30 June 2012		-	31 080 853	(31 080 853)	-
Net Change in investments available for sale after deduct taxes	(33D)	-	-	102 897 759	102 897 759
Balances as of 30 June 2012		-	5 997 115	-	5 997 115
		1 123 437 365	155 841 679	332 010 189	1 611 289 233

The accompanying notes from page (6) to page (66) are integral part of these financial statements and are to be read therewith.

Bank Audi sae
STATEMENT OF CASH FLOWS
For the period ended 30 June 2012

	Note No	For the period ended 30 June 2012 EGP	For the period ended 30 June 2011 EGP
Cash flows from operating activities			
Net profits for the period before taxes		177 862 151	75 946 929
Adjustments to reconcile net profits to cash flows provided from operating activities			
Depreciation and amortization		14 635 398	14 996 471
Impairment charges on credit losses		52 608 346	52 872 510
Other provisions charges		6 605 190	2 023 939
Provisions used - other than loan provision		(885 985)	(2 392 119)
Discount amortization of issuing held to maturity investments		(2 359 588)	(2 012 814)
Foreign currency provisions - other than loan provision revaluation differences		3 136	-
Losses from sale of fixed assets		566 127	359 626
(Profits) from sale of trading financial investments		-	(222 408)
Provisions no longer required		(21 000)	(35 522)
Other loans revaluation differences		519 000	8 331 529
(Profits) losses from sale of other financial investments		(3 418 877)	135 621
Operating Profits before changes in assets and liabilities provided from operating activities		246 113 898	150 003 762
Net decrease (increase) in assets			
Balances with the Central Bank of Egypt within reserve percentage		204 518 481	351 863 869
Due from banks		885 804 395	674 966 978
Treasury bills and other governmental notes		1 212 975 901	(1 429 580 036)
Financial derivatives (net)		2 466 781	592 263
Trading financial assets		-	222 408
Available for sale financial investments		(741 850 211)	10 763 398
Loans and facilities to banks		(29 474 303)	49 779 818
Loans and facilities to customers		(887 497 260)	(64 694 776)
Other assets		(93 926 582)	(19 359 166)
Net increase (decrease) in liabilities			
Due to banks		(309 913 808)	142 591 113
Customers' deposits		(719 433 702)	386 997 946
Other liabilities		(19 604 333)	(36 040 869)
Paid deferred taxes liability		-	(16 941 220)
Paid income taxes		(32 540 345)	(14 826 969)
Net cash flows (used in) provided from operating activities		(282 361 088)	186 338 519

Bank Audi sae

STATEMENT OF CASH FLOWS
For the period ended 30 June 2012

	Note No	For the period ended 30 June 2012 EGP	For the period ended 30 June 2011 EGP
Cash flows from operating activities			
Proceeds from sale of fixed assets		-	54 100
Payments to acquire fixed assets and fixtures of branches		(56 891)	(2 865 977)
Payments to acquire intangible assets		(2 553 556)	(875 762)
Net cash flows (used in) provided from investing activities		(2 610 447)	(3 687 639)
Cash flows from Financing Activities			
Proceeds from other loans		181 251 000	-
Dividends paid		-	(14 747 438)
Net cash flows used in financing activities		181 251 000	(14 747 438)
Net change in cash and cash equivalents during the period		(103 720 535)	167 903 442
Cash and cash equivalents at beginning of the period		271 030 812	167 323 358
Cash and cash equivalents at end of the period		167 310 277	335 226 800
Cash and cash equivalents are represented in :			
Cash and due from Central Bank		863 551 441	981 060 821
Due from banks		1 852 780 019	3 754 141 621
Treasury bills and other governmental notes		3 379 993 287	3 310 350 577
Balances with the Central Bank of Egypt within reserve percentage		(734 305 533)	(856 160 098)
Deposits with banks		(1 814 765 650)	(3 543 815 544)
Treasury bills and other governmental notes (with maturities of more than three months)		(3 379 943 287)	(3 310 350 577)
Cash and cash equivalents	33	167 310 277	335 226 800

Non - cash transactions presented as follows:

For the purpose of preparing cash flows statement the followings transactions were eliminated :-

- EGP 8 911 598 represents the transfer from down payment to acquire fixed assets -other assets to fixed assets and the balance was removed from payments to acquire fixed assets and change in other assets.

The accompanying notes from page (6) to page (66) are integral part of these financial statements and are to be read therewith.

Bank Audi sae

STATEMENT OF PROPOSED DIVIDENDS
For the period ended 30 June 2012

	Note No	For the period ended 30 June 2012 EGP	For the year ended 31 December 2011 EGP
Net profit for the period/year from the statement of income		102 897 759	500 000
Retained earnings at the beginning of the period/year		102 121 096	132 726 949
(Subtract) / Add			
Adjustments to retained earnings balances at the beginning of the period	37	126 991 334	-
General banking risk reserves		(25 227 542)	(31 080 853)
Total		203 884 888	102 146 096
To be distributed as follows:			
Legal Reserve		6 349 567	25 000
Shareholders' Employees Dividends		187 993 898	-
Employees' profits share		9 541 423	-
Retained earnings at the end of the period/year		-	102 121 096
Total		203 884 888	102 146 096

* The Board of Directors decided in its meeting in 30 May 2012 distributing the retained earnings balance after restated in 30 June 2012

The accompanying notes from page (6) to page (66) are integral part of these financial statements and are to be read therewith.

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

1- Background

Bank Audi (S.A.E) provides retail, corporate and investment banking services in Arab Republic of Egypt and outside Egypt through 31 branches and served by 870 staff as of 30June 2012.
Bank Audi (S.A.E) established according to the law no. 43 for year 1974 and its executive regulation in Arab Republic of Egypt, The head office is located in 6th of October city.

2- Summary of significant accounting policies

The following are the significant accounting policies used in the preparation of financial statements.

2-A Basis of preparation

The financial statements are prepared in accordance with the regulations for the preparation and presentation of the banks' financial statements and measurement and recognition basis as issued by Central Bank of Egypt on 16 December 2008, and the historical cost basis as modified by the revaluation of the trading financial assets and liabilities, the financial assets and liabilities classified at initiation at fair value through profit or loss and the available for sale financial investments and all financial derivatives contracts.

These financial statements have been prepared according to the Egyptian laws and regulations.

2-B Subsidiaries and Associates

2-B/1 Subsidiary firms

Subsidiaries are all companies (including special purpose entities) over which the bank has owned directly or indirectly the power to govern the financial and operating policies, generally the bank owns more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the bank has the ability to control the entity.

2-B/2 Associate firms

Associates are all companies over which the bank has owned directly or indirectly a major influence, but it doesn't control them, generally the bank owns between 20% and 50% of the voting rights.

The purchase method is used to account for the acquisition of subsidiaries by the bank. The cost of an acquisition is measured as the fair value or the consideration given by the bank of the assets and/or issued equity instruments and/or obligations incurred by the bank and/or obligations the bank accepted on behalf of the acquired company at the date of exchange, plus costs directly attributable to the acquisition process. Net assets including definable contingent liabilities are measured initially at their fair values at the acquisition date, irrespective of the non controlling interest. The excess of acquisition cost over the bank's share fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item "Other operating income/ (expenses)".

Accounting for subsidiaries and associate in the separate financial statements is recorded by using the cost method. According to this method, investments recorded at cost of acquisition including goodwill, if any, and deducting impairment losses. Dividends are recognized in the income statement when the distribution has been declared and affirming the bank's right in collecting them.
The bank has no investments in subsidiaries and associates as of 30 June 2012.

2-C Segment reporting

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

2-D Foreign currency translation

2- D/1 Functional and presentation currency

The financial statements are presented in Egyptian pound, which is the bank's functional and presentation currency.

2- D/2 Transactions and balances in foreign currencies

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

- Net trading income or net income of the financial instruments classified at initiation at fair value through profits and losses for assets / liabilities held for trading or those classified at initiation in fair value through profits and losses according to type.
- Financial derivatives of equity which are eligible for qualified hedge of cash flows or eligible for qualified hedge of net investment.
- Other operating income (expenses) for the other items.

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

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

2-E Financial assets

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

2-E/1 Financial assets at fair value through profit or loss

This category consists of financial assets held for trading and financial assets are classified at initiation at fair value through profit or loss.

Financial instruments are classified as held for trading if they are acquired or incurred principally for the purpose of selling them in the short term or if it represents a part of a specific financial instruments that are managed together and there is evidence resulted from recent actual transaction indicates short-term profit can be recognized. Financial derivatives can be classified as held for trading unless they are allocated as hedging instruments.

Financials assets are classified at initiation at fair value through profit or loss when:

- Doing so significantly reduces measurement inconstancies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and issued debt securities.

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

- When some investments such as equity investments are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.
- Financial instruments such as debt instrument which contain one or more embedded financial derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.

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

It is not permitted to reclassify any financial derivative out of the financial instrument valued at fair value through profit or loss category during its holding period, or during its validity period. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is initially recorded by the bank at fair value through profit or loss.
- In all cases the bank should not reclassify any financial instrument to financial instruments category which are measured at fair value through profit or loss or to held for trading investments.

2-E/2 Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable amount that are not quoted in an active market, other than:
- Those that the bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the bank upon initial recognition recorded as at fair value through profit or loss.
- Those that the bank upon initial recognition classified as available for sale.
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

2-E/3 Financial investments held to maturity
Held to maturity financial investments are non-derivative assets which carry fixed or determinable amount and where the bank has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity investments as available for sale except in the emergency cases.

2-E/4 Financial investments available for sale
Available for sale financial investments are non-derivatives financial assets that are intended to be held for unspecified period and may be sold to provide liquidity or due to changes in shares prices, foreign exchange currencies or interest rate.

The following applies to financial assets:
Purchases or sales of financial assets at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.

Financial assets that are not classified at fair value through profit and loss at initial recognition are recognized at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognized at fair value only and the transaction cost is recognized in the profit and loss under "net trading income".

Disposal of financial assets are done when the contractual right to receive cash flows have expired or when the bank transfer most of the risks and rewards associated with ownership to another party, while a disposal of financial liabilities are done when the obligation under the liability is discharged or cancelled or when the contractual period expires. Available for sale financial investments and financial assets classified at fair value through profit and loss are subsequently measured at fair value. While loans and advances and held to maturity investments are measured subsequently at amortized cost.

Gains and losses arising from changes in fair value of financial assets classified at fair value through profit and loss are recorded in income statement during the period it occurred. Gains and losses arising from changes in fair value of available for sale financial investments are recognized in "fair value reserve for available for sale investments" in equity until the financial asset is sold, or impaired at which time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in profit and loss. The foreign currency revaluation differences related to available for sale investments are recognized in the profit and loss. Dividends related to available for sale equity instruments are recognized in the profit and loss when they are declared.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the bank could not assess the value of the equity classified as available for sale, these instruments should be measured at cost after deducting any impairment.

Debt instruments can be reclassified from the available for sale investments to "loans and receivables" or" financial assets held to maturity" using fair value – in certain circumstances - when the bank has the intention and ability to hold the instrument for the foreseeable future or till maturity. Reclassifications are recorded at fair value at the date of reclassification. Any related profits or losses that have been previously recognized in equity are treated as follows:

1. Financial assets with fixed maturity date, the gains or losses are amortized over the remaining lifetime of the held to maturity investment using the effective interest rate method, any difference between the value based on the amortized cost and the value based on maturity date is to be amortized over the remaining lifetime of the financial asset by using the effective interest rate method. In case of subsequent financial asset's impairment any profits or losses previously recognized in equity are recognized in profit and loss.
2. Profits and losses related to the financial assets without fixed maturity date are recorded in equity till selling or disposing it, and then they are recognized in profits and losses. In case of impairment, profits and losses that have been previously recognized directly in equity are recognized in the profit and loss.

If the bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be settled to reflect the actual cash flows and the adjusted estimates, provided that the book value is to be recalculated by calculating the present value of estimated future cash flow using the effective interest rate of the financial instrument. This settlement is recognized as either income or expense in the profit and loss.

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

2-F Netting between financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.
Treasury bills, Repos and reverse Repos agreements are netted on the balance sheet and disclosed under treasury bills and other governmental notes.

2-G Financial derivative instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are determined based on quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
Embedded derivatives in a hybrid contract, such as the conversion option in a convertible bond, are treated as separate derivatives when they meet the definition criteria of an independent derivative, their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement as part of "net trading income".

Embedded derivatives are not split if the bank chooses to classify the entire hybrid contact as at fair value through profit or loss.
The treatment of change in fair value gain or loss depends on whether the derivative is designated as a hedging instrument. According to the hedged item, the bank designates certain financial derivatives as either of the following:

- Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedges of the expected future cash flow related to an asset or liability or to an expected transaction (cash flow hedge).
- Hedges of the net investment in foreign transactions. (net investment hedge).

Hedge accounting is used for financial derivatives designated when certain criteria are met.
The bank performs the documentation of the relationship between the hedged items and the hedging instruments, at the initiation of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The bank also documents its assessment, both at hedge initiation and on an ongoing basis, of whether the financial derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items.

2-G/1 Fair value hedging

Changes in the fair value of financial derivatives that are designated as hedging instrument and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Effective changes in fair value of interest rate swaps and related hedged items are reflected in 'net interest income' and effective changes in fair value of currency future contracts are reflected in 'net trading income'.
Any ineffective changes in contacts and related hedged items mentioned in the previous paragraph are recorded in 'net trading income'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the book value of a hedged item for which is accounted for using the amortized cost method should be amortized by charging it to profit or loss over the year to maturity. The adjustments made to the book value of the hedged equity instrument are included among the equity until they are disposed.

2-G/2 Cash flow hedging

For designated and qualifying cash flow hedges, the effective portion of the fair value of the hedging instrument is initially recognized directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in 'net trading income'.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument cumulated in the equity is recorded in the corresponding income or expense line of the income statement, The effective portion of the gain or loss on the forward exchange swap and options is recognized immediately in 'net trading income'.

When a hedging instrument expires, or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the equity at that time remains in the equity and is recognized when the hedged forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the equity is immediately transferred to the income statement.

2-G/3 Hedge of net investments

Hedges of net investments are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in the equity while any gains or losses relating to the ineffective portion are recognized in the statement of income.

On disposal of the foreign operation, the cumulative value of any such gains or losses recognized in the equity is transferred to the income statement.

2-G/4 Financial derivatives that do not qualify for hedge accounting

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

2-H Day 1' profit or loss recognition

The fair value for financial instruments traded in active markets at the date of transaction is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions). However, if it is inferred on the same date over the fair value of the instrument based on transaction prices in the published markets or by using valuation models. When the bank enters into transactions matures after long periods, the fair value is determined by using valuation models and may not all of its inputs are market prices or published markets rates and the initial recognition of these financial instruments at the transaction price, which is the best indicator of fair value, although the value that is obtained from the valuation model may be different, no immediate recognition of profit or loss from the difference between the transaction price and the amount of the output of the model, which is known as "Day 1 profit and loss" and is included in other assets in case of loss or other liabilities in the case of profit.

The deferred profit or loss recognition is determined case by case, either by amortizing over transaction life time or by until be able to determine the fair value of the tool using the declared markets inputs, or recognizing it at the transaction settlement, the instrument is measured subsequently and the bank immediately recognizes the difference between the transaction price and fair value in the income statement.

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

2-I Interest income and expense

Interest income and expense are recognized in the income statement under "Interest income on loans and similar income" item or "Interest expense on deposits and similar expense" by using the effective interest rate method of all financial instruments bearing interest except those classified as held for trading or which have been classified at initiation at fair value through profit and loss.

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

When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized under revenues according to cash basis as per the following:
- When collected and after recovery of all arrears for retail loans, personal loans, real estate loans for personal housing and small loans for businesses.

- For loans granted to corporate, interest income is recognized on cash basis, the calculated interest is subsequently added to the loan according to loans' scheduling contract terms until the payment of 25% of the scheduling installments and a minimum of one year of being regular. In case the client is continuing in performing the payment, the calculated interest is added to the loan's balance without the marginal interest not included in the income until after the full repayment of the loan's balance in the balance sheet before the reschedule.

2-J Fees and commission income

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

Engagement fees on loans are to be postponed, if there is a probability that these loans will be withdrawn on the ground that these fees which the bank receives is a compensation for the constant intervention to acquire the financial instrument. Then they are recognized by amending the effective interest rate on the loan, when the period of Engagement comes to end without the bank's issuance of the loan then these fees are recognized within income at the expiry of the Engagement validity.

Fees and commissions related to debts instrument that are measured by its fair value are recognized as income at initial recognition. Fees and commissions related to promoting of syndicated loans are recognized as income when the promoting process is completed and the loan is fully used or the bank kept its share of the loan using the effective interest rate as used by the other participants.

Fees and commissions arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed. Commissions and fees related to management advisory and other services are recognized as income usually based on a timely proportion basis over rendering of the service, Financial planning management fees and custody services fees, which are provided for long periods of time are recognized over the period in which the service is rendered.

2-K Dividend income

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

2-L Purchase and resale agreements, sale and repurchase agreements

The financial instruments sold, by virtue of repurchase agreements, are shown under the assets by being added to the balance of treasury bills and other government notes in the balance sheet, while the liability (purchase and resale agreement) is shown in the balance sheet as being deducted from treasury bills and other government notes in the balance sheet. The difference between the sale price and repurchase price is recognized as a return due throughout the period of agreements, using the effective interest rate method.

2-M Impairment of financial assets

2-M/1 Financial assets recorded at amortized cost

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

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

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

An objective evidence for impairment losses of group of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset, for example, the increase in failure payment cases for one of the bank products.

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

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant taking into consideration the following:

- In case there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, the bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment according to historic default rates.

- A separate impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will not included in the group of assets which impairment losses are assessed on a collectively basis.
- If the result of the previously test did not recognized impairment loss, then this asset will be added to the group.

Impairment losses are measured by the difference between the asset's book value and the present value of expected future cash flows, excluding future expected credit losses not charged yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".

If there is evidence that loan or investment held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the bank may measure the impairment losses using the fair value of the instrument through its quoted market prices for guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

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

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

The bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from period to period, such as , changes in unemployment rates, real estate prices, settlement status, or other factors that may indicate the probability and magnitude of losses in the group. The bank is conducting a periodic review of the methods and assumptions used to estimate future cash flows.

2-M/2 Available for sale financial investments

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

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

2-N Investment property

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

2-O Intangible assets

2-O/1 Computer Software

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

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

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

2-O/2 Other intangible assets

They represent the intangible assets other than the goodwill and the computer programs (such as, trademarks, patents and rental contracts returns).

The other intangible assets are recognized at its acquisition cost and amortized using the straight line method or according to the economic benefits expected to be gained by them over their usual lives. As for the assets with no determined useful lives, they are not to be amortized, but to be tested annually to determine whether there is impairment in its value. If there's impairment, it is charged to the income statement.

2-P Fixed assets

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

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. Maintenance and repair expenses are charged to other operating expenses during the financial period in which they are incurred.
Land is not depreciated, depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and constructions	40 - 50 years
Leasehold improvements	10 years or over the period of the lease if it's lower
Office furniture and safes	4 - 20 years
Typewriters, calculators and air conditions	4 - 5 years
Motor vehicles	5 - 7 years
Computers/core systems	4 - 5 years
Fixtures and fittings	5 - 10 years

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

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.
Gains and losses on disposals are determined by comparing proceeds with asset carrying amount. These gains and (losses) are included in other operating income (expenses) in the income statement.

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

2-Q Impairment of non-financial assets

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

The impairment loss is recognized by the excess amount of book value over the realizable value. The recoverable value represents net realizable value of the asset or the usage amount whichever is higher. For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit. At each balance sheet date, non-financial assets with impairment has to be reviewed to determine if there is impairment reversal made to the income statement.

2-R Leases

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

2-R/1 Leasing

Finance lease contracts recognize rent as expense in the period it occurred in profit and loss, including maintenance cost related to the leased assets. If the bank decides to exercise the rights to purchase the leased assets, the cost of this right will be capitalized over the fixed asset and depreciated over the assets' expected remaining useful life in accordance with similar assets.

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

2-R/2 Leasing out

For assets leased financially, assets are recorded in the fixed assets in the balance sheet and depreciated over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized on the basis of rate of return on the lease contracts in addition to an amount corresponding to the cost of depreciation for the period. The difference between the rental income recognized in the statement of income, and the total finance lease clients' accounts is transferred to the balance sheet until the expiration of the lease contract where it is used to offset with a net book value of the leased asset. Maintenance and insurance expenses are charged on the income statement when incurred to the extent they are not charged to the tenant.
In case there is objective evidence that the bank will not be able to collect all assets of financial lease debtors, it will be reduced to the recoverable amount.

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

2-S Cash and cash equivalents

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

2-T Other provisions

Provisions for restructuring costs and legal claims are recognized when the bank has a present legal or constructive obligation as a result of past events; it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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

Provisions no longer required are reversed in other operating income (expense).

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from balance sheet date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

2-U Financial guarantees contracts

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

It's initially recognized at fair value including guarantee fees at the date of granting. Subsequently, the bank's obligation shall be measured by the value initially recognized less guarantee fees amortization which is recognized in the income statement on a straight line basis over the higher of the guarantee life term or over the best payment estimates required to settle the financial obligation resulted from the financial guarantee at the balance sheet date. These estimates are mainly based on management experience with similar transactions and historical losses.

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

2-V/ Employees benefits

2-V/1 Retirement benefits obligations

The bank manages a variety of retirement benefit plans are often funded through determined payments on the basis of periodical actuarial calculations and paid to insurance companies and other specialized funds. The bank has a defined benefit and defined contribution plans.

Defined Benefit plans: these are retirement rules, which specify the amount of the retirement benefits that the employee will grant by the end of the period of service. This benefit normally depends on one factor or more such as age, years of services and income.

The recognized liability in the balance sheet with regards to defined benefit plans is represented in the present value of the defined benefits liabilities at the balance sheet's date after deducting the fair value of the retirement plans' assets and debiting (crediting) unrealized actuarial reconciliations of profits (losses) as well as the cost of additional benefits related to prior service terms.

The liability of the defined benefit plans (future cash flows expected to be paid) is calculated annually by an independent actuary who applies the Projected Unit Credit Method. The present value of the identified plans liability is determined through deducting these expected future cash flows to be paid by applying the rate of return of high quality corporate bonds or the rate of return of government bonds in the same currency to be used in payment of benefits and which have almost the same maturity period as the retirement benefits obligations related to them.

Calculated gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions and the profits are to be deducted (the losses added) the income statement if they do not exceed 10% of the plan assets value or 10% of the defined benefits' liability whichever is higher. In case gains (losses) rise above mentioned percentage then the increase shall be deducted (added) in the income statements over the average of the remaining years of service.

Past service costs are immediately recognized in the income statement within administrative expenses unless the introduced changes on the retirements' plans are conditional on the remaining of employees in service for a specified period of time (vesting period). In such case, the past service costs is to be amortized by the straight-line method over the vesting period.
Defined Contributions' Plans: These are pension scheme to which the banks pays fixed contributions to an independent entity while there is no legal or constrictive commitment on the bank to pay further contributions if the entity has not established sufficient assets to pay all the employees' benefits related to their service whether in current or previous periods.

As regarding the defined contribution plans the bank pays contributions to the retirement's insurance regulations in the public and private sectors on a contractual basis either mandatory or voluntary and the bank has no further obligations following payment of contributions. These contributions are recognized within the employees' benefits expenses when maturing (vesting). Paid contributions are recognized in advance within assets to the extent where the advance payment reduces future payments or cash refund.

2-V/2 Liabilities of other post-service's benefits

The bank extends health care benefits to retirees after the end of service term. Usually such benefits are conditional on the stay of the employee in the service until retirement age and the completion of a minimum period of service. The expected costs of these benefits are to be matured (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in item 2-V/1.

2-X Income tax

The income taxes on the period's profits or losses include the tax of the current period and the deferred tax and they are recognized in the income statement with the exception of the income tax on the items of equity which is directly recognized within equity.

The income tax is recognized on the basis of the net profit subject to tax through the application of enacted tax rates at the date of preparing the balance sheet in addition to the tax adjustments related to previous years.

Deferred taxes are recognized from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax bases. Deferred tax assets and liabilities are measured at the tax rates that expected to apply in the period in which the ability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax assets are recognized when there is likelihood to achieve taxable profits in the future through which this asset can be utilized. The value of deferred tax assets is reduced by the portion which will not realize the expected taxable benefit in the coming years, in case of the increase in expected taxable benefits the deferred tax assets should be increased within the limit of previous reduction.

2-Y Borrowing

Loans obtained by the bank are recognized at initiation at fair value less the cost of obtaining the loan. Subsequently the loans are measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate is to be recognized to the income statement.

The fair value of the portion which represents a liability regarding, bonds convertible into shares is to be defined by applying the market equivalent rate of return of non- convertible bonds. This liability is recognized by the amortized cost method until conversion or maturity of bonds. The remaining proceeds are to be charged to the conversion option included within equity in net value after deduction of the income tax effect.

The preferred shares which either carry mandatory coupons, redeemed at a defined date or according to the shareholders' option are to be included within the financial liabilities and to be presented within the item of "Other loans".
The dividends of these preferred shares are recognized in the income statement under "Interest expense on deposits and similar expenses" item, using the amortized cost method and by using the effective interest rate.

2-Z Capital

2-Z/1 Cost of capital

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

2-Z/2 Dividends

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

2-Z/3 Treasury shares

When the bank purchases capital shares, the amount paid is deducted from the total equity representing the cost of the treasury shares until they are cancelled. In case these shares are sold or reissued in a subsequent period, the amounts collected are added to the equity.

2-AA Custody activities

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

2-AB Comparative figures

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

3- Financial Risk Management:

The bank, as a result of the activities it exercises, is exposed to various financial risks. Since the basis of financial activity is to accept risks; some risks or group of risks are analyzed, evaluated and managed together. The bank aims to achieve an adequate balance between the risk and return and to reduce the probable adverse effects on the bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates risk, interest rate risk and other pricing risks.

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated systems. The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications.

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

3-A Credit risk

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

3-A/1 Credit risk measurement

Loans and advances to banks and customers

In measuring credit risk of loan and advances to customers and to banks, the bank examines the following three components:
• The 'probability of default' by the client or counterparty on its contractual obligations.
• Current position and its likely future development, from which the bank derive the 'Exposure at default'
• The 'loss given default'.

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee), are embedded in the bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3-A/3).

The bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the bank are segmented into four rating classes. The bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale

Bank's rating	Description of the grade
1	Performing loans
2	Regular watching
3	Watch list
4	Nonperforming loans

The amount of default represent the outstanding balances at the time when a late settlement occurred for example the loans expected amount of default represent its nominal value. For commitments, the default amount represents all actual withdrawals in addition to any withdrawals occurred till the date of the late payment if any. Loss given default or loss severity represents the bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Debt instruments, treasury bills and other bills

For debt instruments and other bills, external rating such as Standard and Poor's rating or their equivalents are used by the bank for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3-A/2 Risks limitation and Mitigation Policies

The bank manages, limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and banks, and to industries and countries.

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by borrower /group, product, industry sector and by country are approved quarterly by the Board of Directors.

Credit limits for any borrower including banks are divided by sub-limits covering on- and off balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.
The following are other controls used by the bank to limit the credit risk:

Collaterals

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages
- Mortgage business assets as machines and goods.
- Mortgage financial instruments such as debt securities and equity instruments.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.
Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental notes are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Derivatives

The bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the bank (i.e., assets where their fair value is positive), which in relation to financial derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equity instruments is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the bank market transactions on any single day.

Master netting arrangements

The bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The bank overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3-A/3 Impairment and provisioning policies

The internal rating systems described in note (3-A/1) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined by the expected loss models used at 30 June 2012 for Central Bank of Egypt's regulations (note 3-A/4).

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

Bank's rating	30 June 2012		31 December 2011	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Performing loans	89%	9%	90%	9%
Regular watching	6%	1%	7%	1%
Watch list	2%	1%	0%	2%
Non-performing loans	3%	89%	3%	88%
	100%	100%	100%	100%

The bank's internal rating assists management to determine whether objective evidence of impairment exists under Egyptian Accounting Standard no. 26, based on the following criteria set out by the bank:

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

The bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual losses. These policies applied on all accounts have specific materiality on individual basis. Valuation usually includes the existing collateral, the related enforcements on these collaterals and the expected collections from those accounts.

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

3-A/4 Model of measuring the general banking risks

In addition to the four categories of credit rating indicated in note (3-A/1), the management makes more detailed groups in accordance with the Central Bank of Egypt requirements. Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, it's activity, financial position and payment schedules.

The bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by Central Bank of Egypt. In case, the provision required for impairment losses as per Central Bank of Egypt regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings and credited to the "general banking risk reserve" under the equity caption.

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase between the two provisions. This reserve is not distributable. note (33-B) shows the "general banking risk reserve" movement during the financial period.

Below is a statement of credit rating for firms as per internal valuation basis compared to Central Bank of Egypt valuation basis and the percentages of provisions required for impairment of assets exposed to credit risk.

CBE rating	Description	Required Provision %	Internal Rating	Internal Description
1	Low risk	0%	1	Good debts
2	Moderate risks	1%	1	Good debts
3	Satisfactory risks	1%	1	Good debts
4	Appropriate risks	2 %	1	Good debts
5	Acceptable risks	2 %	1	Good debts
6	Marginally acceptable risks	3 %	2	Regular Follow-up
7	Risk needs special care	5 %	3	Special Follow-up
8	Substandard	20 %	4	Non-performing loans
9	Doubtful debts	50 %	4	Non-performing loans
10	Bad debts	100 %	4	Non-performing loans

3- A/5 Maximum Limits for Credit risk before Collaterats

Balance sheet items exposed to credit risks

	30 June 2012 EGP	31 December 2011 EGP
Balance sheet items exposed to credit risks		
Treasury bills and other governmental notes	3 379 993 287	4 639 894 188
Loans and advances to customers		
Retail loans (net):		
- Credit cards	153 937 963	131 808 196
- Personal loans	1 398 627 273	1 197 806 762
- Debit current accounts	42 205 050	27 462 450
Corporate loans (net):		
- Debit current accounts	3 904 971 543	3 422 491 700
- Direct loans	1 411 585 722	1 304 674 376
- Syndicated loans	1 620 797 037	1 622 331 783
- Other loans	185 369 555	176 029 962
- Loans to banks	63 173 357	33 699 054
Financial investments:		
- Debt instruments	1 636 667 161	884 352 050
Total	13 797 327 948	13 440 550 521
Off-balance sheet items exposed to credit risk*		
Loan commitments and other irrevocable commitments related to credit	397 989 983	473 119 395
Letters of credit- import	163 524 208	221 893 993
Letters of guarantee	1 406 877 341	1 481 571 223
Accepted papers for suppliers facilities	114 782 926	163 689 224
Total	2 083 174 458	2 340 273 835

Note (34-C)

- The above table represents the maximum limit of exposed credit risk as of 30 June 2012 and 31 December 2011, without taking into considerations any collateral. For on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table, 64% of the total maximum limit exposed to credit risk resulted from loans and advances to customers and banks at 30 June 2012 against 59% at end of the comparative year while investment in debt instruments represents 12% against 7% at end of the comparative year.

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

- 95% of the loans and advances portfolio is classified at the highest two ratings in the internal rating at 30 June 2012 against 97% at end of the comparative year.

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

- 85% of the loans and advances portfolio having no past dues or impairment indicators at 30 June 2012 against 91% at end of the comparative year.
- Loans and advances subject to impairment have been evaluated on an individual basis of total amount EGP 210 626 513 at 30 June 2012 against EGP 220 329 349 at the end of comparative year, there is an impairment less than 72% against 52% at the end of comparative year.
- As a result, the impairment loss charged to the statements of income by the amount of EGP 34 653 541 on an individual basis during the period against EGP 5 588 203 at the end of comparative year.
- The bank has applied more strict granting operations when granting loans and advances during the financial year ended as of 30 June 2012.
- Investments in debt instruments and treasury bills contain more than 92% at 30 June 2012 against 93% at the end of comparative year due from the Egyptian Government.

3-A/6 Loans and advances

Loans and advances are summarized according to the credit worthiness as follows:

	30 June 2012 Loans and advances to customers EGP	31 December 2011 Loans and advances to customers EGP
Neither having past dues nor impairment	7 605 318 782	7 350 285 209
Having past due but not subject to impairment	900 943 806	299 229 196
Subject to impairment	434 417 778	413 644 640
Total	8 940 680 366	8 063 159 045
Less: Impairment losses provision	(223 186 223)	(180 553 816)
Net	8 717 494 143	7 882 605 229

- The bank's total impairment loss for loans and advances amounted to EGP 52 608 346 at 30 June 2012 against to EGP 52 872 510 at comparative year of which EGP 34 616 406 against EGP 13 968 021 at comparative year representing impairment of individual loans and the remaining amounting to EGP 17 991 940 representing collective impairment. Note (19) includes additional information regarding impairment loss on loans and advances to customers.

- The bank's portfolio increased by 11% during the period in comparison with the financial year ended as at 31 December 2011 due to expanding the granting activities, especially in Arab Republic of Egypt. To reduce the possible exposure to the credit risks, the bank concentrates on dealing with large institutions or banks or individuals of credit worthiness.

- Loans and advances neither having past dues nor subject to impairment

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

Loans and advances to customers (Net)

30 June 2012

(EGP)

Rating	Retail: Credit cards	Retail: Personal loans	Corporate: Debt current accounts	Corporate: Debit current accounts and direct loans	Corporate: Syndicated loans	Corporate: Other loans	Total loans and advances to customers
Performing loans	144 175 630	I 263 696 608	15 451 025	4 028 126 873	1 427 609 792	185 956 688	7 065 016 616
Regular watching	--	--	--	342 686 931	39 986 318	--	382 673 249
Watch list	--	--	--	--	157 628 917	--	157 628 917
Total	144 175 630	I 263 696 608	15 451 025	4 370 813 804	1 625 225 027	185 956 688	7 605 318 782

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

31 December 2011

(EGP)

Rating	Retail: Credit cards	Retail: Personal loans	Corporate: Debt current accounts	Corporate: Debit current accounts and direct loans	Corporate: Syndicated loans	Corporate: Other loans	Total loans and advances to customers
Performing loans	125 645 506	1 074 633 536	13 470 104	4 077 034 766	1 626 066 457	176 351 556	7 093 201 925
Regular watching	--	--	--	257 083 284	--	--	257 083 284
Total	125 645 506	1 074 633 536	13 470 104	4 334 118 050	1 626 066 457	176 351 556	7 350 285 209

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

Loans and advances having past dues and not subject to impairment

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

30 June 2012

	Corporate	
	Debit current accounts and direct loans	**Total**
Past dues up to 30 days	510 195 661	510 195 661
Past dues more than 30 - 60 days	190 949 790	190 949 790
Past dues more than 60 - 90 days	199 798 355	199 798 355
Total	900 943 806	900 943 806
Fair value of collateral	83 293 022	83 293 022

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

31 December 2011

	Corporate	
	Debit current accounts and direct loans	**Total**
Past dues up to 30 days	94 066 874	94 066 874
Past dues more than 30 - 60 days	46 149 932	46 149 932
Past dues more than 60 - 90 days	159 012 390	159 012 390
Total	299 229 196	299 229 196
Fair value of collateral	20 012 245	20 012 245

- Loans and advances subject to individual impairment

* Loans and advances to customers

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees amounted to EGP 210 626 513 at 30 June 2012 against EGP 220 329 349 at the end of comparative year.

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

	Debit current accounts and Direct loans	Total
Valuation		
30 June 2012		
Individual loans subject to impairment	210 626 513	210 626 513
Fair value of collateral	13 775 000	13 775 000
31 December 2011		
Individual loans subject to impairment	220 329 349	220 329 349
Fair value of collateral	45 339 510	45 339 510

- Re-structured loans and advances

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting and postpone repayment terms. Restructuring policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability. These policies are subject to regular review. Long-term loans, especially loans to customers are usually subject to restructuring. The renegotiated loans amounted to EGP 57 374 804 as of 30 June 2012 against EGP 49 439 297 as of 31 December 2011.

	30 June 2012 EGP	31 December 2011 EGP
Loans and advances to customers		
Corporate		
- Direct loans	57 374 804	49 439 297
Total	57 374 804	49 439 297

3-A/7 Debt instruments, treasury bills and other governmental notes

The table below shows an analysis of debt instruments, treasury bills and other governmental notes according to the rating agencies Standard & Poor's and similar at the end of financial period.

	Treasury bills and other governmental notes EGP	Investments in securities EGP	Total EGP
AAA to AA-	--	110 896 364	110 896 364
A-to A+	--	265 446 620	265 446 620
Less than A-	3 379 993 287	1 190 240 016	4 570 233 303
Non classified		70 084 161	70 084 161
Total	3 379 993 287	1 636 667 161	5 016 660 448

3-A/8 The concentration of financial asses risks exposed to credit risk

Geographical segment

(EGP)

30 June 2012	Cairo	Egypt Alexandria, Delta and Sinai	Total	Gulf countries	Other countries	**Total**
Financial Asset						
Treasury bills and other governmental notes	3 379 993 287	--	3 379 993 287	--	--	3 379 993 287
Loans and advances to banks	--	--	--	1 009 159	62 164 198	63 173 357
Loans and advances to customers	--	--	--	--	--	--
Retail loans						
Debit current account	35 006 837	8 394 168	43 401 005	--	--	43 401 005
Credit cards	128 068 893	28 499 247	156 568 140	--	--	156 568 140
Personals loans	1 215 104 052	232 045 332	1 447 149 384	--	--	1 447 149 384
Loans to corporate						
Debit current account	3 301 791 714	669 904 911	3 971 696 625	--	28 477 310	4 000 173 935
Direct loans	1 351 426 611	130 779 577	1 482 206 188	--	--	1 482 206 188
Syndicated loans	1 625 225 027	--	1 625 225 027	--	--	1 625 225 027
Other loans	125 990 133	--	125 990 133	59 966 554	--	185 956 687
Financial derivatives	1 490 887	--	1 490 887	--	--	1 490 887
Financial investments						
Debt instruments	1 260 324 179	--	1 260 324 179	343 771 010	32 571 972	1 636 667 161
Other assets	300 898 785	5 819 042	306 717 827	2 049	120 609	306 840 485
Total at end of the current period	12 725 320 405	1 075 442 277	13 800 762 682	404 748 772	123 334 089	14 328 845 543
Total at end of the combative period	12 486 669 683	988 057 252	13 474 726 935	304 796 992	65 489 912	13 845 013 839

(EGP)

31 December 2011	Cairo	Egypt Alexandria, Delta and Sinai	Total	Gulf countries	Other countries	**Total**
Financial Asset						
Treasury bills and other governmental notes	4 639 894 188	--	4 639 894 188	--	--	4 639 894 188
Loans and advances to banks	--	--	--	--	33 699 054	33 699 054
Loans and advances to customers	--	--	--	--	--	--
Retail loans						
Debit current account	23 227 718	4 461 543	27 689 261	--	--	27 689 261
Credit cards	109 006 237	25 006 178	134 012 415	--	--	134 012 415
Personals loans	1 066 275 271	179 091 490	1 245 366 761	--	--	1 245 366 761
Loans to corporate						
Debit current account	2 863 874 436	645 544 305	3 509 418 741	--	--	3 509 418 741
Direct loans	1 214 506 904	129 746 950	1 344 253 854	--	--	1 344 253 854
Syndicated loans	1 626 066 457	--	1 626 066 457	--	--	1 626 066 457
Other loans	112 762 699	--	112 762 699	63 588 857	--	176 351 556
Financial derivatives	2 084 001	--	2 084 001	--	--	2 084 001
Financial investments						
Debt instruments	611 441 730	--	611 441 730	241 206 654	31 703 666	884 352 050
Other assets	217 530 042	4 206 786	221 736 828	1 481	87 192	221 825 501
Total at end of the current period	12 486 669 683	988 057 252	13 474 726 935	304 796 992	65 489 912	13 845 013 839
Total at end of the combative period	8 957 935 511	708 832 168	9 666 767 679	218 661 330	46 982 456	9 932 411 465

Business segment

(EGP)

30 June 2012	Financial institution	Industrial institution	Real estate activity	Whole sale and retail trade	Governmental sector	Other activities	Individuals	Total
Financial Asset								
Treasury bills and other governmental notes	--	--	--	--	3 379 993 287	--	--	3 379 993 287
Loans and advances to banks	63 173 357	--	--	--	--	--	--	63 173 357
Loans and advances to customers								
Retail loans								
Debit current account	--	--	--	--	--	--	43 401 005	43 401 005
Credit cards	--	--	--	--	--	--	156 568 140	156 568 140
Personals loans	--	--	--	--	--	--	1 447 149 384	1 447 149 384
Loans to corporate								
Debit current account	159 854 456	1 650 477 270	--	854 589 848	--	1 335 252 361	--	4 000 173 935
Direct loans	209 067 199	649 352 862	--	28 740 549	--	595 045 578	--	1 482 206 188
Syndicated loans	--	795 913 791	117 476 736	--	--	711 834 500	--	1 625 225 027
Other loans	59 966 554	29 367 443	--	96 622 690	--	--	--	185 956 687
Financial derivatives	--	--	--		--	1 490 887	--	1 490 887
Financial investments								
Debt instruments	251 765 905	162 524 304	--	--	1 222 376 952	--	--	1 636 667 161
Other assets	--	--	--	--	--	306 840 485	--	306 840 485
Total at end of the current period	743 827 471	3 287 635 670	117 476 736	979 953 087	4 602 370 239	2 950 463 811	1 647 118 529	14 328 845 543
Total at end of the combative period	853 563 380	2 830 732 216	44 315 998	886 574 406	5 191 829 794	2 630 929 608	1 407 068 437	13 845 013 839

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

Business segment

(EGP)

31 December 2011	Financial institution	Industrial institution	Real estate activity	Whole sale and retail trade	Governmental sector	Other activities	Individuals	Total
Financial Asset								
Treasury bills and other governmental notes	--	--	--	--	4 639 894 188	--	--	4 639 894 188
Loans and advances to banks	33 699 054	--	--	--	--	--	--	33 699 054
Loans and advances to customers	--	--	--	--	--	--	--	--
Retail loans								
Debit current account	--	--	--	--	--	--	27 689 261	27 689 261
Credit cards	--	--	--	--	--	--	134 012 415	134 012 415
Personals loans	--	--	--	--	--	--	1 245 366 761	1 245 366 761
Loans to corporate								
Debit current account	169 383 119	1 485 783 036	4 513 204	746 710 783	--	1 103 028 599	--	3 509 418 741
Direct loans	288 571 910	606 819 561	--	27 100 924	--	421 761 459	--	1 344 253 854
Syndicated loans	144 185 310	585 873 848	39 802 794	--	--	856 204 505	--	1 626 066 457
Other loans	37 563 314	--	--	112 762 699	--	26 025 543	--	176 351 556
Financial derivatives	--	--	--	--	--	2 084 001	--	2 084 001
Financial investments								
Debt instruments	180 160 673	152 255 771	--	--	551 935 606	--	--	884 352 050
Other assets	--	--	--	--	--	221 825 501	--	221 825 501
Total at end of the current period	853 563 380	2 830 732 216	44 315 998	886 574 406	5 191 829 794	2 630 929 608	1 407 068 437	13 845 013 839
Total at end of the combative period	612 346 278	2 030 766 992	31 792 292	636 028 809	3 724 618 145	1 887 428 624	1 009 430 325	9 932 411 465

3-B Market risk

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

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

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

3-B/1 Market risk measurement techniques

As part of market risk management, the bank undertakes various hedging strategies (note 2/G) and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option been applied. The major measurement techniques used to measure and control market risk are outlined below:

Value at Risk

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

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding period is ten days before closing the opening positions. It also assumes that market movements during the holding period will be the same as ten days before. The bank's assessment of past movements is based on data for the past five years. The bank applies these historical changes in rates prices indicators directly to its current positions - this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.
The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.
As VAR considered a primary part of the bank's market risk control technique, VAR limits are established by the Board of Directors annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed by the bank risk division. The average daily VAR for the Bank during the current period was EGP 461 thousands against EGP 207 thousands during 31 December 2011.
The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

Stress Testing

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

3-B/2 Value at risk summary

Total value at risk according to risk type

EGP(000)

	6 months till 30 June 2012			12 months till 31 December 2011		
	Average	High	Low	Average	High	Low
Foreign exchange risk	291	595	171	207	311	128
Equity instruments risk	170	178	161	--	--	--
Total value at risk	461	773	332	207	311	128

Trading portfolio value at risk by risk type

EGP(000)

	6 months till 30 June 2012			12 months till 31 December 2011		
	Average	High	Low	Average	High	Low
Foreign exchange risk	291	595	171	207	311	128
Total value at risk	291	595	171	207	311	128

Non- trading portfolio value at risk by risk type

EGP(000)

	6 months till 30 June 2012			12 months till 31 December 2011		
	Average	High	Low	Average	High	Low
Foreign exchange risk	170	178	161	--	--	--
Total value at risk	170	178	161	--	--	--

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

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

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

3-B/3 Foreign exchange fluctuations risk

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

30 June 2012	EGP	USD	EURO	GBP	Other Currencies	Total
Financial Asset						
Cash and balances with Central bank	831 823 036	23 089 625	6 726 855	1 086 232	825 693	863 551 441
Due from banks	5 048 670	1 300 065 777	526 213 619	4 333 095	17 118 858	1 852 780 019
Treasury bills and other governmental notes	3 379 993 287	--	--	--	--	3 379 993 287
Loans and advances to banks	--	33 234 891	29 938 466	--	--	63 173 357
Loans and advances to customers	6 462 906 082	2 193 367 603	60 585 786	632 853	1 819	8 717 494 143
Financial derivatives	1 490 887	--	--	--	--	1 490 887
Financial investments:						
-Available for sale	1 165 450 111	377 009 472	--	--	--	1 542 459 583
-Held to maturity	97 374 967	--	--	--	--	97 374 967
Other financial assets	133 931 296	14 843 987	130 387	287	227	148 906 184
Total financial assets	12 078 018 336	3 941 611 355	623 595 113	6 052 467	17 946 597	16 667 223 868
Financial liabilities						
Due to banks	5 418 805	26 475 008	4 797 961	28 194 300	--	64 886 074
Customer deposits	10 570 439 508	3 730 254 728	620 097 940	39 304 410	17 510 109	14 977 606 695
Other loans	--	181 770 000	--	--	--	181 770 000
Financial derivatives	5 199 717	--	--	--	--	5 199 717
Other financial liabilities	123 337 258	12 260 499	3 121 177	51 769	13 924	138 784 627
Total financial liabilities	10 704 395 288	3 950 760 235	628 017 078	67 550 479	17 524 033	15 368 247 113
Net on financial position	1 373 623 048	(9 148 880)	(4 421 965)	(61 498 012)	422 564	1 298 976 755
Commitments related to credit	191 287 301	206 702 682	--	--	--	397 989 983
31 December 2011						
Total financial assets	12 582 350 788	4 239 249 263	560 410 851	2 135 446	18 981 218	17 403 127 566
Total financial liabilities	11 415 143 671	4 208 602 166	528 599 028	53 366 615	18 722 334	16 224 433 814
Net financial position	1 167 207 117	30 647 097	31 811 823	(51 231 169)	258 884	1 178 693 752

3-B/4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by bank risk division.

The table below summarizes the bank's exposure to interest rate risks. It includes the bank's financial instruments at carrying amounts categorized by the earlier of re-pricing or maturity dates:

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

EGP

30 June 2012	Up to one month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Interest free	Total
Financial Asset							
Cash and balances with Central bank	--	--	--	--	--	863 551 441	863 551 441
Due from banks	1 366 904 147	447 861 503	--	--	--	38 014 369	1 852 780 019
Treasury bills and other governmental notes	*(353 457 756)	271 507 783	3 461 943 260	--	--	--	3 379 993 287
Loans and advances to customers	941 289 372	3 602 312 518	1 448 084 776	2 562 929 380	125 578 435	37 299 662	8 717 494 143
Loans and advances to banks	--	3 376 443	60 430 200	--	--	**(633 286)	63 173 357
Financial derivatives	--	--	--	--	--	1 490 887	1 490 887
Financial investments:							
-Available for sale	6 996 317	77 584 535	55 851 242	1 376 715 820	22 354 849	2 956 820	1 542 459 583
-Held to maturity	92 374 967	--	--	--	5 000 000	--	97 374 967
Other financial assets	--	--	--	--	--	148 906 184	148 906 184
Total financial assets	2 054 107 047	4 402 642 782	5 026 309 478	3 939 645 200	152 933 284	1 091 586 077	16 667 223 868
Financial liabilities							
Due to banks							
Customer deposits	28 194 300	--	--	--	--	36 691 774	64 886 074
Other loans	4 519 216 197	3 292 861 278	2 841 026 523	2 990 041 484	10 738 000	1 323 723 213	14 977 606 695
Financial derivatives	--	--	--	--	--	5 199 717	5 199 717
Other financial liabilities	181 770 000	--	--	--	--	--	181 770 000
Total financial liabilities	--	--	--	--	--	138 784 627	138 784 627
Interest re-pricing gap	4 729 180 497	3 292 861 278	2 841 026 523	2 990 041 484	10 738 000	1 504 399 331	15 368 247 113
31 December 2011	(2 675 073 450)	1 109 781 504	2 185 282 955	949 603 716	142 195 284	(412 813 254)	1 298 976 755
Total financial assets	4 424 421 290	3 463 409 046	4 995 287 870	3 050 691 279	142 743 333	1 326 574 748	17 403 127 566
Total financial liabilities	5 833 674 517	3 058 349 727	1 952 364 706	2 647 022 240	11 540 000	2 721 482 624	16 224 433 814
Interest re-pricing gap	(1 409 253 227)	405 059 319	3 042 923 164	403 669 039	131 203 333	(1 394 907 876)	1 178 693 752

* It includes the amount of EGP (353 457 756) as a result of the amount of EGP (1 853 002 489) representing value of treasury bills repurchase agreement, the amount of EGP 1 499 544 735 representing value of treasury bills.

** It includes the amount EGP (633 286) representing the advanced commissions and interests amortized through loans to banks' life time.

3-C Liquidity risk

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

Liquidity risk management

The bank's liquidity management process carried out by the bank risk division includes:

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

The main period for liquidity management is the next day, week and month. The bank calculates the expected cash flow for those periods for monitoring and reporting purposes. The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

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

Funding approach

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

Non derivative cash flows

The table below presents the cash flows payable by the bank under non-derivative financial liabilities by remaining contractual maturities at and the maturities assumption for non contractual products on the basis of their behavior studies of balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the bank manages the inherent liquidity risk based on expected undiscounted and un- contractual cash inflows:

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

Non Derivative Cash Flows Table

30 June 2012

(EGP)

Financial liabilities	Up to 1 month	Over than 1 month to 3 months	Over than 3 month to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Due to banks	64 886 074	--	--	--	--	64 886 074
Customers' deposits	6 051 448 722	3 727 189 958	2 674 054 894	2 515 068 121	9 845 000	14 977 606 695
Other loans	--	--	--	181 770 000	--	181 770 000
Other liabilities and financial derivatives	27 060 493	69 484 732	16 532 173	30 873 458	33 488	143 984 344
Total of financial liabilities according to contractual maturity date	6 143 395 289	3 796 674 690	2 690 587 067	2 727 711 579	9 878 488	15 368 247 113
Total of financial assets according to contractual maturity date	4 399 418 581	1 193 410 486	7 693 119 762	2 554 432 529	1 245 343 033	17 085 724 391

31 December 2011

(EGP)

Financial liabilities	Up to 1 month	Over than 1 month to 3 months	Over than 3 month to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Due to banks	374 799 882	--	--	--	--	374 799 882
Customers' deposits	6 482 011 245	3 289 380 876	2 388 574 682	3 275 788 618	261 284 976	15 697 040 397
Other liabilities and financial derivatives	30 920 270	64 448 745	20 914 504	36 258 860	51 156	152 593 535
Total of financial liabilities according to contractual maturity date	6 887 731 397	3 353 829 621	2 409 489 186	3 312 047 478	261 336 132	16 224 433 814
Total of financial assets according to contractual maturity date	6 124 277 651	1 172 541 224	6 760 313 362	2 390 089 712	955 905 617	17 403 127 566

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from Central Bank of Egypt and due from banks, treasury and other government notes, loans and facilities to banks, and loans and facilities to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

Derivatives settled in aggregate

The bank's financial derivatives that will be settled in gross basis include:

• Foreign exchange derivatives: future currency options, exchange trade currency options.

The table below analyses the bank's derivative financial liabilities that will be settled in aggregate into relevant maturity groupings based on the remaining period of contractual maturities at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows.

(EGP)

30 June 2012	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	**Total**
Derivatives held for trading:				
Foreign exchange derivatives:				
- Cash outflows	117 464 262	47 386 938	69 299 265	234 150 465
- Cash inflows	117 071 394	46 224 430	67 145 812	230 441 636
Total Cash Outflows*	117 464 262	47 386 938	69 299 265	234 150 465
Total Cash inflows	117 071 394	46 224 430	67 145 812	230 441 636

*Note no. (20)

(EGP)

31 December 2011	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	**Total**
Derivatives held for trading:				
Foreign exchange derivatives:				
- Cash outflows	13 790 146	90 532 752	39 203 268	143 526 166
- Cash inflows	13 597 660	89 611 513	39 074 944	142 284 117
Total Cash Outflows*	13 790 146	90 532 752	39 203 268	143 526 166
Total Cash inflows	13 597 660	89 611 513	39 074 944	142 284 117

*Note no. (20)

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

Off-balance sheet items:

According to the table below and note no. (34)

EGP

At the end of 30 June 2012	Up to 1 year	Over 1 year and less than 5 years	Over than 5 years	Total
Loans commitments	397 989 983	--	--	397 989 983
Financial collaterals, accepted bills and other financial advances	1 366 326 089	144 945 566	88 299 505	1 599 571 160
Capital Commitment resulting from Fixed assets acquisition *	13 157 436	--	--	13 157 436
Total	1 777 473 508	144 945 566	88 299 505	2 010 718 579

EGP

At the end of 31 December 2011	Up to 1 year	Over 1 year and less than 5 years	Over than 5 years	Total
Loans commitments	178 487 494	240 086 446	54 545 455	473 119 395
Financial collaterals, accepted bills and other financial advances	1 082 777 132	576 664 572	109 357 200	1 768 798 904
Capital Commitment resulting from Fixed assets acquisition *	21 954 244	--	--	21 954 244
Total	1 283 218 870	816 751 018	163 902 655	2 263 872 543

*Note no. (34-B).

3-D Fair value of financial assets and liabilities

3-D/1 Financial instruments measured at fair value using a valuation method

The total amount of the change in estimated fair value using a valuation method during the financial period amounted to EGP 5 997 115 against EGP (13 502 906) as at 31 December 2011.

3-D/2 Financial instruments not measured at fair value

The table below summarizes the present value and fair values for those financial assets and liabilities not presented on the bank's balance sheet at their fair value:

	Book value (EGP)		Fair value (EGP)	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Financial assets				
Financial Investments:				
-Held to maturity	97 374 967	95 015 379	90 752 630	82 945 215

- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

The numerator in capital adequacy comprises the following 2 tiers:

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

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

Assets are weighted by risk in a range from zero to 100 %. Classification is made according to the debit party for each asset to reflect the related credit risk taking into consideration cash guarantees. Same treatment is used for the off-balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts. The bank complied with all internal requirements during the last 2 years. The following schedule shows the components of the basic and the subordinated capital and the calculation of capital adequacy ratio at the end of the current period and the previous year:

Capital	30 June 2012 EGP	31 December 2011 EGP
Tier 1 (basic capital)		
Share capital (net of the treasury stocks)	1 123 437 365	1 123 437 365
Legal reserve	12 825 547	12 800 547
Other reserves	(3 037 928)	(9 034 757)
Retained earnings	247 237 440	132 726 949
Total basic capital	1 380 462 424	1 259 930 104
Tier 2 (subordinated capital)		
Equivalent to general risks provision	134 049 613	117 507 000
Total subordinated capital	134 049 613	117 507 000
Total capital	1 514 512 037	1 377 437 104
Risk weighted assets and contingent liabilities:		
Assets on-balance sheet	9 929 236 480	8 503 330 413
Contingent liabilities	794 732 920	897 224 400
Total risk weighted assets and contingent liabilities	10 723 969 400	9 400 554 813
Capital adequacy ratio (%)	14.12%	14.65%

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

4- Significant accounting estimates and assumptions

The bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities with the next financial period consistently. Estimations and judgments are continually evaluated and based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

4-A Impairment losses for loans and advances

The bank reviews the portfolio of loans and advances for impairment at least quarterly. The bank uses discretionary judgment on determining whether it is necessary to record impairment loss in the income statement. The bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. This evidence include data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default. On scheduling future cash flows, the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to reduce any discrepancy between the estimated loss and actual loss based on experience.

If the variance of the net current value of the expected cash flows reaches +/- 5%, the impairment losses provision will be higher by EGP 3 028 791or lower by EGP 3 028 791 than the formed provisions.

4-B Impairment of available for sale equity investments

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

The decline in fair value below cost is considered important and extended in accordance with item (2 - M / 2) for the shares of Commercial International Bank during 2011, where the cost of the share as of January 2011 amounted to EGP 42 per share, while the fair value as of December 31, 2011 amounted to EGP 18 per share (with a decrease of 57%) the income statement were charged with the reserves of the fair value of this share amounted to EGP 972 714 as well as to the amount of EGP 211 000 that represents the impairment in the value per share for the recorded in the fair value reserves, for that, the total impairment charged to the income statement the amount of EGP 1 183 714 and during the period ended 30 June 2012, the fair value amounted to EGP 25.96 per share, It's great to mention that the impairment not reversed for equity instruments according to item (2-M/2) and fair value reserve formed by amount of EGP 363 000.

4-C Held-to-maturity investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This classification requires high degree of judgment; in return the bank tests the intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity except for certain circumstances like selling an insignificant amount of held-to-maturity investments near to maturity date, then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost. In addition the bank should suspend classifying investments as held to maturity caption.

If classification of investments as held to maturity is suspended the carrying amount shall increase or decrease the book value to reach its fair value by recording a counter entry in the valuation reserve available for sale within the equity caption.

4-D Income tax

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

5- Segment analysis

(a) By activity segment

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

- Large enterprises, medium and small

Activities include current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.

- Investment

Includes merging of companies, purchase of investments, financing company's restructure and financial instruments.

- Individuals

Activities include current accounts, savings deposits, credit cards, personal loans and mortgage loans.

- Other activities

Include other banking activities such as fund management.

Inter-segment transactions occur at the normal course of business of the Bank. Assets and liabilities at the balance sheet include operating assets and liabilities.

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

EGP

30 June 2012	Corporate	Medium and small enterprises	Investment	Individuals	Total
Income and expenses according to the activity segment					
Income of activity segment	350 271 035	2 420 867	388 178 573	168 934 488	909 804 963
Expenses of activity segment	(133 064 396)	(4 687 906)	(462 252 738)	(131 937 772)	(731 942 812)
Segment result	217 206 639	(2 267 039)	(74 074 165)	36 996 716	177 862 151
Tax	(54 301 660)	--	(11 413 553)	(9 249 179)	(74 964 392)
Profit for the period	162 904 979	(2 267 039)	(85 487 718)	27 747 537	102 897 759
Assets and liabilities according to activity segment					
Assets of activity segment	7 000 493 613	35 038 288	8 328 412 030	1 723 271 347	17 087 215 278
Other items of activity segment					
Depreciations	(2 937 175)	(645 033)	(9 200 608)	(1 852 582)	(14 635 398)
Impairment and effect of other provisions on income statements	(40 216 503)	--	--	(12 391 842)	(52 608 345)

EGP

31 December 2011	Corporate	Medium and small enterprises	Investment	Individuals	Total
Income and expenses according to the activity segment					
Income of activity segment	565 702 526	27 278 520	530 447 237	261 271 193	1 384 699 476
Expenses of activity segment	(496 119 528)	(31 009 854)	(563 073 308)	(215 534 826)	(1 305 737 516)
Segment result	69 582 998	(3 731 334)	(32 626 071)	45 736 367	78 961 960
Tax	(17 395 749)	--	(49 632 119)	(11 434 092)	(78 461 960)
Profit for the period	52 187 249	(3 731 334)	(82 258 190)	34 302 275	500 000
Assets and liabilities according to activity segment					
Assets of activity segment	6 177 458 601	312 259 488	9 779 542 630	1 526 242 474	17 795 503 193
Other items of activity segment					
Depreciations	(6 414 709)	(1 944 238)	(18 753 371)	(3 877 658)	(30 989 976)
Impairment and effect of other provisions on income statements	(76 448 484)	--	--	(11 709 572)	(88 158 056)

(b) Analysis according to the geographical segment

30 June 2012	Egypt					EGP
	Cairo	Alexandria, Delta and Sinai	**Total**	Gulf countries	Other countries	**Total**
Income and expenses according to the geographical segments						
Income of geographical segments	823 223 472	74 434 202	897 657 674	6 464 877	5 682 385	909 804 936
Expenses of geographical segments	(628 097 637)	(76 700 180)	(704 797 817)	(965 407)	(7 705 797)	(713 469 021)
Segment result	195 125 835	(2 265 978)	192 859 857	5 499 470	(2 023 412)	196 335 915
Expenses not clarified	--	--	--	--	--	(18 473 764)
Profit for the period before tax	--	--	--	--	--	177 862 151
Tax	--	--	--	--	--	(74 964 392)
Profit for the period	--	--	--	--	--	102 897 759
Assets and liabilities according to the geographical segment						
Assets of geographical segments	13 180 668 153	2 109 338 864	15 290 007 017	610 400 575	1 259 943 232	17 160 350 824
Assets not clarified	--	--	--	--	--	(73 135 545)
Total assets	--	--	--	--	--	17 087 215 279
Liabilities of geographical segments	13 117 508 945	2 116 392 060	15 233 901 005	3 990 536	231 387 818	15 469 279 359
Liabilities not clarified	--	--	--	--	--	1 446 970
Total liabilities	13 117 508 945	2 116 392 060	15 233 901 005	3 990 536	231 387 818	15 470 726 329
Other Items of geographical segment						
Depreciations	(12 623 730)	(2 011 668)	(14 635 398)			(14 635 398)
Impairment and effect of other provisions on income statements	(53 566 753)	958 407	(52 608 346)			(52 608 346)

Bank Audi sae

Notes to the Financial Statements

For the period ended 30 June 2012

31 December 2011	Egypt					EGP
	Cairo	Alexandria, Delta and Sinai	**Total**	Gulf countries	Other countries	**Total**
Income and expenses according to the geographical segments						
Income of geographical segments	1 255 363 655	106 856 210	1 362 219 865	11 650 696	10 828 916	1 384 699 477
Expenses of geographical segments	(1 123 256 242)	(155 507 827)	(1 278 764 069)	(2 292 318)	(12 345 794)	(1 293 402 181)
Segment result	132 107 413	(48 651 617)	83 455 796	9 358 378	(1 516 878)	91 297 296
Expenses not clarified	--	--	--	--	--	(12 335 336)
Profit for the period before tax	--	--	--	--	--	78 961 960
Tax	--	--	--	--	--	(78 461 960)
Profit for the period	--	--	--	--	--	500 000
Assets and liabilities according to the geographical segment						
Assets of geographical segments	13 757 121 243	2 097 298 128	15 854 419 371	430 251 596	1 575 988 915	17 860 659 882
Assets not clarified	--	--	--	--	--	(65 156 688)
Total assets	13 757 121 243	2 097 298 128	15 854 419 371	430 251 596	1 575 988 915	17 795 503 194
Liabilities of geographical segments	13 936 357 824	2 107 481 253	16 043 839 077	816 042	373 983 840	16 418 638 959
Liabilities not clarified	--	--	--	--	--	1 461 210
Total liabilities	13 936 357 824	2 107 481 253	16 043 839 077	816 042	373 983 840	16 420 100 169
Other Items of geographical segment						
Depreciations	(26 803 372)	(4 186 604)	(30 989 976)			(30 989 976)
Impairment and effect of other provisions on income statements	(61 082 263)	(27 075 793)	(88 158 056)			(88 158 056)

Due from banks

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

Loans and advances to banks

Loans and banking advances represented in loans not from deposits at banks. The expected fair value of the loans and facilities represents the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate to determine fair value.

Loans and advances to customers

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

Investments in financial securities

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

Due to other banks and customers

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

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

Debt instruments in issue

The aggregate fair values are calculated based on quoted market prices. For those notes which quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

3-E Capital management

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

- Compliance with capital legal requirements in Arab Republic of Egypt and the other countries the bank is operating in.
- Protecting the bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth.

Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority's requirements (Central Bank in Arab Republic of Egypt) by the bank's management through models based Basel committee for banking control instructions, these data are submitted to Central Bank of Egypt on quarterly basis.

Central Bank of Egypt requires the following from the bank:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid up capital.

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

6 - Net interest income

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Interest income on loans and similar income:				
Loans and advances to customers	218 711 470	426 988 123	176 713 855	350 163 757
Loans and advances to banks	704 315	1 430 753	489 445	894 030
Treasury bills and treasury bonds	140 616 277	270 984 002	90 709 345	164 769 864
Deposits and current accounts	12 795 400	24 221 497	12 771 915	45 376 270
Investments in debt instruments held to maturity and available for sale	8 708 825	16 610 732	6 929 942	13 164 590
Other	81 083	305 029	238 177	302 980
Total	381 617 370	740 540 136	287 852 679	574 671 491
Interest expense on deposits and similar expense:				
Deposits and current accounts:				
Banks	5 623 160	11 663 537	4 512 201	4 522 041
Customers	221 041 715	443 748 644	182 620 456	369 639 780
Other loans	678 864	1 322 773	349 612	728 624
Other	1 240 737	1 640 137	2 001	24 258
Total	228 584 476	458 375 091	187 484 270	374 914 703
Net interest income	153 032 894	282 165 045	100 368 409	199 756 788

7 - Net fees and commission income

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Fees and commission income:				
Fees and commissions related to	15 056 536	30 080 098	12 918 723	26 435 667
credit				
Fees related to corporate financing	1 668 207	2 991 204	2 026 072	5 312 173
services	420 055	1 223 439	121 936	532 690
Custody fees	20 422 608	43 543 668	11 674 643	21 808 928
Other fees	37 567 406	77 838 409	26 741 374	54 089 458
Total				
Fees and commission expenses:	1 810 518	3 612 259	1 295 751	3 083 632
Other fees paid	1 810 518	3 612 259	1 295 751	3 083 632
Total	35 756 888	74 226 150	25 445 623	51 005 826
Net fees and commission income				

8 - Dividends income

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Available for sale investments	49 997	49 997	50 000	50 000
Total	49 997	49 997	50 000	50 000

9 - Net trading income

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Debt instruments held for trading	652 676	737 817	62 447	222 408
Net trading income	652 676	737 817	62 447	222 408

10 - Administrative expenses

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Staff costs				
Wages and salaries	35 910 651	70 903 284	35 799 418	70 116 794
Social insurance	1 015 290	2 026 944	898 266	1 795 452
Total staff costs	36 925 941	72 930 228	36 697 684	71 912 246
Depreciation and amortization	7 160 098	14 635 398	7 557 245	14 996 471
Other administrative expenses	27 322 467	51 084 460	22 622 756	46 788 342
Total administrative expenses	71 408 506	138 650 086	66 877 685	133 697 059

11 - Other operating income

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Profits from revaluation of monetary assets and liabilities determined in foreign currency other than those classified for trading or initially classified at fair value through profits and losses	5 943 003	11 054 485	4 651 584	12 655 341
Losses on sale of property and equipment	--	(566 127)	(359 626)	(359 626)
Other provisions charged *	(4 573 940)	(6 584 190)	(1 607 166)	(1 988 416)
Other income	307 800	529 100	5 700	37 550
	1 676 863	4 433 268	2 690 492	10 344 849

* Note no. (29)

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

12- Impairment charges on credit losses

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Loans and advances to customers (note. 19)	(12 781 336)	(52 608 346)	(12 674 169)	(52 872 510)
	(12 781 336)	(52 608 346)	(12 674 169)	(52 872 510)

13 - Income tax expenses

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Current taxes	46 121 766	70 479 313	13 087 189	26 557 725
Deferred taxes	(1 360 948)	4 485 079	5 397 081	5 035 045
	44 760 818	74 964 392	18 484 270	31 592 770

Taxation position

A- Corporate Tax

- Tax was fully settled till year 2004.
- Years 2005 and 2006 results tax losses according to inspection and transferred to appeal commission.
- Years for 2007/2008 are under inspection.
- The bank has provided the tax returns for the years from 2009 till 2011 and inspection did not take place yet.

B- Salary Tax

- Tax was fully settled till year 2010
- Tax for 2011 has not been inspected yet.

C- Stamp Duty Tax

- Tax was fully settled till year 2002.
- Years 2003/2004 discusses in the appeal committee.
- Years from years 2005 / 2006 are under inspection according to law no. 111 for the year 1980.
- Years 2006/2007 were inspected according to law no. 111 for the year 1980 and its amendments no. 143 for the year 2006 and there was a protest against the inspection result in front of the internal committee.
- Years 2008/2009 are being inspected.
- Years 2010/2011 have not been inspected yet.

14 - Earnings per share

- Basic

Earnings per share calculated by dividing net profits related to the shareholders by the ordinary shares weighted average issued during the period.

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Net profit applicable to be distributed on the bank's shareholders	67 016 052	102 897 759	31 169 051	44 354 159
Ordinary shares weighted average issued	20 000 000	20 000 000	20 000 000	20 000 000
Earnings per share	3.35	5.14	1.56	2.22

15 - Cash and balances with the Central Bank of Egypt

	30 June 2012 EGP	31 December 2011 EGP
Cash	129 245 908	92 782 824
Balances at central bank within the required reserve percentage	734 305 533	938 824 014
Total	863 551 441	1 031 606 838
Interest free balances	863 551 441	1 031 606 838

16 - Due from banks

	30 June 2012 EGP	31 December 2011 EGP
Current accounts	38 014 369	131 272 988
Deposits	1 814 765 650	2 700 570 045
	1 852 780 019	2 831 843 033
Due from central bank (other than the required reserve percentage)	447 861 503	1 155 079 566
Local banks	64 493 045	126 365 063
Foreign banks	1 340 425 471	1 550 398 404
	1 852 780 019	2 831 843 033
Interest free balances	38 014 369	131 272 988
Fixed interest rate balances	1 814 765 650	2 700 570 045
	1 852 780 019	2 831 843 033
Current balances	1 852 780 019	2 831 843 033

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

17 - Treasury bills and other governmental notes

Treasury bills represent the following:a

	30 June 2012 EGP	31 December 2011 EGP
Treasury Bills and other governmental notes	5 232 995 776	4 639 894 188
Sale for repurchase agreements	(1 853 002 489)	--
Net	3 379 993 287	4 639 894 188
Treasury bills represent the following:-		
Treasury bills 91 days maturity	50 000	46 975 000
Treasury bills 182 days maturity	3 425 000	406 700 000
Treasury bills 273 days maturity	1 257 725 000	1 906 650 000
Treasury bills 364 days maturity	4 333 150 000	2 516 894 000
Unearned interest	(361 354 224)	(237 324 812)
Total (1)	5 232 995 776	4 639 894 188
Sale for repurchase agreements		
Sale for repurchase agreements within 1 week	(1 853 002 489)	--
Total (2)	(1 853 002 489)	--
Total (1) – (2)	3 379 993 287	4 639 894 188

18 - Loans and advances to banks

	30 June 2012 EGP	31 December 2011 EGP
Forward loans	63 173 357	33 699 054
Current balances	63 173 357	33 699 054

19 - Loans and advances to customers

	30 June 2012 EGP	31 December 2011 EGP
Retail		
Credit cards	156 568 140	134 012 415
Personal loans	1 447 149 384	1 245 366 761
Debit current accounts	43 401 005	27 689 261
Total (1)	1 647 118 529	1 407 068 437
Corporate loans including small loans for economic activities		
Debit current accounts	4 000 173 935	3 509 418 741
Direct loans	1 482 206 188	1 344 253 854
Syndicated loans	1 625 225 027	1 626 066 457
Other loans	185 956 687	176 351 556
Total (2)	7 293 561 837	6 656 090 608
Total loans and advance to customers (1+2)	8 940 680 366	8 063 159 045
Less: provision for impairment losses	(223 186 223)	(180 553 816)
Net distributed to:	8 717 494 143	7 882 605 229
Current balances	6 053 903 401	4 140 147 406
Non-current balances	2 663 590 742	3 742 457 823
	8 717 494 143	7 882 605 229

The bank accepted trading securities for the period ended in 30 June 2012 of fair value amounted to EGP 2 447 733 224 against comparative date balance amounted to EGP 1 669 822 369 as a commercial loan guarantee.

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

Provision for impairment losses

Movement analysis of the impairment loss provision for loans and advances to customers according to types:

Retail (EGP)

30 June 2012	Credit cards	Personal loans	Debit current account	Total
Balance as of 1/1/2012	2 204 219	47 559 999	226 811	49 991 029
Impairment losses during the period*	2 522 117	8 900 581	969 144	12 391 842
Amounts written off during the period	(2 595 360)	(7 938 469)	--	(10 533 829)
Refundable amounts during the period	499 201	--	--	499 201
Balance as of 30 June 2012	2 630 177	48 522 111	1 195 955	52 348 243

*Note no. (12).

Corporate

	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
Balance as of 1/1/2012	86 927 041	39 579 478	3 734 674	321 594	130 562 787
Impairment losses during the period*	8 231 915	31 033 230	685 821	265 538	40 216 504
Refundable amounts during the period	37 135	--	--	--	37 135
Valuation difference of monetary assets dominated in foreign currencies	6 301	7 758	7 495	--	21 554
Balance as of 30 June 2012	95 202 392	70 620 466	4 427 990	587 132	170 837 980

*Note no. (12).

Retail (EGP)

31 December 2011	Credit cards	Personal loans	Debit current account	Total
Balance as of 1/1/2011	8 154 501	37 786 398	--	45 940 899
Impairment charges during the year	1 694 103	9 788 657	226 811	11 709 571
Amounts written off during the year	(7 644 385)	(15 056)	--	(7 659 441)
Balance as of 31 December 2011	2 204 219	47 559 999	226 811	49 991 029

*Note no. (12).

Corporate

31 December 2011 (EGP)	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
Balance as of 1/1/2011	70 293 903	6 448 466	2 298 737	299 400	79 340 506
Impairment charges during the year	41 859 342	33 131 012	1 435 937	22 194	76 448 485
Amounts written off during the year	(25 226 204)	--	--	--	(25 226 204)
Balance as of 31 December 2011	86 927 041	39 579 478	3 734 674	321 594	130 562 787

20 - Financial derivatives instruments

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

- The forward currency contracts represent commitments to buy foreign and local currencies, including unexecuted spot transactions. Foreign currency and /or interest rates future contracts are contractual obligations to receive or pay net amount based on the change in foreign exchange or interest rates, and/or buy or sell foreign currency or financial instrument in a future date at a contractual determined price in an active financial market. The bank's credit risk is considered minimal, forward interest rate contracts represent future interest rate contracts negotiated on case by case, these contracts require monetary settlements in a future date of the difference between agreed interest rates and prevailing market interest rate based on agreed contractual amount (nominal value).

- Currency and/or interest rate swaps represent commitments to exchange cash flows. As a result of these contracts, currencies or interest rates (e.g.; fixed rate versus variable rate) or both (interest rate and currency swaps) are exchanged. Contractual amounts are not actually exchanged except for some currency swaps.

  Credit risks are represented in the contingent cost to change swap contracts in case the counter parties failed to perform their commitments. This risk is continuously monitored through comparisons of fair value and with percentage of contractual amount, and to monitor the existing credit risk, the bank evaluates counter parties using the same methods used in lending activities.

- Foreign currency options and/or interest rates options represent contractual agreements whereby the seller (issuer) gives the buyer (holders) a right not an obligations , to buy (call option) or to sell (put option) on a certain day or within a certain period , a certain amount of foreign currency or financial instrument at a predetermined price . The seller receives commissions in compensation for his acceptance of the foreign currency risk or interest rate risk. Options contracts are either traded in the market or negotiated between the bank and one of its clients (over- the counter). The bank is exposed to credit risk for purchased options contracts only and to extent of its carrying values which represent its fair value.

- The contractual value of some financial instruments are considered a base to compare with the recognized financial instruments on the balance sheet, however it does not necessarily provide an indicator for future cash flows or the fair value of the instruments, thus, those amounts doesn't reflect the credit risk or interest rate risk.

  Financial derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) as a result of changes in foreign exchange rates or interest rates related to these financial derivatives. Contractual /estimated amounts of financial derivatives can fluctuate from time to time, as well as, the range through which financial derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) and the total fair value of the financial assets and liabilities from derivative. The following are the fair values of the financial derivatives on hand:

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

30 June 2012	Contractual amount/ nominal value EGP	Fair Values Assets EGP	Liabilities EGP
A- Derivatives held for trading			
Foreign currency derivatives			
Currency forward contracts	234 150 466	1 490 887	5 199 717
Total derivatives (over- the counter)	234 150 466	1 490 887	5 199 717
Total assets (liabilities) of derivatives held for	234 150 466	1 490 887	5 199 717
trading	234 150 466	1 490 887	5 199 717
Current balances			

31 December 2011	Contractual amount/ nominal value EGP	Fair Values Assets EGP	Liabilities EGP
A- Derivatives held for trading			
Foreign currency derivatives			
Currency forward contracts	143 526 166	2 084 001	3 326 050
Total derivatives (over- the counter)	143 526 166	2 084 001	3 326 050
Total assets (liabilities) of derivatives held for	143 526 166	2 084 001	3 326 050
trading	143 526 166	2 084 001	3 326 050
Current balances			

21 - Financial investments

	30 June 2012 EGP	31 December 2011 EGP
Available for sale investments		
Debt instruments- fair value:		
- Listed	1 536 731 558	786 901 785
- Unlisted	2 560 635	2 434 886
Equity instruments- fair value:		
- Listed	1 298 000	935 000
- Unlisted	1 869 390	921 709
Total available for sale investments (1)	1 542 459 583	791 193 380
Held to maturity investments		
Debt instruments at amortized cost:		
- Listed	92 374 967	90 015 379
- Unlisted	5 000 000	5 000 000
Total held to maturity investments (2)	97 374 967	95 015 379
Total financial investments (1+2)	1 639 834 550	886 208 759
Current balances	180 479 288	268 562 554
Non-current balances	1 459 355 262	617 646 205
	1 639 834 550	886 208 759
Fixed inertest debt instruments	1 629 106 525	876 917 164
Variable interest debt instruments	7 560 636	7 434 886
	1 636 667 161	884 352 050

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

(EGP)

	Available for sale investments	Held to maturity investments	Total
Balance as of 1/1/2012	791 193 381	95 015 379	886 208 760
Additions	1 783 817 761	--	1 783 817 761
Disposals (sale / redemption)	(1 038 610 126)	--	(1 038 610 126)
Valuation difference of monetary assets dominated in foreign currencies	1 182 358	--	1 182 358
Gain from change in Fair Market Value (note. 32-d)	5 997 115	--	5 997 115
Amortization	(1 120 906)	2 359 588	1 238 682
Balance as of 30/6/2012	1542 459 583	97 374 967	1 639 834 550
Balance as of 1/1/2011	463 216 275	90 737 117	553 953 392
Additions	722 831 764	--	722 831 764
Disposals (sale / redemption)	(378 156 452)	--	(378 156 452)
Valuation difference of monetary assets dominated in foreign currencies	(2 011 587)	--	(2 011 587)
Gain from change in Fair Market Value (note. 32-d)	(13 502 906)	--	(13 502 906)
Deduct: Provision of impairment losses	(1 183 714)	--	(1 183 714)
Amortization	--	4 278 262	4 278 262
Balance as of 31/12/2011	791 193 380	95 015 379	886 208 759

Profits of financial investments

	For the period from 1/4/2012 to 30/6/2012 EGP	For the period from 1/1/2012 to 30/6/2012 EGP	For the period from 1/4/2011 to 30/6/2011 EGP	For the period from 1/1/2011 to 30/6/2011 EGP
Profits/(losses) from sale financial assets available for sale (note. 32-d)	2 761 959	3 418 877	--	(135 621)
Profit from sale of treasury bills	2 035 435	4 089 429	588 204	1 272 248
	4 797 394	7 508 306	588 204	1 136 627

22 - Intangible assets

	June 2012 EGP	31 December 2011 EGP
- Computer software		
Net book value at beginning of the year	4 403 470	5 396 852
Additions	2 553 556	2 747 333
Accumulated amortization	(1 377 926)	(3 740 715)
	5 579 100	4 403 470

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

23 - Other assets

	30 June 2012 EGP	31 December 2011 EGP
Accrued revenues	129 083 889	76 839 440
Prepaid expenses	21 516 061	20 824 210
Down payment to purchase fixed assets	131 574 179	100 946 597
Assets reverted to the bank in settlement of debts	2 875 600	2 875 600
Security deposits and custody	1 968 461	1 992 630
Other	19 822 295	18 347 024
	306 840 485	221 825 501

24 - Fixed Assets

	Land and Buildings EGP	Leasehold Improvement EGP	Machines and Equipments EGP	Other EGP	Total EGP
Balance as of 1/1/2011					
Cost	180 415 089	29 686 978	24 488 895	98 321 918	332 912 880
Accumulated depreciation	(12 108 000)	(5 443 793)	(9 262 468)	(36 626 260)	(63 440 521)
Net book value as of 1/1/2011	168 307 089	24 243 185	15 226 427	61 695 658	269 472 359
Additions during the year	2 116 841	--	2 649 868	14 762 751	19 529 460
Disposals during the year	--	(340 536)	(35 877)	(593 301)	(969 714)
Adjustments during the year	--	--	--	(5 712)	(5 712)
Depreciation during the year	(4 540 357)	(2 947 610)	(3 622 295)	(16 138 999)	(27 249 261)
Accumulated depreciation for disposals during the year	--	137 981	14 650	403 357	555 988
Net book value as of 31/12/2011	165 883 573	21 093 020	14 232 773	60 123 754	261 333 120
Balance as of 1/1/2012					
Cost	182 531 930	29 346 442	27 102 886	112 485 656	351 466 914
Accumulated depreciation	(16 648 357)	(8 253 422)	(12 870 113)	(52 361 902)	(90 133 794)
Net book value as of 1/1/2012	165 883 573	21 093 020	14 232 773	60 123 754	261 333 120
Additions during the period	--	--	4 079 384	4 904 884	8 984 268
Disposals during the period	--	(776 150)	--	(5 382)	(781 532)
Adjustments during the period	--	--	--	(15 779)	(15 779)
Depreciation during the period	(2 270 036)	(1 428 514)	(2 007 574)	(7 551 348)	(13 257 472)
Accumulated depreciation for disposals during the period	--	213 437	--	1 968	215 405
Net book value as of 30/6/2012	163 613 537	19 101 793	16 304 583	57 458 097	256 478 010
Balance as of 30/6/2012					
Cost	182 531 930	28 570 292	31 182 270	117 369 379	359 653 871
Accumulated depreciation	(18 918 393)	(9 468 499)	(14 877 687)	(59 911 282)	(103 175 861)
Net book value	163 613 537	19 101 793	16 304 583	57 458 097	256 478 010

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

- Fixed assets (after depreciation) include assets that are not registered yet in the name of the bank amounting EGP 99 Million at the balance sheet date, legal procedures are currently undertaken to register those assets.

25 – Balances due to banks

	30 June 2012 EGP	31 December 2011 EGP
Current accounts	36 691 774	67 625 884
Deposits	28 194 300	307 173 998
	64 886 074	374 799 882
Local banks	11 277 720	--
Foreign banks	53 608 354	374 799 882
	64 886 074	374 799 882
Interest free balances	36 691 774	67 625 884
Fixed interest balances	28 194 300	307 173 998
	64 886 074	374 799 882
Current balances	64 886 074	374 799 882

26 - Customers' deposits

	30 June 2012 EGP	31 December 2011 EGP
Demand deposits	2 268 638 814	2 142 407 085
Time deposits and call accounts	9 121 940 678	10 194 794 857
Certificates of deposit	2 883 147 000	2 666 030 000
Savings deposits	428 330 286	398 767 163
Other deposits	275 549 917	295 041 292
	14 977 606 695	15 697 040 397
Corporate deposits	9 924 498 115	10 973 951 876
Individual deposits	5 053 108 580	4 723 088 521
	14 977 606 695	15 697 040 397
Interest free balances	1 323 723 213	2 501 263 205
Variable interest balances	1 825 132 334	1 599 400 365
Fixed interest balances	11 828 751 148	11 596 376 827
	14 977 606 695	15 697 040 397
Current balances	12 452 693 574	12 159 966 803
Non-current balances	2 524 913 121	3 537 073 594
	14 977 606 695	15 697 040 397

27 - Other Loans

	Interest Rate (%)	30 June 2012 EGP	31 December 2011 EGP
Bank Audi Lebanon (S.A.L) loan for USD 30 millions dated 11 January 2012, due date 10 January 2015	3 month libor + 1 %	181 770 000	--
Non - current balances		181 770 000	--

28 - Other liabilities

	30 June 2012 EGP	31 December 2011 EGP
Accrued interest	101 783 372	111 392 453
Unearned revenue	1 636 257	1 835 656
Accrued expenses	14 414 455	23 336 531
Other credit balances	37 001 255	37 875 032
	154 835 339	174 439 672

29 - Other Provisions

30 June 2012	Provision for probable Claims EGP	Provision for legal cases EGP	Provision for contingent Liabilities** EGP	**Total**
Balance at the beginning of the period	3 823 766	1 378 097	1 560 914	6 762 777
Formed during the period*	2 472 522	35 957	4 096 711	6 605 190
Used during the period	(885 985)	--	--	(885 985)
Provisions no longer required*	--	(21 000)	--	(21 000)
Valuation differences of foreign currencies	--	--	3 136	3 136
Balance at the end of the period	5 410 303	1 393 054	5 660 761	12 464 118

During the current financial period, a provision was formed with the whole expected value, and it is expected to the full usage of this provision during the later periods.

* Note number (11).

** Contingent liabilities provision include EGP 4 213 791 individual provision and EGP 1 446 970 for groups of similar credit characteristics provision.

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

31 December 2011 (after adjustment)

	Note no	Provision for possible claims EGP	Provision for legal cases EGP	Provision for contingent Liabilities **	General provision* EGP	Total EGP
Balance at the beginning of the year		7 713 896	1 365 297	2 952 685	--	12 031 878
Formed during the year		601 235	17 000	--	126 991 334	127 609 569
Used during the year		(4 491 365)	(4 200)	--	--	(4 495 565)
Provision no longer required/ recovery		--	--	(1 391 771)	--	(1 391 771)
Balance at the end of the financial year		3 823 766	1 378 097	1 560 914	126 991 334	133 754 111
Previous years adjustments*	(37)	--	--	--	(126 991 334)	(126 991 334)
Balance at the end of the financial year after adjustment		3 823 766	1 378 097	1 560 914	--	6 762 777

During the current financial year, a provision was formed with the whole expected value, and it is expected to the full usage of this provision during the later periods.

* The bank management has recovered the additional support for the other provisions – General provision – amounted to EGP 126 991 334 that do not represent a current liability but under conservatism to the equity – retained earnings for the period ended 30 June 2012 notes (32-E,37).

** Contingent liabilities provision include EGP 99 704 individual provision and EGP 1 461 210 for collective provision.

30 - Deferred income taxes

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

Deferred tax assets resulting from carried forward tax losses are not recognized unless it is probable that there are future tax profits that can through it utilize the forward carried tax losses.

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

Deferred tax assets and liabilities

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

Deferred tax assets and liabilities balances

	Deferred tax assets		Deferred tax liabilities	
	30 June 2012 EGP	31 December 2011 EGP	30 June 2012 EGP	31 December 2011 EGP
Fixed assets	--	--	(13 481 293)	(7 560 710)
Provisions(other than losses of loans impairment)	3 126 522	1 691 018	--	--
Total tax assets (liabilities)	3 126 522	1 691 018	(13 481 293)	(7 560 710)
Net tax (liabilities)	--	--	(10 354 771)	(5 869 692)

Deferred tax assets and liabilities movements

	Deferred tax assets		Deferred tax liabilities	
	30 June 2012 EGP	31 December 2011 EGP	30 June 2012 EGP	31 December 2011 EGP
Balance at beginning of period/year	1 691 018	1 599 905	(7 560 710)	(27 792 745)
Additions	1 435 504	91 113	(5 920 583)	--
Disposals	--	--	--	20 232 035
Balance at end of period/year	3 126 522	1 691 018	(13 481 293)	(7 560 710)

31 - Paid Up Capital

	Number of shares	Ordinary shares	Total USD
Balance at 31 December 2011	20 000 000	20 000 000	200 000 000
Balance at 30 June 2012	20 000 000	20 000 000	200 000 000

The authorized and issued capital amounted to USD 200 million equivalent to EGP 1 123 437 365 at par value USD 10 and all the issued shares are fully paid.

- According to the board of directors meeting that was held in 30 May 2012, the extraordinary general assembly in 21 June 2012 has approved to increase the authorized and issued capital by USD 35 millions (Thirty five million Dollars) to be the authorized and issued capital USD 235 millions (Two hundred thirty five million Dollars) divided on 23 500 000 shares (Twenty three millions five hundred thousand shares) valued by 10 USD per each.

32 - Reserves and retained earnings

	30 June 2012 EGP	31 December 2011 EGP
Reserves		
Special reserve	81 099 789	81 099 789
General banking risks reserve	63 770 271	32 689 418
Legal reserve	12 825 547	12 800 547
Capital reserve	64 906	64 906
Fair value reserve –investments available for sale	(1 918 834)	(7 915 949)
Total reserves at the end of the financial period/year	155 841 679	118 738 711

Reserves movements are as follows:

A- Special reserve

	30 June 2012 EGP	31 December 2011 EGP
Balance at the beginning of the period/year	81 099 789	77 205 577
Deferred tax's reversal formerly deducted directly in equity*	--	3 894 212
Balance at the end of the period/year	81 099 789	81 099 789

In accordance with Central Bank of Egypt's rules relating to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008, the way of measurement the impairment of loans, facilities, and other debt instruments has been changed, as a result; the general provision for the loans and facilities has been deleted and replaced by total provisions include group of assets that bear credit risk and similar characteristics or individual provisions and the total increase in the current provisions has been posted in first of January 2009 in accordance to using the former basis of evaluation to the provisions as the new method to special reserve in the owners' equity.
The distribution for this provision is prohibited except after obtaining the approval of the Central Bank of Egypt.

* An amount of EGP 3 894 212 represents the reversing of the deferred tax liabilities that was formerly deducted directly from the equity in 31 December 2009 with an amount of EGP 19 301 394 that is related to the contingent liabilities included in the special reserve, and the usage of EGP 15 407 182 has been paid for the tax authority in 12 April 2011.

B- General banking risk reserve

	30 June 2012 EGP	31 December 2011 EGP
Balance at the beginning of the period/year	32 689 418	12 703 730
Transferred from retained earnings	31 080 853	18 343 793
Deferred tax's reversal formerly deducted directly in equity *	--	1 641 895
Balance at the end of the period/year	63 770 271	32 689 418

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

In accordance with Central Bank of Egypt's rules relating to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008.

* An amount of EGP 1 641 895 represents the reversing of the deferred tax liabilities that was formerly deducted directly from the equity in 31 December 2009 with an amount of EGP 3 175 933 that is related to the contingent liabilities included in the special reserve, and the usage of EGP 1 534 038 has been paid for the tax authority in 12 April 2011.

C- Legal Reserve

	30 June 2012 EGP	31 December 2011 EGP
Balance at the beginning of the period/year	12 800 547	4 069 858
Transferred from period/year's profits	25 000	8 730 689
Balance at the end of the period/year	12 825 547	12 800 547

According to the local laws, 5% of the net annual profits is retained for reserve not distributed to reach to 50% from the issued capital.

D- Fair Value reserve –investments available for sale

	30 June 2012 EGP	31 December 2011 EGP
Balance at the beginning of the period/year	(7 915 949)	5 586 957
Net profits/(losses) of change in fair value (note 21)	9 415 992	(12 268 922)
Net transferred (profits) to income statement as a result of disposal (note 21)	(3 418 877)	(1 233 984)
Balance at the end of the period/year	(1 918 834)	(7 915 949)

This reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt.

E- Retained Earnings

	30 June 2012 EGP	31 December 2011 EGP
Movement on retained earnings		
Balance at the beginning of the period/year	260 218 283	174 613 775
Net profit for the period/year	102 897 759	500 000
Transferred to capital reserve	--	(64 906)
Staff share for previous year's profits	--	(14 747 438)
Transferred to general banking risks reserve	(31 080 853)	(18 343 793)
Transferred to legal reserve	(25 000)	(8 730 689)
Balance at the end of the period/year	332 010 189	133 226 949
Adjustments note no.(29,37)	--	126 991 334
Balance at the end of the period/year (after adjustment)	332 010 189	260 218 283

33- Cash and cash equivalents

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

Bank Audi sae

Notes to the Financial Statements
For the period ended 30 June 2012

	30 June 2012 EGP	31 December 2011 EGP
Cash and due from Central Bank of Egypt (included in note. 15)	129 245 908	92 782 824
Due from banks (included in note. 16)	38 014 369	131 272 988
Treasury bills and other governmental notes (included in note. 17)	50 000	46 975 000
	167 310 277	271 030 812

34 - Commitment and contingent liabilities

A- Legal claims

There are lawsuits filed against the bank as of 30 June 2012 and provision amounted to EGP 1 393 054 has been formed for these lawsuits.

B- Capital Commitment

The bank's total capital commitments amounted to EGP 13.1 million as of 30 June 2012 against EGP 21.9 millions comparative represented in purchasing fixed assets and the management is confident that net profit will be recognized, will be used to pay these commitments.

C- Commitments for loans guarantees and facilities *

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

	30 June 2012 EGP	31 December 2011 EGP
Commitments for loans and other irrevocable liabilities related to credit	397 989 983	473 119 395
Accepted papers	92 972 679	163 689 224
Letters of guarantee	1 349 375 759	1 425 330 287
Letter of credit-import	130 524 419	166 764 853
Letter of credit-export	26 698 303	13 014 540
	1 997 561 143	2 241 918 299

*Accounting policy number (3-a/5)

35- Related party transactions

The bank is a subsidiary of parent Audi (S.A.L) Serdar Group (Lebanon) which owns 99.99998% of ordinary shares. The remaining percentage (0.00002%) is owned by other shareholders.

Related parties transactions and balances at the end of the financial period ended at 30 June 2012 are as follows:

A- Loans and advances to related parties

	Parent	
	30 June 2012 EGP	31 December 2011 EGP
Existing loans at the beginning of the period/year	--	290 245 000
Collected loans during the period	181 251 000	--
Currency evaluation differences	519 000	11 350 000
Loans paid	--	(301 595 000)
Existing loans at the end of the period/year	181 770 000	--

- Loans granted from parent company are non secured, with variable interest rate as they are recoverable at the end of contract.

B- Loans and facilities to related parties

	Top management members and close family members	
	30 June 2012 EGP	31 December 2011 EGP
Existing loans at the beginning of the period/year	13 097	10 121
Issued loans during the period/year	14 166	12 675
Collected loans during the period/year	(13 057)	(9 699)
Existing loans at the end of the period/year	14 206	13 097

C- Deposits from related parties

	Top management members		Other related parties	
	30 June 2012 EGP(000)	31 December 2011 EGP(000)	30 June 2012 EGP(000)	31 December 2011 EGP(000)
Due to customers				
Deposits at the beginning of the period/year	10 307	3 309	44 135	2 946
Deposits tied during the period/year	49 430	184 697	250 687	361 309
Deposits redeemed during the period/year	(51 686)	(177 700)	(245 430)	(320 120)
Deposits at the end of the period/year	8 051	10 306	49 392	44 135
Deposits cost and similar costs	292	505	628	1 390

The preceding deposits are unsecured, with variable interest rate and recoverable on call.

Bank Audi sae
Notes to the Financial Statements
For the period ended 30 June 2012

D- Other related party transactions

	Other Parties	
	30 June 2012 EGP (000)	31 December 2011 EGP (000)
Due from banks	85 660	130 211
Due to banks	7 179	309 188
Letter of guarantees	186 295	70 821
Letter of credit-export	12 043	10 431
Letter of credit-import	17 685	--
Paid accepted papers	25 509	--

E- Board of Directors (non-executives) and top management benefits

	30 June 2012 EGP	31 December 2011 EGP
Salaries and short-term benefits	780 000	544 000
	780 000	544 000

F- The monthly average for the total net annual income received by the twenty employees with the highest salaries and remunerations at the bank is amounted to EGP 2 119 568 for the financial period ended 30 June 2012.

36 Bank Audi Monetary Mutual fund in EGP (with Accumulated Daily Interest)
The mutual fund is an activity authorized for the bank by virtue of Capital Market law no.95 for the year 1992 and its executive regulation. The fund is managed by E.F.G- Hermes for fund management .The certificates of the fund reached 10 million certificates with an amount of EGP 100 million of which 500 thousands certificates (with nominal value of EGP 5 million) were allocated to the bank to undertake the funds' activity.

The bank holds as at 30 June 2012 a number of 500 thousands certificates of total amount of EGP 5 million and with a redeemable value amounted to EGP 6 401 590.

The redeemable value of the certificate amounted to EGP 12.80318 as at 30 June 2012 and the outstanding certificates at that date reached 12 802 523 certificate.

According to the fund's management contract and its prospectus, Bank Audi (S.A.E) shall obtain fee and commission for supervision on the fund and other managerial services rendered by the bank. Total commission amounted to EGP 388 006 for the period ended 30 June 2012 under the item of fees and commission income/other fees caption in the income statement.

37- Previous years' adjustments

The additional provisions formed at the end of the financial year ended in 31 December 2011 have been recovered as an adjustment for the balance of retained earnings at the beginning of the financial period as follows:

	Balance as of 31 December 2011 before adjustment EGP	The adjustment value EGP	Balance as of 31 Dec. 2011 after adjustment EGP
Other provisions-General provision	133 754 111	(126 991 334)	6 762 777
Retained earnings	133 226 949	126 991 334	260 218 283

B. Balance Sheet & Income Statement as at 31 December 2011

Balance Sheet

	31 December 2010 EGP	31 December 2011 EGP	31 December 2011 EGP(Amended)	Change
Assets				
Cash and balances with Central Bank of Egypt	1,333,283,672	1,031,606,838	1,031,606,838	-
Due from banks	4,260,846,175	2,831,843,033	2,831,843,033	-
Treasury bills and other governmental notes	1,880,770,541	4,639,894,188	4,639,894,188	-
Loans and facilities to banks	92,256,749	33,699,054	33,699,054	-
Loans and facilities to customers	7,110,624,516	7,882,605,229	7,882,605,229	-
Financial derivatives	421,697	2,084,001	2,084,001	-
Financial investments:				-
Available for sale	463,216,275	791,193,380	791,193,380	-
Held to maturity	90,737,117	95,015,379	95,015,379	-
Intangible assets	5,396,852	4,403,470	4,403,470	-
Other assets	170,000,905	221,825,501	221,825,501	-
Fixed assets	269,472,359	261,333,120	261,333,120	-
Total Assets	**15,677,026,858**	**17,795,503,193**	**17,795,503,193**	-
				-
Liabilities and Equity				
Liabilities				
Due to banks	73,620,022	374,799,882	374,799,882	-
Customers' deposits	13,715,296,503	15,697,040,397	15,697,040,397	-
Financial derivatives	636,646	3,326,050	3,326,050	-
Other loans	290,245,500			-
Other Liabilities	156,211,300	174,439,672	174,439,672	-
Other provisions	12,031,878	133,754,111	6,762,777	(126,991,334)*
Current income tax liability	5,567,842	30,870,364	30,870,364	-
Deferred tax liability	26,192,840	5,869,692	5,869,692	-
Total liabilities	14,279,802,031	16,420,100,168	16,293,108,834	(126,991,334)*
Equity				
Paid up capital	1,123,437,365	1,123,437,365	1,123,437,365	-
Reserves	99,173,687	118,738,711	118,738,711	-
Retained earnings	174,613,775	133,226,949	260,218,283	126,991,334 *
Total equity	1,397,224,827	1,375,403,025	1,502,394,359	126,991,334 *
Total liabilities and Equity	**15,677,026,858**	**17,795,503,193**	**17,795,503,193**	-

* This amount represents an additional provisions that have been created in 2011 although all required provisions have been already created as per CBE regulations and Auditors requirements.

Income Statement

	For the ended 31 December 2010 EGP	For the ended 31 December 2011 EGP	For the ended 31 December 2011 EGP(Amended)	Change
Interest income on loans and similar income	995,487,433	1,231,229,752	1,231,229,752	-
Interest expense on deposits and similar expense	(654,410,607)	(799,405,126)	(799,405,126)	-
Net interest income	341,076,826	431,824,626	431,824,626	-
Fees and commissions income	114,915,045	116,675,893	116,675,893	-
Fees and commissions expense	(4,175,996)	(5,798,798)	(5,798,798)	-
Net income from fees and commissions	110,739,049	110,877,095	110,877,095	-
Dividends income	118,380	96,607	96,607	-
Net trading income	906,194	292,392	292,392	-
Gains from financial investments	11,780,878	4,690,287	4,690,287	-
Impairment charges on credit losses	(9,031,204)	(88,158,056)	(88,158,056)	-
Administrative expenses	(462,234,801)	(276,617,514)	(276,617,514)	-
Other operating income	20,166,552	22,174,321	22,174,321	-
Other provisions charges	(4,857,807)	(126,217,798)	773,536	126,991,334*
Net profit before income taxes	224,664,067	78,961,960	205,953,294	126,991,334
Income tax expenses	(50.050,292)	(78,461,960)	(78,461,960)	-
Net profit for the year	174,613,775	500,000	127,491,334	126,991,443
Earing per share (pound/share)	8.00	0.03	6.37	

*This amount has been amended in 30 / 6 / 2012 financial statements comparative balance sheet figures.
This amount will appear in an edited financial statements figures in 31 / 12 / 2011 financial statements where the comparative income statement is going to be 31 / 12 / 2011.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5. Our People

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Deputy Chairman & Managing Director

Mr. Yehia Kamel
Deputy Managing Director

Mr. Mohamed Bedeir
Chief Financial Officer

Mr. Afdal Naguib
Chief Risk Officer

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Head of Human Resources

Mr. Hesham Mabrouk
Head of Information Technology

Ms. Heba Gaballa
Head of Communications

Mrs. Samar Hobeika
Marketing Research

Mr. Mohamed Shalaby
Project Management Office

Mr. Ali Amer
Compliance Officer

Mr. Ahmed M. Fouad
Head of Corporate Information Security and Business Continuity

Mrs. Rana Mostafa
Head of Quality Assurance


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6. Branches' Network & ATMs locations

by Governorate

Branches' Network locations by Governorate

Giza Governorate

Branch Name	**Dokki Branch - Main**
Address	104 El Nile Street, Dokki
Tel #	(20-2) 37490014
Fax #	(20-2) 37483818
Branch Name	**Mosaddak Islamic Branch**
Address	56 Mosaddak Street, Dokki
Tel #	(20-2) 37603477
Fax #	(20-2) 37480242
Branch Name	**Lebanon Branch**
Address	60 Lebanon Street (Lebanon Tower); Lebanon Square; Mohandessin
Tel #	(2-02) 33026462
Fax #	(2-02) 33026454
Branch Name	**El-Batal Ahmed Abdel-Aziz Branch**
Address	44 El-Batal Ahmed Abdel-Aziz Street, Mohandessin.
Tel #	(20-2) 37480868
Fax #	(20-2) 37480599
Branch Name	**Tahrir Street Branch**
Address	94 Tahrir Street, Dokki.
Tel #	(20-2) 37486118
Fax #	(20-2) 37486310
Branch Name	**Sixth of October Branch**
Address	Plot # 2/23 - Central District, Six of October City
Tel #	(2-02) 38353790
Fax #	(20-2) 38353780
Branch Name	**Pyramids Heights Branch**
Address	Pyramids Heights Office Park, Km 22 Cairo-Alexandria Desert Road
Tel #	(20-2) 35362052
Fax #	(20-2) 35362053

Cairo Governorate

Branch Name	**Makram Ebeid Branch**
Address	1 Makram Ebeid Street., Nasr City.
Tel #	(20-2) 22731462
Fax #	(20-2) 22726755
Branch Name	**Beirut Branch**
Address	54 Demeshk Street., Heliopolis.
Tel #	(20-2) 24508655
Fax #	(20-2) 24508653

Branch Name	**Shoubra Branch**
Address	128 Shoubra Street, Shoubra.
Tel #	(20-2) 22075788
Fax #	(20-2) 22075779
Branch Name	**Masaken Sheraton Branch**
Address	11 Khaled Ebn El Waleed Street; Masaken Sheraton. Heliopolis.
Tel #	(20-2) 22683371
Fax #	(20-2) 22683433
Branch Name	**Nady El Shams Branch**
Address	17 Abdel Hamid Badawy Street., Heliopolis.
Tel #	(20-2) 26210941
Fax #	(20-2) 26210945
Branch Name	**Mokattam Branch**
Address	Plot # 6034; Street 9; Mokkattam.
Tel #	(20-2) 25056927
Fax #	(20-2) 25057566
Branch Name	**Abbassia Branch**
Address	109 Abbassia street, Abbassia
Tel #	(20-2) 24871906
Fax #	(20-2) 24871947
Branch Name	**El-Obour City Branch**
Address	Golf City , Obour City , Shops 43,44,45
Tel #	(20-2) 46104323
Fax #	(20-2) 46104324
Branch Name	**El-Manial Branch**
Address	90 El Manial street, El Manial.
Tel #	(20-2) 23630080
Fax #	(20-2) 23630099
Branch Name	**Triumph Branch**
Address	No. 8 , plot 740 , Othman Ibn Affan St. and Mohamed Adly Kafafi, Heliopolis.
Tel #	(20-2) 22404055
Fax #	(20-2) 26424900
Branch Name	**Abd El-Khalek Tharwat Branch**
Address	42 Abdel Khalek Tharwat Street.
Tel #	(20-2) 23904685
Fax #	(20-2) 23904162
Branch Name	**Garden City Branch**
Address	1 Aisha El-Taymorya Street, Garden City
Tel #	(20-2) 27928979
Fax #	(20-2) 27928977

Branch Name	**Salah Salem Branch**
Address	Bldg. 15 Salah Salem St. Heliopolis.
Tel #	(20-2) 22607298
Fax #	(20-2) 22607168

Branch Name	**Degla Branch - Maadi**
Address	1-B 256 Street; Degla.
Tel #	(20-2) 25195238
Fax #	(20-2) 25162017

Alexandria Governorate

Branch Name	**Smouha Branch**
Address	35(Repeated) Victor Emmanuel Square.
Tel #	(20-3) 4245888
Fax #	(20-3) 4244510

Branch Name	**El Sultan Hussein Branch**
Address	33 El Sultan Hussein Street.
Tel #	(20-3) 4869249
Fax #	(20-3) 4877198

Branch Name	**Miami Branch**
Address	Street # 4 , 489 - Montazah division
Tel #	(20-3) 5505210
Fax #	(20-3) 5505136

Branch Name	**Gleem Branch**
Address	1 Mostafa Fahmy Street, Gleem.
Tel #	(20-3) 58 255 86
Fax #	(20-3) 5825867

ATMs Network locations by Governorate

ATM Name	Address
	Giza Governorate
Mosaddak Islamic Branch	56 Mossadak Street, Dokki,
Dokki Main Branch	104 El Nile Street, Dokki,
On the Run – Dokki	50 El-Giza street, in front of Sheraton Al-Qahera , Dokki
Lebanon Branch 1	60 Lebanon Street, Lebanon Square, Mohandessin,
Lebanon Branch 2	60 Lebanon Street, Lebanon Square, Mohandessin,
Samcrete - El-Haram	8 El Mansouria Road, El Haram, next to Koki Park
El-Batal Branch	44 El-Batal Ahmed Abdel-Aziz Street, Mohandessin,
KODAK EL-HARAM	23 Abu Al Hawl square, Haram - Giza
On the Run – Gameat El-Dowal	63 Gameet EL Dowal El Arabie, Mohandessin.
On the Run – Manial	59 El Manial Street.
Exxon Mobil - El-Manial	59 El-Manial st.
Exxon Mobil - El-Zaeem	Haram St. Beside Zaeem Theater
6 of October	Plot # 2/23 - Central District - 6th of October City
Sheraton Dreamland	Sheraton Dream Land 6th of October City
Hyper One	Hyper one mall - Sheikh Zaid - 6th of October City
Pyramids Heights - 1	Pyramids Heights Office Park, Km 22 Cairo-Alexandria Desert Road
Pyramids Heights - 2	Pyramids Heights Office Park, Km 22 Cairo-Alexandria Desert Road
Union Air 1	6 Oct 3rd Industrial Zone - Piece no. 609
Union Air 2	6 Oct 3rd Industrial Zone - Piece no. 609
Hazem Hassan Co.	Km 22 Cairo-Alex Desert Road , Pyramids Heights office park
Saudi Market 6th of October	Saudi Market, El-Shiekh zayed, 6th of October City.
	Cairo Governorate
Al Ahram Newspaper	Al Galaa Street, Al Ahram Building, Down Town.
Mokatam Branch	Plot # 6034, Street 9, Mokattam,
Wadi Degla Club	Zahra El Maadi, Wadi Degla Club

Makram Eibad Branch	1 Makram Ebeid Street, Nasr City,
Exxon Mobil- El Zohour	Exxon Mobil - Al-Zohour, infront of El Zohour Club Nasr City
Khair Zaman Market - Nasr City	Plot # 14 Block # 6 , District 11 , Nasr City
On the Run – JW Marriot	JW Marriot – Katamaia
Exxon Mobil - El-Tagemoe El-Khames	Exxon Mobil - El-Tagemoe El-Khames -Behind Mogamee Al Mahakem Al Gedida - New Cairo
Beirut Branch	54 Demeshk Street, Heliopolis.
On the Run – Roxy	72 EL-Khalifa Ma'amoun - Helioplis
Khair Zaman Market - Hegaz	El-Hegaz Street , Merriland , Heliopolis
Shoubra Branch	128 Shoubra Street, Shoubra,
Shams Club Branch	17 Abdel Hamid Badawy Street, Heliopolis,
Masaken Sheraton Branch	11 Khaled Ibn El-Waleed Street, Masaken Sheraton,
On the Run – EL-Rehab	El-Rehab City - Entrance No. 13
Erosport Company	Salah Salem St. , airport road behind ministry of aviation
Exxon Mobil - Autostrade Nasr City - FBI	Exxon Mobil - FBI -Autostade road
El Tahrir Branch	94 Tahrir street, Dokki,
Abbasia Branch	109 Abbassia Street,
El-Sawameh (off site)	1 El-Sawah Square , Saraya El-Kouba
El-Obour City Branch	Golf City , Obour City , Shops 43,44,45
Exxon Mobil - Gesr El Suez	Exxon Mobil - Gesr El Suze 19, start of Cairo Ismailia Road, Cairo, facing El Herafeen
Triumph Branch	Intersection of Othman Ibn Affan St. end Mohamed Adly Kafafi, Heliopolis
On the Run – Mobil El-Nozha	66 El Nozha Street, Almaza,
Tharwat Branch	42 Abd El Khalek Sarwat Street
Salah Salem Branch	15 Salah Salem Street
City Stars	City Stars Mall Gate 1 After security entrance
Garden City	1 Aisha El-Taymoria Street, Garden City .
Maadi Branch	1-B, 256 Street, Degla, Maadi.
Exxon Mobil - El-Bassatine- Maadi	Intersection Palestine Street with Gazayer Street New Maadi

Alexandria Governorate

El Sultan Hussein Branch	33 El Sultan Hussein Street.
City Center Alexandria	City Center Alex -Gate 3 After securtity entrance on the right
Samouha Branch	35 Victor Emmanuel Square, Smouha.
Mobil - Merghem	14 May infornt of Alex Medical Center - Smouha
Metro Market - Loran	25 , 27 Ser Henk Basha , Loran
Miami Branch	4 st, 489 - Montazah division.
Gleem Branch	1 Mostafa Fahmy St. , Gleem.

Daqahlia Governorate

El-Mansoura Branch	26 Saad Zaghloul St. Toreil.
Khair Zaman Market - Mansoura	Suez Canal Street with El-Shaheed Mahmoud Abdek Maksoud - Borg El-Nour.

Gharbia Governorate

Tanta Branch	Intersection of El-Gueish & El-Nahda Street.

Red Sea Governorate

Gouna	Service Area # Fba-12e, El-Balad District, Gouna, Hurghada
Bustan Mall – El Gouna	Al Bustan Mall, El Gouna, Hurghada.
Sheraton Road	23 Taksim El Hadaba El Shamaleya, 167 Sheraton Road, Hurghada.

South Sinai Governorate

Hadabet Om El-Seed – Sharm El-Sheikh	Plot 28 – Hadabet Om El-sid – , Sharm El Sheikh
Neama Bay Branch – Sharm Branch	207 Rabwet Khaleeg Neama – Sharm Elsheikh

Sharkeya Governorate

El-Nasagoon El Sharkyon - 1	Oriental Weaver Factory (10th of Ramadan)
El-Nasagoon El Sharkyon - 2	Oriental Weaver Factory (10th of Ramadan)

Monofia Governorate

Almatex - Sadat City	Almatex - Sadat City
Egyptian Spinning Company - Sadat	Egyptian Spinning Company - Sadat City.

Daqahlia Governorate

Branch Name	Mansoura Branch
Address	26 Saad Zaghloul St. Toreil.
Tel #	(20-50) 2309781
Fax #	(20-50) 2309782

Gharbia Governorate

Branch Name	Tanta Branch
Address	Intersection of El-Geish Street & El-Nahda Street.
Tel #	(20-40) /3403306
Fax #	(20-40) 3403100

Red Sea Governorate

Branch Name	Gouna Branch
Address	Service Area # Fba-12e; "El Balad" District.
Tel #	(20-65) 3580096
Fax #	(20-65) 3580095

Branch Name	Sheraton Road Branch - Hurghada
Branch Full address	23 Taksim El Hadaba El Shamaleya, 167 Sheraton Road.
Tel #	(20-65) 3452020
Fax #	(20-65) 3452023

South Sinai Governorate

Branch Name	Naema Bay Branch - Sharm El-Sheikh
Address	207 Rabwet Khaleeg Neama, Sharm El- Sheikh.
Tel #	(20-69) 23629935
Fax #	(20-69) 23630033

Tomorrow

Tomorrow might bring further uncertainty to others, but to us there is one fact, one vision that keeps us going…

We will help Egypt become one of the leading economies in the world; a nation we are all proud of despite all the challenges and against all the odds…

…We Vow To Carry The Flag

INSPIRE

Bank Audi

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