Bank Audi sae

2012 Annual Report

366 Days

Dedicated to you

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2012

toourcustomers...

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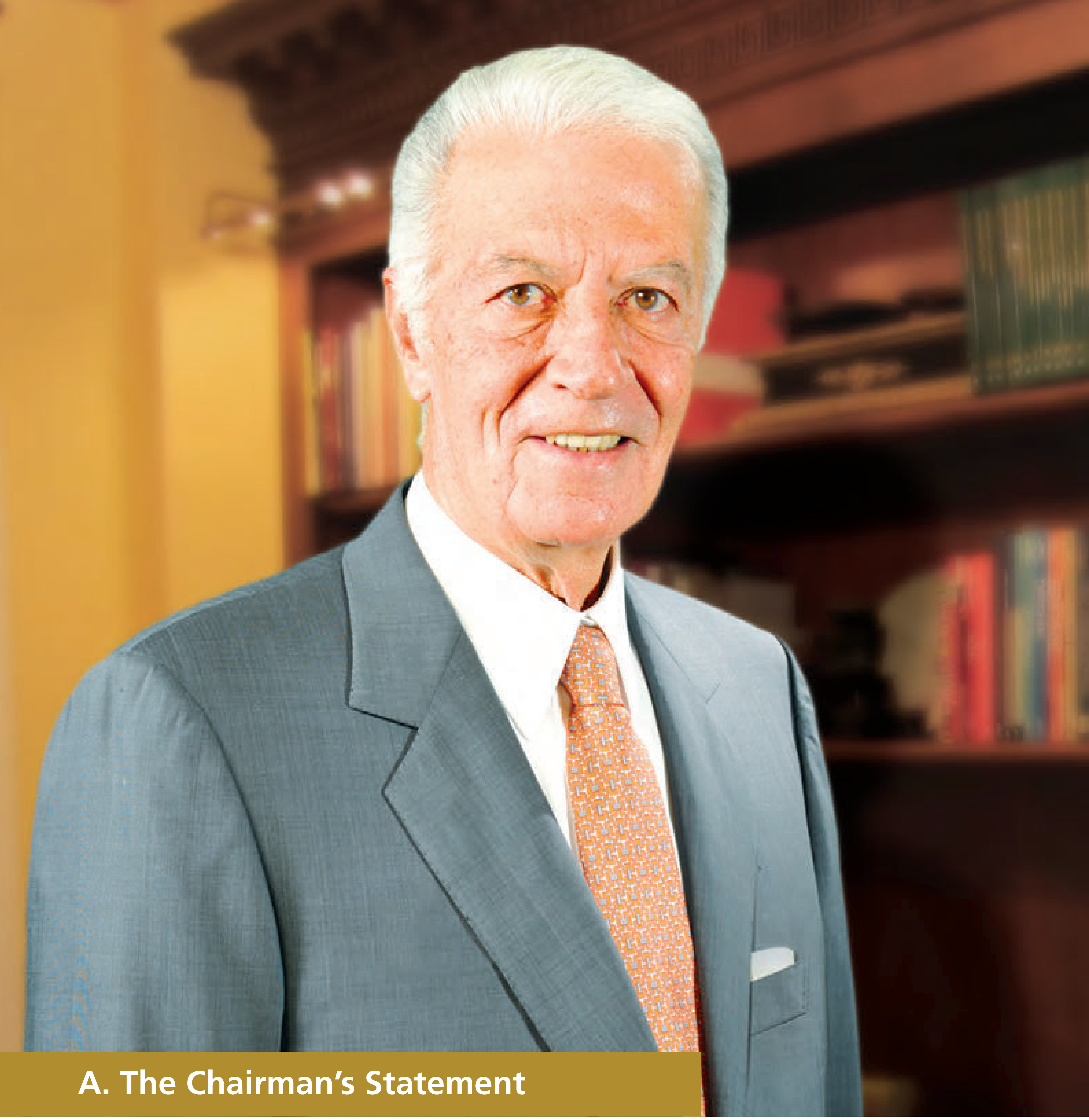
366 Days

Dedicated to you

2012 Overview



A. The Chairman's Statement

I am pleased to report that 2012 witnessed the seventh consecutive year in the growth track record of Bank Audi sae, despite the turbulent economic environment for banking locally, regionally and globally. We have continued to deliver consistent value to our stakeholders and have maintained our strategic vision and objectives. Of primary importance is that our achievements reflect the acknowledgement and loyalty of our increasing customers base to our professionalism and innovation. Our ability to differentiate our product and service offerings in order to provide lasting and relevant banking assistance to our customers, is one of the cornerstones of that success. We strive together with our customers not only to endure but to overcome these challenges of the ever changing and unpredictable environment that persists.

Behind our deepening customer relationships lies mutual trust. From our side, this is upheld by our sound and consistent risk management and corporate governance practices. We also have a stable and proven management team with shared vision and meticulous planning, particularly focused on understanding and further developing our customer segmentation approach. We believe in 'Know Your Customer' as an essential business norm and not simply an external compliance requirement. We try hard to build real and shared affinity with our customers around their respective value chains, which in our view make each company or individual unique and deserving specific attention. In this regard, the traditional channel of using our branches and their skilled staff to reach and serve our customers, remains a key factor in sustaining that understanding. However, while our overall banking and business model has proven resilient in 2012, we never stand still and during 2013 we are actively revisiting our branch model, processes and technology infrastructure to further enhance the customer experience and our services, whilst balancing the risk and cost control prerequisites.

From our stakeholders' perspective, 2012 proved again that the Bank could create assets and earnings growth (respectively 6.1% and 96.9% in 2012), improve its risk coverage, and reinforce its financial standing. Assets rose by EGP 1.1 billion during the year, to reach EGP 18.9 billion at end-December 2012 Customers' deposits grew by 3.2% in 2012, being the equivalent of EGP 521 million, moving up from EGP 15.7 Billion at December 2011. This growth disguises the more important achievement of the changes in granularity and mix of our deposit base towards those being based on broader customer relationships, thus lessening potential volatility risks that might arise primarily due to pricing. Loans grew by 19.2% reaching EGP 9.4 billion at December 2012, with our loan-to-deposit ratio at 57.9%. Recognition of our prudent and proactive lending policies saw portfolio quality improve and provisions reduced. In 2012, we were similary proactive in going through many internal loan portfolio reviews and applying varying stress scenarios. As an outcome, collective impairment reached EGP 71.3 million at December 2012, the equivalent of 0.76% of the net loans portfolio, while loan specific impairment stood at EGP 166.3 million, translating into a coverage of doubtful loans by specific provisions of 83%. In parallel, the gross doubtful loans to gross loans ratio improved, reaching 2.13% at December 2012, while net doubtful loans accounted for a mere 0.36% of gross loans.

To reflect the shareholders' positive view on the Bank's expansion plans and new opportunities, The Board of Directors increased the paid-in capital by USD 35 million in 2012 and in addition, will raise the issued & paid-in capital by a further USD 30 million in 2013. In parallel, the Bank continued to enjoy a sound capital adequacy with a Basel II of around 13.05%, versus the 10% minimum set by the Central Bank of Egypt. Bank Audi sae attained net income of EGP 251million in 2012 and even after removing the positive adjustments for provisions, this reflected a considerable comparable growth versus 2011. Based on such results, the Bank's profitability ratios improved, with return on average assets of 1.37% and the return on average equity amounting to 20.41% over the year. Overall these financial achievements brought Bank Audi sae to rank 7th in terms of total assets among its peers of private sector banks in Egypt.

The most significant developments of the past year, apart from growth in customers, were the re-designing and re-launching of our Islamic Banking activities and the enlargement of our Commercial Business through SME banking and Global Transaction Services (trade, brokerage and cash management services). Similarly, with our Retail Banking, we successfully commenced our professional services to the Affluent sector and a range of well selected Mortgage offerings based on sound risk management, in addition to numerous product/service range initiatives matched to our customer differentiation approach.

Like the Audi-Saradar Group, the Bank believes there will be many opportunities ahead to be shared by itself and its customers. We are increasingly well placed to fulfill our part of this customer relationship partnership, as Bank has the right calibers for such challenge. The management drives and focus that we share the group by being aligned and integrated with its regional expansion strategy balanced with financial soundness and strong risk and corporate governance, will continue to enable the Bank to provide a diverse range of needed and value added services to our customers and other stakeholders in the future.

Finally, it would be amiss if, I did not express my and the Board's gratitude to all our colleagues for their motivation, professionalism and commitment to our values and objectives, even amidst the atypical circumstances surrounding us.

I remain convinced that it will be these colleagues' undiminished desire to provide professional support and innovation for our customer that will continually differentiate Bank Audi sae.

Hatem A. Sadek

B. Bank Audi sae - Strategic Direction & Values

During 2012, Bank Audi continued strengthening its platform to deliver our strategic objectives in line with our Vision, Mission and alignment of Values with 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. The Audi-Saradar Group

Bank Audi sal - Audi Saradar Group (the "Group") is a fully fledged universal 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, Turkey, 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 and Wealth Management 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 has developed capabilities in Investment Banking, Online Brokerage and Insurance business through a number of wholly-owned subsidiaries. It also offers an innovative and differentiated range of electronic banking and cards services.

Finally, the Group's 2012 results confirmed its ability to maintain favorable activity and earnings growth and pursue its expansionary strategy aiming to strengthen its leading positioning in the Near East and Turkey, with Lebanon, Turkey and Egypt becoming the pillars of growth in coming years. Such orientations rest on the Group's solid financial standing and flexibility, making it a distinguished partner in catering to customers' needs in this region through ensuring a wide and diversified array of products and services. In particular, the Group benefits today from the following leaderships:

- A strong franchise in Commercial Banking activities, with a diversified loan portfolio covering top corporates from Lebanon, the MENA region and Turkey. By end -December 2012, Bank Audi sal had a corporate and commercial loan portfolio of USD 7.6 billion, by far the largest among Lebanese banks. Bank Audi sal was able to sustain its lead presence in Project and Structured Finance by extending new loans covering a variety of sectors including fertilizer production, oil and gas, retail and commercial development, construction and contracting, real estate, cement, steel, hotels, airlines, and insurance.
- A strong franchise in Retail Banking, with a wide spectrum of 145 retail products and services covering bancassurance, credit card and internet banking. Retail activity is supported by an 80-branch domestic network, which is the largest in Lebanon and an 82-branch network in the MENA region and Turkey built in four years of average activity. The Retail support to customers reached an average of 4.55 products in Lebanon as at end-December 2012 with market penetration in terms of customers reaching 25%, ranking it first among competitors and supported by the best brand image in the domestic market.
- A leading position in Private Banking, servicing the needs of high net-worth individuals through its subsidiaries. Bank Audi's Private Banking arm is represented by Banque Audi (Suisse) sa (the second largest Arab bank in Switzerland) and Audi Saradar Private Bank sal (the only 100% Private banking subsidiary in Lebanon), along with Bank Audi LLC (Qatar) and Audi Capital (KSA), accounting together for over USD 8.4 billion of assets under management at end-December 2012, which compares competitively with portfolios managed by leading banks in the GCC.
- A leading position in domestic and regional Capital Markets activities, with strong market making activities in Lebanon, Saudi Arabia and Egypt. Over the past year, market-making activities on Lebanese and GCC fixed income instruments strengthened across the Group, reporting a turnover of around USD 10.3 billion in 2012, broken down over USD 2 billion on Lebanese Treasury bills, USD 5.8 billion on Lebanese sovereign bonds, and USD 2.5 billion on GCC fixed income instruments. On the equity front, Bank Audi sal is an active leading intermediary on the Beirut Stock Exchange, with a 34.3% market share in total trading value in 2012.

- Group Consolidated Activity Highlights (at end December 2012):-
  US$ 31.3 billion of assets Growing by 8.9% relative to end-2011
  US$ 26.8 billion of customers' deposits Growing by 8.1% relative to end-2011
  US$ 2.7 billion of shareholders' equity Growing by 13.6% relative to end-2011
  US$ 384 million of net profits for 2012 Growing by 5% relative to 2011


2012 was marked by significant achievements by the Group in Human Resources (HR), crowned by the launching of the "Training Academy", a long-awaited milestone that required extensive planning, research and preparation. The Group's HR continuously strive to enhance and adopt new approaches, methods and practices to maintain and reaffirm its position in the region as an "employer of choice" and a market leader in the HR field. In parallel, Bank Audi sal was selected as the first pilot organisation within the banking sector in Lebanon to implement ISO 26000 Social Responsibility guidelines.

One of the strengths and key differentiators of Bank Audi sae is the ongoing interface, knowledge sharing and coordinated efforts with the rest of the Group, not only across all areas of business and customer activities but also the key support and control functions.

D. Key Financial Highlights

Bank Audi sae is driven by an uncompromising mission to build quality, and to provide superior and consistent services. In 2012, we have once again delivered consistent financial performance as follows:

Amount In EGP Millions

	December							
	2005	2006	2007	2008	2009	2010	2011	2012
Total Assets	314	5,703	8.115	8,707	11,491	15,677	17,796	18,889
Total Loans & Advances	92	1,003	2.501	4,270	4,890	7,203	7,916	9,455
Customer Deposits	284	4,879	6,463	6,700	9,467	13,715	15,697	16,218
Net income before Tax & Provision	(4)	9	(30)	79	167	234	294	538
Net profit	(77)	1.50	(42)	30	107	175	127	251
No. of Branches	3	3	18	27	29	32	30	32
No. of ATMs	3	34	27	57	80	79	72	81

- Total balance sheet recorded EGP 18.9 billion at the end of December 2012 compared to EGP 17.8 billion at the end of December 2011, growing by 6%.
- Customer deposits reached EGP 16.2 billion at the end of December 2012 versus EGP 15.7 billion at the end of December 2011, primarily from increased individual deposits, representing a growth rate of 3.2%.
- Loans & advances were EGP 9.4 billion at the end of December 2012 compared to EGP 7.9 billion at the end of December 2011, with a growth rate of 19%.
- Operating expenses to operating profits acceptable versus peers.

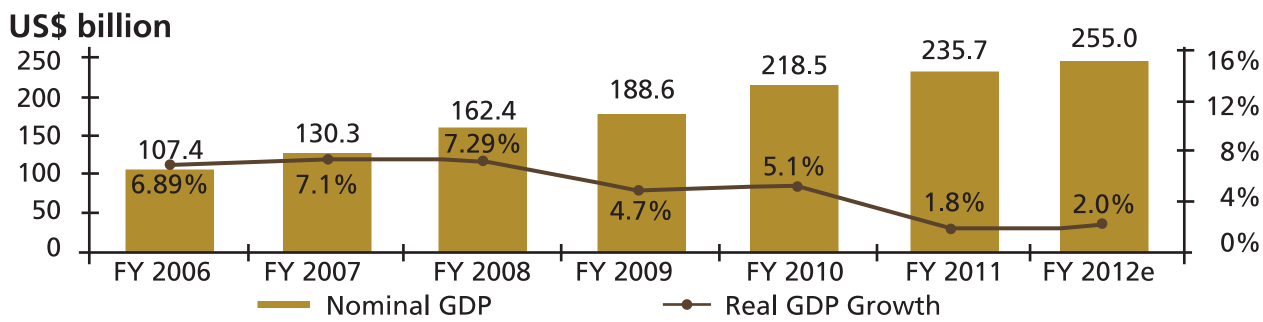
Amount In EGP Millions	December 2011	December 2012	Change Amount	Change %
Balance Sheet				
Assets	17,796	18,889	1,093	6.1%
Customer Deposits	15.697	16.218	521	3.3%
Net Loans	7.916	9.455	1,539	19.4%
Equity	1.502	1.860	358	23.8%
Earning data				
Net increase income	431.82	651.47	219.65	50.9%
+ Non interest income	126.07	162.79	36.72	29.1%
= Total income	557.89	814.26	256.37	46.0%
General operating expenses	263.8	275.90	12.10	4.6%
= Operating profits	294.09	538.36	244.27	83.1%
-Requested LLPs as per credit policy in compliance with IERS	88.2	100.8	12.6	14.3%
-Income tax	78.46	186.46	108.00	137.6%
= Net profit	127.49	251.07	123.58	96.9%

Market Share	December 2005	2006	2007	2008	2009	2010	2011	2012
Total Assets	0.04%	0.67%	0.80%	0.83%	1.00%	1.22%	1.36%	1.31%
Loans	0.03%	0.29%	0.66%	0.99%	1.13%	1.57%	1.62%	1.83%
Customer Deposits	0.05%	0.83%	0.92%	0.87%	1.12%	1.45%	1.60%	1.49%

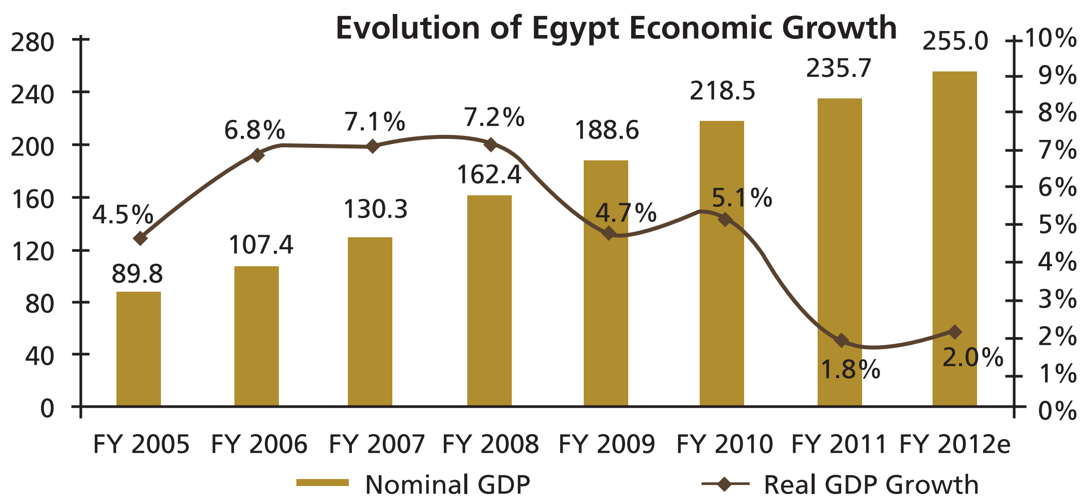
E. The Egyptian economy in 2012

Throughout 2012, the Egyptian economy witnessed a slow recovery from a relatively low base in the previous year. The economy remained pressured by a multitude of economic and social challenges in addition to an acute political divide across the country on key national issues but overall Egypt managed to preserve macroeconomic stability in the period following the revolution. As the local macro environment was slightly better than that seen in 2011, real GDP reported a growth of 2.0% in 2012, following an increase of 1.8% a year earlier. In parallel, Egypt's inflation rate dropped to a single digit rate of 8.7% in 2012, after five years of a double-digit average growth in the consumer price index, as per the IMF.

Cross Domestic Product



Sources: IMF, Bank Audi's Group Research Department



Sources: IMF, Bank Audi's Group Research Department

Domestic consumption showed a considerable extent of resilience, especially on the back of elections-related expenditures and the government's spending on subsidies and wages which provided a support to private demand in 2012. Investment picked up over the year, partly due to positive base effects. The value of implemented investment increased by 3.1% in FY 2012, following a decline of 1.2% in FY 2011. It likewise extended its rising streak by +3.0% in the first quarter of FY 2013. In particular, FDI marked a net inflow of US$ 2.6 billion in the first 9 months of 2012, depicting a relative improvement from a period highlighted by colossal instabilities.

At the sectorial level, manufacturing and tourism showed signs of slow recovery as did the construction sector. The touristic sector actually showed some pick up from its relatively low base in the previous year. In fact, Egypt recorded a 17% increase in the number of tourists in 2012 and revenues generated by the sector were up by 13%, as per figures from the Ministry of Tourism. Economic growth remained somehow anemic with the unemployment rate rising to 12.6% in FY 2012, from about 9%, before the revolution.

Within the context of a slow-moving global economy, Egypt's external growth drivers overall were relatively sluggish and activity within the Suez Canal slowed owing to weaker global demand particularly in the Euro zone. Likewise, Egypt's exports decreased by 3.6% year-on-year in the first nine months of 2012, following an increase of 14.3% a year earlier. This should be seen within the context of weaker demand mainly from the EU coupled with some disruptions on the country's pipelines as well as halting gas exports to some countries.

In parallel, Egypt's financial vulnerabilities rose owing to a decline in international reserves and an increase in the fiscal deficit and domestic Treasury bills rates. International reserves closed 2012 at US$ 15.0 billion, representing a yearly decline of US$ 3.1 billion after the drastic decline of the previous year. Reserves are now running at an equivalent to circa 11% of Egyptian Pound deposits and nearly 4 months of imports, i.e relatively vulnerable levels within the current managed exchange rate regime. To prevent a further deterioration of reserves, the Central Bank adopted new currency measures according to which it started selling USD through FX auctions for banks. It also put a limit of US$ 30,000 per day on corporate cash withdrawals, and US$ 10,000 per day for individual cash withdrawals. Still, the Egyptian Pound traded at its weakest level since eight years closing the year at circa LE 6.36 per US$ 1, compared with nearly LE 6.04 per US$ 1 at the close of the previous year.

Weaker revenue collection and higher public expenditures driven by higher subsidies widened the budget deficit, which reached 11.1% of GDP in FY 2011/2012 driving up Egypt's debt to GDP ratio from 76% to 80% over the period. Reliance on the domestic market to finance the deficit actually contributed to a sharp increase in domestic Treasury bill rates, which peaked at nearly 16% in August before receding. The balance of payments also deteriorated in relative terms owing to portfolio capital outflows in addition to a widening current account deficit within the context of weakening net exports.
At the banking sector level, activity more or less fared well in a relatively cloudy economic environment, bearing witness to its overall resilience. Bank assets increased by 10.2% in local currency terms (4.5% in US$ terms) between end-2011 and end-2012 compared with a mild growth a year earlier. Deposits were up by 10.3% over the same period, against a 14.4%increase in 2011, while loans posted a 3.3% rise within the context of a still struggling economy. The growth in total deposits was driven by the rise of those in local currency that represented almost 79% of the total deposit growth and which increased by 11% between end-2011 and end-2012 while foreign currency deposits went up by 13.7% over the same period. While operating conditions remained tough, banks' net profits underwent a relative recovery as the economy emerged gradually from the wider conflicts it had witnessed in 2011.

366 Days

Dedicated to you

Governance

our Time

366 Days

Dedicated to you

Measuring time by the amount of success it brings to our customers.


Rana M. Mostafa

366 Days

Dedicated to you

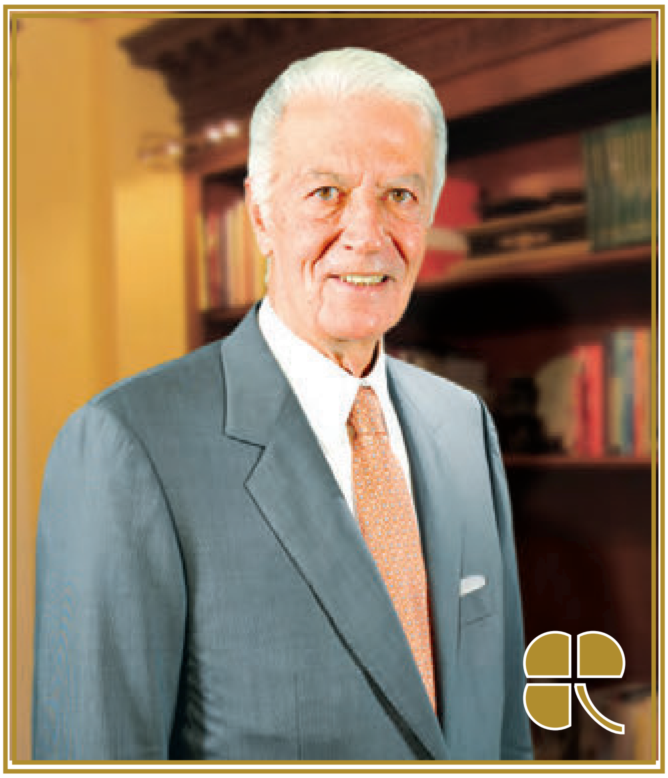
Helping and supporting our customer is a culture we carry with pleasure.

A. Board of Directors

Members	Status	Executive Committee
Mr. Hatem A. SADEK Chairman & Managing Director	Executive	√
Mrs. Fatma I. LOTFY Deputy Chairman & Managing Director	Executive	√
Mr. Yehia KAMEL Deputy Managing Director	Executive	√
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**

Corporate Governance & Remuneration Committee	Risk Committee	High Credit Committee	Audit Committee
√ (invitee)	√	√	
		√	
√ (invitee)			√ (invitee)
	√		√
√	√		
√			√
		√	
			√
√			



Mr. Hatem A. Sadek

Chairman & Managing Director since May 2006

Mr. Hatem Sadek graduated with a BSc in Economics & Political Science from Cairo University. He started work in 1964 as an assistant to the Chief Executive Officer in the Information Bureau of the President of Egypt.

Between 1968 and 1974 Mr. Sadek became Manager of the Research Center for Strategic Studies and editor at Al Ahram newspaper. He then joined the Bureau of the Secretary General of the League of Arab States for one year.
Mr. Sadek's banking career started in 1976 when he established Arab Bank PLC regional office and branches in Egypt and held the position of Senior Executive VP & Chief Country Manager; in addition to Chairman of the Strategic Planning Committee for the Arab Bank worldwide between 2000-2001.
Mr. Sadek then moved to Misr International Bank (MIBank) in 2001 where he held the position of Deputy Executive Chairman of MIBank as well as Deputy Chairman, Supervisory Board of MIBank Europe Gmbh, Frankfurt, Germany. From 2003 and 2005, he was MIBank's Executive Chairman where he launched and supervised MIBank's 5-year total restructuring program, until the bank was acquired by National Société Generale in September 2005. Mr. Sadek then became Consultant to Banque Misr's Board of Directors for Change and Restructuring Programs of Banque Misr before joining Bank Audi in 2006 as Chairman & Managing Director. He is also a Board Member of Odea Bank Turkey, a subsidiary of Bank Audi sal, as well as a member of its Board Credit Committee.

Mrs. Fatma I. Lotfy

Deputy Chairman & Managing Director since June 2011

Mrs. Fatma I. Lotfy started her banking carrier at Chase National Bank, Egypt, currently Commercial International Bank, where she spent 20 successful years, during which she acquired multi experiences in different key areas of banking business, as she was in charge of Corporate Banking, International Department, Treasury and Investment Banking.

In 1997, Mrs. Lotfy joined Egyptian American Bank (Affiliate of American Express) as Senior General Manager in charge of all the Bank's business activities and network. In 2000, Mrs. Lotfy was recruited to manage Alwatany Bank of Egypt as a Managing Director and Executive Board and Committee Member. Mrs. Lotfy carried out the complete restructure in AWB.

In 2002, Mrs. Lotfy was appointed as a Deputy Chairman of Bank of Alexandria (200 branches) with a mandate for the restructuring and privatization of the bank. After the successful acquisition by Intesa San Paolo, she was nominated as First Deputy Chairman & Managing Director in 2007 mandated by the international foreign division of Intesa San Paolo.
Finally, Mrs. Lotfy joined Bank Audi sae in April 2011.

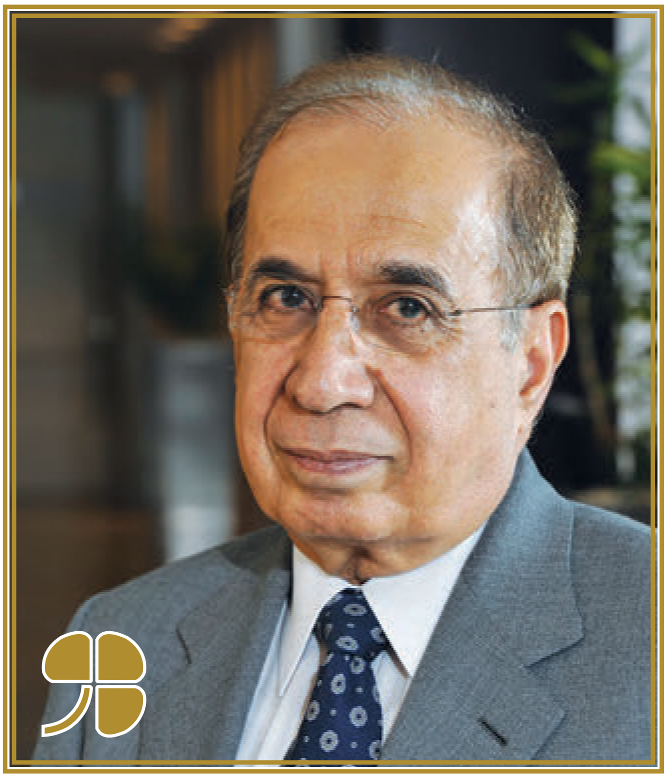
Mr. Abdullah I. Al-Hobayb

Board Member since March 2008

Mr. Abdullah I. Al-Hobayb is a member of the Board of Bank Audi sal – Audi Saradar Group, the Chairman of Audi Capital (KSA) (an Investment Banking subsidiary of Bank Audi, incorporated in the Kingdom of Saudi Arabia) and a member of the Board of Directors of Odeabank A. in Turkey.

He also was an advisor to the previous Board of Directors of Bank Audi sal – Audi Saradar Group. He is the Chairman of several leading companies in Saudi Arabia, comprising ABB Saudi Arabia (a leader in power and automation technologies), General Lighting Company Ltd (one of the largest manufacturers in the Middle East lighting industry), Ink Products Company Ltd (manufacturer of industrial ink) and United Industrial Investments Company Ltd (a leading paint manufacturing company).

Mr. Al-Hobayb holds a Master's degree in Electrical Engineering from Karlsruhe University in Germany.



Mr. Raymond W. Audi

Board Member since April 2006

Mr. Raymond Audi acts as Chairman of the Board of Directors and General Manager Bank Audi sal –Audi Saradar Group since December 2009. He had also served as Chairman of the Board of Directors and General Manager from 1998 through 2008, resigning from this position when he was appointed Minister of the Displaced in the Lebanese government. Mr. Audi resumed his position as Chairman of the Board of Directors effective December 22, 2009.

He started his banking career in 1962, when, together with his brothers and with prominent Kuwaiti businessmen, he founded Banque Audi sal (now Bank Audi sal – Audi Saradar Group), building on a successful long-standing family business. Mr. Raymond Audi has played an active role in leading Bank Audi through both prosperous and challenging times to its current status as a widely recognized leading Lebanese and regional bank. He served as President of the Association of Banks in Lebanon in 1994.

Mr. Raymond Audi is the recipient of several honors and awards, including, in July 2007, an Honorary Doctorate in Humane Letters from the Lebanese American University.

Dr. Freddie C. Baz

Board Member since April 2006

Dr. Freddie Baz joined the Bank in 1991 as advisor to the Chairman and founded the Secretariat for Planning and Development at the Bank. As the Group Chief Financial Officer and Strategy Director of the Bank, he now has overall authority over the finance and accounting, MIS and budgeting functions throughout the Group, and is responsible for the development of the Group strategy.

He is a member of the Board of Directors and the Group Chief Financial Officer and Strategy Director of Bank Audi sal- Audi Saradar Group, the Chairman of the Board of Directors of Bank Audi Saradar France sa, a fully owned subsidiary of Bank Audi, and a member of the Board of Directors of several affiliates of Bank Audi.

Furthermore, Dr. Freddie Baz is the Managing Director of Bankdata Financial Services WLL which publishes Bilanbanques, the only reference in Lebanon that provides an extensive structural analysis of all banks located in Lebanon.

Dr. Freddie Baz holds a State PhD degree in Economics from the University of Paris I (Panthéon – Sorbonne).

Dr. Marwan M. Ghandour

Board Member since April 2006

Dr. Marwan Ghandour is an independent member of the Board of Directors of Bank Audi sal –Audi Saradar Group since March 2000 and the Vice-chairman of the Board of Directors since December 2009. He is a previous Vice-governor of the Central Bank of Lebanon. He held this position between January 1990 and August 1993, with primary responsibilities in the area of monetary policy. During this period, he was also a member of the Higher Banking Commission and various other government committees involved in economic policy. In this capacity, he liaised with various international institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS). From 1995 until July 2011, Dr. Marwan Ghandour served as Chairman and General Manager of Lebanon Invest sal, a leading financial services group in the region whose holding company merged with Bank Audi in 2000. He also served as Chairman of the Board of Directors of Audi Saradar Investment Bank sal, a fully owned subsidiary of Bank Audi, from 2005 until December 2011. He was elected Chairman of the Board of Directors of Banque Audi (Suisse) sa in March 2011 and Vice-chairman of the Board of Directors of Odeabank A.Ş. in Turkey in June 2012. He also serves as member of the Board of Directors of several affiliates of Bank Audi. Dr. Marwan Ghandour holds a PhD in Economics (Econometrics) from the University of Illinois (Post doctorate research at Stanford University).

Mr. Samir N. Hanna

Board Member since April 2006

Mr. Samir Hanna joined Bank Audi sal - Audi Saradar Group (previously Banque Audi sal) in January 1963. He held several managerial and executive positions across various departments of the Bank. He was appointed General Manager of Bank Audi in 1986 and member of its Board of Directors in 1990. In the early 1990s, he initiated and managed the restructuring and expansion strategy of Bank Audi, transforming it into a strong banking powerhouse offering universal banking products and services including Corporate, Commercial, Retail, Investment and Private Banking. He grew the Bank to its current position as the largest bank in Lebanon (and among the top 20 Arab banking groups), with presence in 12 countries, consolidated assets exceeding USD 31 billion, consolidated deposits exceeding USD 26 billion, and group staff headcount exceeding 5,000 employees. Mr. Samir Hanna is also the Chairman of Odeabank A.Ş. in Turkey and a member of the Board of Directors of several affiliates of Bank Audi. He currently serves as the Group Chief Executive Officer of Bank Audi sal – Audi Saradar Group and the Chairman of its Group Executive Committee, and heads all aspects of the Bank's Executive Management.

Mr. Yehia Kamel

Deputy Managing Director since June 2011

Mr. Yehia Kamel has an astonishing track record in the Banking Sector for over 30 years.

In 1978, Mr. Kamel started his career in Misr Int'l Bank where he held leading positions across various banking activities. He played a major role in the restructuring of MIBank among other accomplishments covering all banking areas. Following 28 years of notable achievements at Misr Int'l Bank, Mr. Kamel joined Bank Audi sae as COO in 2006 with a leading role in the start-up operation of the bank. Mr. Yehia continues to play a critical role at Bank Audi sae holding a Deputy Managing Director post and in May 2011, Mr. Kamel was elected by the Board as Executive Board Member.

Mr. Kamel is also representing The Group as a Board member in National Bank of Sudan, as well as Head of Audit Committee.

Mr. Kamel holds a BA in accounting from Cairo University and has attended many conferences, seminars & trainings locally and internationally in diversified banking areas.

Maurice H. Saydé

Board Member since June 2011

Mr. Maurice Saydé is a prominent Lebanese Banker, a previous member of the Lebanese Banking Control Commission and a previous member of the Higher Banking Commission of the Lebanese Central Bank.

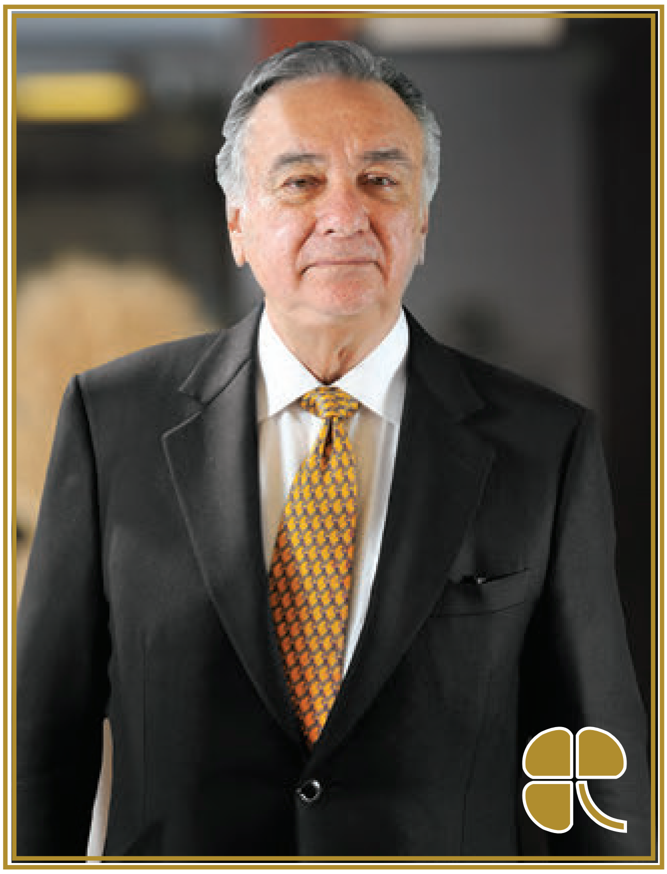
Mr. Maurice Saydé started his banking career in 1962 at the Banque de Syrie et du Liban where he remained until 1966, when he joined the Banking Control Commission. He moved to Crédit Libanais sal in 1970 and was appointed its General Manager in 1985. He remained in this position until his appointment, in 1990, as member of the Banking Control Commission and member of the Higher Banking Commission of the Lebanese Central Bank. He occupied these positions until 1998.

Since then, he has acted as Group Advisor to the Audi Group notably on Corporate Risk Management and was elected member of the Board of Directors of Bank Audi sal – Audi Saradar Group and Chairman of its Group Audit Committee from June 2006 until July 2008.
Since then he has acted as Advisor to the Board of Directors of Bank Audi sal – Audi Saradar Group for Audit Committee matters.

Dr. Mohamed E. Taymour

Board Member since June 2011

Dr. Mohamed Taymour is Chairman of Pharos Holding an investment bank that includes brokerage, asset management, advisory activities, and private equity. Dr. Taymour was founder and Chairman of EFG-Hermes, helping to transform it from a start-up into the largest non-bank financial services firm in the Middle East.
Dr. Taymour has worked as a consultant – for both the Egyptian government and private institutions – on a variety of assignments related to capital markets. He has held senior positions in investment banking and development banking institutions in Egypt and Kuwait. Prior to establishing EFG, he was head of the Projects Division at the Arab Fund for Economic and Social Development in Kuwait.
Dr. Taymour has been a prominent member of the American Chamber of Commerce in Egypt since 1988, serving as chair of the Investment Committee from 1991 to 1997 and chair of the Stock Exchange Committee from 1998 to 2002. In 2003, and again in 2005, he was elected as a member of the AmCham board of governors.
He was the chairman of the Egyptian Center for Economic Studies from 2007-2009. The center is a think tank covering local developmental issues. In addition to his duties as Chairman at Pharos Holding, Dr. Taymour is Chairman of the Egyptian Capital Market Association. Dr. Taymour earned his undergraduate degree in industrial engineering from Cairo University and earned a Doctorate degree in system analysis from Thayer school of Engineering, Dartmouth College, USA, 1970.



B. Governance, Risk & Controls

During the year 2012, the Board of Directors continued to place particular importance on sound Corporate Governance and appropriate risk management and controls. Today, Bank Audi sae 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. This framework is aimed at enhancing Governance practices generally and at aligning them with the dynamic local and international regulatory expectations. Accordingly, 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, corporate values and high standards of conduct have been established and widely communicated throughout the Bank providing the requisite motivation to ensure appropriate professional behavior.

The Bank and the Group are satisfied that the Board and management and their respective committees are effectively assisting in exerting the necessary oversight over the Bank and that our activities are run with adequate attention to sound Governance practices.

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.

The Bank in alignment with the Group continues moving towards adopting, testing and applying where relevant the best practices in banking Risk Management including fostering Bank Audi sae's risk culture.

From a strategic perspective, the Bank's risk management objectives are to:

- Accompany the business in its growth and support Management in the implementation of the Bank's strategy.
- Preserve and contribute to the enhancement of the Bank's financial strength by ensuring that risks and rewards are properly balanced and by minimizing the impact of undesirable events on capital and profits.
- Formulate the risk appetite and tolerance which determines the risk boundaries within which Management operates.
- Constantly monitor the risk profile to ensure that the Bank is operating within set risk appetite and limits.

The Risk Management department at Bank Audi sae operates independently from the business yet supports them in making informed choices by distinguishing among alternative courses of action in addition to providing decision makers with oversight on the Bank's risk management and controls.

The Risk function is headed by the Chief Risk Officer who reports directly to the Chairman and to the Board of Directors through the Board Risk Committee.

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.

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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.

366 Days

Dedicated to you

Performance

our Energy

366 Days

Dedicated to you

Using every action and our power to energize the success of our customers.


Mohamed

366 Days

Dedicated to you

Making our customers the center of attention at every single meeting.

A. Business Performance

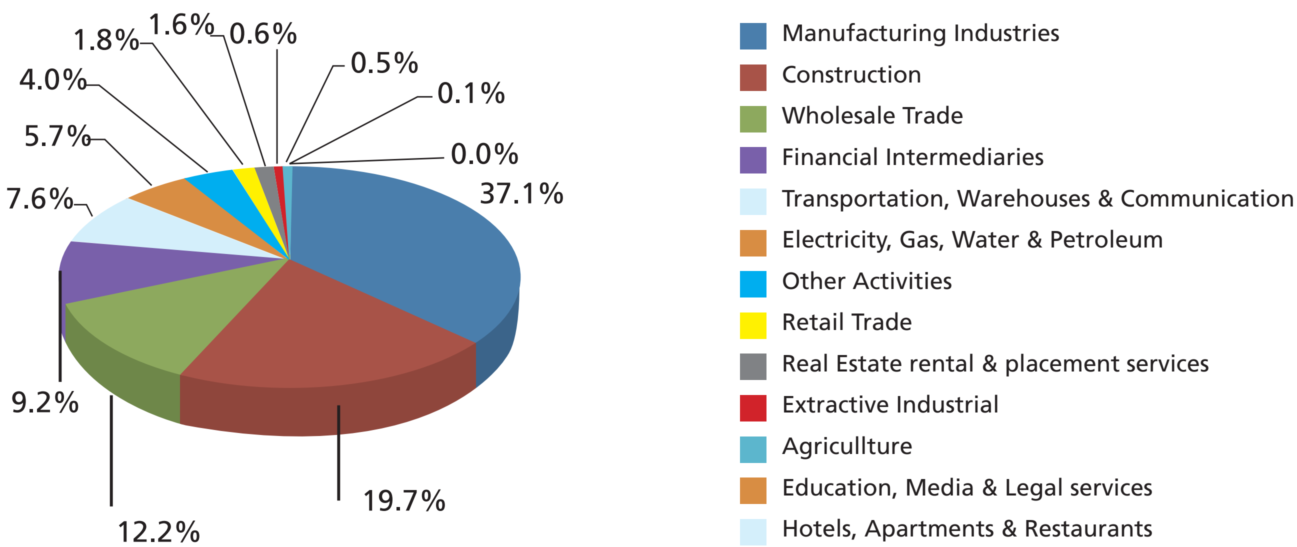
I. Corporate Banking

Corporate Banking forms a key element in the backbone of the Bank's strategy. Our growing corporate banking franchise aims to assist and serve like-minded, loyal and professional clients as they try to 'grow beyond their potential' irrespective of their categorization as small, medium, large or global sized organizations. We focus on building a deep and long term relationship by carefully understanding the changing financial service needs of their specific business activities. We approach this through well researched and designed segmentation and appreciation of the value chains that define and constitute each corporate client's key stakeholders. Bank Audi sae aims to become an increasingly important facilitator and part of those value chains. By anticipating the growth, changing environment and related needs of our corporate clients and applying innovation and integrated solutions through financial service know-how, we continue to offer and develop a diversified range of relevant corporate banking and project finance products/services. Our approach enables us to cover the main Egyptian business sectors geographically through a well designed organizational structure and experienced, high caliber employees who work diligently to support and fulfill these needs of our Clients.

A. Large Corporate

Although 2012 continued to be a challenging year for the Large Corporate organizations operating in Egypt, our team was able to deliver distinguished results through prominent management of the corporate loan portfolio while satisfying our Clients.
Our segmentation approach allowed us to focus primarily on industries less prone to economic shocks, due to the unstable and often debilitating economic situation in Egypt. We were successful in matching our desired loan portfolio maturity profile with the funding and repayment of our clients producing a realistic and balanced average life to our facilities.
The overall growth rate of our corporate banking portfolio in 2012 recorded 17.9% representing a net increase of EGP 1.1 billion over 2011. This net growth came as a result of immense efforts of our team to assist corporate clients given the scheduled repayments and facilities reductions in 2012 from our year end 2011 portfolio. We are justly proud of this contribution not only to the corporate sector but to the Egyptian economy in general.
Throughout 2012 our Corporate Banking team continued its pursuit of the Bank's Vision of becoming "the Egyptian Partner to Bank with", by staying in constant contact with Clients and responding promptly and proactively to their financing needs through customized products and solutions.

Loans and advances sectors as at 31 December 2012



B. Commercial Banking

Realizing the growing importance of medium size Clients, the Bank dedicated additional focus in 2012 to that category and set both applying our overall Corporate Banking segmentation and approach through the establishment of a Commercial Banking Unit. By targeting medium size Clients active within selected growth industries and segments, our Commercial Banking Unit aims to achieve Client satisfaction and affinity by understanding and customizing facilities, varying from plain vanilla to complex structures.

C. Syndications & Structured Finance

Our Syndications' team, continued to maintain the Bank's positive image in the Egyptian market by being an important pillar of syndication support for identified and selective growth opportunities in the major economic sectors in Egypt.

Our Structured Finance team aims to attract new to Bank corporate Clients requesting structured finance transactions. The main goal is to utilize our structuring capabilities and the Group's geographical distribution. During 2012 we were able to close the following transactions:

1- A full brown field acquisition and restructure of working capital facilities in the Building Material Sector.
2- Financing a minority acquisition by an African Private Equity fund in the Food Sector.

D. Small & Medium Enterprises (SMEs)

Despite the high volatility of SMEs to market changes, this was out-weighed by their considerable adjustability to those changes in the short-run compared to large corporate businesses. SME's remain a fundamentally important contributor to the Egyptian economy and by international standards significantly under-banked. Accordingly, the Bank has started to build up its segmentation and value chain knowledge and design an appropriate range of SME banking services.
In this context, the Bank was able to achieve the following through 2012:

- Building a healthy portfolio with zero non-performing loans.
- Fulfilling the Bank's corporate social responsibility by providing finance that helped our SME Clients create more than 180 direct job opportunities.
- Building an experienced team capable of providing SME relationship based services that will reflect our dictates of high quality, efficiency and timeliness to achieve Client satisfaction.
- Implementing internally a strong SME ethos and business model.

Finally, on the Human Capital front, the overall Corporate Banking team continued to strengthen its internal platform through expanding its people capabilities vertically through promoting and reassigning existing team members who were high achievers, and also expanding horizontally by the quality and caliber of our recruitment.

II. Retail Banking

The Bank's Retail Banking focuses on continuous development of existing products/services as well as launching innovative new products/services that reflect our understanding of each Individual customer's retail banking lifecycle which in turn helps to deepen the Bank's relationship and affinity with its Customers. One of our main strategic goals is to enlarge our Customer base and market share of Individuals while ensuring a high satisfaction level for existing and potential new Customers.

2012 was a remarkable year for the Bank's Retail Banking deriving its success from 4 main pillars:

- Increasing the loyal base of Individual depositors
- A balanced growth focusing on enhanced credit quality.
- Customer-centric approaches to marketing.
- Technology innovation and expansion of new marketing channels.

While the household sector had a total growth rate of 14% in banking sector deposits during 2012, Bank Audi sae was able to more than double this number and enjoy a growth rate of 31.8%, a very healthy boost in retail individual deposits and clearly demonstrating our Customers' increased trust in the Bank.

In terms of facilitating and sustaining high quality service, the total number of the Bank's offsite ATMs increased from 37 in 2011 to 46 by the end of 2012. The performance of offsite ATMs has improved as we focused in 2012 to select new offsite attractive locations. Comparing 2012 with 2011, the number of ATM transactions increased by 30% with Bank ATM revenues increasing by 42%. In addition, we introduced new value added services on ATMs such as cash acceptance and bill payment services.

The overall retail loan portfolio grew by 25.9% through a balanced growth strategy focusing on targeted segments with higher credit profiles. This growth shows that the Bank is becoming the choice for loan facilities for more and more selective Individual Customers due to extensive focus from the Retail Team on lifecycle segmentation and applying this understanding towards meeting Individual customer specific and changing needs.

Highlights during 2012 reflect how these Customer needs were met. Our overall personal loan portfolio grew by 19.4% in 2012 and as an example of focusing on selected affinity segments, the portfolio of loans to Doctors & Dentists doubled. Also we were able to compete with major market players in targeting Bankers' loans.

Our Customers benefitted from improvements in the Bank's loan processing turn-around-time, and flexibility in loan tenors and file fees. In addition, we increased the maximum loan amount from EGP 150,000 to EGP 300,000 for new to Bank Individual Customers and from EGP 200,000 to EGP 500,000 for existing loyal and active Customers. Furthermore, the Bank's "Secured Loans against CDs" contributed to approximately 20% of our overall personal loans acquisitions during 2012 adding further diversity to the portfolio and decreasing the retail credit risk associated with granting of personal loans.

Our Auto Loan – portfolio grew by 16.9 % in 2012 and to tackle new segments and attract new potential Customers, we launched a special Auto Loan Program with tailored criteria to serve high end Car Brands owners. Similarly, we introduced a Motorcycles financing program as a response to Customer needs.

Our overall Credit Cards portfolio grew by 37.3% in 2012. Conscious of Customer needs, we launched new initiatives, such as a Yacht owners Program; Club Membership Programs; Supplementary Cards; and Activation and SMS Alert Campaigns Bank Audi sae continued to pride itself on establishing special collaboration links that provide preferential arrangements or benefits for its Individual customers and cardholders relevant to their Lifestyles. In 2012 these encompassed amongst others Consumer Goods, Car and Scooter financing; Travel discounts/cash back; special Furniture and Consumer Electronics campaigns and numerous tie ups with a wide range of merchants to provide continuous discounts and exclusive offers to the Bank's card holders. Finally, In line with the Bank's Retail strategy to pursue an integrated Lifecycle segmentation approach, a youth account was launched in December 2012 reflecting the fact that Youths (younger than 21 years old) comprise not only a very high percentage of the Egyptian population but also represent the future consumer market with changeable financial service requirements.

As part of the Bank's social responsibility, Retail Banking participated in the Ramadan Campaign 2012 in cooperation with Magdy Yaqoub Heart Foundation as well as the Visa Olympics Campaign Enrollment (Road to London) and Visa Summer Campaign Enrollment.

Affluent Banking

Leveraging on Bank Audi's sae experience and unparalleled service standard we started a pilot project to launch Affluent banking services as a distinct Customer segment within the Bank. This initiative was supported by recruiting talented expertise and planning selected areas in various branches for this purpose. Our value proposition is based on providing extra-ordinary service, responsiveness, market reach and a very special set of bundled services and products to meet Clients' needs and objectives in a manner that differentiates Bank Audi sae from its competitors.

During 2012, the Bank initiated phase one in Affluent banking on the macro level with an aggressive roll out plan in branches. We currently have three lounges at three different branches and have designed a couple of tailor made programs. The full affluent proposition is due to be launched before the end of 2013.

The team is working with all Audi's interfaces to reach the targeted value chain for our Clients by providing a wide, inter-related range of ancillary services and solutions such as Forex, trade finance, corporate banking, Islamic banking, SME banking, payroll services as well as Audi Saradar offshore accounts.

The skill mix and level of expertise needed in the Affluent Banking team is a vital pillar to be able to offer this segment the aspired service quality. Staff development has been one of our key focuses over 2012. Chosen members of the team have attained the International certificate in wealth management (ICWM) by CISI–UK to ensure they have the adequate level of knowledge and sophistication.

To cater for the needs of our affluent and high net worth Customers, we have launched a new CD called "Affluent CD". This CD is offered with a special interest rate for deposits higher than EGP 2 million.

Mortgage Finance

Mortgage Finance has been introduced gradually in line with our Retail Banking segmentation and lifecycle approach. Once again we have concentrated on building up our skilled resources, methodologies and knowledge base and introducing the Bank's name selectively into the market with both developers and selective clients. Given the Egyptian environment we have been conscious of the need to anticipate and accommodate the changing needs of our Customers. Accordingly, we have worked with selective developers on several projects, and prepared and tested 3 mortgage products. In addition, the Bank introduced a new innovation to the Egyptian market, which is the bundling of a real estate offering with a long term CD incorporating an attractive long term fixed interest rate and a cash-back feature, called "Money Return".

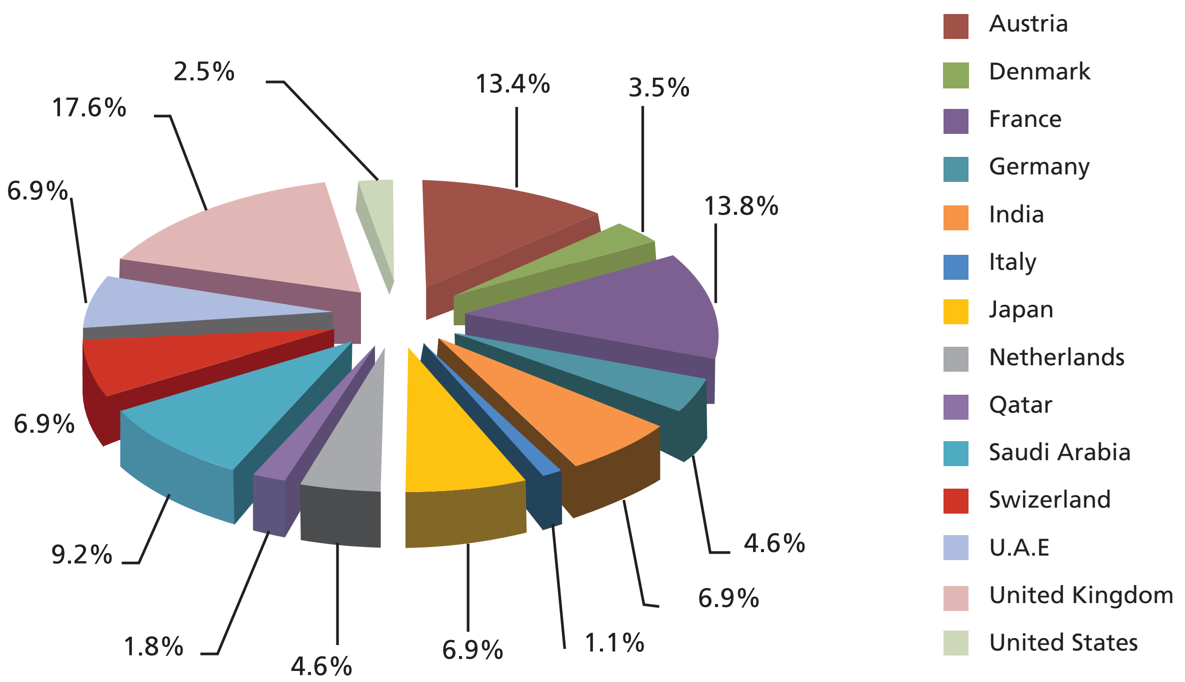
III. Treasury & Capital Markets

The Bank's Treasury is aligned with that of the Group in forming a top categorized line of business which together is capable of offering a broad suite of capital markets, market-making, treasury and securities products, sophisticated risk management and liquidity solutions, and services to a global Client base of corporations, investors and financial institutions. Despite the political and financial circumstances in Egypt, the Bank's Treasury achieved notable increase in financial results in 2012 due to the important role it played in managing the Bank's liquidity and interest rate risk in an efficient and prudent way while complying with the ratios and guidelines of the Central Bank of Egypt.

Our Treasury is considered the lead financial advisor for some of our clients and plays a similar role internally for departments in the Bank.

This required the Bank's Treasury to maintain excellent and leading relationships both internally and externally, thus boosting the Bank's image in the market and increasing the opportunities for more achievements and profits.

Foreign Placement Exposure by country as at 31 December 2012



IV. Financial Institutions & Correspondent Banking

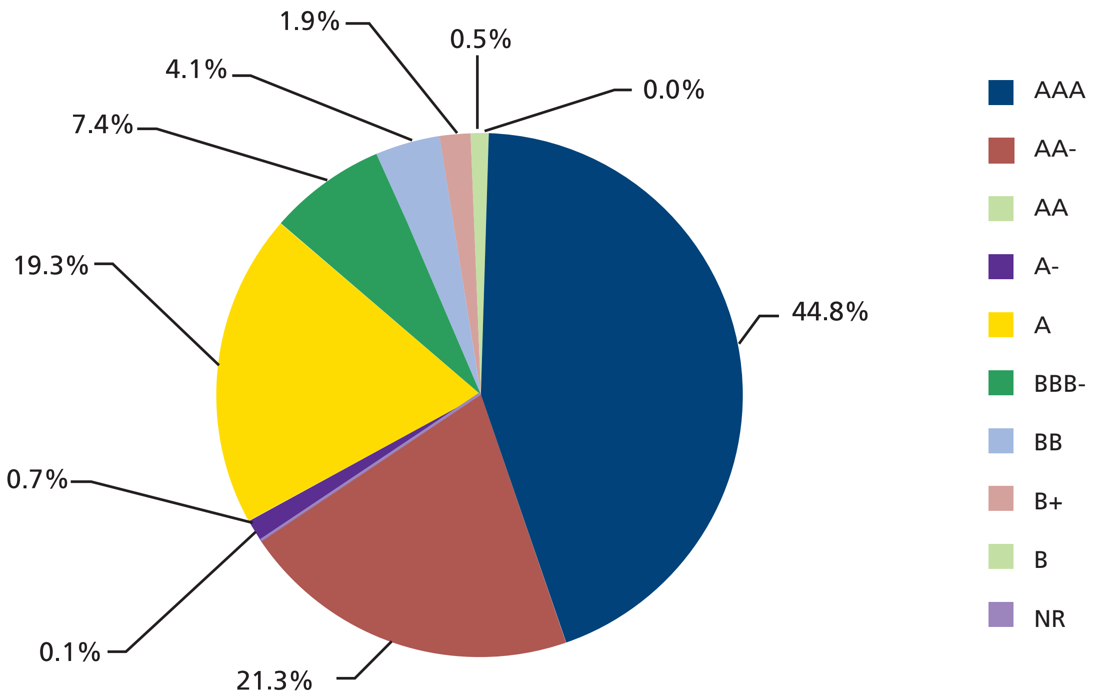
The Bank's Financial Institutions Department (FI) covers 2 wide dimensions of business and services through its Correspondent Banking Unit and Non-Banking Financial Institutions Unit in an effort to meet the Bank's various Customer needs in the International market.

Correspondent Banking is primarily responsible for maintaining relationships with foreign and local banks, with which Bank Audi sae transacts its day to day operations, requiring the opening and managing of accounts in all different major currencies. Additionally, FI is in charge of opening Vostro accounts for international banks at Bank Audi sae
Bank Audi sae maintains world-wide correspondents covering more than 150 countries; making an excellent basis for handling trade finance business, cross-border payments and check clearing.

The Bank's FI Team supports and co-ordinates business with local and foreign banks ranging from payments (via its broad network of correspondent banks), cash management, customer referrals, custody and trade finance to treasury & capital markets activities. Additionally we participate in International Syndications involving counterparty bank risk.
In 2012, Egypt faced several downgrades by major International Rating Agencies including Moody's, Fitch and S&P due to negative macro political & economic developments, however Bank Audi sae was able to manage successfully all its international transactions due to the reliability of our sound Group financials and credible relationship with Correspondent Banks.

Bank Audi sae started its Non-Bank FI Unit during mid 2012. The Non-Bank FI provides all liabilities products, services & credit facilities to selected segments of Non-Bank Financial Institutions (NBFI) companies which include Insurance -Brokerage -Leasing companies -Syndicates - Investment Funds as well as Associations and NGO's.
Non-Bank FI offers its Clients unique solutions relevant to each sector by understanding the day-to-day banking needs and planning for longer-term financial requirements through a set of products & services.

Foreign Exposure by country Rating as at 31 December 2012



V. Islamic Banking

In 2012, Bank Audi sae re-launched its Islamic Banking arm, to serve a potential segment that fundamentally chooses to deal with recognized Islamic banks.

Islamic banking is a highly under-developed market in Egypt where the deposits placed in Islamic banks constitute only 5% of the total banking sector deposits. Our aim is to position Bank Audi sae as a full-fledged institution that combines the traditional Islamic values with technology, innovation and excellent quality services delivered through our Islamic branches.

The aim of our Islamic Banking arm is to meet Clients/Customers needs for undisputable Shariaa Compliant Products that differentiate us from the current propositions in the Egyptian Market; and in doing so, the following solid steps were taken in 2012:

1- Appointing of the Shariaa Board represented in :
   A- Dr. Abdul Sattar Abu Ghuda (Chairperson)
   B- Dr. Hussein Hamed Hassan
   C- Dr. Khaled EL Fakih

2- Launching of two Tier Mudarba (Deposits and financing)

3- Launching of Corporate Murabha Financing

4- Launching of Car Murabha

5- Launching the Islamic Branches

6- Booking the first Islamic Syndication

In 2013, the Bank's Islamic Banking arm is currently mandated to lead and structure two major Project Finance Syndications that are expected to be closed during 2013.Likewise we are planning to launch our Shariaa Compliant Balance fund after receiving final EFSA approval.

Considering all this, it is clearly evident how Bank Audi sae is continuing to listen to and meet changing Customer needs not only by introducing a completely separate Islamic Banking arm but, more importantly, by developing this arm in a fast paced manner to meet existing as well as the arising requirements of our targeted Corporate and Retail Customer segments in the Egyptian market.

VI. Global Transaction Services (GTS)

As serving Customer needs at their expectations and beyond is an ultimate objective that is highlighted throughout the activities of GTS, we are in a constant research and development mode of consulting with and delivering new products/ services offerings to potential customers. The Bank developed GTS towards the end of 2010 as a new line of business to open opportunities for Customers seeking GTS support.

GTS is not a common line of business in banks in general and offered by very few banks in Egypt but Bank Audi sae saw GTS as an opportunity to reach out to potential Customers with common GTS products/services needs as well as develop uniquely tailored propositions for them in line with our segmentation approach.

The GTS Department has 2 primary missions:

1) For Import/ Export Companies: By providing targeted Commercial Banking companies with a service oriented approach to their full cycle business needs. Bank Audi sae aims to become a recognized specialist and relationship based provider to selected Medium size Companies that are Importers/Exporters by:
   - Delivering to Clients effective Trade Finance solutions & consultancy.
   - Providing Clients with Cash Management solutions (technology oriented solutions and plain vanilla products matched to the needs of targeted companies).
   - Working on launching new products addressing specific client segment requirements.
   - Assisting major Clients with their FX operations and providing them with market snapshots and information.
   - Dedicating a Customer Care Unit that can provide on the spot answers to customer and other enquiries.

2) Similarly for Stock Market Investors, GTS provides a tailored set of products covering Stock Custody and Margin Trading to selective segments of customers who trade/invest in the Egyptian Stock Markets.
   GTS launched a Margin Trading business in a critical period highlighting the Bank's commitment to the Egyptian Stock Market and its confidence in the future Economy. In addition, GTS created synergy with Broker Partners and specifically Audi-on-Line to provide mutual clients with exceptional service as well as preferential prices along with dedicated Customer Care assistance.

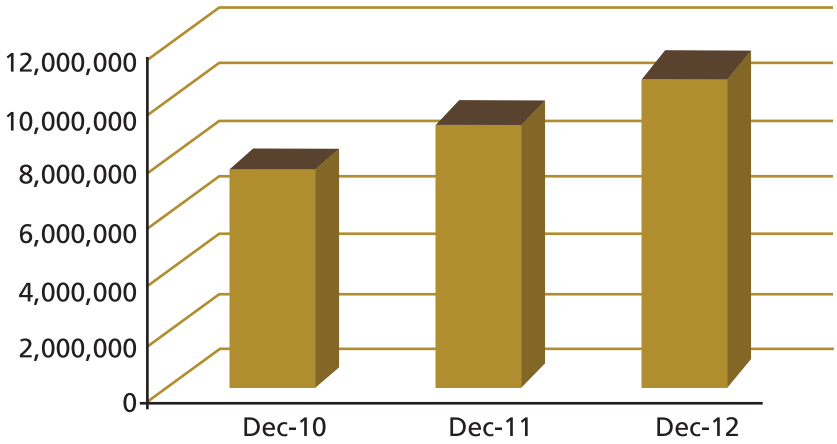
A critical feature of our GTS efforts in 2012 has been training the Bank's relationship and service managers on trade finance, cash management, custody and margin trading and the required level of customer care. Significant growth was achieved in the financial contribution from the Bank's GTS business due to the Clients' satisfaction with the service provided and the focus on targeted segments. GTS serves the Community as well, by organizing presentations in specific associations and businessmen groups promoting Egyptian Industries exports to neighboring countries.

VII. Branches & Call Center

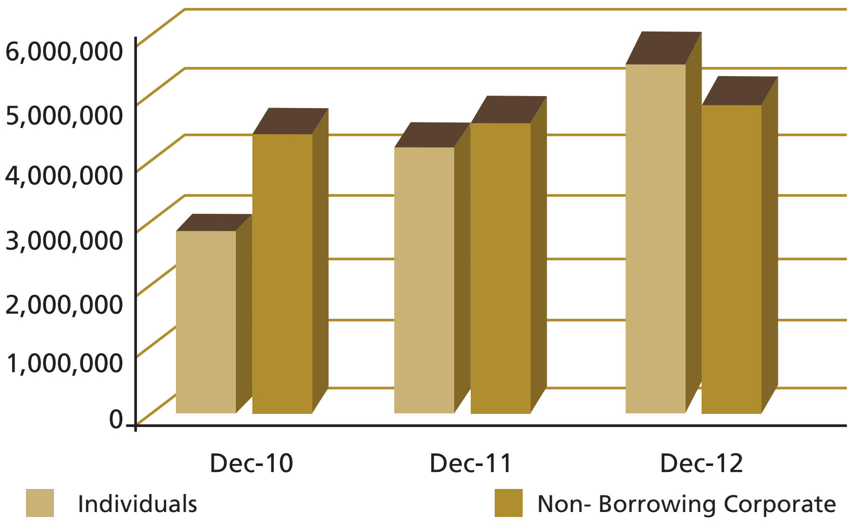
Branches

The aim of the Bank's network of Branches is to attract, distribute and deliver personalized services to Customers and achieve the highest levels of satisfaction in terms of products/services offerings, quality of service and convenience. In 2012 our Branch Network reached 32 branches compared to only 3 branches in 2006 when we started operations, showing our continued commitment to reach out to our Customers.

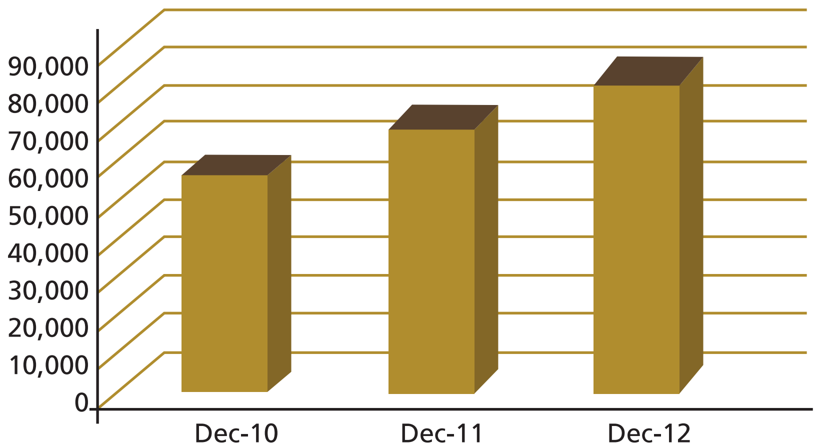
Branches Network Deposits



Branches Network - Deposits by Segment



Number of Active Customer Accounts



Call Center

The Bank's Call Center is an integrated component to delivering speedy and reliable Customer service. Our Call Centre is often the first place bank customers contact for immediate answers to questions regarding their checking and savings accounts, loan applications and credit cards.

It is the role of the Call Centre representative to actively listen to, troubleshoot and resolve Customer problems and concerns. Representatives are also responsible for identifying and escalating customer issues to the appropriate Bank departments, as well as executing banking transactions and advising on products or special promotions.

To assure the quality of service provided by our Call Centre, continuous monitoring reports are issued by our Quality Assurance department in order to ensure the full customer satisfaction.

Our Call Centre operates on a 24/7 basis, and was among very few that operated even during the revolution time.

B. Risk Performance:

Risk Performance & Capital Management

Our Risk Performance & Capital Management contributes to the enhancement of the Bank's financial strength and sustainability by ensuring that returns generated from allocation of resources to business and operational activities are commensurate with the risks undertaken and thus adequately protect our Stakeholders' interests.

Credit Risk Management (CRM)

The main role of the Bank's Credit Risk Management is to optimize asset quality by minimizing the risk of potential losses stemming from the credit activities of the Bank and to ensure stakeholders' interests are safeguarded.

The strict adherence to credit policies, procedures and regulations, in addition to the meticulous study, structuring and follow-up of the credit facilities, has enabled the Bank to maintain a healthy loan portfolio that was able to withstand the economic and political conditions that Egypt has endured in the last two years.

To further ascertain the credit portfolio strength in facing the current conditions, CRM has, during this period, performed several stress tests (some of which included extreme situations) and portfolio reviews to reassure our stakeholders of the stability of the loan portfolio and the strength of the Bank's financial statements to absorb any unforeseen risk in this regard.

In addition to the strength of the existing portfolio, CRM has proactively reviewed the lending criteria and target markets in addition to risk limits and tolerances to ensure that the Bank's continued growth is within parameters that match the current conditions.

Market Risk

Through efficient Balance sheet Management, the Market Risk has supported the ALCO to manage the risk of losses in 'on and off-balance sheet' positions arising from the movements in the market level of interest rates, prices of securities, foreign exchange rates and equities as well as the volatilities of those changes which may impact the Bank's earnings and capital. The risks may pertain to interest rate related instruments (Interest rate risk), equities (Equity price risk), liquidity risk and foreign exchange rate risk (Currency risk).

Market Risk for the Bank emanates from its trading and investment activities. The Market Risk management framework of the Bank aims to maximize the risk adjusted rate of return of the Bank's trading and investment portfolios by providing inputs regarding the extent of market risk exposures, the performance of portfolios vis-à-vis the risk exposure and comparable benchmarks.

The Market Risk management of the trading, investment and asset/liability portfolios of the Bank includes well laid down policies, guidelines and processes for the identification, measurement, monitoring of limits set in accordance with risk appetite of the Bank and reporting of various market risks in the banking and trading book.

The Bank uses both statistical measures and non-statistical measures for the Market Risk management. Statistical measures include Value at Risk (VaR), stress tests and back testing. Non-statistical measures include marked-to market (MTM) gaps, economic Value of Equity, Net interest income at risk and sensitivities (duration).

The Bank's ALCO set Treasury limits that are monitored periodically. Exceptions are put up to the ALCO and the Risk Management Committee of the Board. As a prudent Market Risk management measure, risk limits are reviewed, at least annually or more frequently, if deemed necessary, to align the limits with the Bank's risk appetite, market conditions and trading strategies. The Bank uses parametric VaR for the foreign exchange open position and Equities position. The diversified VaR calculation takes into consideration currency volatility and FX rates correlation among the main foreign currencies. The Bank supplements the VaR measure with stress tests.

The Market Risk main achievements in 2012 was testing the Liquidity Contingency plan and presenting its findings to the Board of Directors; the significant role played with the Finance Department in capital planning based on risk weighted assets calculated from the budget to get the maximum benefit from earnings from reduced risk weighted assets; and implementing BASEL II project elements related to minimum capital requirements and liquidity risk ratios (LCR & NSFR).

The most innovative activities that have differentiated the Bank (and Group) Risk functions and show how we are meeting our (non-financial) strategic objectives, values and mission, was the ICAAP document prepared initially by the Group and drafted by the Bank's Market Risk for closing balances as of Dec 2011. This drafted version was vetted in principle by Group Risk and updated for closing Dec 2012. Then, the updated ICAAP document will be submitted to the Management Committee followed by the Risk Committee for discussion and approval. It is worth mentioning that the drafted ICAAP version is not only using the Standardized approach for Credit Risk but shows the results under the Foundation Internal Rating based approach.

The Bank's pro-active initiatives towards managing risk appetite and tolerance in the current uncertain circumstances and environment in Egypt was demonstrated through matching positions to immunize interest rate risk in the banking book and liquidity risks; setting internal capital base limits to be used as a base for lending limits; attracting medium term funds from retail clients to provide more stability; and prohibiting investments in "Corporate or Sovereign" LCY or FCY bonds rated below the investment grade except for those issued by the Egyptian Ministry of Finance in local currency.

Operational Risk

The Bank's Operational Risk already established the framework for Operational Risk which is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

The main focus of the department continues to be 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, Operational Risk continued to review and coordinate approval of new products and services procedures prior to launch.

At Bank Audi sae, the primary responsibility for management of Operational Risk resides in the business and support functions through the assignment of an Operational Risk Coordinator within each department. Operational Risks are assessed on a regular basis by evaluating the effectiveness of the applied controls and implementing corrective actions when needed. In 2012, the Bank started the process of implementing the second integral of the Operational Risk framework namely the Risk and Control Self Assessment which will be an effective preventive tool used to identify the areas of operational risks before occurrence and to minimize their impacts on the Bank.

In addition, the Bank has implemented a special purpose Operational Risk management tool which provides a more scientific way of measuring and analyzing operational risk. The full Operational Risk picture is reported to Senior Management and the Board of Directors on a quarterly basis in order to keep them abreast with the Bank's risk profile.

Actual operational risk losses materialized during 2012 were immaterial due to the adherence to the Bank procedures and to the Operational Risk policy of both the Bank and the Group which are fully aligned with each other.

Retail Credit

The Bank's Retail Credit function is organized into four distinct areas whose achievements in 2012 can be briefly described.

Business Analytics enhanced customer relationship and loyalty by introducing new loyalty and credit track record criteria to facilitate automatic credit limit increase programs. Based on our increasing knowledge and database, we have initiated development of retail scorecards for expected implementation by the end of 2013. In addition, Business Analytics introduced new analysis to evaluate portfolio health and appropriateness of strategy and credit policies, a new cards underwriting utility and upgraded and enhanced data availability through the development of a data mart. To supplement our skills, selected staff attended scorecard development and maintenance training provided by the world leader in scoring and scoring tools.

Fraud Risk Management completed the full roll out of fraud risk management processes, which supported the recovery of 50% of the fraud cases in 2012, in addition to an estimated 35% in 2013. Also a Central database was developed with data on individuals and companies who have committed fraud and against which every Customer application is checked prior to giving a credit decision.

Consumer Lending (Underwriting department) developed and implemented a utility to identify duplicate applications by the same customer as well as enhanced data capturing accuracy with full year error rate down to 4%. We decreased waste of effort and frustrations for customers through improvement in approval rates, especially on auto loans. On the skills development side, our middle management attended a retail credit management certification program.

Portfolio Management (Credit Policy and Collections) The Bank achieved improved Portfolio delinquency rates despite the stressed conditions with 2012 bookings performing better than pre revolution accounts, whilst portfolio growth stood at 20%.

Also despite the stressed conditions, we were able to achieve impairment requirements less than budget due to enhanced portfolio quality and lower probability of default. In the quest of balancing risk and reward and in collaboration with product development, the Bank launched numerous initiatives that have contributed to the portfolio growth such as new payroll asset propositions, high end auto loans for premium vehicles for the affluent segment, yacht owner' income surrogate cards program, a balance consolidation initiative, and an Islamic Shariaa compliant auto loan (Murabaha).

As for skills development and motivation enhancement, Unit heads were enrolled to attend a globally recognized Advanced Retail Risk Management training program and performance driven, risk sensitive compensation was launched in collections with a new incentive scheme implemented.

C. Control & Support Performance

I. Support Functions

Finance & Management Information

The Bank's Finance division is responsible for ensuring the application of professional financial management that adequately supports the Bank through its planning, growth and increased market share. The division follows up all financial indicators to monitor steady growth, and is responsible for providing senior management in a timely manner with assessments of any financial opportunities and/or threats.

To ensure validity of reported data and availability of breakdowns and analysis, various operational controls have been put in place in addition to technical ones, including the confirmation of balances and breakdown of internal accounts provided by different account owners to the Finance division.

The Financial control unit is responsible for monitoring daily movement of the interest and commission accounts and parameters applied on Clients' and the Bank's internal accounts. In addition to the above, the monitoring and reconciliation of all accounts held with correspondent banks are closely followed to satisfy the accuracy of related accounts.

The Finance division participates actively in the process of impairment study, and the preparation and creation on a daily basis of internal financial statements for monitoring, consultation and decision making purposes and to be ready for the internal audit process as well as to provide full support to external auditors during their field work and until they are able to express their opinion.

The Finance division in accordance with Central Bank of Egypt and IFRS requirements where applicable, continues to be the source of : Financial performance analysis reports; preparing the annual financial budget for the total bank, by lines of business and by branch; Transfer pricing to charge /compensate each line of business according to resources and utilization; the profitability model and performance presentations by line of business, by customer, by branch and by sector (actual versus budget comparisons); Actual versus Budget expense control; Peer Group database and competitor analysis; ;Preparation of Regulatory reports; Financial Presentations with analysis for the Board, Shareholder meetings and Management and Executive Committee meetings and publishing the audited financial statements in official newspapers.

Furthermore, the Finance division, in 2012, enhanced its internal customer service by instigating a major switch in the way budgets are prepared and finishing a first phase of a much more comprehensive budgeting and planning application. This phase included automating the data entry process for parties involved in the budgeting & planning process which enhanced both the accuracy and time parameters of the budgeted figures.

The Role assigned to the Management Information System (MIS) in the Finance division is to achieve the maximum financial data accuracy and transparency. The MIS role in providing financial information is not limited only to the Finance division and senior management, but serves all lines of business in the Bank which need financial information to support decision making processes and to help in exploring opportunities and threats.

Centralized Operations, Administration & Engineering

The Bank's Central Operations Division handles day-to-day Client operational transactions in connection with Branches, Treasury, Capital Markets and Trade Finance. Centralization of many parts of Client and Bank transactional processes has been adopted to ensure the "One Bank" image among Customers of different Branches and standardization has maintained the Bank's cost efficiency through maximization of capacity and upheld Customer service levels.

Operational control and efficient Customer service are supported by internal Service Level Agreements that are defined and based on market research and competition analysis. This also assists the Bank in assessing effectiveness and quality of service.

In 2012, the Centralized Operations introduced key initiatives and worked closely with Lines of Business to enhance front-line operational processes and improve efficiency through optimized reporting and automation that anticipated the arising needs of our Customers.

The Bank's Administration & Engineering Division undertook several initiatives in managing cost efficiency while maintaining high quality standards and brand image. During 2012, a Head Office extension was completed in addition to opening branches in Haram (Islamic Branch) & Maadi (Laselky) as well as the inauguration of the Mossadak renovated Islamic Branch with the new Islamic corporate identity in support of the Bank's Islamic Banking arm. In addition, longer term projects were initiated in 2012 concerning a Physical Archiving Warehouse, Affluent Areas in selected Branches and further new branches.

Finally, the Bank's Organization & Engineering Division has worked closely with Lines of Business and Support Functions to document and complete 85% of the Bank's procedures to facilitate the operational process work for Internal Customers which is expected to be reflected in improved operational risk management and better services to External Customers.

Human Resources (HR)

The Bank's HR is the key driver behind achieving Internal Customer satisfaction as employees are considered one of the key assets and backbone of the Bank and are treated as Internal Customers that the Bank's HR function must serve.

The HR works on motivating diversity, providing equal opportunity, rewarding talent and valuing team work which is embedded in the Bank's Values. In this direction, the HR has a major role as communicators, facilitators, innovators and mentors to our internal Customers at all levels. This is portrayed through the Bank's behavior and business culture, championed by executive/senior management and the HR team and the pride our Internal Customers take from being treated as professionals and in turn providing quality professional services.

During 2012, the Bank's HR Team continued to provide efficient, effective and comprehensive support services to all stakeholders and in particular to our Internal Customers. One of the major achievements during 2012 was the Implementation of an integrated performance management framework and change project that enabled the Bank to re-allocate Internal Customers onto a revised Bank grading structure based on the results of Job evaluation and participation in Salary & benefits Surveys that were ultimately linked to adjustments in job-holder performance appraisal using a balanced scorecard approach.

Other important activities consisted of increasing Fringe benefits through launching an Internal Customer mortgage loan; validating / updating the content of job descriptions and organization charts to ensure the segregation of duties and comprehensive job evaluation; optimizing the allocation of high performers to fulfill job changes/vacancies; increasing the number of in-house trainers; improving job rotation to expand job experience and capabilities, thus working towards career potential and growth.

Finally during 2012, the Bank established a Learning and Assessment Center and further developed Internal Customer capabilities and knowledge (measured in 2012 by 234 Training programs, 2256 Trained Employees and a total of 21254 Training Hours). In addition, Internal Customer communication was enhanced through organizing 3 different social activities & 14 Branch visits by HR.

Information Technology (IT)

One of the critical success factors in the Banking Sector in Egypt and worldwide remains the ability of Information Technology to support a bank's Business Strategy. The Bank's IT function provides all levels of technology service and support to the business expansion throughout its lifecycle from Strategy to Execution and finally to operation and continual service improvement, thus meeting both Internal and External Customer needs.

2012 was a significant year for the Bank's IT as it produced prominent achievements in terms of providing appropriate applications for the Bank's new Lines of Business; enhanced existing delivery channels and upgraded the Bank's Technology infrastructure. Major focus was put on enhancing services to the Bank's Customers whether directly in the Branches or through alternate channels.

The Bank started to roll out an advanced queuing system in the Branches with the objective not only of fast tracking the handling of Branch visitors towards the appropriate and requested services but also to use the invaluable information obtained to plan the efficient streamlining and future usage of alternate delivery channels matched to our customer segmentation requirements and perspectives. We continued to enhance the services offered via the Bank's ATM network and additional technical services were implemented including a Cash Deposit service at a selected number of ATMs. This allowed Customers to deposit cash in different currencies online to their banking accounts. Bill payment service in cooperation with Fawry is currently technically supported all over the ATM network facilitating bill payment to a large number of service providers including mobile operators, telecoms and charity.

In support for the Bank's Islamic Banking arm, a new Islamic Banking application was implemented to facilitate the operation of the Islamic Branches and also to introduce the different Islamic products/services including Mudaraba and Murabaha. Similarly, a new application was introduced to support the different operational aspects of the Bank's Mortgage finance business.

On the IT infrastructure front and to ensure the efficient support for the Bank's growth, the main core banking servers were replaced with high-end servers that allow for the growing number of business users and applications required for an improved performance. Finally, 2012 witnessed a major replacement for all network security infrastructures to ensure the security of the Bank's information assets.

Strategic Support

The Strategic Support function of the Bank plays an important role in assisting, leading and coordinating the Strategic Planning Process of the Bank including advising on key macro external and internal market and performance indicators and linking these to the outcomes of realizing the Bank's Strategic and Business plan Objectives.

This role was duly translated into the assistance in development and subsequent review of non-financial business plans for all Lines of Business, Support & Control Functions. Strategic Support also ensured that these business plans were translated into action plans with clearly identified Key Performance Indicators (KPIs) aligned with Bank wide Strategic Objectives and related Strategic Change Projects.

Having the ownership of the design and coordination of the integrated non-financial Business Plans of the Bank for year 2012, Strategic Support provided quarterly monitoring performance evaluation through dashboard reports summarizing the progress in implementation of action plans of every part of the Bank. These are submitted to the Executive Management along with highlighting the Key areas of Concerns as well as Red Flag issues to assist appropriately focused decision making.

Marketing & Communication

The Bank's Marketing & Communication function is responsible for developing, coordinating, directing, and administering Communication strategies, plans and policies in support of all Lines of Business and support functions in the Bank, thereby meeting Internal & external Customer needs.

For it role in external Marketing & Communications, the focus has been on deepening and enlarging in a cost effective manner a positive and appropriate brand image and perception of the Bank in the market with all external stakeholders. This encompasses all the Bank's delivery channels and its product/service range.

Accordingly, the Marketing & Communication Team worked on Bank and products/services campaigns and brand awareness using different media channels in marketing, advertising, sales promotions, public relations, and direct marketing campaigns/activities whilst managing prudent budget and resource allocations .

During 2012, the External Marketing & Communication focused on product, service and Line of Business campaigns and the initiation of new creative applications for optimizing value from advertising/media channels and using innovative direct marketing activities to support business needs.

The Team's role internally is equally important because employees are considered as the Internal Customers of the Bank with needs and expectations that must be properly communicated and managed. The aim of Internal Marketing & Communication is to encourage and facilitate a culture of open, professional and effective two-way communication between the management and all employees across all functions in the Bank. Also, to reinforce employee pride in the institution and to help them voice ideas, issues and encourage collaboration, innovation and teamwork. In 2012, some of the notable achievements were: Encouraging our Internal Customers to utilize the Internal Marketing & Communication function as the conduit for the Voice of the Bank through different innovative internal channels; improving media monitoring so that it matches more closely to the Internal business needs; and developing Value Champions as a way to engage with and improve Internal Customer Satisfaction.

Service Quality Assurance

The desire for continuous improvement in Quality standards and assurance in the Bank stems from the Bank's embedded belief that the main differentiator between banks is the quality of service offered to their Clients/Customers. Accordingly, the main role of the Bank's Quality Assurance function in 2012 was to focus on ways of assuring the Board and management that the service level of the products and service delivered to our customers compared not only favorably with our peer group competitors and was is in line with the Bank's strategic objectives but that it fulfilled or exceeded the service requirements of our different client segments. Accordingly, the Bank's Quality Assurance function is divided into two main units covering Quality Assessment and Assurance; and Complaints Handling and Customer Satisfaction. Our goal was to ensure that the service provided via Bank Audi sae exceeds customer expectations while complying with the Bank's internal and external policies, procedures and objectives such as cost effectiveness.

Quality Assessment & Assurance continued to build up the Bank's capabilities in evaluation and measurement of the level of quality in comparison with competitors through Market Research, and in relation to the Bank's own standards, primarily through visits to all branches to ensure that they are following the Bank's pre-set service quality guidelines. Complaints Handling & Customer Satisfaction became the repository, coordinator and driver of actions for collecting, analyzing and handling Customer complaints. Such analysis is prepared using a statistical approach, where the service defects that were highlighted by Customers are investigated and resolved in order to reach Customer satisfaction and work on avoiding any repetitive complaints for similar issues. Service quality trainings are also given during the orientation phase of newcomers to the Bank in order to embed the standardized quality measurements and values among them. From another side, the Quality Assurance function believes in the importance of internal communication and service level responsibilities between various departments and the Branches and accordingly works on improving such communication on a continuous basis to get the needed level of service and reach higher levels of Internal & External Customer satisfaction.

Project Management Office (PMO)

The Project Management Office is the catalyst that supports the Bank in optimizing the performance and return on its Change Projects. The primary goal of the PMO is to achieve benefits from standardizing and following the Bank's project management policies, processes, and methods and thereby improving Internal Customer performance which ultimately should provide pay back for our External Customers. In this respect the PMO continued to focus on the enhancement of principles, practices, methodologies, tools and techniques that assist the Bank's project sponsors, managers, teams, and functions to work most effectively together in order to implement the Bank's strategic change projects and related initiatives and to ensure those projects deliver results that support the Bank's strategic goals.

Over time, the PMO is expected to become the source of know-how, guidance, documentation, and metrics related to the practices involved in managing and implementing optimal change projects.

PMO has set a unified methodology for the lifecycle of the Bank's project through a tailored set of Project Definition Document (PDD), Project Contents Template (PCT) and Project Action Plan (PAP) templates. For the purpose of efficient monitoring, actions and project decision-making Progress Reports are submitted to Senior management and the Bank's Change Committee on a regular basis.

Market Research Department

The Bank's Market Research Department plays a vital role in benchmarking the Bank's products & services to the market place. The Bank values the importance of understanding Customer needs on all fronts and in understanding such needs for each Line of Business separately as well as each product and service. We appreciate that Customer needs will vary depending on their segmentation, lifecycle and value chains. Accordingly, the Bank is a pro-actively outward looking and Customer perspective focused in terms of reaching, assessing and fulfilling the real product and service requirements of its various customer segments. Our research activities assist the Bank to work innovatively and in a well informed way on such needs and on future client trends and aspirations so that our product/service offerings can continue to add value and fill gaps. Similarly, for planning purposes, the Bank continually references its performance in relation to its market and competitive peers in order to continuously improve performance. The Bank's Market Research is a focal point to monitor the market place, and to support the Lines of Business with specialized, reliable and up to date information. We design and monitor our own and independently contracted surveys and develop effective research methodologies and techniques to provide the required level of market intelligence.

II. Control Functions

The Internal Audit Division- IAD

The Internal Audit Division's role is to support the Bank's management by providing independent and objective assurance and advice on the risk based effectiveness and appropriateness of internal controls at all levels and across all activities for accomplishing the Bank's strategic objectives. This is provided through bringing a value added, systematic, disciplined and risk based audit approach to improve the effectiveness and efficiency of the Bank operational controls and in turn, achieving Internal and External Customer satisfaction.

Throughout 2012, IAD successfully accomplished comprehensive risk based audit plans for Branch operations, Head Office operations and Information Technology systems utilizing updated methodologies that were appropriate to the auditee universe and complying with the currently surrounding circumstances in Egypt. The IAD performed several audit missions for Head Office operations along with IT modules and systems that focused on the high risk areas identified from the internal and external environment of the Bank. At the level of improving the performance and capabilities of the audit employees and empowering them for further developments in their career path, the Bank provided different kinds of technical and soft trainings and workshops based on the annual Training Needs Assessment designed by HR and which has helped staff meet their future expectations. As increasing the risk based audit awareness of all the Bank's employees is one of the IAD's objectives, we worked consistently to improve and clarify the audit perception in the different operative areas of the Bank, primarily through conducting awareness sessions over 2012 for the new hires and presentations to various management and committee meetings.

Legal Department

The Bank's Legal Department plays a very crucial role in producing high quality documentation and contracts for all the Bank's business activities, advising on legal risks and handling legal cases. In doing so it supports the Bank's Board and Management in ensuring good Governance by protecting stakeholder interests and the Bank's reputation through ensuring proper and appropriate adherence with all relevant and applicable legal considerations

In 2012, the Legal Department additionally focused on drafting and reviewing new forms for Conventional and Islamic products, including but not limited to Mortgages, Auto Loans, Murabha and Agency in Investment.

Compliance Department

The Bank's Compliance Department identifies and helps to mitigate any exposure to Compliance risk while ensuring independent oversight and support to the Board and Senior Management in their management of compliance risks across the whole Bank to safeguard Stakeholder interests.

With the increasing scrutiny of regulators and other external stakeholders, the scope and detail of work required from a properly functioning Compliance department continues to rise.

During 2012, the Bank's Compliance Department worked on enhancing the Anti Money Laundering (AML) and Combating Financing Terrorism practices to safeguard the Bank and its Customers from being involved in suspicious transactions. In this respect and among other things, the Board of Directors approved the amendment of the Bank's AML Guide after ratifying it on 2010 and approved the Compliance Terms of References and developed the Risk Based applied methodology in order to cope with the dynamic challenges at both the local and international level. With the assistance of IT, the Compliance Department continued to enhance and develop the existing AML software solution and monitoring reports.

An important part of effective Compliance is the awareness of Internal Customers (employees) and Compliance has conducted continuous specialized in-house training courses and selective participation in outsourced training. In addition, the department closely follows-up on the Bank's ongoing profile update process of all Customers.

The Bank is committed to create a culture that adopts ethical business practices, transparency and seeks to deal professionally and appropriately with all compliance risk challenges in the context of local and international standards and expectations.

Corporate Information Security and Business Continuity (CISBC)

CISBC Department is assigned the executive ownership of and accountability for establishing a security strategy, developing and implementing a security program geared to protect Bank Audi sae information assets against threats that can adversely impact the Confidentiality, Integrity and Availability of clients' information. In this regard and as a control function, CISBC focused in its security program on setting up security measures, implementing best security practices and acquiring best solutions to protect clients' valuable information.

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Financial Statements

our Achievements

366 Days

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Achieving means nothing to us if it does not cater for your success.

366 Days

Dedicated to you

Driving your success is our passion.

BANK AUDI (S.A.E)

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December 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 balance sheet financial position as of 31 December 2012, and the related statements of income, change in equity and cash flows for the year 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 31 December 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 31 December 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: 11 February 2013

Auditors

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

Hesham El-Afandy
KPMG Hazem Hassan
Public Accountants & Consultants

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

Bank Audi sae
Balance Sheet
For the year ended 31 December 2012

	Note No	31 December 2012 EGP	31 December 2011 EGP (Restrted)
Assets			
Cash and balances with Central Bank of Egypt	(15)	951 583 682	1 031 606 838
Due from banks	(16)	1 824 014 633	2 831 843 033
Treasury bills and other governmental notes	(17)	3 480 676 749	4 639 894 188
Loans and facilities to banks	(18)	59 935 909	33 699 054
Loans and facilities to customers	(19)	9 395 097 357	7 882 605 229
Financial derivatives	(20)	3 876 503	2 084 001
Financial Investments:			
Available for sale	(21)	2 542 663 045	791 193 380
Held to maturity	(21)	5 000 000	95 015 379
Intangible assets	(22)	6 302 105	4 403 470
Other assets	(23)	308 196 335	221 825 501
Fixed assets	(24)	311 444 416	261 333 120
Total assets		18 888 790 734	17 795 503 193
Liabilities and Equity			
Liabilities			
Due to banks	(25)	288 723 956	374 799 882
Customers' deposits	(26)	16 217 669 701	15 697 040 397
Financial derivatives	(20)	1 201 878	3 326 050
Other loans	(27)	189 570 000	-
Other liabilities	(28)	198 515 919	174 439 672
Other provisions	(29.37)	21 192 866	6 762 777
Current income tax liability		100 919 468	30 870 364
Deferred tax liability	(30)	10 812 943	5 869 692
Total liabilities		17 028 606 731	16 293 108 834
Equity			
Paid up capital	(31)	1 337 024 865	1 123 437 365
Reserves	(32)	246 861 109	118 738 711
Retained earnings	(32.37)	276 298 029	260 218 283
Total equity		1 860 184 003	1 502 394 359
Total Liabilities and Equity		18 888 790 734	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 Income
For the year ended 31 December 2012

	Note No	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Interest income on loans and similar income	(6)	1631 349 992	1231 229 752
Interest expense on deposits and similar expense	(6)	(979 881 200)	(799 405 126)
Net interest Income		651 468 792	431 824 626
Fees and commissions income	(7)	151 950 974	116 675 893
Fees and commissions expense	(7)	(7 720 856)	(5 798 798)
Net income from fees and commissions		144 230 118	110 877 095
Dividends income	(8)	77 428	96 607
Net trading income	(9)	935 459	292 392
Gains from financial investments	(21)	15 320 547	4 690 287
Impairment charges on credit losses	(12,19)	(100 812 697)	(88 158 056)
Administrative expenses	(10)	(275 907 377)	(263 785 538)
Other operating income	(11)	2 222 269	10 115 881
Net profit before income taxes		437 534 539	205 953 294
Income tax expenses	(13)	(186 464 052)	(78 461 960)
Net profit for the period		251 070 487	127 491 334
Earning per share (pound/share)	(14)	11.12	3.08

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 year ended 31 December 2012

	Note No	Issued & Paid up Capital EGP	Reserves EGP	Retained Earnings EGP	Total EGP
Balances as of 31 December 2010		1 123 437 365	99 173 687	174 613 775	1 397 224 827
Dividends for the year 2010 (Employees' share)	(32E)	-	-	(14 747 438)	(14 747 438)
Transferred to legal reserves	(32C)	-	8 730 689	(8 730 689)	-
Deferred taxes recorded in special reserve	(32A)	-	3 894 212	-	3 894 212
Deferred taxes recorded in general banking risk reserve	(32B)	-	1 641 895	-	1 641 895
Transferred to general banking risk reserves	(32B)	-	18 343 793	(18 343 793)	-
Transferred to capital reserves	(32E)	-	64 906	(64 906)	-
Net Profit for the year ended 31 December 2012 (as issued previously)	(37)	-	-	500 000	500 000
Net Change in investments available for sale after deduct taxes	(32D)	-	(13 502 906)	-	(13 502 906)
Net Change in other fair value reserve		-	392 435	-	392 435
Balances as of 31 December 2011 (as issued)		1 123 437 365	118 738 711	133 226 949	1 375 403 025
Previous years adjustments	(37)	-	-	126 991 334	126 991 334
Balances as of 31 December 2011 (Restated)		1 123 437 365	118 738 711	260 218 283	1 502 394 359
Dividends for the year 2011 (Shareholders' share)	(32E)	-	-	(187 993 898)	(187 993 898)
Dividends for the year 2011 (Employees' share)	(32E)	-	-	(9 541 423)	(9 541 423)
Transferred to legal reserves	(32C)	-	6 374 567	(6 374 567)	-
Payment of increase in issued capital	(31)	213 587 500	-	-	213 587 500
Transferred to general banking risk reserves	(32B)	-	31 080 853	(31 080 853)	-
Net Profit for the year ended 31 December 2012		-	-	251 070 487	251 070 487
Net Change in investments available for sale after deduct taxes	(32D)	-	90 666 978	-	90 666 978
Balances as of 31 December 2012		1 337 024 865	246 861 109	276 298 029	1 860 184 003

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 year ended 31 December 2012

	Note No	For the year ended 31 December 2012 EGP	For the year ended 31 December 2011 EGP (Restated)
Cash flows from operating activities			
Net profits for the year before taxes		437 534 539	205 953 294
Adjustments to reconcile net profits to cash flows provided from operating activities			
Depreciation and amortization		32 158 589	30 989 976
Impairment charges on credit losses		100 812 697	88 158 056
Other provisions charges		15 413 326	618 235
Provisions used - other than loan provision		(1 005 175)	(4 495 565)
Foreign currency provisions revaluation differences (other than loan provision)		42 938	-
Discount amortization of issuing held to maturity investments		(2 584 621)	(4 278 262)
Losses from sale of fixed assets		488 580	359 626
Profits from sale of trading financial investments		(935 459)	(292 392)
Provisions no longer required		(21 000)	(1 391 771)
Other loans revaluation differences		8 319 000	11 350 000
Profits from sale of other financial investments		(7 714 028)	(1 233 984)
Losses of impairment available for sale financial investments		-	1 183 714
Operating Profits before changes in assets and liabilities provided from operating activities		582 509 386	326 920 927
Net decrease (increase) in assets			
Balances with the Central Bank of Egypt within reserve percentage		110 839 669	269 199 953
Due from banks		910 507 411	1 518 212 477
Treasury bills and other governmental notes		1 112 317 439	(2 712 148 647)
Financial derivatives (net)		(3 916 674)	1 027 100
Trading financial assets		935 459	292 392
Available for sale financial investments		(1 653 088 659)	(341 429 741)
Loans and facilities to banks		(26 236 855)	58 557 695
Loans and facilities to customers		(1 613 304 825)	(859 746 335)
Other assets		(148 252 802)	(66 401 533)
Net (decrease) increase in liabilities			
Due to banks		(86 075 926)	301 179 860
Customers' deposits		520 629 304	1 981 743 894
Other liabilities		24 076 247	18 228 372
Paid deferred taxes liability		-	(16 941 220)
Paid income taxes		(111 471 697)	(51 005 258)
Net cash flows (used in) provided from operating activities		(380 532 523)	427 689 936

Bank Audi sae
Statement of Cash Flows
For the year ended 31 December 2012

	Note No	For the year ended 31 December 2012 EGP	For the year ended 31 December 2011 EGP (Restated)
Cash flows from investing activities			
Proceeds from sale of fixed assets		320 400	54 100
Payments to acquire fixed assets and fixtures of branches		(18 465 580)	(4 946 811)
Payments to acquire intangible assets		(4 629 952)	(2 747 333)
Proceeds from recovering financial investments - held to maturity		92 600 000	-
Net cash flows provided (used in) from investing activities		69 824 868	(7 640 044)
Cash flows from Financing Activities			
Proceeds from increase of capital		213 587 500	-
Dividends paid		(197 535 321)	(14 747 438)
Payments of other loans		-	(301 595 000)
Proceeds from other loans		181 251 000	-
Net cash flows provided from (used in) financing activities		197 303 179	(316 342 438)
Net change in cash and cash equivalents during the year		(113 404 476)	103 707 454
Cash and cash equivalents at beginning of the year		271 030 812	167 323 358
Cash and cash equivalents at end of the year		157 626 336	271 030 812
Cash and cash equivalents are represented in :			
Cash and due from Central Bank		951 583 682	1 031 606 838
Due from banks		1 824 014 633	2 831 843 033
Treasury bills and other governmental notes		3 480 676 749	4 639 894 188
Balances with the Central Bank of Egypt within reserve percentage		(827 984 345)	(938 824 014)
Deposits with banks		(1 790 062 634)	(2 700 570 045)
Treasury bills and other governmental notes (with maturities of more than three months)		(3 480 601 749)	(4 592 919 188)
Cash and cash equivalents	(33)	157 626 336	271 030 812

Non - cash transactions presented as follows:

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

- EGP 61 881 968 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 year ended 31 December 2012

	Note No	For the year ended 31 December 2012 EGP	For the year ended 31 December 2011 EGP
Net profit for the year from the statement of income		251 070 487	127 491 334
General banking risk reserves		(22 637 564)	(31 080 853)
Add			
Retained earnings at the beginning of the year	37	25 227 542	132 726 949
Net profit for the year available distribute		253 660 465	229 137 430
To be distributed as follows			
Legal Reserve		12 553 524	6 374 567
Employees' profits share		24 110 694	9 541 423
Shareholders' Dividends		-	187 993 898
Retained earnings at the end of the year		216 996 247	25 227 542
Total		253 660 465	229 137 430

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

1- Background

Bank Audi (S.A.E) provides retail, corporate and investment banking services in Arab Republic of Egypt and outside Egypt through 32 branches and served by 896 staff as of 31December 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 31 December 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.
- 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

TThe 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.

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.

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 determined taking into consideration the group of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

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

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from 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-W 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 year.

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 year.

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.

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 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	31 December 2012		31 December 2011	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Performing loans	83%	19%	90%	9%
Regular watching	10%	3%	7%	1%
Watch list	4%	1%	0%	2%
Non-performing loans	3%	77%	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.
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	31 December 2012 EGP	31 December 2011 EGP
Treasury bills and other governmental notes	3 480 676 749	4 639 894 188
Loans and advances to customers		
Retail loans (net):		
- Credit cards	181 639 350	131 808 196
- Personal loans	1 463 076 451	1 190 679 268
- Debit current accounts	279 057 674	181 097 377
- Real estate loans	21 569 922	7 127 494
Corporate loans (net):		
- Debit current accounts	4 149 859 728	3 268 856 773
- Direct loans	1 467 486 795	1 304 674 376
- Syndicated loans	1 633 013 490	1 622 331 783
- Other loans	199 393 947	176 029 962
- Loans to banks	59 935 909	33 699 054
Financial investments:		
- Debt instruments	2 544 036 555	884 352 050
Total	15 479 746 570	13 440 550 521
Off-balance sheet items exposed to credit risk*		
Loan commitments and other irrevocable commitments related to credit	265 202 114	473 119 395
Letters of credit- import	142 773 641	221 893 993
Letters of guarantee	1 420 074 667	1 481 571 223
Accepted papers for suppliers facilities	109 536 915	163 689 224
Total	1 937 587 337	2 340 273 835

Note (34-C)

- The above table represents the maximum limit of exposed credit risk as of 31 December 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, 61% of the total maximum limit exposed to credit risk resulted from loans and advances to customers and banks at 31 December 2012 against 59% at end of the comparative year while investment in debt instruments represents 16% 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:

- 93% of the loans and advances portfolio is classified at the highest two ratings in the internal rating at 31 December 2012 against 97% at end of the comparative year.

- 75% of the loans and advances portfolio having no past dues or impairment indicators at 31 December 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 200 318 047 at 31 December 2012 against EGP 220 329 349 at the end of comparative year, there is an impairment less than 83% 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 50 843 720 on an individual basis during the year against EGP 74 530 987 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 31 December 2012.
- Investments in debt instruments and treasury bills contain more than 91% at 31 December 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:

	31 December 2012 Loans and advances to customers EGP	31 December 2011 Loans and advances to customers EGP
Neither having past dues nor impairment	7 265 827 216	7 350 285 209
Having past due but not subject to impairment	2 098 013 269	299 229 196
Subject to impairment	268 816 352	413 644 640
Total	9 632 656 837	8 063 159 045
Less: Impairment losses provision	(237 559 480)	(180 553 816)
Net	9 395 097 357	7 882 605 229

- The bank's total impairment loss for loans and advances amounted to EGP 100 812 697 at 31 December 2012 against to EGP 88 158 056 at comparative year of which EGP 50 843 720 against EGP 74 530 987 at comparative year representing impairment of individual loans and the remaining amounting to EGP 49 968 977 against EGP 13 627 069 at comparative year representing collective impairment on a group basis for the credit portfolio. Note (19) includes additional information regarding impairment loss on loans and advances to customers.

- The bank's portfolio increased by 19% during the year 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)

31 December 2012

(EGP)

Rating	Retail			Corporate				
	Credit cards	Personal loans	Debt current accounts	Real estate loans	Debit current accounts and direct loans	Syndicated loans	Other loans	Total loans and advances to customers
Performing loans	179 070 648	I 415 550 720	280 060 252	21 578 060	3 319 558 851	1 097 433 089	200 307 527	6 513 559 147
Regular watching	--	--	--	--	199 184 561	380 029 539	--	579 214 100
Watch list	--	--	--	--	5 153 044	167 900 925	--	173 053 969
Total	179 070 648	I 415 550 720	280 060 252	21 578 060	3 523 896 456	1 645 363 553	200 307 527	7 265 827 216

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			Corporate				
	Credit cards	Personal loans	Debt current accounts	Real estate loans	Debit current accounts and direct loans	Syndicated loans	Other loans	Total loans and advances to customers
Performing loans	125 645 506	1 074 629 788	167 105 031	3 748	3 923 399 839	1 626 066 457	176 351 556	7 093 201 925
Regular watching	--	--	--	--	257 083 284	--	--	257 083 284
Total	125 645 506	1 074 629 788	167 105 031	3 748	4 180 483 123	1 626 066 457	176 351 556	7 350 285 209

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

31 December 2012

	Corporate	
	Debit current accounts and direct loans	**Total**
Past dues up to 30 days	1 790 925 930	1 790 925 930
Past dues more than 30 - 60 days	189 308 252	189 308 252
Past dues more than 60 - 90 days	117 779 087	117 779 087
Total	2 098 013 269	2 098 013 269
Fair value of collateral	458 174 061	458 174 061

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 200 318 047 at 31 December 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		
31 December 2012		
Individual loans subject to impairment	200 318 047	200 318 047
Fair value of collateral	5 000 000	5 000 000
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 154 848 376 as of 31 December 2012 against EGP 49 439 297 as of 31 December 2011.

	31 December 2012 EGP	31 December 2011 EGP
Loans and advances to customers		
Corporate		
- Direct loans	154 848 376	49 439 297
Total	154 848 376	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 year.

	Treasury bills and other governmental notes EGP	Investments in securities EGP	Total EGP
AAA to AA-	--	133 298 233	133 298 233
A-to A+	--	303 648 741	303 648 741
Less than A-	3 480 676 749	2 030 360 458	5 511 037 207
Non classified	--	76 729 123	76 729 123
Total	3 480 676 749	2 544 036 555	6 024 713 304

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Notes to the Financial Statements
For the year ended 31 December 2012

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

Geographical segment

The following table represents an analysis of the most important credit risk exposure for the bank at book value, distributed according to the geographic segment at the end of the financial year, upon preparing this table, risk exposures have been distributed on the geographic segments according to the areas related to the bank customers.

(EGP)

31 December 2012	Cairo	Egypt Alexandria, Delta and Sinai	Total	Gulf countries	Other countries	Total
Financial Asset						
Treasury bills and other governmental notes	3 480 676 749	--	3 480 676 749	--	--	3 480 676 749
Loans and advances to banks	--	--	--	--	59 935 909	59 935 909
Loans and advances to customers	--	--	--			
Retail loans						
Debit current account	221 493 979	58 566 251	280 060 230	--	--	280 060 230
Credit cards	152 254 093	32 184 227	184 438 320	--	--	184 438 320
Personals loans	1 228 920 607	249 764 768	1 478 685 375	--	--	1 478 685 375
Real estate loans	21 578 060	--	21 578 060	--	--	21 578 060
Corporate Loans						
Debit current account	3 549 672 514	658 123 280	4 207 795 794	--	63 190 000	4 270 985 794
Direct loans	1 423 100 559	128 137 419	1 551 237 978	--	--	1 551 237 978
Syndicated loans	1 645 363 553	--	1 645 363 553	--	--	1 645 363 553
Other loans	128 744 445	--	128 744 445	71 563 082	--	200 307 527
Financial derivatives	3 876 503	--	3 876 503	--	--	3 876 503
Financial investments						
Debt instruments	2 107 089 581	--	2 107 089 581	402 812 368	34 134 606	2 544 036 555
Other assets	297 996 563	5 366 613	303 363 176	3 826 364	1 006 795	308 196 335
Total at end of the current year	14 260 767 206	1 132 142 558	15 392 909 764	478 201 814	158 267 310	16 029 378 888
Total at end of the comparative year	12 486 669 683	988 057 252	13 474 726 935	304 796 992	65 489 912	13 845 013 839

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Notes to the Financial Statements
For the year ended 31 December 2012

(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	127 145 930	54 178 258	181 324 188	--	--	181 324 188
Credit cards	109 006 237	25 006 178	134 012 415	--	--	134 012 415
Personals loans	1 059 144 029	179 091 490	1 238 235 519	--	--	1 238 235 519
Real estate loans	7 131 242	--	7 131 242			7 131 242
Corporate Loans						
Debit current account	2 759 956 224	595 827 590	3 355 783 814	--	--	3 355 783 814
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 comparative year	8 957 935 511	708 832 168	9 666 767 679	218 661 330	46 982 456	9 932 411 465

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Notes to the Financial Statements
For the year ended 31 December 2012

Business segment

The following table represents a analysis of the most important credit risk exposure limit for the bank at book value distributed according to the business segment for the bank customers.

(EGP)

31 December 2012	Financial institutions	Industrial institutions	Real estate activity	Whole sale and retail trade	Governmental sector	Other activities	Individuals	Total
Financial Asset								
Treasury bills and other governmental notes	--	--	--		3 480 676 749	--	--	3 480 676 749
Loans and advances to banks	59 935 909	--	--	--	--	--	--	59 935 909
Loans and advances to customers				--				
Retail loans								
Debit current account	--	--	--		--	--	280 060 230	280 060 230
Credit cards	--	--	--	--	--	--	184 438 320	184 438 320
Personals loans	--	--	--	--	--	--	1 478 685 375	1 478 685 375
Real estate loans	--	--	--	--	--	--	21 578 060	21 578 060
Corporate Loans								
Debit current account	306 823 145	1 888 265 941	910 131 390	938 918 697	53 581 771	173 264 850	--	4 270 985 794
Direct loans	311 770 830	697 678 327	171 411 170	84 971 874	135 830 704	149 575 073	--	1 551 237 978
Syndicated loans	150 334 169	698 230 159	139 286 055	71 174 918	162 967 241	423 371 011	--	1 645 363 553
Other loans	71 735 394	--	1 870 941	105 505 987	11 769 341	9 425 864	--	200 307 527
Financial derivatives	3 606 899	--	--	--	--	269 604	--	3 876 503
Financial investments								
Debt instruments	280 938 023	64 022 566	--	--	2 081 163 612	117 912 354	--	2 544 036 555
Other assets	7 851 826	21 302 822	7 322 911	7 190 383	122 589 266	128 332 285	13 606 842	308 196 335
Total at end of the current year	1 192 996 195	3 369 499 815	1 230 022 467	1 207 761 859	6 048 578 684	1 002 151 041	1 978 368 827	16 029 378 888
Total at end of the comparative year	853 563 380	2 830 732 216	44 315 998	886 574 406	5 191 829 794	2 477 294 681	1 560 703 364	13 845 013 839

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Notes to the Financial Statements
For the year ended 31 December 2012

Business segment

(EGP)

31 December 2011	Financial institutions	Industrial institutions	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	--	--	--	--	--	--	181 324 188	188 324 181
Credit cards	--	--	--	--	--	--	134 012 415	134 012 415
Personals loans	--	--	--	--	--	--	1 238 235 519	1 238 235 519
Real State loans							7 131 242	7 131 242
Corporate Loans								
Debit current account	169 383 119	1 485 783 036	4 513 204	746 710 783	--	949 393 672	--	3 355 783 814
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 year	853 563 380	2 830 732 216	44 315 998	886 574 406	5 191 829 794	2 477 294 681	1 560 703 364	13 845 013 839
Total at end of the comparative year	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 is 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 on a daily basis 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 year was EGP 754 thousands against EGP 402 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)

	12 months till 31 December 2012			12 months till 31 December 2011		
	Average	High	Low	Average	High	Low
Foreign exchange risk	556	1 386	86	195	554	11
Equity instruments risk	198	259	161	207	311	128
Total value at risk	754	1645	247	402	865	139

Trading portfolio value at risk by risk type

EGP(000)

	12 months till 31 December 2012			12 months till 31 December 2011		
	Average	High	Low	Average	High	Low
Foreign exchange risk	556	1 386	86	195	554	11
Total value at risk	556	1 386	86	195	554	11

Non- trading portfolio value at risk by risk type

EGP(000)

	12 months till 31 December 2012			12 months till 31 December 2011		
	Average	High	Low	Average	High	Low
Foreign exchange risk	198	259	161	207	311	128
Total value at risk	198	259	161	207	311	128

The increase in VAR especially the interest rate risk is related to the increase in market interest rates vulnerability 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 the correlation 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 year. The following table includes the carrying amounts of the financial instruments in their currencies:

31 December 2012	EGP	USD	EURO	GBP	Other Currencies	Total
Financial Asset						
Cash and balances with Central bank	910 513 459	26 221 954	11 877 551	2 021 132	949 586	951 583 682
Due from banks	4 200 567	1 599 428 018	202 289 478	3 530 424	14 566 146	1 824 014 633
Treasury bills and other governmental notes	3 480 676 749	--	--	--	--	3 480 676 749
Loans and advances to banks	--	2 199 689	57 736 220	--	--	59 935 909
Loans and advances to customers	7 028 074 554	2 290 599 760	75 736 316	685 679	1 048	9 395 097 357
Financial derivatives	3 876 503	--	--	--	--	3 876 503
Financial investments:						
-Available for sale	2 105 020 980	407 583 653	30 058 412	--	--	2 542 663 045
-Held to maturity	5 000 000	--	--	--	--	5 000 000
Other financial assets	181 094 103	20 579 614	1 020 075	396	65	202 694 253
Total financial assets	13 718 456 915	4 346 612 688	378 718 052	6 237 631	15 516 845	18 465 542 131
Financial liabilities						
Due to banks	251 249 927	34 424 901	401 610	2 043 560	603 958	288 723 956
Customer deposits	11 745 420 734	4 059 386 256	371 931 399	27 659 763	13 271 549	16 217 669 701
Other loans	--	189 570 000	--	--	--	189 570 000
Financial derivatives	1 201 878	--	--	--	--	1 201 878
Other financial liabilities	169 842 719	10 125 388	516 020	32 070	15 056	180 531 253
Total financial liabilities	12 167 715 258	4 293 506 545	372 849 029	29 735 393	13 890 563	16 877 696 788
Net on financial position	1 550 741 657	53 106 143	5 869 023	(23 497 762)	1 626 282	1 587 845 343
Commitments related to credit	134 601 962	130 600 171	--	--	--	265 202 133
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:

EGP

31 December 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	--	--	--	--	--	951 583 682	951 583 682
Due from banks	1 046 103 534	743 959 100	--	--	--	33 951 999	1 824 014 633
Treasury bills and other governmental notes	(1 388 889 848)*	(600 808 737)*	5 470 375 334	--	--	--	3 480 676 749
Loans and advances to customers	1 169 124 998	4 215 874 215	1 404 830 715	2 383 268 953	192 828 270	29 170 206	9 395 097 357
Loans and advances to banks	1 643 412	560 521	58 325 400	--	--	**(593 424)	59 935 909
Financial derivatives	3 514 159	292 406	69 938	--	--	--	3 876 503
Financial investments:							
-Available for sale	7 726 225	30 773 815	73 999 085	2 264 382 211	78 126 424	87 655 285	2 542 663 045
-Held to maturity	--	--	--	--	5 000 000	--	5 000 000
Other financial assets	--	--	--	--	--	202 694 253	202 694 253
Total financial assets	839 222 480	4 390 651 320	7 007 600 472	4 647 651 164	275 954 694	1 304 462 001	18 465 542 131
Financial liabilities							
Due to banks	243 043 560	--	--	--	--	45 680 396	288 723 956
Customer deposits	4 197 823 517	3 197 088 267	3 695 006 584	3 499 421 413	11 303 000	1 617 026 920	16 217 669 701
Financial derivatives	566 803	287 075	348 000	--	--	--	1 201 878
Other loans	189 570 000	--	--	--	--	--	189 570 000
Other financial liabilities	--	--	--	--	--	180 531 253	180 531 253
Total financial liabilities	4 631 003 880	3 197 375 342	3 695 354 584	3 499 421 413	11 303 000	1 843 238 569	16 877 696 788
Interest re-pricing gap	(3 791 781 400)	1 193 275 978	3 312 245 888	1 148 229 751	264 651 694	(538 776 568)	1 587 845 343
31 December 2011							
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

*The amount of EGP (1 989 698 585) represented by each of the amount of EGP (1 388 889 848) and EGP (600 808 737), and consisting from EGP (2 275 379 910) representing value of treasury bills repurchase agreement, and the amount of EGP 285 681 325 representing value of treasury bills divided on the basis of re-pricing dates.

**The amount EGP (593 424) 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 results 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 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:

Non Derivative Cash Flows Table

31 December 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	288 723 956	--	--	--	--	288 723 956
Customers' deposits	6 590 850 863	3 450 702 871	3 519 016 001	2 649 477 965	7 622 001	16 217 669 701
Other loans	--	--	--	189 570 000	--	189 570 000`
Other liabilities and financial derivatives	32 658 908	82 156 922	23 649 434	43 227 501	40 366	181 733 131
Total of financial liabilities according to contractual maturity date	6 912 233 727	3 532 859 793	3 542 665 435	2 882 275 466	7 662 367	16 877 696 788
Total of financial assets according to contractual maturity date	3 923 906 091	1 368 881 021	9 466 547 013	2 455 363 413	1 250 844 593	18 465 542 131

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 governmental 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)

31 December 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	276 519 624	35 892 932	27 558 245	339 970 801
- Cash inflows	279 597 312	35 983 998	27 064 115	342 645 425
Total Cash Outflows*	276 519 624	35 892 932	27 558 245	339 970 801
Total Cash inflows	279 597 312	35 983 998	27 064 115	342 645 425

*Note no. (20)

(EGP)

31 December 2011	Up to 1 month	Over than 1 month to 3 months	Over than 3 month 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)

Off-balance sheet items:

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

EGP

At the end of 31 December 2012	Up to 1 year	Over 1 year and less than 5 years	Over than 5 years	**Total**
Loans commitments	179 333 139	85 868 975	--	265 202 114
Financial collaterals, accepted bills and other financial advances	1 374 948 334	137 639 851	98 003 071	1 610 591 256
Capital Commitment resulting from Fixed assets acquisition *	7 527 273	2 847 010	--	10 374 283
Total	1 561 808 746	226 355 836	98 003 071	1 886 167 653

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 year amounted to EGP 90 666 978 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:

	EGP Book value		EGP Fair value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Financial Investments:				
-Held to maturity	5000 000	95 015 379	6 774 585	82 945 215

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 issued

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 support business 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 on Basel committee for banking control guidelines, 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.
- Maintaining a ratio between capital elements and assets and contingent liabilities elements weighted by risk weights at 10 % or more.

Bank's branches which operate outside the Arab Republic of Egypt are subject to the banking business regulators' supervising rules in countries which they operate.

In accordance with the requirements of Basel 2, the numerator of capital adequacy consists of the following two tiers:

Tier 1:

A- The basic going concern capital which consist of the following:

Issued and paid up capital, the legal reserve, formal reserve, capital reserve, and retained earnings (carried forward losses) excluding the following:

- Treasury stocks.
- Goodwill.
- Bank's investments in financial companies (banks and companies) and insurance companies (more than 10% of the issued capital of the company)
- The increase of the bank's investments in which each single investment is less than 10% of company's issued capital than 10% of basic going concern capital after regulatory adjustments (basic capital before excluding investments in financial institutions and insurance companies).

  The following elements is not considered:
- Fair value reserve balance of financial investments available for sale (if negative)
- Foreign currency translation differences reserve (if negative).

Where the above mentioned items deducted from basic capital if the balance is negative, while its negligible If positive

B- Additional basic capital which consists of the following:

- Permanent preferred noncumulative shares , quarterly interim gains (losses), non controlling interest and the difference between the nominal value and the present value of the subordinate loan /deposit.
- Interim profits is recognized only after being approved by the auditor and the approval of General Assembly of dividends, and the approval of the Central Bank, the interim losses is deducted unconditionally.

Tier 2:

- The subordinate capital which consists of the following:
- 45% of the increase in the fair value of the carrying amount for financial investments (fair value reserve if positive, held to maturity investments, and investments in associates and subsidiaries).
- 45% of the special reserve.
- 45% of positive foreign currency translation differences Reserve.
- Hybrid financial instruments.
- Subordinate loans(deposits).
- Loans and facilities and performing contingent liabilities provision for impairment loss (should not exceed 1.25% of total assets and contingent liabilities total credit risk weighted by risk weights.

  Loans, facilities and nonperforming contingent liabilities provision for impairment loss should be adequate to meet the obligations the provision formed for.

Eliminations of 50% of tier 1 and 50% of tier 2:

- Investments in non-financial companies – each company separately amounted to 15% or more of basic going concern capital of the bank before regulatory amendments.
- Total bank's investments in non-financial companies – each company separately less than 15% more of basic going concern capital of the bank before regulatory amendments. provided that these investments combined exceed 60% of the basic capital by regulatory amendments.
- Securitization portfolio.
- What belong to the value of assets reverted to the bank as a debt settlement in the general banking risk reserve.

On calculating the total numerator of capital adequacy it is to be considered that subordinate loans /deposits should not be greater than 50% of basic capital after eliminations.

Assets and contingent liabilities are weighted by credit risk, market risk, and operational risk.

Capital	31 December 2012 EGP (000)	31 December 2011 EGP (000)
Tier 1 (basic capital)		
Share capital (net of the treasury stocks)	1 337 025	1 123 437
Legal reserve	19 175	12 801
Other reserves	65	(9 035)
Retained earnings	--	132 727
Total basic capital	1 356 265	1 259 930
Tier 2 (subordinated capital)		
Equivalent to general risks provision	73 065	117 507
45% of the special reserve	36 495	--
45% of the increase in the fair value below its book value for HTM and available for sale investments and related parties	38 035	--
Total subordinated capital	147 595	117 507
Total capital	1 503 860	1 377 437
Risk weighted assets and contingent liabilities:		
Assets on-balance sheet	10 616 085	8 503 330
Contingent liabilities	--	897 225
Total credit risk	10 616 085	9 400 555
Market risk	--	--
Operational risk	911 080	--
Total risk weighted assets and contingent liabilities	11 527 165	9 400 555
Capital adequacy ratio (%)*	13.05%	14.65%

*Capital adequacy ratio for the year 2012 has been calculated in accordance with Basel 2 instructions according to the CBE related instructions issued in 24 December 2012, while capital adequacy at 31 December 2011 calculated in accordance with Basel 1 instructions according to the CBE instructions stated in that date.

**There is no capital requirements to meet market risk at 31 December 2012 as there is no trading position retained, also total net foreign currencies positions amounted to less than 2% of the capital base of the Bank on that date.

4- Significant accounting estimates and assumptions

The bank applies estimate and assumptions which that affect the reported amounts of assets and liabilities with the next financial year consistently.
Estimations and assumptions are continuously evaluated and based on historical experience and other factors including the expectations of future events that are believed to be reasonable in the light of available information and circumstances.

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. The method 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 present value of the expected cash flows reaches +/- 5%, the impairment losses provision will be higher by EGP 1 450 604 or lower by EGP 1 450 604 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 consider significant and prolonged 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 was 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 year ended 31 December 2012, the fair value amounted to EGP 34.57 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 793 500.

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 according to the assumption of how likely to incur additional tax . 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) Activity segment Analysis

(b) 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 as presented at balance sheet.

EGP

31 December 2012	Corporate	Medium and small enterprises	Investment	Individuals	**Total**
Income and expenses according to the activity segment					
Income of activity segment	727 062 125	6 730 838	959 806 987	346 060 110	2 039 660 060
Expenses of activity segment	(253 325 557)	(7 839 462)	(1 067 277 675)	(273 682 827)	(1 602 125 521)
Segment result	473 736 568	(1 108 624)	(107 470 688)	72 377 283	437 534 539
Tax	(118 434 142)	--	(49 935 589)	(18 094 321)	(186 464 052)
Profit for the year	355 302 426	(1 108 624)	(157 406 277)	54 282 962	251 070 487
Assets and liabilities according to activity segment					
Assets of activity segment	7 593 936 070	77 954 302	9 433 757 467	1 783 142 895	18 888 790 734
Other items of activity segment					
Depreciations	(6 484 766)	(1 461 111)	(20 012 062)	(4 200 650)	(32 158 589)
Impairment and effect on income statements	(50 843 720)	--	--	--	(50 843 720)

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	(369 128 194)	(31 009 854)	(563 073 308)	(215 534 826)	(1 178 746 182)
Segment result	196 574 332	(3 731 334)	(32 626 071)	45 736 367	205 953 294
Tax	(17 395 749)	--	(49 632 119)	(11 434 092)	(78 461 960)
Profit for the year	179 178 583	(3 731 334)	(82 258 190)	34 302 275	127 491 334
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 on income statements	(74 530 987)	--	--	--	(74 530 987)

(c) Analysis according to the geographical segment

31 December 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	1 859 717 827	141 777 949	2 001 495 776	14 588 256	10 142 795	2 026 226 827
Expenses of geographical segments	(1 354 444 373)	(167 965 977)	(1 522 410 350)	(2 693 316)	(13 619 645)	(1 538 723 311)
Segment result	505 273 454	(26 188 028)	479 085 426	11 894 940	(3 476 850)	487 503 516
Expenses not clarified	--	--	--	--	--	(49 968 977)
Profit for the year before tax	--	--	--	--	--	437 534 539
Tax	--	--	--	--	--	(186 464 052)
Profit for the year	--	--	--	--	--	251 070 487
Assets and liabilities according to the geographical segment						
Assets of geographical segments	15 748 144 283	1 182 688 232	16 930 832 515	547 287 321	1 481 924 405	18 960 044 241
Assets not clarified	--	--	--	--	--	(71 253 507)
Total assets	--	--	--	--	--	18 888 790 734
Liabilities of geographical segments	14 255 956 469	2 535 578 486	16 791 534 955	--	235 260 703	17 026 795 658
Liabilities not clarified	--	--	--	--	--	1 811 073
Total liabilities						17 028 606 731
Other Items of geographical segment	--	--	--	--	--	
Depreciations	(28 144 673)	(4 013 916)	(32 158 589)	--	--	(32 158 589)
Impairment and effect on income statements	(44 046 574)	(6 797 146)	(50 843 720)	--	--	(50 843 720)

31 December 2011	Egypt Cairo	Alexandria, Delta and Sinai	**Total**	Gulf countries	Other countries	EGP **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	(994 973 175)	(155 507 827)	(1 150 481 002)	(2 292 318)	(12 345 794)	(1 165 119 114)
Segment result	260 390 480	(48 651 617)	211 738 863	9 358 378	(1 516 878)	219 580 363
Expenses not clarified	--	--	--	--	--	(13 627 069)
Profit for the year before tax	--	--	--	--	--	205 953 294
Tax	--	--	--	--	--	(78 461 960)
Profit for the year	--	--	--	--	--	127 491 334
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	1 575 988 914	17 860 659 881
Assets not clarified	--	--	--	--	--	(65 156 688)
Total assets	13 757 121 243	2 097 298 128	15 854 419 371	430 251 596	1 575 988 914	17 795 503 193
Liabilities of geographical segments	13 809 366 489	2 107 481 253	15 916 847 742	816 042	373 983 840	16 291 647 624
Liabilities not clarified	--	--	--	--	--	1 461 210
Total liabilities	13 809 366 489	2 107 481 253	15 916 847 742	816 042	373 983 840	16 293 108 834
Other Items of geographical segment						
Depreciations	(26 803 372)	(4 186 604)	(30 989 976)			(30 989 976)
Impairment and effect on income statements	(47 455 194)	(27 075 793)	(74 530 987)			(74 530 987)

6 - Net interest income

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Interest income on loans and similar income:		
Loans and advances		
Customers	903 701 352	729 380 518
Banks	2 793 118	1 985 840
	906 494 470	731 366 358
Treasury bills and treasury bonds	654 454 333	403 713 238
Deposits and current accounts	41 704 756	66 489 759
Investments in debt instruments held to maturity and available for sale	28 281 072	29 153 967
Other	415 361	506 430
Total	1 631 349 992	1 231 229 752
Interest expense on deposits and similar expense:		
Deposits and current accounts:		
Customers	941 251 169	790 011 956
Banks	32 265 607	7 867 079
	973 516 776	797 879 035
Other loans	2 640 538	1 443 166
Other	3 723 886	82 925
Total	979 881 200	799 405 126
Net interest income	651 468 792	431 824 626

7 - Net fees and commission income

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Fees and commission income:		
Fees and commissions related to credit	64 469 573	53 377 996
Fees related to corporate financing services	7 853 280	9 242 029
Custody fees	2 321 784	1 397 472
Other fees	77 306 337	52 658 396
Total	151 950 974	116 675 893
Fees and commission expenses:		
Mortagage commission paid	484 500	384 082
Other fees paid	7 236 356	5 414 716
Total	7 720 856	5 798 798
Net fees and commission income	144 230 118	110 877 095

8 - Dividends income

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Available for sale investments	77 428	96 607
Total	77 428	96 607

9 - Net trading income

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Profit from Debt instruments held for trading	935 459	292 392
Net trading income	935 459	292 392

10 - Administrative expenses

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Staff costs		
Wages and salaries	144 625 269	146 154 671
Social insurance	4 278 110	3 781 244
Total staff costs	148 903 379	149 935 915
Depreciation and amortization	32 158 589	30 989 976
Other administrative expenses	94 845 409	82 859 647
Total administrative expenses	275 907 377	263 785 538

11 - Other operating income

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 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	32 870 454	22 273 299
Losses on sale of property and equipment	(488 580)	(359 626)
Rents	(15 640 222)	(12 831 976)
Other provisions charged *	(15 392 326)	* 773 536
Other income	872 943	260 648
	2 222 269	10 115 881

* Note no. (37) adjustments of previous years

12- Impairment charges on credit losses

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Loans and advances to customers (note. 19)	(100 812 697)	(88 158 056)
	(100 812 697)	(88 158 056)

13 - Income tax expenses

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Current taxes	181 520 801	76 307 780
Deferred taxes	4 943 251	2 154 180
	186 464 052	78 461 960

Taxation position

On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and has been published in the Official Gazette on that date, provided that such resolutions shall come into force from the date following the date of publication. And such amendments are:

- Amending the provisions of the Income tax Law No. 91 of 2005.
- Amending the provisions of the General Sales tax Law No. 11 of 1991.
- Amending the provisions of the Real Estate tax Law No. 196 of 2008.
- Amending the provisions of the Stamp Duty Law No. 91 of 2005.

Despite that statements have been issued by certain officials in respect of freezing the enforcement of such resolutions, the bank affected of the financial statements with these amendments.

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 to maximize tax losses.
- Years for 2007/2010 are under inspection.
- The bank has provided the tax returns for 2011 and inspection has not took placed 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 appeal committee.
- Years 2008/2009 are being inspected and there was a protest against the inspection result in front of the internal committee.
- 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 year.

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Net profit applicable to be distributed on the bank's shareholders	253 948 025	71 182 939
Employees share in profits	(24 110 694)	(9 541 423)
	229 837 331	61 641 516
Ordinary shares weighted average issued	20 661 644	20 000 000
Earnings per share	11.12	3.08

15 - Cash and balances with the Central Bank of Egypt

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Cash	123 599 337	92 782 824
Balances at central bank within the required reserve percentage	827 984 345	938 824 014
Total	951 583 682	1 031 606 838
Interest free balances	951 583 682	1 031 606 838

16 - Due from banks

	For the year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Current accounts	33 951 999	131 272 988
Deposits	1 790 062 634	2 700 570 045
	1 824 014 633	2 831 843 033
Due from central bank (other than the required reserve percentage)	422 109 200	1 155 079 566
Local banks	9 857 921	126 365 063
Foreign banks	1 392 047 512	1 550 398 404
	1 824 014 633	2 831 843 033
Interest free balances	33 951 999	131 272 988
Fixed interest rate balances	1 790 062 634	2 700 570 045
	1 824 014 633	2 831 843 033
Current balances	1 824 014 633	2 831 843 033

17 - Treasury bills and other governmental notes

Treasury bills represent the following

	31 December 2012 EGP	31 December 2011 EGP
Treasury Bills and other governmental notes	5 756 056 659	4 639 894 188
Sale for repurchase agreements	(2 275 379 910)	--
Net	3 480 676 749	4 639 894 188
Treasury bills represent the following:-		
Treasury bills 91 days maturity	75 000	46 975 000
Treasury bills 182 days maturity	1 125 000	406 700 000
Treasury bills 273 days maturity	1 612 850 000	1 906 650 000
Treasury bills 364 days maturity	4 560 125 000	2 516 894 000
Unearned interest	(418 118 341)	(237 324 812)
Total (1)	5 756 056 659	4 639 894 188
Sale for repurchase agreements		
Sale for repurchase agreements within 1 month	(942 689 010)	--
Sale for repurchase agreements within 3 months	(454 773 109)	--
Sale for repurchase agreements within 6 months	(877 917 791)	--
Total (2)	(2 275 379 910)	--
Total (1) – (2)	3 480 676 749	4 639 894 188

18 - Loans and advances to banks

	31 December 2012 EGP	31 December 2011 EGP
Forward loans	59 935 909	33 699 054
Current balances	59 935 909	33 699 054

19 - Loans and advances to customers

	31 December 2012 EGP	31 December 2011 EGP
Retail		
Credit cards	184 438 320	134 012 415
Personal loans	1 478 685 353	1 238 235 519
Debit current accounts	280 060 252	181 324 188
Real estate loans	21 578 060	7 131 242
Total (1)	1 964 761 985	1 560 703 364
Corporate loans including small loans for economic activities		
Debit current accounts	4 270 985 794	3 355 783 814
Direct loans	1 551 237 978	1 344 253 854
Syndicated loans	1 645 363 553	1 626 066 457
Other loans	200 307 527	176 351 556
Total (2)	7 667 894 852	6 502 455 681
Total loans and advance to customers (1+2)	9 632 656 837	8 063 159 045
Less: provision for impairment losses	(237 559 480)	(180 553 816)
Net distributed to:	9 395 097 357	7 882 605 229
Current balances	6 584 248 578	4 140 147 406
Non-current balances	2 810 848 779	3 742 457 823
	9 395 097 357	7 882 605 229

The bank accepted trading securities for the year ended in 31 December 2012 of fair value amounted to EGP 2 525 204 166 against comparative date balance amounted to EGP 1 669 822 369 as a commercial loan guarantee.

Provision for impairment losses

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

31 December 2012	Retail				(EGP)
	Credit cards	Personal loans	Debit current account	Real estate loans	**Total**
Balance as of 1/1/2012	2 204 219	47 556 251	226 811	3 748	49 991 029
Impairment losses during the year*	4 786 842	7 999 840	775 767	4 390	*13 566 839
Amounts written off during the year	(5 406 721)	(40 882 164)	--	--	(46 288 885)
Refundable amounts during the year	1 214 630	934 975	--	--	2 149 605
Balance as of 31 December 2012	2 798 970	15 608 902	1 002 578	8 138	** 19 418 588

*Note no. (12).

** Impairment losses of retail represents provision of groups have similar credit characteristic.

	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 year*	33 985 577	44 069 148	8 600 266	590 867	* 87 245 858
Refundable amounts during the year	65 115	--	--	--	65 115
Valuation difference of monetary assets dominated in foreign currencies	148 333	102 557	15 123	1 119	267 132
Balance as of 31 December 2012	121 126 066	83 751 183	12 350 063	913 580	** 218 140 892

*Note no. (12).

** Impairment losses of corporate amount of EGP 166 305 973 represents individual provision and amount of EGP 51 834 919 represents provision of groups have similar credit characteristic.

31 December 2011	Retail				(EGP)
	Credit cards	Personal loans	Debit current account	Real estate loans	**Total**
Balance as of 1/1/2011	8 154 501	37 786 398	--	--	45 940 899
Impairment losses during the year*	1 694 103	9 784 909	226 811	3 748	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	47 556 251	226 811	3 748	*49 991 029

*Note no. (12).

* Impairment losses of retail represents provision of groups have similar credit characteristic.

	Corporate				
	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

*Impairment losses of corporate amount of EGP 115 397 128 represents individual provision and amount of EGP 15 165 659 represents provision of groups have similar credit characteristic.

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 and 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 verses 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 year , 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 to extent of its book 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:

31 December 2012	Contractual amount/ nominal value EGP	Fair Values Assets EGP	Fair Values Liabilities EGP
A- Derivatives held for trading			
Foreign currency derivatives			
Currency forward contracts	339 970 801	3 876 503	1 201 878
Total derivatives (over- the counter)	339 970 801	3 876 503	1 201 878
Total assets (liabilities) of derivatives held for trading	339 970 801	3 876 503	1 201 878
Current balances	339 970 801	3 876 503	1 201 878

31 December 2011	Contractual amount/ nominal value EGP	Fair Values Assets EGP	Fair Values 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 trading	143 526 166	2 084 001	3 326 050
Current balances	143 526 166	2 084 001	3 326 050

21 - Financial investments

	31 December 2012 EGP	31 December 2011 EGP
Available for sale investments		
Debt instruments- fair value:		
- Listed	2 536 326 721	786 901 785
- Unlisted	2 709 834	2 434 886
Equity instruments- fair value:		
- Listed	1 728 500	935 000
- Unlisted	1 897 990	921 709
Total available for sale investments (1)	2 542 663 045	791 193 380
Held to maturity investments		
Debt instruments at amortized cost:		
- Listed	--	90 015 379
- Unlisted	5 000 000	5 000 000
Total held to maturity investments (2)	5 000 000	95 015 379
Total financial investments (1+2)	2 547 663 045	886 208 759
Current balances	11 336 324	268 562 554
Non-current balances	2 536 326 721	617 646 205
	2 547 663 045	886 208 759
Fixed inertest debt instruments	2 536 326 721	876 917 164
Variable interest debt instruments	7 709 834	7 434 886
	2 544 036 555	884 352 050

(EGP)

	Available for sale investments	Held to maturity investments	**Total**
Balance as of 1/1/2012	791 193 380	95 015 379	886 208 759
Additions	3 000 570 592	--	3 000 570 592
Disposals (sale / redemption)	(1 356 636 105)	(92 600 000)	(1 449 236 105)
Valuation difference of monetary assets dominated in foreign currencies	19 726 308	--	19 726 308
Gain from change in Fair Market Value (note. 32-d)	90 666 978	--	90 666 978
Amortization	(2 858 108)	2 584 621	(273 487)
Balance as of 31/12/2012	2 542 663 045	5 000 000	2 547 663 045
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 year ended 31/12/2012 EGP	For the year ended 31/12/2011 EGP
Profits/(losses) from sale financial assets available for sale (note. 32-d)	7 714 028	1 233 984
Impairment losses of equity instrument available for sale	--	(1 183 714)
Profit from sale of treasury bills	7 606 519	4 640 017
	15 320 547	4 690 287

22 - Intangible assets

	For the year ended 31 December 2012 EGP	For the year ended 31 December 2011 EGP
- Computer software	4 403 470	5 396 852
Net book value at beginning of the year Additions	4 629 952	2 747 333
Accumulated amortization	(2 731 317)	(3 740 715)
	6 302 105	4 403 470

23 - Other assets

	31 December 2012 EGP	31 December 2011 EGP
Accrued revenues	185 947 084	76 839 440
Prepaid expenses	22 649 423	20 824 210
Down payment to purchase fixed assets	77 098 414	100 946 597
Assets reverted to the bank in settlement of debts	3 725 600	2 875 600
Security deposits and custody	2 028 645	1 992 630
Other	16 747 169	18 347 024
	308 196 335	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 year	30 814 706	9 010 165	5 371 768	35 175 676	80 372 315
Disposals during the year	--	(776 150)	--	(587 082)	(1 363 232)
Adjustments during the year	--	--	--	(24 767)	(24 767)
Depreciation during the year	(4 884 181)	(3 306 446)	(3 863 611)	(17 373 034)	(29 427 272)
Accumulated depreciation for disposals during the year	--	213 437	--	340 815	554 252
Net book value as of 31/12/2012	191 814 098	26 234 026	15 740 930	77 655 362	311 444 416
Balance as of 31/12/2012					
Cost	213 346 636	37 580 457	32 474 654	147 049 483	430 451 230
Accumulated depreciation	(21 532 538)	(11 346 431)	(16 733 724)	(69 394 121)	(119 006 814)
Net book value	191 814 098	26 234 026	15 740 930	77 655 362	311 444 416

- Fixed assets (after depreciation) include assets that are not registered yet in the name of the bank amounting EGP 98.6 Million at the balance sheet date, legal procedures are currently undertaken to register those assets.

25 – Balances due to banks

	31 December 2012 EGP	31 December 2011 EGP
Current accounts	45 680 396	67 625 884
Deposits	243 043 560	307 173 998
	288 723 956	374 799 882
Local banks	243 043 560	--
Foreign banks	45 680 396	374 799 882
	288 723 956	374 799 882
Interest free balances	45 680 396	67 625 884
Fixed interest balances	243 043 560	307 173 998
	288 723 956	374 799 882
Current balances	288 723 956	374 799 882

26 - Customers' deposits

	31 December 2012 EGP	31 December 2011 EGP
Demand deposits	2 429 199 100	2 142 407 085
Time deposits and call accounts	9 415 192 608	10 194 794 857
Certificates of deposit	3 531 863 561	2 666 030 000
Savings deposits	494 881 778	398 767 163
Other deposits	346 532 654	295 041 292
	16 217 669 701	15 697 040 397
Corporate deposits	10 230 365 849	10 973 951 876
Individual deposits	5 987 303 852	4 723 088 521
	16 217 669 701	15 697 040 397
Interest free balances	1 617 026 920	2 501 263 205
Variable interest balances	1 694 939 675	1 599 400 365
Fixed interest balances	12 905 703 106	11 596 376 827
	16 217 669 701	15 697 040 397
Current balances	13 560 569 735	12 159 966 803
Non-current balances	2 657 099 966	3 537 073 594
	16 217 669 701	15 697 040 397

27 - Other Loans

	Interest Rate (%)	31 December 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 %	189 570 000	--
Non - current balances		189 570 000	--

28 - Other liabilities

	31 December 2012 EGP	31 December 2011 EGP
Accrued interest	138 322 835	111 392 453
Unearned revenue	1 835 798	1 835 656
Accrued expenses	16 148 868	23 336 531
Other credit balances	42 208 418	37 875 032
	198 515 919	174 439 672

29 - Other Provisions

31 December 2012

	Provision for probable Claims EGP	Provision for legal cases EGP	Provision for contingent Liabilities** EGP	**Total**
Balance at the beginning of the year	3 823 766	1 378 097	1 560 914	6 762 777
Formed during the year*	8 181 691	60 623	7 171 012	15 413 326
Used during the year	(991 953)	(13 222)	--	(1 005 175)
Provisions no longer required*	--	(21 000)	--	(21 000)
Valuation differences of foreign currencies	--	--	42 938	42 938
Balance at the end of the year	11 013 504	1 404 498	8 774 864	21 192 866

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.

* Note number (11).

** Contingent liabilities provision include EGP 6 963 791 individual provision and EGP 1 811 073 for groups of similar credit characteristics provision.

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 year ended 31 December 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	
	31 December 2012 EGP	31 December 2011 EGP	31 December 2012 EGP	31 December 2011 EGP
Fixed assets	--	--	(16 121 608)	(7 560 710)
Provisions(other than losses of loans impairment)	5 308 665	1 691 018	--	--
Total tax assets (liabilities)	5 308 665	1 691 018	(16 121 608)	(7 560 710)
Net tax (liabilities)	--	--	(10 812 943)	(5 869 692)

Deferred tax assets and liabilities movements

	Deferred tax assets		Deferred tax liabilities	
	31 December 2012 EGP	31 December 2011 EGP	31 December 2012 EGP	31 December 2011 EGP
Balance at beginning of the year	1 691 018	1 599 905	(7 560 710)	(27 792 745)
Additions	3 617 647	91 113	(8 560 898)	--
Disposals	--	--	--	20 232 035
Balance at end of the year	5 308 665	1 691 018	(16 121 608)	(7 560 710)

31 - Paid Up Capital

	Number of shares	Total USD
Balance at 31 December 2011	20 000 000	200 000 000
Increase in issued and paid up capital	3 500 000	35 000 000
Balance at 31 December 2012	23 500 000	235 000 000

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) equivalent to EGP 1 337 024 865 divided on 23 500 000 shares (Twenty three millions five hundred thousand shares) valued by 10 USD per each which recorded at commercial register dated 23 October 2012.
- Bank Audi (S.A.L) Sardar – Main Shareholder- owns 23499 995 shares with a percentage of 99.99998 %.

32 - Reserves and retained earnings

	31 December 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	19 175 114	12 800 547
Capital reserve	64 906	64 906
Fair value reserve –investments available for sale	82 751 029	(7 915 949)
Total reserves at the end of the financial year	246 861 109	118 738 711

Reserves movements are as follows:

A- Special reserve

	31 December 2012 EGP	31 December 2011 EGP
Balance at the beginning of the 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 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 carried at amortized cost 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 according 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 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

	31 December 2012 EGP	31 December 2011 EGP
Balance at the beginning of the 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 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 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 general banking resrve, and the usage of EGP 1 534 038 has been paid for the tax authority in 12 April 2011.

C- Legal Reserve

	31 December 2012 EGP	31 December 2011 EGP
Balance at the beginning of the year	12 800 547	4 069 858
Transferred from year's profits	6 374 567	8 730 689
Balance at the end of the year	19 175 114	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

	31 December 2012 EGP	31 December 2011 EGP
Balance at the beginning of the year	(7 915 949)	5 586 957
Net profits/(losses) of change in fair value (note 21)	98 381 006	(12 268 922)
Net transferred (profits) to income statement as a result of disposal (note 21)	(7 714 028)	(1 233 984)
Balance at the end of the year	82 751 029	(7 915 949)

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

E- Retained Earnings

	31 December 2012 EGP	31 December 2011 EGP
Movement on retained earnings		
Balance at the beginning of the year	260 218 283	174 613 775
Net profit for the year	251 070 487	500 000
Transferred to capital reserve	--	(64 906)
Share holders share for previous year's profits	(187 993 898)	--
Staff share for previous year's profits	(9 541 423)	(14 747 438)
Transferred to general banking risks reserve	(31 080 853)	(18 343 793)
Transferred to legal reserve	(6 374 567)	(8 730 689)
Balance at the end of the year	276 298 029	133 226 949
Adjustments note no.(29,37)	--	126 991 334
Balance at the end of the year (after adjustment)	276 298 029	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:

	31 December 2012 EGP	31 December 2011 EGP
Cash and due from Central Bank of Egypt (included in note. 15)	123 599 337	92 782 824
Due from banks (included in note. 16)	33 951 999	131 272 988
Treasury bills and other governmental notes (included in note. 17)	75 000	46 975 000
	157 626 336	271 030 812

34 - Commitment and contingent liabilities

A- Legal claims

There are lawsuits filed against the bank as of 31 December 2012 and provision amounted to EGP 1 404 498 has been formed for these lawsuits.

B- Capital Commitment

The bank's total capital commitments amounted to EGP 10.4 million as of 31 December 2012 against EGP 21.9 millions comparative represented in purchasing fixed assets and the management is confident that net profit will be recognized, and 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:

	31 December 2012 EGP	31 December 2011 EGP
Commitments for loans and other irrevocable liabilities related to credit	265 202 114	473 119 395
Accepted papers	81 187 156	163 689 224
Letters of guarantee	1 357 433 655	1 425 330 287
Letter of credit-import	130 618 728	166 764 853
Letter of credit-export	41 351 717	13 014 540
	1 875 793 370	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 year ended at 31 December 2012 are as follows:

A- Loans and advances to related parties

	Parent	
	31 December 2012 EGP (000)	31 December 2011 EGP (000)
Existing loans at the beginning of the year	--	290 245
Collected loans during the year	181 251	--
Currency evaluation differences	8 319	11 350
Loans paid	--	(301 595)
Existing loans at the end of the year	189 570	--

- 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	
	31 December 2012 EGP (000)	31 December 2011 EGP (000)
Existing loans at the beginning of the year	8 828	7 567
Issued loans during the year	19 289	9 891
Collected loans during the year	(17 278)	(8 630)
Existing loans at the end of the year	10 839	8 828

C- Deposits from related parties

	Top management members		Other related parties	
	31 December 2012 EGP(000)	31 December 2011 EGP(000)	31 December 2012 EGP(000)	31 December 2011 EGP(000)
Due to customers				
Deposits at the beginning of the year	10 306	3 309	44 135	2 946
Deposits tied during the year	89 137	184 697	855 340	361 309
Deposits redeemed during the year	(87 304)	(177 700)	(795 930)	(320 120)
Foreign currency evaluation	(3 563)	--	2 039	--
Deposits at the end of the year	8 576	10 306	105 584	44 135
Deposits cost and similar costs	686	505	1 962	1 390

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

D- Other related party transactions

	Other Parties	
	31 December 2012 EGP (000)	31 December 2011 EGP (000)
Due from banks	129 293	130 211
Due to banks	12 569	309 188
Letter of guarantees	109 914	70 821
Letter of credit-export	551	10 431
Letter of credit-import	7 587	--
Paid accepted papers	3 001	--

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

	31 December 2012 EGP (000)	31 December 2011 EGP (000)
Salaries and short-term benefits	1 760	1 090
	1 760	1 090

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 2 356 307 for the financial year ended 31 December 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 31 December 2012 a number of 500 thousands certificates of total amount of EGP 5 million and with a redeemable value amounted to EGP 6 774 585.

The redeemable value of the certificate amounted to EGP 13.54917 as at 31 December 2012 and the outstanding certificates at that date reached 17 037 059 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 720 695 for the year ended 31 December 2012 under the item of fees and commission income/other fees caption in the income statement.

37- Previous years' adjustments

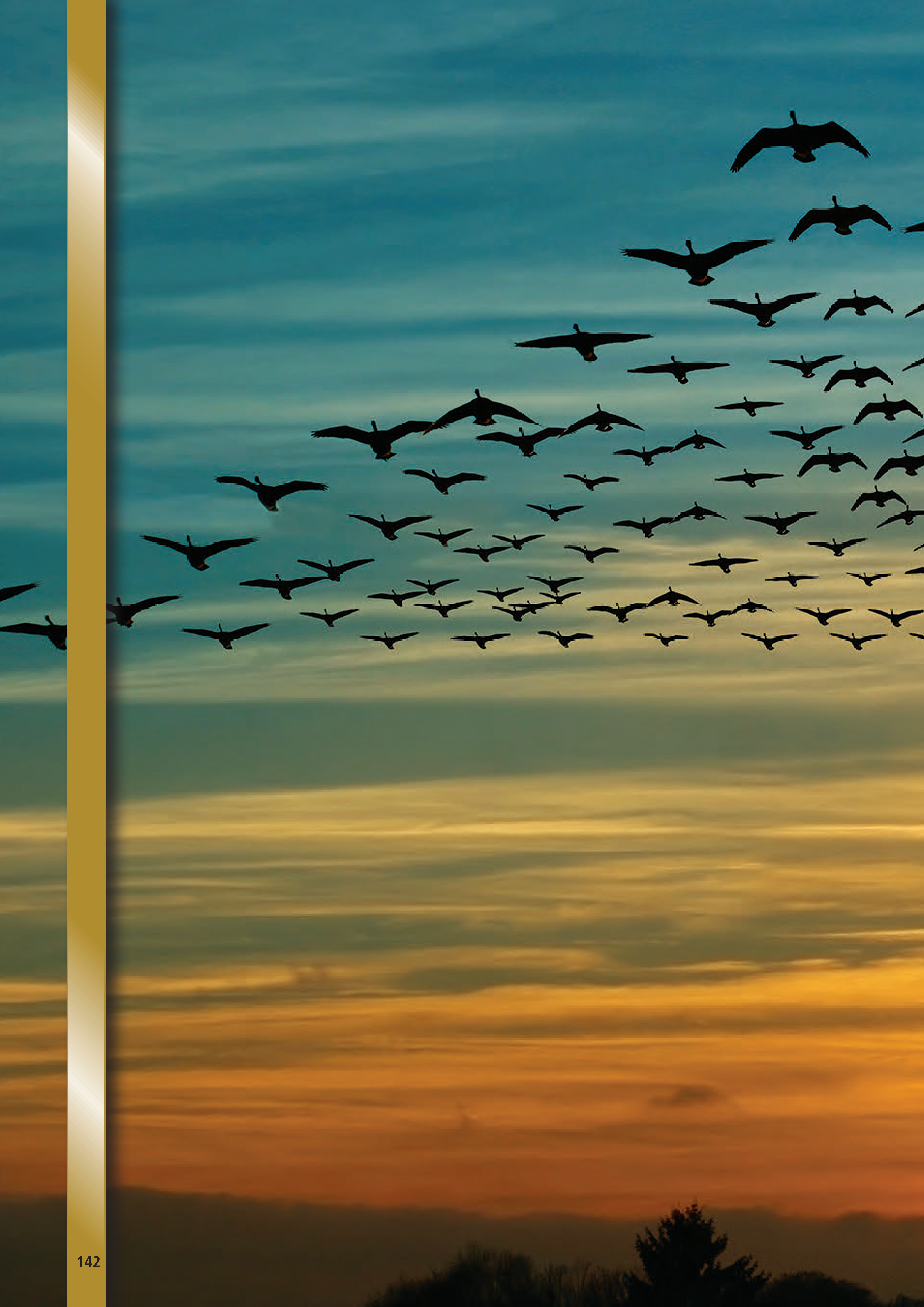
The additional provisions formed at the end of the financial year ended in 31 December 2011 have been recovered as an :adjustment for the balance of retained earnings at the beginning of the financial year as follows

	Balance as of 31 December 2011 before adjustment EGP	The adjustment value EGP	Balance as of 31 Dec. 2011 after adjustment EGP
Balance sheet			
Other provisions-General provision	133 754 111	(126 991 334)	6 762 777
Retained earnings	133 226 949	126 991 334	260 218 283
Income statement			
Other provisions	126 217 798	(126 991 334)	773 536
Net profits for the year	500 000	126 991 334	127 491 334

366 Days

Dedicated to you

Our Team



our Team

366 Days

Dedicated to you

Flying together to one destination
for your success.

Our

Senior Management

has one priority in mind

'you'

Mr. HATEM SADEK
Chairman & Managing Director

Mrs. FATMA L. LOTFY
Deputy Chairman & Managing Director

Mr. YEHIA KAMEL
Deputy Managing Director

Audi's Management Team

Dedicated to you


Bank Audi
sae

366 Days

Dedicated to you

One mission : your success.

Executive Management

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Chairman & Managing Director

Mrs. Fatma Lotfy
Deputy Chairman & Managing Director

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Chief Risk Officer

Mr. Karim Hesni
General Manager
Deputy Chief Risk Officer

Mr. Bassel Kelada
General Manager
Head of Retail Credit

SUPPORT FUNCTIONS

Mr. Mohamed Bedeir
Senior General Manager
Chief Financial Officer

Mrs. Amany Shams-Eldin
Senior General Manager
Chief Operating Officer

Mr. Walid El-Watany
General Manager
Head of Human Resources

Mr. Hesham Mabrouk
General Manager
Chief Information Officer

Mr. Ahmed Fouad
General Manager
Head of Strategic Support

Ms. Heba Gaballa
Assistant General Manager
Head of Marketing & Communication

Mr. Mohamed Shalaby
Executive Manager
Head of Projects Management Office

Mrs. Rana Mostafa
Senior Manager
Head of Service Quality

Mr. Hazem El-Shaarawy
Senior Manager
Head of Marketing Research

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General Manager
Head of Internal Audit

Mr. Hesham Ragab
Senior General Counsel
Head of Legal Affairs

Mr. Ali Amer
Assistant General Manager
Head of Compliance

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

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Branches' Network & ATMs Locations

by Governorate

our Growth

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Every branch we open ,every person we hire ,every year we add to our life is dedicated to you.

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32 branches to service all
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Branches' Network locations by Governorate

Cairo Governorate

Branch Name	**Makram Ebeid Branch**
Address	1 Makram Ebeid Street
Tel	(20-2) 22731462
Fax	(20-2) 22726755
Branch Name	**Beirut Branch**
Address	54 Demeshk Street
Tel	(20-2) 24508655
Fax	(20-2) 24508653
Branch Name	**Shoubra Branch**
Address	128 Shoubra Street
Tel	(20-2) 22075788
Fax	(20-2) 22075779
Branch Name	**Masaken Sheraton Branch**
Address	11 Khaled Ebn El Waleed Street; Masaken Sheraton
Tel	(20-2) 22683371
Fax	(20-2) 22683433
Branch Name	**Nady El Shams Branch**
Address	17 Abdel Hamid Badawy Street
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
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
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
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
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
Branch Name	**Maadi Branch**
Address	Plot no. 1 & 2 D/5 Taksim El-Laselky , intersection of El-Nasr & El-Laselky
Tel	(20-2) 25197901
Fax	(20-2) 25197921

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 Stree
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	**Haram Islamic Branch**
Address	42 Haram St.Giza, Egypt.
Tel	(20-2) 33865056
Fax	(20-2) 33865103
Branch Name	**Sixth of October Branch**
Address	Plot # 2/23 - Central District, Six of October City
Tel	(20-2) 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

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

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

Call Center

16555

ATMs Network locations by Governorate

ATM Name	Address
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 .

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.
Manial Branch	90 El Manial Street.
Exxon Mobil - El-Manial	59 El-Manial Street..
Exxon Mobil - El-Zaeem	Haram St. Beside Zaeem Theater

Sixth of October District

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.

Helwan Governorate

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.

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