INTESA SANPAOLO

Board of Director's Report
On
Bank Activities and
Financial Statements
For the Year ended 31/12/2011

Cairo, 20th February 2012

ALEXBANK | بنك الإسكندرية

INTESA SANPAOLO

Board of Director's Report 2011

Net Profit before income tax

↓ 41%

Net income

↑ 14%

Net interest income

↑ 18%

Net loans portfolio

↑ 7%

Earning per share

↓ 49%

Thinking ahead with you

ALEXBANK | بنك الإسكندرية

Financial Highlights of 2011

- Net loans portfolio up 7% to 19.9 EGP Billion.
- Customers' deposits up 12% to 30.8 EGP Billion.
- Net interest income up 18% to 1,493 EGP Million.
- Net Profit before income tax down -41% to 466 EGP Million.
- Net profit for the year down -49% to 333 EGP Million.
- Cost to income ratio increased from 49.6% to 55.1%.
- Capital Adequacy ratio increased to 16.4% against 14.3% in 2010.
- Earnings per share decreased by -49% to EGP 0.75.

Contents

The Year 2011 at a Glance

Global Economy Snapshot

❑ **Global GDP:** World output has been witnessing a persistent recovery from the 2008-09 recession. Gross World Product (GWP) in 2011 registered a growth rate of 3.8% ,but it's lower than 5.2% achieved in 2010. Growth was unequally distributed: In emerging and developing economies averaged 6.2% growth, while In advanced economies averaged 1.6% growth. Global growth prospects dimmed and risks sharply escalated during the fourth quarter of 2011, as the euro area crisis entered a perilous new phase.

❑ **Unemployment:** Global unemployment continued to move upwards, reaching 9.1% compared to 8.8% in 2010, especially in the developing world, remained much higher.

❑ **Inflation:** Global consumer price inflation is expected to ease as demand softens and commodity prices stabilize or recede. In advanced economies, ample economic slack and well-anchored inflation expectations will keep inflation pressures subdued, as the effects of last year's higher commodity prices wane. Inflation is projected to fall to about 1.6percent in the course of 2012, down from a peak of about 2.7 percent in 2011. In emerging and developing economies, pressures are also expected to drop, as both growth and food price inflation slow. Overall, consumer prices in these economies are projected to decelerate, with inflation around 6.2 percent during 2012, down from over 7.2 percent in 2011.

❑ **World Trade:** Global trade volumes registered a growth rate of 6.9 % in 2011 compared to 12.7% recorded in 2010. World trade volume is expected to continue growing but at a modest rate of 3.8 % and 5.4 % in 2012 and 2013 respectively.

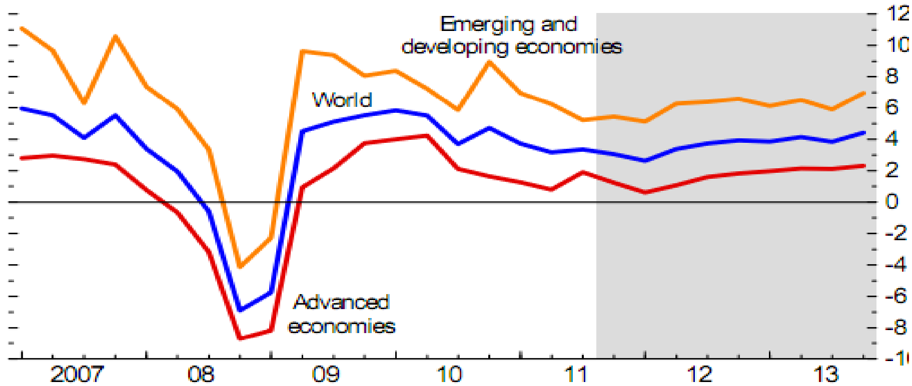
Global Economy Snapshot continued

❑ **Commodity Markets:** Commodity prices generally declined in 2011, in response to weaker global demand. Oil prices, however, have held up in recent months, largely because of supply developments whereas Oil prices increased by 31.9% during 2011 which is higher than 27.9% registered in 2010. Moreover, geopolitical risks to oil prices have risen again. These risks are expected to remain elevated for some time, and oil prices will ease only marginally in 2012 due to less favorable prospects for global activity. also Non fuel commodities prices increased by 17.7 % during 2011 down from 26.3% recorded in 2010

❑ **Global budget deficit:** Deficit was receded to roughly $3 trillion , 4.2% of World GDP, as governments tried to control the spending and slow the rise of public debt.

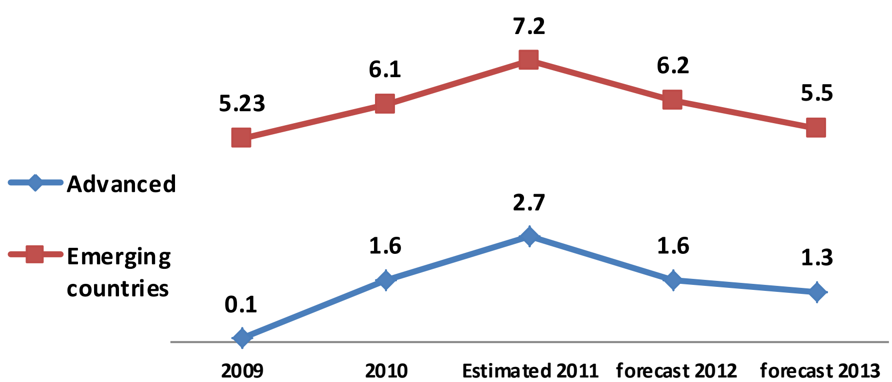
Global Economy Snapshot continued

Global GDP Growth



Source: IMF staff estimates.

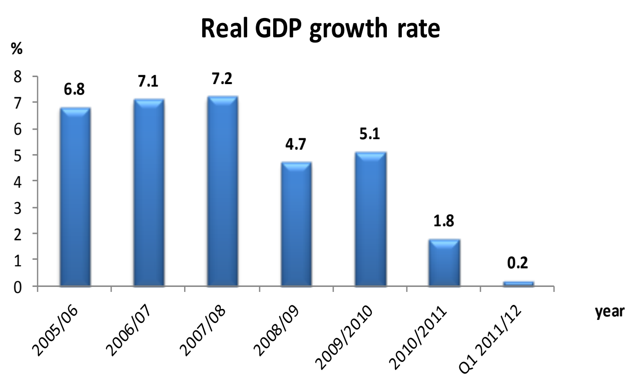
CPI

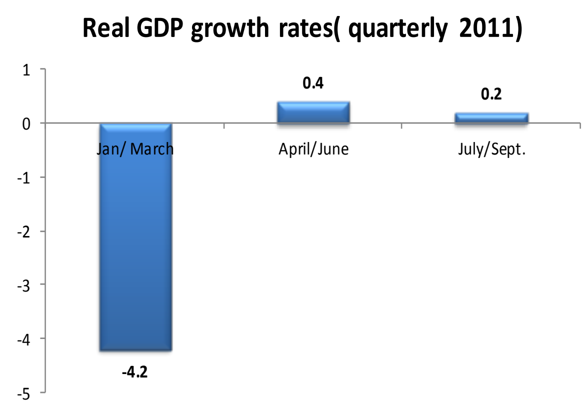


Source : IMF

Local Economy Snapshot

Economic Growth: The real GDP growth rate grew by only 1.8% in FY 2010/2011 against 5.1% in FY 2009/2010, this sharp decrease is due to the negative consequences of 25th January revolution and the political turmoil that Egypt is witnessing nowadays.
Quarterly GDP analysis indicates a negative growth rate of 4.2% in the first Q of 2011 for the first time since 2004, as a result of the deterioration in the production wheel and vital sectors that are negatively affected like tourism and manufacturing sector and the fall in total implemented investments, but there are positive signs for recovering and achieving positive growth as the second and third quarters of 2011 succeeded in achieving a positive growth rate by 0.4% and 0.2% respectively.
The expectation for GDP growth rate in FY 2011/2012 is 1% and as for the calendar year 2012 is expected to be 3.5%.





Source : Central Bank Of Egypt

Inflation : In 2011 the average annually Urban inflation rate declined reaching 10.13% compared to 11.06% in 2010.
Average annual core inflation rate (it excludes the impact of temporary price shocks on inflation like some food items' prices and regulated prices) recorded 8.3% in 2011 compared to 7.6% in 2010.

It is expected that the inflation figures will increase during the next year due to the uncertainties that Egypt is witnessing nowadays and the sharp deterioration in the international reserves along with the increasing budget deficit that have negative effects on the value of the Egyptian Pound against major currencies like the US Dollar and the Euro.

The Monetary Policy Committee (MPC) in its last meeting held on 24th of November 2011 in a step to ease the inflationary pressures, decided to raise the overnight deposit rate and overnight lending rate to 9.25% and 10.25%, respectively. The discount rate was also raised to 9.75%.

Public Finance: The overall fiscal deficit to GDP ratio reached 9.5% in FY2010/2011 against 8.1% in FY 2009/2010 and 2.6% in the first quarter of 2011/2012 against 2.7% in the corresponding quarter in the previous year.

Public expenditure recorded a significant increase during the fiscal year 2010/11, reaching LE 392.1 billion compared to 366 billion in the fiscal year 2009/10 , growing by 7.1%. Reaching LE 84.4 billion in Q1 2011/2012.

However, the ratio of public expenditure to GDP declined from 30.3% in 2009/10 to 28.5% in 2010/11 and in Q1 2011/2012 the Expenditures/GDP ratio recorded 5.4%.

Total public revenues declined from LE 268.1 billion in 2009/10 to LE 259.6 billion during 2010/11 with a decrease rate of 3.2 %. Reaching LE 43.8 billion in Q1 2011/2012 with Revenues/GDP ratio is 2.8%.

Banking Sector Performance: Total assets in the Egyptian banks increased from LE 1220.7 billion in 2009/2010 to LE 1269.7 billion in 2010/2011 realizing a growth rate equal to 4% and increased to LE 1309.2 billion at the end of October 2011 with a growth rate 3.1% versus June 2011.

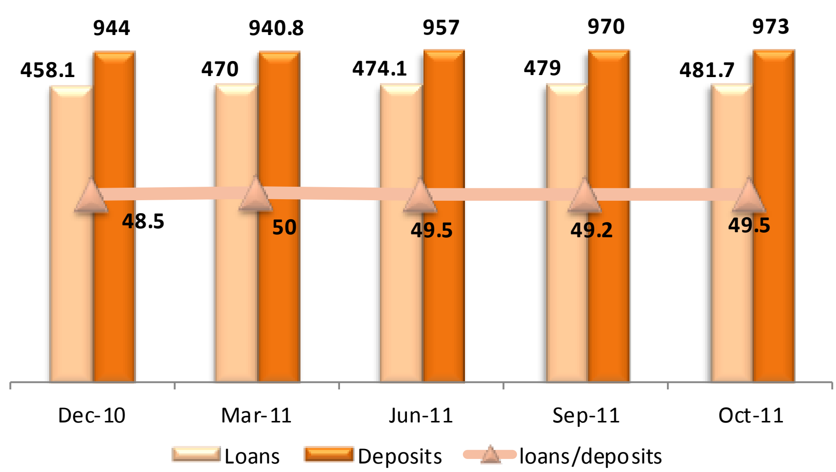
Credit provided by banks in Egypt increased by 1.8 % in 2010/2011 compared to 2009/2010 reaching EGP 474.1 billion and increased to LE 481.7 billion in October 2011 to grow by 1.6% compared to June 2011.

It's worthy noticing that the loans /deposits ratio declined to 49.5% in 2010/2011 from 51.8 % in 2009/2010 and this is due to the conservative polices applied by banks after 25th January revolution.

Deposits with banks (including government deposits) increased in 2010/2011 by L.E 65.2 billion or 7.2% amounted for LE 965.3 billion in June 2011 and reached LE 981.2 billion in October 2011.

Deposits in local currency grew by only 5.7% through 2010/11 against 13.9% in 2009/10 while deposits in foreign currencies grew sharply by 12.5% during the reporting year against a decline of 2.2% in 2009/10 and this is due to the dollarization operations that were carried out after 25th January revolution ,also due to the depreciation of EGP against USD and the increase in the receipts of the Egyptians working abroad.

It's worth mentioning that deposits in foreign currencies started to record negative growth rates after March 2011 reflecting a persistence slow downtrend in dollarization rates. In the light of the increased interest rates on EGP pounds, the US debt ceiling and the euro zone debt problems, dollarization rates is expected to decrease.



Source : Central Bank Of Egypt

Banking Sector Outlook

Expectations indicate that due to the instability which Egypt is witnessing nowadays, the quality of the banks' assets will be negatively affected , banks will suffer from a low growth of assets, deposits and loans and hence the profitability will be negatively affected in the short term. However, the expectations refers that there will be opportunities for banks to grow and there will be promising market for the retail banking especially the SMEs and mortgage, particularly that the upcoming economic environment will be free of corruption in the long term.

Financial Highlights

Net Interest Income

(EGP mil)

Net interest income grew by 230 EGP million or 18% in 2011 vs. 2010.

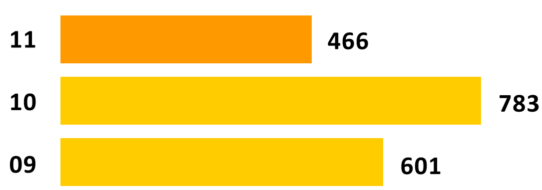
Total Assets

(EGP mil)

Total Assets increased by 593 EGP million or 2% in 2011 vs. 2010.

Net Profit before income tax

(EGP mil)



Net Profit before income tax decreased by -317 EGP million or -41% in 2011 vs. 2010.

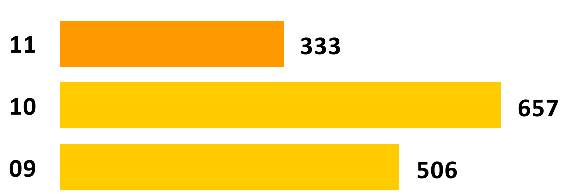
Net Loans

(EGP mil)

Net Loans increased by 1,296 EGP million or 7% in 2011 vs. 2010.

Net Profit for the year

(EGP mil)



Net Profit for the year decreased by -324 EGP million or -49% in 2011 vs. 2010.

Customers' deposits

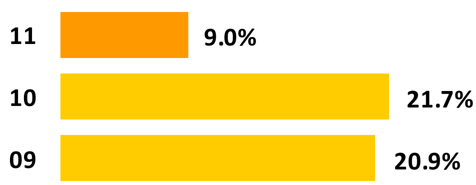
(EGP mil)

Customers' deposits increased by EGP 3,167 million or 12% in 2011 vs. 2010.

Financial Highlights continued

Return on Equity

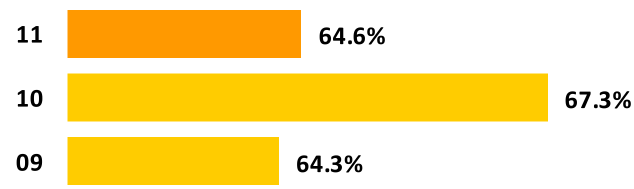
(%)



Return on Equity declined by -12.7% in 2011 vs. 2010.

Net loans / Customers' deposits

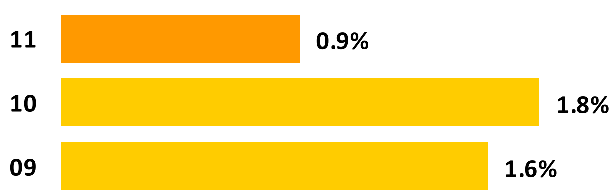
(%)



Net Loans: Customers' deposits ratio declined by 2.7% in 2011 vs. 2010.

Return on assets

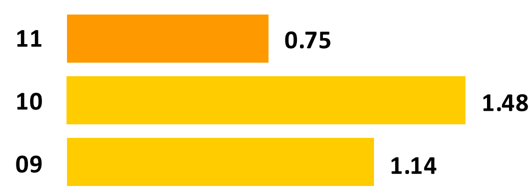
(%)



Return on assets decreased by -0.9% in 2011 vs. 2010.

Earnings per share

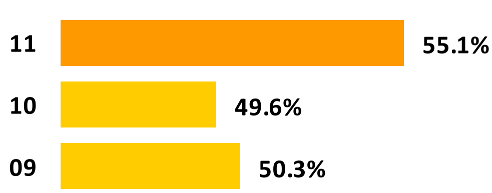
(EGP)



Earnings per share decreased by EGP -0.73 or -49% in 2011 vs. 2010.

Cost / Income ratio

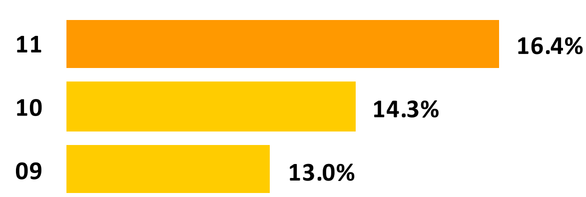
(%)



Cost: income ratio increased by 5.5% in 2011 vs. 2010.

Capital adequacy ratio

(%)



Capital adequacy increased by 2.1% to 16.4 % in 2011 vs. 2010.

Balance Sheet Assets

(in EGP million) ASSETS	Balance as of 31-12-11	Balance as of 31-12-10	Change Abs.	Change %
Cash and balances with the Central Bank of Egypt	3,024	2,577	447	17.4%
Due from banks	3,317	7,067	(3,750)	-53.1%
Treasury bills and other bills eligible for rediscounting with the CBE	9,112	4,794	4,317	90.0%
Financial assets - held for trading	-	99	(99)	n.r.
Loans and advances to banks	500	500	-	0.0%
Loans and advances to customers	19,382	18,086	1,296	7.2%
Financial investments				
Available -for- sale investments	1,538	1,561	(23)	-1.5%
Held -to- maturity investments	226	1,873	(1,647)	-87.9%
Investments in associates	69	76	(6)	-8.5%
Intangible Assets	46	43	4	8.6%
Debit balances and other assets (net)	432	372	60	16.1%
Fixed assets (net of accumulated depreciation)	165	171	(6)	-3.3%
Total Assets	**37,811**	**37,218**	**593**	**1.6%**

- Treasury bills increased by 4, 317 EGP million (90%) illustrates the utilization of over liquid position in Treasury bills with higher interest rates rather than investing in CBE deposits which decreased by -3,750 EGP million (-53%).

- Preserving a high quality loan portfolio, Net Loans and advances to customers increased by 1,296 EGP million (+7.2%) as compared to 2010. This is mainly due to increase in retail loans by 843 EGP million as well as increase in corporate loans by 453 EGP million.

- Held -to- Maturity investments decreased by -1,647 EGP million (-88%) due to the maturity of the deficit bonds end of Jan. 2011.

Financial Position Key Drivers

Balance Sheet Liabilities and Shareholders' Equity

(in EGP millions)	Balance as of	Balance as of	Change	
Liabilities	**31-12-11**	**31-12-10**	**Abs.**	**%**
Due to banks	860	3,400	(2,540)	-74.7%
Customers' deposits	30,781	27,614	3,167	11.5%
Other Loans	958	955	3	0.3%
Credit balances and other liabilities	610	741	(130)	-17.6%
Other provisions	423	438	(16)	-3.6%
Current income tax liabilities	30	75	(45)	-59.5%
Deferred tax liabilities	55	18	37	212.5%
Retirement benefits obligations	384	300	85	28.3%
Total Liabilities	**34,102**	**33,540**	**562**	**1.7%**
Shareholders' Equity				
Issued & paid-in capital	800	800	-	0.0%
Reserves	977	1,141	(163)	-14.3%
Retained Earnings	1,932	1,738	194	11.2%
Total Shareholders' equity	**3,709**	**3,679**	**31**	**0.8%**
Total shareholders' equity & liabilities	**37,811**	**37,218**	**593**	**1.6%**

- Customer deposits base provides the primary source of funding increased by 3,167 EGP million (11.5%) vs. Dec. 2011, mainly due to the contribution of Retail deposits growing by 1,831 (+8.1%), (Alex Star CDs increased by 2,374 Mln EGP 79.0% and Issuing new CD Alex Green by 327 Mln EGP). Business deposits increased by 1,336 Mln EGP (26.2%).

- Retirement benefits obligations amounted to 384 EGP million for the medical expense benefit. The amount of the liability is determined every year by an external actuarial consultant.

- Total Shareholders' Equity increased by 31 EGP million (resulted from declining in reserves specially in AFSR by -163 EGP million & increasing Retained earnings by 194 EGP million).

Income Statement

(in EGP million)	For the year ended 31-12-11	For the year ended 31-12-10	Change Abs.	Change %
Interest income on loans and similar income	3 022	2 517	506	20.1%
Interest expense on deposits and similar expenses	(1 529)	(1 254)	275	21.9%
Net interest income	1 493	1 263	230	18.2%
Fee and commission income	323	338	(15)	-4.4%
Fee and commission expenses	(7)	(7)	( )	-4.7%
Net fees and commission income	316	330	(14)	-4.4%
Net income	**1 809**	**1 593**	**216**	**13.6%**
Dividend income	24	29	(4)	-15.4%
Net trading income	112	91	21	23.6%
Gains (lossses) from financial investments	(18)	24	(42)	-174.2%
Impairment losses on customers' loans	(374)	(134)	240	179.9%
Administrative Expenses	(1 009)	(824)	185	22.5%
Out of which				
Personnel cost	*(726)*	*(523)*	*203*	*38.7%*
Other administartive expenses	*(283)*	*(300)*	*(17)*	*-5.7%*
Other operating income (expenses)	(79)	3	(83)	n.r.
Net profit before income tax	466	783	(317)	-40.5%
Income tax expenses	(133)	(127)	7	5.3%
Net profit for the year	**333**	**657**	**(324)**	**-49.3%**

- **Net interest income (+ 230 mln. EGP + 18.2%)**
  - Interest income on loans and similar income increased by 506 EGP mln. (+20.1%), mainly due to increase in average customer loans volumes and the utilization of excess liquidity in Treasury Bills with higher interest rates.
  - Interest expense on deposits and similar expenses shows an increase of EGP 275 mln. (21.9%) mainly due to increase in retail deposits volumes specially in CDs (Alex Star & Alex Green) .

Income Statement Continued

Financial Position Key Drivers

- **Net fees and commission income (-14 mln. EGP -4.4%)**
  - Fees and Commission income decreased by -15 EGP mln. (-4.4%), mainly due to decrease in commission and fees on guarantees, securities and retail loans (cancellation of the HDB commissions on retail loans).
  - The fees and commission expenses remains at same level of 7 EGP mln.

- **Dividends income (-4 mln. EGP -15.4%)**
  - Mainly due to lower dividends received from AFS financial assets.

- **Net trading income (+21 mln. EGP +23.6%)**
  - Mainly due to increase in profits from foreign currencies exchange by 27 EGP mln. (34%).

- **Gain (Losses) from financial investments (-42 mln. EGP -174.2%)**
  - Mainly due to the impairment of the 1st Mutual Fund (AFS) amounted to -28.1 EGP mln. which has been impacted in Dec. 2011.

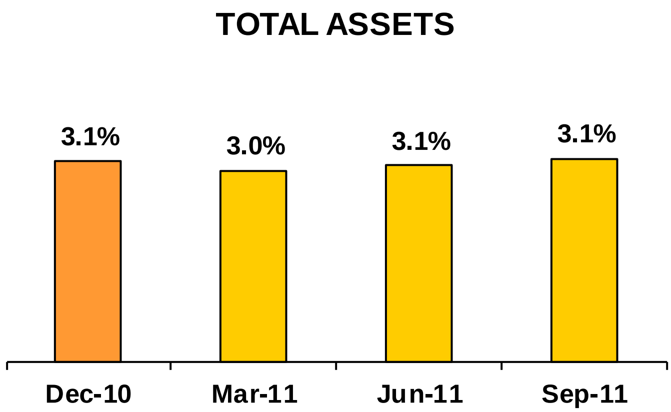
- **Administrative expenses (+185 mln. EGP +22.5%)**
  - Personnel cost increased by 203 EGP mln. (+38.7%) mainly affected by increase of salaries and wages by 158 EGP mln. (+36.4%), increase of social insurance by 4 EGP mln. (+16.0%), and increase of defined benefits plans by 39 EGP mln. (+60.1%). The monthly average amount of the 20 biggest employees' salaries for the current year is equal to 1.637.0 Thousand EGP"
  - Number of personnel decreased by -33 employees.

- Other administrative expenses decreased by -17 EGP mln. (-5.8%).
  - Insurance expense increased by 7 EGP mln. (+34%), due to effect of increase in consumer loans volumes.
  - Advertising expense decreased by -30 EGP mln. (-48%), mainly due to reducing the advertising campaigns of the bank during 2011.
  - Indirect personnel expenses decreased by -3 EGP mln. (-18%).
  - Logistics expense decreased by -4 EGP mln. (-14%), this results from reducing cost of maintenance, repair and remodeling by -4 EGP mln.
  - Information systems increased by 6 EGP mln. (+17%), mainly in the software maintenance and upgrades by 3 EGP mln.

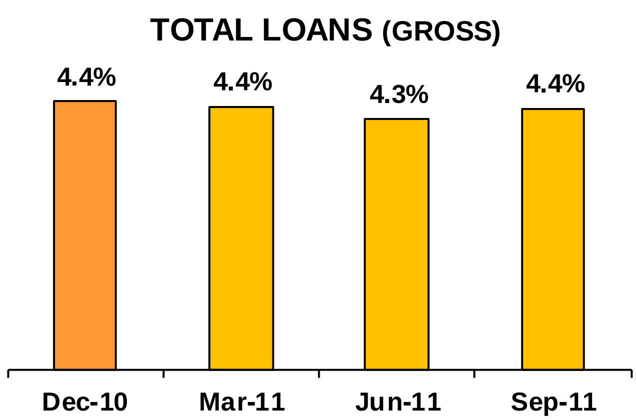
- **Impairment losses on customers' loans (+240 mln. EGP +179.9%)**
  - Impairment losses on customers' loans reflects the growing of the portfolio and downgrading of some positions post the Egyptian Revolution.
  - Impairment losses on HTM investments reflects the impairment of the 1st Mutual Fund amounted to 3.7 EGP mln.

- **Income Tax expenses (+7 mln. EGP +5.3%)**
  - Due to imposing the second bracket on the annual profits which increase the tax rate to 25%.

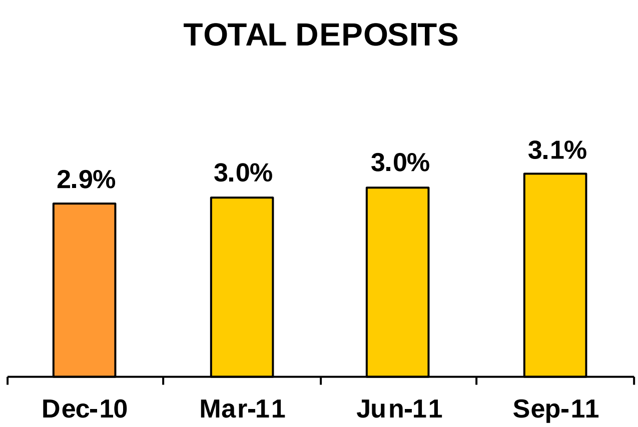
Market Share



Total Assets remains stable at 3.1% of market share as of September 2011, compared to December 2010.



The significant growth of the loans portfolio took Alex Bank to 4.4% of market share in September 2011, with an increase in retail loans market share up to 8.1% against 7.7% in December 2010. On the other hand, corporate loans market share declined to 3.3% against 3.5% in December 2010.



The upward trend in total customer deposits market share from 2.9% to 3.1% is mainly due to the increase in corporate deposits market share to 1.8% in September 2011 against 1.6% in December 2010, along with retail deposits market share remains stable at 3.7% compared to December 2010.

Corporate Social Responsibility (CSR)

Bank's Approach

ALEXBANK is working onwards for the upgrading & the enlargement of its CSR Activities, as well as taking a rather internal approach towards the staff. We commit nevertheless to our long term goals & strategies towards developing the Egyptian Society in the fields of Health, Education, Socioeconomic development & the Environmental domain. 2011; the Egyptian society suffered from a phase of major discontinuity due to the Egyptian Revolution, however we aim to increase the engagement of the employees, to give more focus on our human capital & to deflect from our commitments in the coming years.

Key Achievements

"2011 – The year of the revolution"

Unfortunately, due to the circumstances & developments in Egypt, Alexbank's CSR activities have been decreased to a minimum in comparison to recent years, due to the adjustments in objectives & the priorities of the current situation. We maintained our commitments in the following fields (domains);
Health Domain.
Socioeconomic Development Domain.

And initialized the following internal domain;
Internal Human Resources & CSR projects.

New Programs

One Family Program
This year ALEXBANK is proud to launch the internal campaign "One Family". The One family program is a merge between volunteerism & solidarity amongst the employees of Alexbank. The program briefly is based on a system of collective participation aimed to support the families of the deceased employees. Each employee is donate a fairly small amount of their salaries per case, including a standard donation provided by the bank per case. The amount generated is facilitated in fulfilling any debts on the deceased colleague & the remainder is provided to the family of the employees. Thus creating a great sense of solidarity & kinship among the employees, who are dependant on each other to take care of their loved ones.

Bank of Alexandria (Egyptian Joint Stock Company)
Balance Sheet
As at 31 December 2011

Assets	**Note No.**	**31/12/2011 LE 000**	**31/12/2010 LE 000**
Cash and due from Central Bank of Egypt	(15)	3 024 252	2 577 002
Due from banks	(16)	3 317 203	7 067 328
Treasury bills and other governmental notes	(17)	9 111 607	4 794 364
Financial assets held-for-trading	(18)	-	98 686
Loans and advances to banks	(19)	500 000	500 000
Loans and advances to customers	(20)	19 381 559	18 085 965
Financial investments :			
Available -for- sale	(21)	1 538 466	1 561 236
Held- to- maturity	(21)	225 857	1 872 836
Investments in associates	(22)	69 214	75 662
Intangible assets	(23)	46 243	42 562
Other assets	(24)	431 592	371 889
Investment property	(25)	51	51
Fixed assets	(26)	165 174	170 795
Total assets		**37 811 218**	**37 218 376**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(27)	859 684	3 399 638
Customers' deposits	(28)	30 781 126	27 613 744
Other loans	(29)	958 479	955 245
Other liabilities	(30)	610 499	740 719
Other provisions	(31)	422 703	438 372
Current income tax liabilities		30 375	74 993
Deferred tax liabilities	(32)	54 863	17 558
Retirement benefits obligations	(33)	384 382	299 596
Total Liabilities		**34 102 111**	**33 539 865**
Shareholders' equity			
Issued and paid-in capital	(34)	800 000	800 000
Reserves	(35)	977 379	1 140 660
Retained earnings	(35)	1 931 728	1 737 851
Total Shareholders' equity		**3 709 107**	**3 678 511**
Total liabilities and Shareholders' equity		**37 811 218**	**37 218 376**

The accompanying notes from page (24) to page (105) are an integral part of these financial statements and are to be read

Bank of Alexandria (Egyptian Joint Stock Company)

Income statement

for the year ended 31 December 2011

	Note No.	12/31/2011 LE 000	12/31/2010 LE 000
Interest income	(6)	3 022 318	2 516 721
Interest expense	(6)	(1 528 944)	(1 253 813)
Net interest income		1 493 374	1 262 908
Fee and commission income	(7)	322 905	337 677
Fee and commission expenses	(7)	(7 052)	(7 400)
Net fee and commission income		315 853	330 277
Net income		**1 809 227**	**1 593 185**
Dividend income	(8)	24 123	28 531
Net trading income	(9)	112 491	91 045
Gains from financial investments	(21)	(17 907)	24 149
Impairment loss on loans and advances	(12,20)	(373 791)	(133 563)
Administrative expenses	(10)	(1 008 797)	(823 530)
Other operating (expenses) income	(11)	(79 345)	3 211
Net profit before income tax		466 001	783 028
Income tax expenses	(13)	(133 222)	(126 525)
Net profit for the year		332 779	656 503
Earnings per share (LE/share) - Basic	(14)	0.75	1.48

The accompanying notes from page (24) to page (105) are an integral part of these financial statements and are to be read therewith.

Bank of Alexandria (Egyptian Joint Stock Company)

Statement of changes in shareholders' equity

for the year ended 31 December 2011

	Note No.	Paid - in capital LE 000	Reserves LE 000	Retained earnings LE 000	Total LE 000
Balance as at 31 December 2009 (as previously issued)		800 000	878 278	1 194 273	2 872 551
Changes in accounting policies (net of tax)		-	43 921	7 626	51 547
Balance as at 31 December 2009 (adjusted)		800 000	922 199	1 201 899	2 924 098
Transferred to legal reserve	(35)	-	26 088	(26 088)	-
Transferred to other reserves	(35)	-	2 696	(2 696)	-
Profit appropriation of year 2009		-	-	(91 767)	(91 767)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	2 606	-	2 606
Net change in fair value of the available-for-sale investments		-	187 071	-	187 071
Net profit for the year ended 31 December 2010		-	-	656 503	656 503
Balance as at 31 December 2010		**800 000**	**1 140 660**	**1 737 851**	**3 678 511**
Balance as at 31 December 2010 (as previously issued)		800 000	1 140 660	1 737 851	3 678 511
Transferred to legal reserve	(35)	-	32 743	(32 743)	-
Transferred to other reserves	(35)	-	1 937	(1 937)	-
Profit appropriation of year 2010		-	-	(104 383)	(104 383)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	(6 956)	-	(6 956)
Net change in fair value of the available-for-sale investments	(35)	-	(190 844)	-	(190 844)
Net change in general banking risks reserve		-	(161)	161	-
Net profit for the year ended 31 December 2011		-	-	332 779	332 779
Balance as at 31 December 2011		**800 000**	**977 379**	**1 931 728**	**3 709 107**

The accompanying notes from page (24) to page (105) are an integral part of these financial statements and are to be read therewith.

Bank of Alexandria (Egyptian Joint Stock Company)
Statement of cash flows
for the year ended 31 December 2011

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Cash flows from operating activities		
Net profit for the period before taxes	466 001	783 028
Adjustments to reconcile net profit to cash flows provided from operating activities		
Depreciation and amortization	59 152	54 597
Losses resulted from events of January 25 , 2011	1 556	-
Impairment of assets	373 791	133 563
Reversal of other provisions	(14 884)	(61 584)
Revaluation differences of financial assets held -for- trading	(1 285)	(3 650)
Provisions used (other than loans provision)	(6 423)	(24 917)
Proceeds from amounts previously written-off	60	-
Foreign currencies revaluation differences of other provisions	2 408	1 303
Foreign currencies revaluation differences of other loans	34 050	29 460
Revaluation differences of financial investments (other than financial assets held -for- trading)	(2 214)	(93 983)
Revaluation differences of fair value reserves/available-for-sale investments	(23)	(33)
Interest income from treasury bills and bonds - impact of recalculation of bonds at to the amortized cost	(70)	398
Gains from sale of fixed assets	(710)	(1 565)
Dividend income	(24 123)	(28 531)
Impairment loss of investments (other than financial assets held -for- trading)	28 127	187
Gains on sale of investments (other than financial assets held -for- trading)	(10 220)	(24 336)
Losses (gains) of financial investments transferred from reserve of fair value account	209	(26 173)
Operating profits before changes in assets and liabilities used in operating activities	905 402	737 764
Net decrease (increase) in assets and (decrease) increase in liabilities		
Balance with Central Bank within the mandatory reserve percentage	(427 082)	2 500 251
Due from banks	27 009	(91 382)
Treasury bills and other governmental notes	(3 257 649)	(274 559)
Financial assets held-for-trading	99 971	(49 558)
Loans and advances to customers	(1 668 434)	(2 591 565)
Other assets	(70 531)	(32 618)
Due to banks	(2 539 954)	688 831
Customers' deposits	3 167 382	2 523 035
Other liabilities	(130 220)	263 258
Retirement benefits obligations	84 786	43 698
Tax paid	(175 420)	(81 031)
Net cash flows (used in) provided from operating activities	**(3 984 740)**	**3 636 124**
Cash flows from investing activities		
Payments to purchase fixed assets and preparation of branches	(24 740)	(36 378)
Proceeds from sale of fixed assets	2 231	2 310
Proceeds from sale of financial investments other than financial assets held -for- trading	1 763 736	634 309
Payments to purchase financial investments other than financial assets held -for- trading	(273 855)	(172 528)
Payments to purchase intangible assets	(27 139)	(24 594)
Dividends received	28 001	31 885
Net cash flows provided from investing activities	**1 468 234**	**435 004**
Cash flows from financing activities		
Proceeds from issuance of other loans	-	841 275
Payments of other loans	(30 817)	(83 630)
Dividends paid	(96 032)	(83 767)
Net cash flows (used in) provided from financing activities	**(126 849)**	**673 878**
Net change in cash and cash equivalents during the period	(2 643 355)	4 745 006
Cash and cash equivalents at the beginning of the period	7 679 764	2 934 757
Cash and cash equivalents at the end of the period	**5 036 409**	**7 679 763**
Cash and cash equivalents are represented in the following (note no. 37):		
Cash and due from Central Bank	3 024 252	2 577 002
Due from banks	3 317 203	7 067 328
Treasury bills and other governmental notes	9 111 607	4 794 364
Balances with Central Bank within the mandatory reserve percentage	(2 408 274)	(1 981 192)
Deposits with banks with maturity more than three months *	(72 275)	(99 284)
Treasury bills and other governmental notes (with maturity more than 3 months)	(7 936 104)	(4 678 455)
Cash and cash equivalents	**5 036 409**	**7 679 763**

For the purpose of preparing the cash flow statement, the following amounts were eliminated:

-LE 000	8 410	from both payments to purchase fixed assets and the changes in debit balances, which represent the amounts, transferred from assets under constructions.
-LE 000	8 350	from both changes in dividends paid and debit balances (settlement of the states share in profits).
-LE 000	2 762	from both changes in debit balances and loans (assets reverted to the bank).
-LE 000	(184 203)	from both changes in fair value reserve and financial investments available for sale (investments valuation differences).

* From the date of acquisition .

The accompanying notes from page (24) to page (105) are an integral part of these financial statements and are to be read therewith.

Alex Bank (Egyptian Joint Stock Company)
Profit Appropriation Statement (Proposed)
for the year ended 31 December 2011

	For the year ended 31/12/2011 LE000	For the year ended 31/12/2010 LE000
Net profit for the year	332 779	656 503
Less:		
Capital gains transferred to reserve according to the law	(710)	(1 640)
Appropriated profit for the year	332 069	654 863
Retained earnings at the beginning of the year	1 598 949	1 081 348
Total	**1 931 018**	**1 736 211**
Appropriation		
Legal reserve	16 603	32 743
Bank risk reserve	18	297
Shareholders' dividends	84 511	40 000
Employees' share	31 545	62 182
Board of directors members remuneration	2 200	2 200
Retained earnings at the end of the year	1 796 141	1 598 789
	1 931 018	**1 736 211**

The accompanying notes from page (24) to page (105) are an integral part of these financial statements and are to be read therewith.

1- General information

Bank of Alexandria renders banking retail, corporate and investment banking services in Arab Republic of Egypt through its head office in Cairo (49, Kasr El Nil street) and through 210 branches and banking unit and employs 5 483 staff members on 31 December 2011.

- Bank of Alexandria was established as a joint stock company on 17 April 1957 as a commercial bank fully owned by the state until 31/10/2006, where SanPaolo I.M.I (An Italian Bank) acquired 80% of the issued and paid-in capital, on 1 January 2007 a merger undertaken between San Paolo I.M.I and Intesa Bank S.P.A.
- The name of Sanpaolo I.M.I was amended to be Intesa San Paolo S.P.A and the bank currently performs its activities under the provision of the Central Bank and the Banking and Monetary law no. 88/2003.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa San Paolo S.P.A capital share became 70.25%.

2- Summary of accounting policies

The following are the significant accounting policies used in the preparation of financial statements, these policies have been steadily followed for all the presented periods unless otherwise is disclosed.

A- Basis of preparation of financial statements

Financial statements have been prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors on 16 December 2008 consistent with the standards referred to, and on the basis of historical cost as modified by revaluation of financial assets and liabilities held for trading, financial assets and liabilities classified at inception at fair value through profit and loss and available for sale financial investments, and all financial derivatives contracts.

The financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws.

B- Associates

The associates are entities, which the bank has, in a direct or indirect influence over them without reaching the extent of control. Normally the bank has ownership equities ranging between 20% to 50% of the voting rights.

The purchase method is used in accounting for the bank's acquisition of companies and the acquisition cost is measured by fair value or the bank offer an equivalent value for the purchase of the assets and/or issued shareholders' equity's instruments and/or obligations the bank incurred and/or obligations the bank accepted on behalf of the acquired company to complete the acquisition process on the date of the exchange process plus any costs that can be directly attributed to the acquisition process. Net assets including acquired defined potential obligations are measured at fair value on the acquisition date regardless of the existence minority's rights and the increase in the acquisition cost over the fair value of the bank share in the net assets is considered goodwill and if there is a decrease in the acquisition cost below the fair value of the net referred to, the difference is to be recorded directly in the income statement within the item of "Other operating income" (expenses).

The equity method is used in accounting of the associates in the bank's independent financial statements. In addition, profits appropriations are debited in the fair value of the investment when approved.

C- Segment reporting

Segment activity is a group of assets and transaction engaged in providing products or services characterized by the existence of risks and benefits different from those related to other activity segments. The geographical segment is engaged in producing of products and services within the same economic environment that are characterized by risks and benefits different from those related to geographical segments operating in a different economic environment.

D- Foreign currencies translation

D-1 Functional and presentation currency:

The bank's financial statements are presented to the nearest thousand Egyptian pounds, which represents the bank's functional and presentation currency.

D-2 Transactions and balances in foreign currencies

- The bank hold its accounts in the Egyptian pound and transactions in other currencies are recorded during the current year on the basis of the prevailing exchange rates on the date of processing the transaction. Assets and liabilities balances with monetary nature in foreign currency are re-evaluated at the end of the current year based on the prevailing exchange rates on that date. The profits and losses resulting from settlement of such transactions are to be recognized in the income statement as well as the differences resulted from the re-evaluation among the following items:

- The net trading income or net income of the financial instruments classified at inception in fair value through the profits and losses of assets / liabilities held for trading or those classified at inception in fair value through profits and losses according to type.
- Financial derivatives of shareholders' equity of which are eligible for qualified hedge of cash flows or eligible for qualified hedge of net investment.
- Other operating income (expenses) for the remaining items.
- Changes in the fair value of the financial instruments with monetary nature in foreign currencies classified as investments available for sale (debt instruments) are analyzed into evaluation differences resulting from the changes in the amortized cost of the instruments, differences resulting from the changes in the prevailing exchange rates or differences resulted from the change in the instrument's fair value. The differences resulted from the changes in the amortized cost are to be recognized in the income statement within the "Interest income on loans and similar income", the differences related to exchange rates changes are recognized in the Other operating income (expenses) whereas the change in the fair value (fair value reserve/financial investments available for sale) are recognized within shareholders' equity.

- The revaluation differences resulted from items other than those with the monetary nature include the gains and losses resulted from the change of the fair value such as the equity instruments held in fair value through profit and loss. The revaluation differences resulted from equity instruments classified as financial investments available for sale are recognized within the fair value reserve in the shareholders' equity.

E- Financial assets

The bank classifies financial assets among the following categories: financial assets classified at fair value through profit and loss, loans and debts, financial investments held to maturity and financial investments available for sale. The management determines the classification of its investments at initial recognition.

E-1 **Financial assets classified at fair value through profit and loss:**

This category includes financial assets held -for- trading and assets classified at inception fair value through profits and losses.

- The financial instrument is classified as held for trading if it is acquired and paid for its value primarily for the purpose of selling it in the short term or if it represents a part of a portfolio for specific financial instruments that are managed together and there is an evidence of processing recent actual transactions which resulted in obtaining short-term profits and derivatives are classified as held for trading.
- Financial assets are classified at inception fair value through profit and loss in the following cases:
  - When it reduces the measurement inconsistency that could arise from treating the related derivative as held for trading at the time of evaluating the financial instrument in the place of the derivative at amortized cost for loans and advances to banks and customers and issued debt instruments.
  - When managing some investments such as investments in equity instruments and evaluating them at fair value according to the investment strategy or risk management and reports for senior management on this basis then they are classified as fair value through profit and loss.
  - The financial instruments such as debt instruments held and contain one or more of embedded derivatives that strongly affect the cash flow, are classified at fair value through profit and loss.
- Profits and losses resulted from changes in the fair value of the financial derivatives which are managed in conjunction with the assets and liabilities classified at inception fair value through profit and loss are recorded in the income statement within "Net income from financial instruments classified at inception at fair value through profit and loss" item.
- Any derivative from the financial instruments group evaluated at fair value through profit and loss is not to be reclassified during the year of holding it or during its validity period. In addition, any instrument from the financial instruments group evaluated at fair value through a profit and loss is not to be reclassified if the mentioned instrument has been allocated by the bank at initial recognition as an instrument to be evaluated at fair value through profit and loss.

E-2 Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable amount and they are not quoted in an active market with the exception of:

- Assets which the bank intends to sell immediately or in the short term are classified as assets held for trading or these assets, which were classified at inception at fair value through profit and loss.
- Assets the bank classifies as available for sale at initial recognition.
- Assets, which the bank will not be able to substantially recover the value of its original investment for other reasons than credit deterioration.

E-3 Held to maturity financial investments

Held to maturity investments represent non- derivative financial assets with fixed or determinable amount of payment and do have a fixed maturity date while the bank management has the intention and the ability to hold and maintain them until date of maturity. The whole group is to be reclassified as available for sale in case the bank sells a significant amount of assets held to maturity except in cases of necessity.

E-4 Available for sale investments

Available for sale investments are non-derivative financial assets the bank has intention to hold and maintain for indefinite period. This may be sold in response to the need for liquidity or due to changes in interest rates, exchange rates or equity prices.

The following is to be adopted with regards to financial assets:

- The purchase and sell of financial assets are recognized in the usual way on the trade date on which the bank is committed to purchase or sell the asset. In addition, this for the assets, classified at fair value through profit and loss, financial assets held to maturity investments and available for sale investments.

- The recognition of financial assets at inception, which have not been classified at inception at fair value through profit and loss at fair value plus transaction costs whereas financial assets classified at inception fair value are to be recognized through profits and losses only at fair value while charging the transaction costs to "Net Trading Income" item in the income statement.

- Financial assets are excluded when the term of validity of the contractual right to receive cash flow from the asset expires or when the bank transfers most of the risks and benefits associated with ownership to another party. Financial liabilities are excluded as they are completed by either discharge, cancel or when the contractual period expires.

- Available for sale financial assets and financial assets at fair value through profit and loss are all subsequently measured at fair value. Loans and receivables and the held- to – maturity investments are subsequently measured at amortized cost.

- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit and loss are to be recognized in the income statement in the period in which they occur.
  While, the gains and losses resulting from changes in the fair value of available for sale investments are directly recognized in equity, till the asset is excluded or its value impaired, at which time the accumulated profits and losses previously recognized within equity are to be recognized in the income statement.
- Interest income calculated at the amortized cost method and gains and losses of foreign currencies associated with assets, which have monetary nature and classified as an available for sale are to be recognized in the income statement. Dividends resulting from equity instruments classified as available for sale are to be recognized in the income statement when the right of the bank to receive payments is established.

- Fair value of the investments quoted in active markets is determined pursuant to the current Bid Prices. In case there is no active market for the financial assets or the current Bid prices are unavailable, then the bank determines the fair value by using one of the valuation techniques. This includes either using arm's length transactions, discounted cash flow analysis, options pricing models or other valuation methods commonly used by market participants. In case, the bank is unable to estimate the fair value of equity instruments classified as available for sale, then their value is measured by cost after deducting any impairment in value.

- The bank reclassifies the financial asset previously classified within the group of financial instruments available for sale and on the definition of loans and receivables (bonds or loans) can be applied by transferring it from the group of available for sale instruments to the group of loans and receivables or to financial assets held to maturity, all as the case. In addition, this when the bank has the intention and ability to hold and maintain these assets through the near future or until maturity date. The reclassification takes place at fair value on the date of reclassification. Any gains or losses related to these assets, which were previously recognized within equity, are treated as follows:

  1- In case of reclassification of financial assets with fixed maturity date, the gains or losses are amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate. Any value difference 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. Later, in case of impairment in the financial assets value any gains and losses previously recognized directly among shareholders equity will be recognized in the profits and losses.
  2- In case of financial asset has unfixed maturity date, the gains or losses remained within shareholders' equity until the asset is sold or disposed, and then they are recognized within profits and losses. Later, in case of impairment in the asset's value any gains or losses previously recognized as directly in equity will be recognized in the profits and losses as well.

- If the bank adjusts its estimates of payments or receipts then the book value of the financial asset (or group of financial assets) is settled in such a way to reflect the actual cash flow and adjusted estimates provided that the book value is recalculated by calculating the present value of future cash flow estimated by the actual rate of the financial instrument. The result of the settlement is recognized as revenue or expenses in the profits and losses.

- In all cases, if the bank reclassify an financial assets as what was referred to and on a subsequent date the bank raises its estimates of future cash receipts due to increase of what will be recovered from these cash receipts then the impact of this increase will be recognized as adjustment of the actual rate of return from the date of the estimates' change and not as a settlement to the asset's book balance on the date of estimates change.

F- **Offsetting of financial instruments**

Financial assets and liabilities are offset in case there is a legal right in force to undertake the offsetting of the recognized amounts and there is an intention to conduct a settlement based on the net amounts or to receive the asset and settle the liability simultaneously.

The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase are presented based on the net in the balance sheet within the item of treasury bills and other governmental notes.

G- **Derivatives financial instruments**

Derivative is recognized at fair value at the date of entering into its contract, and subsequently, re-measured at fair value. The fair value is determined either from the quoted market prices in the active markets, recent market transactions, or valuation techniques such as discounted cash flow models and options pricing models, as appropriate. All derivatives carried within the assets if their fair value is positive or within the liabilities if their fair value is negative.

H- **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 expenses on deposits and similar charges" by using the effective interest rate of all financial instruments bearing interest except those classified as held for trading or which have been classified at inception fair value through profit and loss.

The effective interest rate method is the method to calculate the amortized cost of a financial asset or liability and the allocating the interest income or expenses over the related instrument lifetime. The rate of actual return is the rate used to discount the estimated future cash flows expected payments or receipts during the expected lifetime of the financial instrument or when appropriate shorter period of time in order to reach accurately to the book value of a financial asset or liability. When calculating the effective rate of return, the bank estimates cash flows by considering all the contractual terms and conditions of the financial instrument's contract (for example early payment options) but does not consider the future credit losses are not taken into account. The method of calculation includes all fees paid or received between contract's parties, which are considered part of the effective interest rate, and the cost of dealing includes any premiums or discounts.

When loans or debts classified as nonperforming or being impaired as the case may be, then the related interest income is not recognized and is recorded in as off balance sheet items. It is recognized in the income pursuant to the cash basis, according to the following:

H-1 When collected and after full recovery of delays for the consumer loans, Mortgage loans of personal housing and small loans for economic activities.

H-2 For corporate loans, the cash basis is also applied, as the return will be raised according to loans' rescheduling contract terms until payment of 25% of the rescheduling installments and at a minimum of 1 year of regularly payment. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling which is not to be included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

I- Fee and commission income

Fee due from servicing the loan or facility are recognized within the income when performing the service, while the fee and commission related to non-performing or impaired loans are not recognized, instead, they are to be recorded on off- balance sheet of the financial statements. Then they are recognized within the income pursuant to the cash basis when the interest income is recognized according to item (h-2), for fees, which represent an integral part of the actual return of the financial assets in general, they are treated as an amendment to the effective rate of return.

Engagement fee 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 rate of return 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's validity.

Fee on debt instruments measured at fair value are recognized within income at the initial recognition. Fees on promoting syndicated loans are recognized within income when the promotion process is completed and the bank does not retain any portion of the loan or if the bank retains a portion for itself earning the rate of actual return that is made available to other participants as well.

Fees and commission resulting from negotiations or participating in negotiation on a transaction in favor of other party are recognized within the income statement- for example, arranging the acquisition of shares or other financial instruments or acquiring or selling premises- when the specific transaction has been completed. The administrative consultations' fees and other services are normally recognized based on distribution over time relative to the service performance period whereas the financial planning management fees and conservation services fees, which are provided for long periods of time are recognized over the period during which the service is performed.

J- Dividend income

Dividend income is recognized when the right to receive income is established.

K- Purchase and resale agreement & sale and repurchase agreement

The financial instruments sold, by virtue under agreement of repurchase agreements are presented within the assets of the balances of treasury bills and other governmental notes in the balance sheet. Whereas the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the balance sheet. The difference between the sell price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate methods.

L- Impairment of financial assets

L-1 Financial assets recorded at amortized cost

On balance sheets date, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of assets are considered impaired and impairment losses are carried when there is an objective evidence on the impairment as a consequence of an event or more taking place after the initial recognition of the asset. This (Loss Event) affects the future cash flow of the financial asset or the group of financial assets, which can be estimated to a reliable degree.

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

- Significant financial difficulties facing the borrower / debtor;
- Breach of the terms of the loan, such as stop payment;
- Expecting the borrower's bankruptcy or entering into liquidation lawsuit or re-structuring the finance granted to him;
- Deterioration of the competitive position of the borrower;
- The bank, for legal or economic reasons related to the borrower's financial difficulties, granting a privileges or concessions the bank might not agree to grant in normal circumstances;
- The impairment of the collateral's value;
- The deterioration of the credit situation and positions.

Among the objective evidences on the impairment losses of a group of financial assets, is the presence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it isn't possible to determine the decline of each individual asset separately, for example, the increase in cases of default payment for one or more of the banking products. The bank estimates the period between the loss event and identify for each specific portfolio and this period normally ranges between three to twelve months.

The bank assesses whether objectives evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. In this regard, the following is to be taken into account:

- If the bank identifies there are no objective evidence on the impairment of a financial asset assessed separately whether it has a significance of its own or not then this asset will be added to the group of financial assets with similar credit risk features to be assessed together to estimate impairment pursuant to historic default ratios.
- If the bank identifies the presence of objective evidence on the impairment of a financial asset assessed separately then this asset is not included in the group of assets which impairment losses are assessed on a consolidated basis.

- If the aforementioned assessment resulted in the non-presence of impairment losses, then the asset is included in the group.

The amount of impairment losses provision is measured by the difference between the asset's book value and the present value of expected future cash flows discounted by applying the original effective interest rate of the asset, future credit losses not incurred should not be included in the above. The book value of the asset is reduced by using the impairment losses provision's account and the impairment charge on credit losses is recognized in the income statement.

If the loan or investment held to maturity date, bears a variable rate of interest then discount rate applied to measure any impairment losses is considered the effective interest rate pursuant to the contract on determining the existence of objective evidence on the impairment of the asset. For practical purposes the bank may measure value impairment losses on the basis of the instrument's fair value by applying the quoted market rates, as for guaranteed financial assets, the present value of the future cash flows expected from the financial asset is to be credited besides these flows which result from the implementation and selling the collateral after deducting the expenses related thereto.

For the purposes of estimating impairment for group financial assets are pooled in groups of similar characteristics in terms of credit risk i.e. on the basis of classification process conducted by the bank taking into account the type of asset, industry, geographical location, type of collateral, position of delays and other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets being an indicator of the debtors' ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

In estimating the impairment of a group of financial assets based on historical default ratios, future cash flows of the group are estimated based on the contractual cash flows of the banks' assets and the amount of historical losses of these assets with credit risk characteristics similar of these assets held by the bank. The amount of losses is adjusted based on current disclosed data in a way to reflect the impact of the current conditions which were not available in the period over which the amount of historical losses has been identified besides canceling the effects of the conditions that existed in the historical periods but not no longer exists.

The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time, for example changes in unemployment rates, real estate prices, repayment's position and any other factors indicating the changes in the likelihood of loss in the group and its amount. The bank is conducting a periodic review of the method and assumptions used to estimate future cash flows.

L-2 Financial investments available - for- sale

On each balance sheet date, the bank estimates the presence of objective evidence on the impairment of an asset or a group of assets classified within financial investments available - for- sale or financial investment held - to- maturity. In the case of investments in equity instruments classified as available for sale, takes into consideration the significant or prolonged decline in the fair value of the instrument below its book value when estimate whether there is impairment in the asset or not.

The decline shall be considered significant when it reaches 10% of the cost of book value and the decline shall be considered prolonged if it continues for more than 9 months. If the mentioned evidences are available, then the accumulated loss should be carried over from shareholders' equity to be recognized in the income statement. The impairment in value recognized in the income statement concerning equity's instruments will not be reversed if a later increase in the fair value occurs. Meanwhile in case the fair value of debt instruments classified available for sale increase, and it is found possible to objectively link the mentioned increase to an event-taking place after recognition of impairment in the income statement, then the impairment will be reversed through the income statement.

M- Investments property

Investment property represent lands and buildings the bank owns in order to obtain rental revenues or capital appreciation, consequently these investments do not include the real estate assets where the bank practices its business and activities or these assets reverted to the bank in settlement of debts. The same accounting method applied on fixed assets is also applied on investments property.

N- Intangible assets

N-1 Computer software programs

Expenditure on the development or maintenance of the computer software programs are recognized when incurred in the income statement. Expenditures associated directly with specific programs under the bank's control and expected to generate economic benefits exceeding their cost for more than a year are recognized as intangible asset. The direct expenses include the cost of the staff involved in the software development team in addition to adequate share of related overheads.

Expenditure, which lead to the increase or expansion in the performance of computer programs beyond their original specifications are recognized as a development cost and are added to the cost of original programs.

The cost of the computer software programs is amortized over their expected useful life with a maximum of three years starting from year 2010.

N-2 Other intangible assets

Other intangible assets represent intangible assets other than goodwill and software programs (they include but not limited to trademark, licenses, and benefits of rental contracts).

The other intangible assets are recorded at their acquisition cost and are amortized on the straight-line method or based on economic benefits expected from these assets over their estimated useful life. Concerning the assets which do not have a finite useful life, they are not subject to amortization, they are annually assessed for impairment, while value of impairment (if any) is charged to the income statement.

O- Fixed assets

Lands and buildings are mainly represented in head office premises, branches and offices. All fixed assets are disclosed at historical cost less accumulated depreciation and impairment losses. The historical cost includes expenses directly attributable to the acquisitions of the fixed assets' items.

Subsequent expenditures are recognized within the book value of the outstanding asset or as an independent asset, if appropriate, this is the case when it is possible to generate future economic benefits to the bank from the concerned asset and it is also possible to reliably determine its cost. Any maintenance and fixing expenses during

the period in which they are incurred are carried to other operating expenses.
Land is not subject to depreciation while depreciation of other fixed assets is calculated on straight-line method to spread the cost in such a way to reach residual value over the useful life of the asset as follows:

Buildings and constructions	20 year
Elevators	10 year
Leased Improvements	The lower of 4 year or leasing period
Office furniture	10 year
Machines	10 year
Means of transport	5 year
Computers / core banking system	5 year
Fixtures and fittings	10 year

The residual value and useful lives of the fixed assets are reviewed on the each balance sheet date and they are adjusted whenever it is necessary. Depreciated assets are reviewed for purposes of determining extent of impairment when an event or change in conditions occurs suggesting that the book value may not be recovered. Consequently, the book value of the asset is reduced immediately to the asset's net realizable value in case increasing the book value over the net realizable value.

The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets are determined by comparing the net proceeds at book value. Gains (losses) are included within other operating income (expenses) in the income statement.

P- Impairment of non financial assets

Assets other than goodwill , which do not have a finite useful lives, are not subject to amortization they are reviewed annually to determine whether there is any indication of impairment . Impairment of depreciable assets is assessed, whenever there are events or changes in conditions suggesting that the book value may not be redeemable.

The impairment loss is then recognized and the asset's value has to be reduced by the excess in the asset's book value over its net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. For purposes of estimating impairment, the asset should link to the smallest cash-generating unit available. On the date of the preparing the financial statements, the non-financial assets being impaired, are to be reviewed if there reversal of impairment in the income statement.

Q - Finance Lease

Finance lease is accounted for pursuant to law 95 for the year 1995 on leasing if the lease contract gives the lessee the right to purchase the asset on a fixed date for a fixed amount and the contract's period represents more than 75% of the asset's expected useful life on the least or the present value of total rental payments represents not less than 90% of the asset value. Other leasing contracts are considered operational leasing ones.

Q-1 Lease

With regard to financial leasing contracts, the lease cost including the maintenance cost of leased assets is recognized within the expenses in the income statement for the period in which it was incurred. If the bank decides to exercise the right of purchasing leased assets then the cost of purchasing right is capitalized as fixed assets and is amortized over the expected remaining useful life of the asset in the same way applied on similar assets.

Payments under the operational leasing less any discounts granted by the lesser recognized within expenses in the income statements by applying the straight-line method over the period of contract.

R- Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include the balances, which maturity not exceeding three months from the date of acquisition and include cash, balances at Central Bank of Egypt, other than those within the mandatory reserve, due from banks and treasury bills and other governmental notes.

S- Other provisions

The restructuring costs and legal claims' provision is recognized when there is a legal obligation or a present indicative due to previous events while it is also more likely that the situation shall require the utilization of the bank's resources to settle mentioned obligations with the presence of the possibility of providing a reliable estimation of the obligation's value.

When there are similar obligations the cash outflow that can be used in settlement is to be identified taking into consideration this set of liabilities. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expenses) line item.

T- Employees' benefits

T-1 Retirement benefits obligations

The bank manages a variety of retirement benefit plans are often funded through determined payments based on 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.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the defined benefit plans (future cash flows expected to be paid) annually. 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 a 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.

T-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 T-1.

U- Income taxes

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

The income tax is recognized based on 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 portion that 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 reduces the value of deferred tax assets.

V- Borrowing

Loans obtained by the bank are recognized at inception 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 that 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 shareholders' equity in net value after deduction of the income tax effect.

The preferred shares that either carries 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 charges" item, using the amortized cost method and by using the effective rate of return.

W- Capital

W-1 Cost of capital

The issuance expenses, which are directly related to the issuance of new shares or shares against acquiring an entity or issuance of options, are to be presented as deduction from the shareholder equity in net proceeds after taxes.

W-2 Dividends

Dividends are deducted from shareholders' equity in the period the shareholders general assembly approves these dividends and they include the employees' share in profits and the remuneration of the board of directors established by the statue of association of the bank and the law.

X- Custody activities

The bank practices custody services which leads to owning or managing private assets of individuals, trust funds, or post service benefits funds. These resulted assets and profits are to be excluded from the financial statements, as they are not considered among the bank's assets.

Y- Comparative figures

Comparative figures are reclassified whenever it is necessary to conform to the changes in the adopted presentation of the current year.

3- Financial risk management

The bank is exposed to a variety of financial risks while it practices its business and activities, and acceptance of risks is considered the basis of financial business. Some of the risks or a group of risks combined together is to be analyzed, evaluated, and managed. The bank target is to achieve adequate balance between the risk and return as well as minimizing possible negative impacts on its financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. Market risk includes the risks of foreign exchange rates, interest rates and the other pricing risks.

The bank has established risk management policies to define, analyze, set limits and control risk. For controlling the risks and to comply with limits, are done through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies and plans to reflect changes in the markets, products, and services besides the best up to date applications.

Risk management is managed through risk department in the light of approved policies by the board of directors. Risk department identify, assesses, and hedges against the financial risks in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risks, and the use of derivatives and non-derivatives financial instruments. In addition, risk department is responsible for the periodic review of risk management and control environment independently.

A- Credit risk

The bank is exposed to credit risk, which is the risk of failure of one party to fulfill its obligations. Credit risk is considered the most important among the bank's risks thus the management carefully manages risk exposure. Credit risk is mainly represented in lending business and result in activities of extending loans, facilities and investment activities result in leading to the inclusion of debt instruments in the bank's assets. Credit risk is also found in financial instruments off- balance sheet such as loans commitments. The credit risk management team in the department which conducts all operation related to management and control of the credit risk, meanwhile the team of management regularly reports to the board of directors, senior management as well as heads of business units.

A-1 Measuring credit risk

- **Loans and advances to banks and customers**

To measure credit risk related to loans and advances extended to banks and customers, the bank examines the following three components:

- Probability of default of the customer or others in fulfilling their contractual obligations.
- The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).
- Loss given default.

The daily activities of the bank's business involves of measurement for credit risk which reflect the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may interfere with the impairment charge according to the Egyptian Accounting Standard no. (26), which depends on losses realized at the balance sheet's date (realized losses models) and not on expected losses (disclosure A/3).

- The bank estimates the probability of default at the level of every customer by applying internal rating methods to classify the creditworthiness in details of the different categories of customers. These internal methods for evaluation have been developed and the statistical analyses are to be taken into account together with the personal discretion reasoning of credit officials to reach the adequate creditworthiness classification. The bank's customers are divided into four categories of creditworthiness classification. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects the extent of the probability of default of each category which mainly means that credit positions move between mentioned categories pursuant to change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever it is necessary. The bank also periodically assesses the performance of the creditworthiness classification methods and the extent of their capacity on prediction of default cases.

  The bank's internal classifications' categories:

Classification	**The classification's meaning**
1	Performing loans
2	Regular watching
3	Watch list
4	Nonperforming loans

- The position exposed to default depends on the amounts, the bank expects to be outstanding when the default takes place, and for example, as for a loan position is the nominal value while for commitments the bank enlists all already drawn amounts besides these amounts expected to be withdrawn until the date of default, if it happens.

- Loss given default or loss severity each represents the bank's expectations of the loss to the extent when claiming repayment of debt if the default occurs. This is expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's seniority and availability guarantees or other credit mitigation.

- **Debt instruments, treasury bills and other bills**

As concerning debt instruments and bills the bank use the external foreign classifications such as that of " Standard and Poors " or similar agencies to manage credit risk. If such assessments are not available, then the bank applies similar methods to those applied on credit customers. Investment in securities, financial papers, and bonds are considered a way to gain a better credit quality and maintain a readily available source to meet funding requirements at the same time.

A-2 Risk limit control and Mitigation Policies

The bank manages, mitigates, and controls credit risk concentration at the level of debtor, groups, industries, and countries.

The bank structures levels of acceptable credit risk by placing the limits for the risk amount in relation to each borrower or a class of borrowers, and at the economic level of activities and geographical sectors. These risks are constantly monitored and controlled and subject to annual reviews or more frequently if necessary. Lines of credit risks are quarterly approved by the board of directors at the level of borrower/ the group / producer, the sector and the country.

Lines of credit for any borrower including banks are divided into sub-lines which include amounts in and off the balance sheet and daily risk line related to trading items such as forward foreign exchange contracts and actual amounts are compared daily with said lines.

Credit risk exposure is also managed by the regular analysis of the present and the potential borrower's ability on fulfilling their obligations and by amendment of the lending lines if appropriate.

The following are some means of mitigating risk:

- **Collaterals**

  The bank employs a range of policies and controls to mitigate credit risk. Among these implemented methods is to obtain a security against the extended funds. The bank has set guide rules for defined types of acceptable collaterals.

  Among the main types of collaterals to loans and advances are the following:

  - Mortgage
  - Mortgage of business assets such as equipment and goods.
  - Mortgage of financial instruments such as debt instruments and equity.

Longer – term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. To reduce credit loss to its minimum, the bank seeks to get additional collaterals from the concerned parties as soon as indicators of a loan or facility impairment appear.

Collaterals held as a security for assets other than loans and advances are determined by the nature of the instrument and normally debt instruments and treasury bills are unsecured with the exception of asset-backed securities and the similar backed instruments in the securities portfolio.

- **Derivatives**

  The bank maintains control procedures over the derivatives net open positions i.e. the difference between buying and selling contracts at the level of value and period. The exposed amount to credit risk is at any time defined at the fair value of the instrument that achieves benefit to the bank i.e. an asset that has a positive fair value and represents a small portion of the contractual (nominal) value adopted to express for the volume of outstanding instruments. This credit risk is managed as a part of the aggregate lending line granted to the customer together with the expected risk due to market changes.

  Collateral or other security is not usually obtained for credit risk exposures in these instruments, except where the bank requires margin deposits from the counterparties.

  Settlement risk arises in any situation where a payment in cash, securities, or equities 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 mitigates the credit risks by entering into Master Netting Arrangements with counterparties that represent a signification volume of transaction. In general, these arrangements do not result in conducting offset between balance sheet assets and liabilities because these settlements are always conducted on a gross basis. However, the credit risk associated these contracts which serve the bank's interest is reduced through master netting arrangements that is because in case of default all amounts with the counterparty are terminated and settled by clearance.

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 these arrangements.

- **Credit related commitments**

  The primary purpose of credit related commitments is to ensure the availability of funds to the customer at demand. Guarantees and standby letters of credit also carry the same credit risk related to loans. Documentary and commercial letters of credit which is written undertaking by the bank on behalf of its customer to authorizing a third party the right of withdrawal from the bank within the limit of certain amounts and predefined conditions – are collateralized by the underlying shipments of goods and consequently carry a lesser degree of risks compared to direct loans.

  The commitments for granting credit represent the unutilized part of the authorized limit to grant loans, guarantees, or documentary letters of credit. The bank is exposed to a potential loss that represents the amount equal to the total of unutilized commitments as concerning credit risk arising from credit granting commitments. Nevertheless, the amount of loss that is likely to occur in reality is below the unutilized commitments considering that most of the credit granting commitments represents potential liabilities of customers who have defined credit specifications. The bank monitors the duration until maturity date of credit commitments as long term commitments carry a higher degree of credit risk compared to short-term commitments.

A-3 Impairment policies and provisions

The internal systems of assessments aforementioned (note no. a-1) are focusing to a large degree on the planning of credit quality right from the starting point of proving lending and investment activities, Otherwise the impairment losses incurred at the balance sheet's date are only recognized for purposes of preparing financial statements based on objective evidences which refer to impairment pursuant to what is mentioned in the following disclosure in spite of implementation different methods.

The impairment losses provision included in the balance sheet at the end of the fiscal year is derived from the four internal assessment categories however, the majority of the provision results from the last two categories of the assessment. The following table shows the percentage to items within the balance sheet relates to loans and advances and the impairment associated with them for each of the bank's internal assessment categories:

Bank's Assessment	**31/12/2011**		**31/12/2010**	
	Loans and advances	**Impairment loss provision**	**Loans and advances**	**Impairment loss provision**
	%	%	%	%
1-Performing loans	30.55	4.25	36.50	5.08
2-Regular watching	53.57	14.22	43.86	12.85
3-Watch list	5.26	3.38	10.36	1.91
4-Non performing loans	10.62	78.15	9.28	80.16
	100	100	100	100

The tools of internal assessments helps management to define whether there are objective evidences on the presence of impairment pursuant to the Egyptian Accounting Standard no. 26 and depending on the following indicators, the bank has defined:

- Great financial difficulties facing the borrower or debtor.
- Breach of the loan agreements' terms such as nonpayment.
- Expectation of the borrower's bankruptcy, entrance into liquidation case or restructuring the finance granted.
- Deterioration of the competitive position for the borrower.
- For economic or legal reasons related to the borrower's financial difficulties, the bank is grant privileges and concessions that the bank may not approve of granting in normal circumstances.
- Deterioration of the collateral's value.
- Deterioration of the credit situation.

The bank's policies require review of all financial assets, which exceed a defined relative importance at least annually or more if necessary. The impairment allowance to accounts that have been assessed on an individual basis is to be defined by assessing the realized loss at the balance sheet's date on each individual case separately and is to be applied individually on all accounts that have relative importance, the assessment usually includes the outstanding collateral, security with a reconfirmation of the possibility to realize the collateral as well as the expected collections from these identified accounts.

The impairment loss provision is formed on basis of a group of homogeneous assets by using the available historical expertise, personal discretion, and statistical methods.

A-4 The General Model for Measuring Banking Risks

In addition to the four-creditworthiness classification categories shown in, (note no. A-1), the management also prepares classification in the form of more detailed subgroups, which cope with the requirements of the Central Bank of Egypt. Assets exposed to credit risk are classified in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, business and activities, financial position and the extent of his regularity in payment.

The bank calculates the provision required for the impairment of these assets exposed to credit risk including credit related commitments based on defined rates set by the Central Bank of Egypt. In case, the impairment loss provision required according to impairment losses as per Central Bank of Egypt's rules exceeds the provisions as required for the purposes of preparing the financial statements according to Egyptian accounting standards , that excess shall be debited to retained earnings and carried to the general reserve for banking risks in the shareholder's equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions and is not available for distribution.

The following is an indication of corporate credit worthiness categories according to internal assessment bases compared to the assessment bases of The Central Bank of Egypt and the required provision percentages for the impairment of assets exposed to credit risk:

Central Bank Of Egypt Classification	Classification's meaning	Provision's ratio required	Internal classification	Meaning of Internal classification
1	Low risks	Zero	1	Performing loans
2	Average risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans

6	Marginally acceptable risks	3%	2	Regular follow up
7	Watch List	5%	3	Special follow up
8	Substandard	20%	4	Nonperforming loans
9	Doubtful	50%	4	Nonperforming loans
10	Bad debt	100%	4	Nonperforming loans

A/5 The Maximum Limit for Credit Risk before Collaterals

Credit Risk exposures in the Balance Sheet:

	31/12/2011 LE 000	31/12/2010 LE 000
Treasury bills and other governmental notes	9 111 607	4 794 364
Financial assets held -for- trading :		
Debt instruments	--	45 310
Loans and advances to banks	500 000	500 000
Loans and advances to customers		
Loans to individuals:		
Current debit accounts	333 781	261 177
Credit cards	35 232	33 359
Personal loans	8 271 658	7 408 173
Mortgage	57 769	63 316
Corporate loans :		
Current debit accounts	6 983 885	6 716 336
Direct loans	2 386 776	1 443 793
Syndicated loans	3 287 133	4 110 051
Other loans	349 008	29 533
Financial investments :		
Debt instruments	1 205 999	2 786 776
Other assets	191 681	153 299
Total	32 714 529	28 345 487

Credit risk exposures of off-balance sheet items:

Financial guarantees	597 941	443 563
Letter of credit	606 341	726 431
Letter of guarantee	1 281 740	1 487 317
Total	**2 486 022**	**2 657 311**

- The previous table represents the maximum limit of exposure as at 31 December 2011 and as at 31 December 2010 without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet.

As illustrated in the previous table 68 % of the maximum Limit exposed to credit risk arises from loans and advances to banks and customers against 73 % at the end of 31/12/2010 whereas investments in the debt instruments represent 4.0 % against 10 % as at 31/12/2010.

The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities, and debt instruments portfolios based on the following:

- 5.1 % of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/ average risks) against 8.3 % at the end of the 31/12/2010.
- 82 % of the loans and advances' portfolio is free from any delays or impairment indicators against 81 % as at 31/12/2010.
- The mortgages, which represent an important group in the portfolio are covered by collaterals.
- The loans and advances that have been assessed on an individual basis reach thousand L.E 2 238 134 as at 31/12/2011 against thousand L.E 1 861 021 as at 31/12/2010.
  Formed from it an 81.3% as a provision against 85.3 % as at 31/12/2010.
- The bank has applied more conservative choosing processes when extending loans and advances during the period.
- More than 97.5 % as at 31/12/2011, against 95.2 % as at 31/12/2010, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government

A/6 Loans and advances

The following is the position of loans and advances' balances as regarding creditworthiness:

LE 000

	31/12/2011		31/12/2010	
	Loans and advances to customers	**Loans and advances to banks**	**Loans and advances to customers**	**Loans and advances to banks**
With no past dues or impairment	17 778 816	500 000	16 241 922	500 000
With past dues but not subject to impairment	1 688 292	--	1 962 795	--
Subject to impairment	2 238 134	--	1 861 021	--
The total	**21 705 242**	**500 000**	**20 065 738**	**500 000**
Less: Impairment loss provision	(2 323 683)	--	(1 979 773)	--
Net	**19 381 559**	**500 000**	**18 085 965**	**500 000**

- The total impairment loss on loans and advances reached thousand L.E 2 323 683 as at 31/12/2011 against thousand L. E 1 979 773 as 31/12/2010, including thousand L.E 1 819 021as at 31/12/2011 against thousand L. E 1 586 951 31/12/2010, which represents the impairment of individual loans and the remaining amounting to thousand L.E 504 662 against thousand L. E 392 822 represent the impairment losses on a group basis of the credit portfolio (Note no. 19 and 20) include further information on the impairment losses provision of loans and advances to banks and customers.
- The bank's loans and advances' portfolio has been increased by 8.2 % during the year as a result of expansion in the lending business and activities especially in Arab Republic Egypt, the bank is focusing on dealing with large institutions, banks or individuals with sound creditworthiness.

Loans and advances with no past dues or impairment:

The creditworthiness of the loans and advances portfolio with no past dues or impairment is assessed with reference to the internal assessment adopted by the bank.

LE 000

31/12/2011

Assessment	Retail				Corporate				Net loans and advances to customers	Net loans and advances to Banks
	Debit Current account	Credit Cards	Personal Loans	Mortgage	Debit Current account	Direct Loans	Syndicated Loans	Other Loans		
1- Performing	232 140	--	117 980	--	3 469 324	550 427	1 424 138	275 805	6 069 814	500 000
2- Regular Watching	18 643	22 633	6 928 859	46 669	1 331 225	425 890	1 334 579	67 248	10 175 746	--
3- Watch List	--	--	3 764	--	305 742	471 765	284 474	854	1 066 599	--
Total	**250 783**	**22 633**	**7 050 603**	**46 669**	**5 106 291**	**1 448 082**	**3 043 191**	**343 907**	**17 312 159**	**500 000**

- The guaranteed loans are not considered subjected to impairment for the non-performing loans after taking into consideration the probability of collecting this guarantees.

LE 000

31/12/2010

Assessment	Retail				Corporate				Net loans and advances to customers	Net loans and advances to Banks
	Debit Current account	Credit Cards	Personal Loans	Mortgage	Debit Current account	Direct Loans	Syndicated Loans	Other Loans		
1- Performing	170 063	--	670 488	204	2 805 074	591 450	2 983 828	2 689	7 223 796	500 000
2- Regular Watching	25 186	21 585	5 981 279	45 433	1 084 541	393 523	968 723	25 984	8 546 254	--
3- Watch List	--	--	1 127	--	20 650	78 511	14 407	4	114 699	--
Total	**195 249**	**21 585**	**6 652 894**	**45 637**	**3 910 265**	**1 063 484**	**3 966 958**	**28 677**	**15 884 749**	**500 000**

Loans and advances with past dues but are not subject to impairment

These are loans and advances with delays up to 90 days but are not subject to impairment unless there is other information to the contrary a loan and advances to customers with past dues but not subject to impairment and the fair value of their collaterals are represented in the following:

LE 000

31/12/2011

	Retail				Corporate		Net loans and advances to customers
	Debit current account	Credit Cards	Personal Loans	Mortgage	Debit current account	Direct Loans	
Past dues up to 30 days	54 900	3 917	545 309	2 490	604	798 950	1 406 170
Past dues more than 30 days to 60 days	21 981	1 642	96 187	--	--	59 548	179 358
Past dues more than 60 days to 90 days	4 646	723	31 502	4 204	2 253	21 431	64 759
Total	81 527	6 282	672 998	6 694	2 857	879 929	1 650 287
The fair value of collaterals	--	--	--	--	--	209 629	209 629

LE 000

31/12/2010

	Retail				Corporate		Net loans and advances to customers
	Debit current account	Credit Cards	Personal Loans	Mortgage	Debit current account	Direct Loans	
Past dues up to 30 days	50 259	3 845	346 141	12 432	626 411	88 465	1 127 553
Past dues more than 30 days to 60 days	3 823	1 383	60 472	2 173	426 016	176 068	669 935
Past dues more than 60 days to 90 days	6 472	676	20 195	--	16 313	86 002	129 658
Total	**60 554**	**5 904**	**426 808**	**14 605**	**1 068 740**	**350 535**	**1 927 146**
The fair value of collaterals	--	--	--	--	281 511	227 187	508 698

At the first recognition of loans and advances, the fair value of collaterals is evaluated based on the same financial assets evaluation methods used, and in subsequent period to the fair value will be updated by the market prices or the similar assets' prices.

Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to thousand L.E 2 173 822 against thousand L.E 1 861 021 as at 31/12/2010.

Herein below, is the analysis of the net value of loans and advances subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

LE 000

31/12/2011

	Retail				Corporate		Total loans and advances to customers
	Debit current account	Credit Cards	Personal Loans	Mortgage	Debit current account	Syndicated Loans	
Balance	564	4 641	332 975	2 753	1 833 619	63 582	2 238 134
Provision	(541)	(2 649)	(192 465)	(1 481)	(1 562 572)	(59 313)	(1 819 021)
Net	23	1 992	140 510	1 272	271 047	4 269	419 113
The fair value of collaterals	54	252	913	--	122 553	--	123 772

LE 000

31/12/2010	Retail				Corporate		
	Debit current account	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit current account**	**Syndicated Loans**	**Total loans and advances to customers**
Balance	4 529	2 288	138 655	1 217	1 643 436	70 896	1 861 021
Provision	(4 195)	(1 963)	(124 500)	(51)	(1 395 836)	(60 406)	(1 586 951)
Net	**334**	**325**	**14 155**	**1 166**	**247 600**	**10 490**	**274 070**
The fair value of collaterals	17	268	4 005	--	178 959	--	183 249

A/7 Debit instruments, treasury bills and other governmental notes:

The following table represents an analysis of debt instruments, treasury bills and other governmental notes at the end of the financial year based on the assessment of Standard & Poor's rating or the equivalent:

LE 000

	Treasury bills and other governmental notes	**Investments in Securities**	**Total**
AAA	--	56 385	56 385
+AA to – AA	--	479	479
+A to - A	--	69 793	69 793
Less than - A	9 111 607	998 201	10 109 808
Unclassified	--	81 141	81 141
Total	9 111 607	1 205 999	10 317 606

A/8 Acquisition of collaterals

The bank - during the present financial year – did not obtained legal title of assets by acquiring their collaterals

A/9 The concentration of financial assets' risks exposed to credit risk

Geographical segments

The following table represents an analysis of the bank's most important bounders of credit risk at book value, distributed in accordance with the geographical segment as at 31 December 2011.

LE 000

31/12/2011	**Cairo**	**Alex., Delta and Sinai**	**Upper Egypt**	**Total**
Treasury bills and other governmental notes	9 111 607	--	--	9 111 607
Loans and advances to banks	500 000	--	--	500 000
Loans and advances to customers				
- Loans to individuals (Retail)				
Debit current accounts	137 139	148 057	48 585	333 781
Credit cards	32 430	1 828	974	35 232
Personal loans	3 454 649	2 665 447	2 151 562	8 271 658
Mortgage	53 252	1 993	2 524	57 769
Loans to corporate				
Debit current accounts	4 298 415	2 351 744	333 726	6 983 885
Direct loans	2 217 103	157 660	12 013	2 386 776
Syndicated loans	2 947 209	339 924	--	3 287 133
Other loans	330 953	18 046	9	349 008
Financial Investments				
Debt instruments	1 205 999	--	--	1 205 999
Other assets	161 556	24 227	5 898	191 681
Total as at 31/12/2011	**24 450 312**	**5 708 926**	**2 555 291**	**32 714 529**
Total as at 31/12/2010	**20 561 728**	**5 482 287**	**2 301 472**	**28 345 487**

Business Segment

The following represents an analysis of the most important bounders of credit risk at book value, distributed according to the customers' business and activities.

LE 000

31/12/2011	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	--	--	--	--	9 111 607	--	--	**9 111 607**
Loans & advances to Banks	500 000	--	--	--	--	--	--	**500 000**
Loans & advances to customers								
Loans to individuals (Retail)								
Debit current accounts	--	--	--	--	--	--	333 781	**333 781**
Credit cards	--	--	--	--	--	--	35 232	**35 232**
Personal loans	--	--	--	--	--	--	8 271 658	**8 271 658**
Mortgage	--	--	--	--	--	--	57 769	**57 769**
Loans to Corporate								
Debit current accounts	2 009	3 579 932	405 830	1 592 127	118 544	1 285 443	--	**6 983 885**
Direct loans	44 455	418 897	1 213 261	73 979	996	635 188	--	**2 386 776**
Syndicated loans	--	1 764 227	154 132	54 287	527 716	786 771	--	**3 287 133**
Other loans	--	281 998	125	24 378	3 979	38 528	--	**349 008**
Financial Investments								
Debt instruments	55 857	70 000	--	--	970 116	110 026	--	**1 205 999**
Other assets	71 073	--	--	--	30 457	48 554	41 597	**191 681**
Total as at 31/12/2011	**673 394**	**6 115 054**	**1 773 348**	**1 744 771**	**10 763 415**	**2 904 510**	**8 740 037**	**32 714 529**
Total as at 31/12/2010	**667 734**	**4 819 445**	**1 706 739**	**1 621 973**	**8 061 838**	**3 640 765**	**7 826 993**	**28 345 487**

B- Market Risk

The bank is exposed to market risk represented in volatility in fair value or future cash flows resulted from changes in market prices. Market risk arise from the open positions of interest rates, currency rates and the equity instruments as each of them is exposed to the market's general and specific movements as well as to the changes in the sensitivity level of market prices or rates such as interest rates, foreign exchange rates and the equity instruments' prices. The bank separates exposures to market risk either held for trading or held for non-trading portfolios.

The management of market risk resulted from trading, non-trading activities are centralized in the market risk department in the bank and it is followed up by two separate team regular reports on market risks are submitted to the board of directors and heads of business units.

The trading portfolios include these positions resulting from the bank's direct dealing with customers or with the market. Whereas, the non-trading portfolios, arise mainly from management of the return rate of assets and liabilities related to retail transactions. These portfolios include the foreign exchange risks and equity instruments resulted from investments available for sale.

B-1 **Methods of Measuring Market Risk**

As part of the market risk management the bank, entering into interest rate swaps in order to balance the risk associated with the debt instruments and long term loans with fixed interest rate in case the fair value option is applied. The following are the most important measurement methods applied to control the market risk.

- **Value at Risk**

  The bank adopts "value at risk" method for trading and non trading portfolios in order to estimate the market risk of outstanding positions and the maximum limit of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for "value at risk" which the bank can accept for trading and non trading separately and monitored daily by the Market Risk department in the bank.

  Value at risk is a statistical estimate of the potential movements of the present portfolio due to market's adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (99%) consequently there is a statistical probability of (1%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess these historical changes in rates, prices, and indicators directly on current positions, a method known as historical simulation. Actual outputs should also be monitored and controlled on a regular basis to measure the correctness of the assumptions and factors applied to calculate value at risk.

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the bank system in the control of market risk, The Board of Directors set the limits of value at risk annually for each of the trading and non-trading and are divided on the units of activity. The actual values at risk are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the 31/12/2011 equal thousand L.E 4 792 compared to thousand L.E 629 during the comparative year.

The quality of value at risk model is continuously monitored by back testing that reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

Stress Testing

Stress testing gives an indicator of the potential size of losses, which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analyses of defined scenarios. Stress testing which the market risk department undertakes includes the stress testing of risk factors where a set of extreme movements is to be applied on each risk category. There is also stress testing applied on emerging markets, which are subject to extreme movements, and special stress testing that includes potential events, which may affect certain centers or regions such as what can happen in a region currency peg break. The senior management and board of directors monitor and review the results of stress testing.

B/2 Summary of value at risk

Total value at risk according to the risk type

LE 000

	31/12/2011			31/12/2010		
	Medium	Higher	Lower	Medium	Higher	Lower
Interest rate risks	4 792	23 268	303	629	1 761	261
Total value at risks	4 792	23 268	303	629	1 761	261

The bank did not estimate exchange rate risk & equity instruments risk as the data is not available.

Value at risk of the trading portfolio according to the risk type

LE 000

	31/12/2011			31/12/2010		
	Medium	Higher	Lower	Medium	Higher	Lower
Interest rate risk	2 514	8 479	163	268	461	123
Total value at risks	2 514	8 479	163	268	461	123

The bank did not estimate exchange rate risk & equity instruments risk as the data is not available.

Value at risk of the non-trading portfolio according to the risk type

LE 000

	31/12/2011			31/12/2010		
	Medium	Higher	Lower	Medium	Higher	Lower
Interest rate risk	2 978	7 507	132	529	1 476	131
Total value at risks	2 978	7 507	132	529	1 476	131

The bank did not estimate exchange rate risk & equity instruments risk as the data is not available.

The increase in the value at risk is related, especially interest rate risk, to the increase in the sensitivity of interest rates in international financial markets.

The previous results of value at risk have been calculated separately and independently from the concerned positions and historical movements of markets.

Total values at risk for trading and non trading do not form the bank's value at risk given the correlation between the types of risks and types of portfolios and the subsequent diverse impacts.

B/3 The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors has set limits of foreign currencies in net value for each position at the end of the day and intra-day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at the end of the fiscal year. The following table includes the book value of financial instruments broken down into its component currencies:

The concentration of currency risk of financial instruments

LE 000

	LE	USD	Euro	GBP	Other Currencies	Total
As at 31/12/2011						
Financial assets						
Cash and balances with Central Bank of Egypt	2 939 718	68 835	11 239	1 466	2 994	3 024 252
Due from banks	870 871	1 751 839	507 818	149 829	36 846	3 317 203
Treasury bills and other governmental notes	9 111 607	--	--	--	--	9 111 607
Loans and advances to banks	500 000	--	--	--	--	500 000
Loans and advances to customers	14 975 752	4 156 013	150 437	--	99 357	19 381 559
Financial Investments						
- Available -for- sale	1 387 804	150 662	--	--	--	1 538 466
- Held to maturity	225 857	--	--	--	--	225 857
Total financial assets	**30 011 609**	**6 127 349**	**669 494**	**151 295**	**139 197**	**37 098 944**
Financial liabilities						
Due to banks	24 766	627 203	112 516	554	94 645	859 684
Customers' deposits	25 423 168	4 641 859	525 650	148 131	42 318	30 781 126
Other loans	53 694	904 785	--	--	--	958 479
Total financial liabilities	**25 501 628**	**6 173 847**	**638 166**	**148 685**	**136 963**	**32 599 289**
Net of financial position	**4 509 981**	**(46 498)**	**31 328**	**2 610**	**2 234**	**4 499 655**
Credit related commitments	1 210 659	482 223	704 487	2 352	86 301	2 486 022

	LE	USD	Euro	GBP	Other Currencies	Total
As at 31/12/2010						
Total financial assets	**28 116 519**	**7 310 901**	**642 519**	**182 176**	**305 302**	**36 557 417**
Total financial liabilities and share holders' equity	**23 745 644**	**7 144 373**	**600 297**	**180 316**	**297 997**	**31 968 627**
Net of financial position	**4 370 875**	**166 528**	**42 222**	**1 860**	**7 305**	**4 588 790**
Credit related commitments	1 311 459	627 486	591 558	28 837	97 971	2 657 311

B/4 Interest rate risk

The bank is exposed to the impact of fluctuations in the levels of interest rates prevailing in the market that is the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of the mentioned instrument. Whereas the interest rate is fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in interest rates in the market. The interest margin may rise due to these changes but still the profits may decrease if unexpected movements occur. The board of directors sets limits for the level of difference in the re-pricing of interest rate that the bank can maintain and treasury department in the bank daily monitors this.

The following table summarizes the extent of the bank's exposure to the risk of fluctuations in interest rates that includes the book value of financial instruments divided based on the price of re-pricing dates or maturity dates whichever is sooner:

LE 000

As at 31/12/2011	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and balance with Central Bank of Egypt	--	--	--	--	--	3 024 252	**3 024 252**
Due from banks	2 709 875	517 694	72 275	--	--	17 359	**3 317 203**
Treasury bills and other governmental notes	874 982	3 533 700	4 702 925	--	--	--	**9 111 607**
Loans and advances to banks	--	--	--	500 000	--	--	**500 000**
Loans and advances to customers	8 405 592	640 374	2 224 098	6 143 425	1 749 047	219 023	**19 381 559**
Financial Investments							
- Available for sale	462 966	13 678	41 453	497 109	523 260	--	**1 538 466**

As at 31/12/2011	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
- Held to maturity	55 857	--	23 333	146 667	--	--	225 857
Other financial assets	--	--	--	--	--	198 610	198 610
Total financial assets	**12 509 272**	**4 705 446**	**7 064 084**	**7 287 201**	**2 272 307**	**3 459 244**	**37 297 554**
Financial liabilities and shareholders' equity							
Due to banks	588 017	150 798	--	--	--	120 869	859 684
Customers' deposits	16 789 105	2 483 801	1 712 596	6 883 486	44 634	2 867 504	30 781 126
Other loans	--	--	--	958 479	--	--	958 479
Other financial liabilities	--	--	--	--	--	137 898	137 898
Total financial liabilities and shareholders' equity	**17 377 122**	**2 634 599**	**1 712 596**	**7 841 965**	**44 634**	**3 126 271**	**32 737 187**
The interest gap re-pricing	**(4 867 850)**	**2 070 847**	**5 351 488**	**(554 764)**	**2 227 673**	**332 973**	**4 560 367**
As at 31/12/2010							
Total financial assets	**14 124 399**	**872 165**	**9 956 291**	**6 290 799**	**2 490 297**	**2 984 461**	**36 718 412**
Total financial liabilities and shareholders' equity	**6 361 213**	**2 929 176**	**2 556 994**	**11 691 943**	**5 917 371**	**2 606 842**	**32 063 539**
The interest gap re-pricing	**7 763 186**	**(2 057 011)**	**7 399 297**	**(5 401 144)**	**(3 427 074)**	**377 619**	**4 654 873**

Assumptions used in preparing the table:-

First: at the end of the current year :

A new system has been applied by the Bank starting from the current reporting year where the following assumptions has been adopted:

- Assets and liabilities with fixed rate was distributed according to maturity dates.
- .Assets and liabilities with variable rate was distributed according to repricing dates.
- Current account balances (debit/credit) and saving accounts that have no maturity dates have been considered as on demand and then included within the period of "up to a month".

Second: at the end of the comparison year :

The following assumptions have been applied for the elements that do not have a fixed maturity date by the preparation of the report, as calculated according to a historical study for the balances of those elements during two years: -
Debit current accounts (overdrafts): distributed as 20% during the period to one month, 80% during the period more than 3 months to a year for local currency and by 50% for both periods for foreign currencies.
The following items have been divided into depending on the study of the historical behavior of the average movement of the account to the fixed and variable parts as follows:

Item	Variable item	Fixed item
Credit current accounts in local currency and foreign currencies	By 20% during the period of a year, equally distributed	By 40% during the period more than a year and up to five years, 40% more than five years
Savings accounts in local currency	By 20% during the period of a year, equally distributed	By 40% during the period more than a year and up to five years, 40% more than five years
Savings accounts in foreign currencies	By 20% during the period of a year, equally distributed	By 20% during the period more than a year and up to five years, 60% more than five years

C- Liquidity risk

The liquidity risk is the risk that the bank unable to meet its commitments associated with its financial obligations at maturity date and replacing the funds that have been withdrawn; and that may result failure in meeting obligations related to repayment of the depositors funds or meeting the lending commitments.

- **Liquidity risk management**

The processes of liquidity risk control carried by Assets and Liabilities management department in the bank include the following:

- The daily funding is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes replenishment of funds as they mature or is borrowed by customers. The bank maintains an active presence in the global money markets to ensure achievement of this target.
- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any unexpected interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and profile for the debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively. The starting point for these projections is represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

Assets and Liabilities management department controls the unmatched medium term assets management, the level and type of the unutilized portion of loans' commitments, the extent of utilizing debit current accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Financing approach**

Liquidity resources are reviewed by a separate team in the Assets and Liabilities management department of the bank to provide a wide variety of currencies, geographical regions, resources, products, and maturities.

- **Non derivative cash flows (According to original amount)**

The following table represents the cash flows payable by the method of non-derivative financial liabilities distributed based on remaining period from the contractual maturities on the balance sheet's date. The amounts presented in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk based on expected undiscounted cash flows and not the contractual ones.

LE 000

31/12/2011	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities (According original amount + Interest)						
Due to banks	708 938	150 986	--	--	--	**859 924**
Customers' deposits	19 977 955	2 516 839	1 901 340	8 260 871	63 417	**32 720 422**
Other loans	--	--	--	1 011 145	--	**1 011 145**
Other financial liabilities	137 899	--	--	--	--	**137 899**
Total financial liabilities according to contractual maturity date	**20 824 792**	**2 667 825**	**1 901 340**	**9 272 016**	**63 417**	**34 729 390**
Total financial assets according to contractual maturity date	**12 676 743**	**4 966 830**	**8 194 367**	**12 861 675**	**2 752 562**	**41 452 177**

LE 000

31/12/2010	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities (According original amount)						
Due to banks	2 968 198	431 440	--	--	--	**3 399 638**
Customers' deposits	3 822 503	2 564 498	2 923 873	11 317 311	6 985 559	**27 613 744**
Other loans	--	--	46 520	908 725	--	**955 245**
Other financial liabilities	--	94 912	--	--	--	**94 912**
Total financial liabilities according to contractual maturity date	**6 790 701**	**3 090 850**	**2 970 393**	**12 226 036**	**6 985 559**	**32 063 539**
Total financial assets according to contractual maturity date	**14 739 804**	**1 069 466**	**9 971 042**	**6 368 938**	**4 569 162**	**36 718 412**

The assets available to meet all liabilities and to hedge commitments related to loans include Cash and balances with Central Bank, Due from banks, Treasury bills and other government bills and Loans and advances to banks and customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

Off-balance sheet items:-

The following is according to Note no. (38)

LE 000

31/12/2011	Less than 1 year	1-5 years	Total
Financial guarantees, accepted bills and other financial facilities	2 486 022	--	2 486 022
Commitments on operational leasing contracts	2 449	7 224	9 673
Capital commitments due to fixed assets' acquisition	103 275	--	103 275
Capital commitments due to holding shares	--	38 317	38 317
Total	**2 591 746**	**45 541**	**2 637 287**

* As a new system has been applied by the bank starting from the current reporting year, and due to the unavailability of this system during the previous year and no possibility of updating the comparative figures on this system ; thus , the maturities during the comparative year have been distributed on the basis of the maturity dates.

LE 000

31/12/2010	**Less than 1 year**	**1-5 years**	**More than 5 year**	**Total**
Financial guarantees, accepted bills and other financial facilities	2 657 311	--	--	2 657 311
Commitments on operational leasing contracts	2 481	9 570	103	12 154
Capital commitments due to fixed assets' acquisition	96 095	--	--	96 095
Capital commitments due to holding shares	--	38 175	--	38 175
Total	**2 755 887**	**47 745**	**103**	**2 803 735**

D- **The fair value of financial assets and liabilities**

D-1 Financial instruments measured at fair value by applying valuation methods

The change in estimated fair value by applying valuation methods has reached LE 12 719 thousand during the year ended 31 December 2011 against LE 151 595 thousand on 31 December 2010.

Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities, which are not presented in the bank's balance sheet at fair value:

LE 000

	31/12/2011		**31/12/2010**	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial Assets				
Due from banks	3 317 203	3 317 203	7 067 328	7 067 328
Loans and advances to banks	500 000	500 000	500 000	500 000
Loans and advances to customers				
- Current balances	9 364 727	9 364 727	11 071 263	11 071 263
Financial investments				
-Equity instruments available - for- sale	3 775	3 775	19 365	19 365
-Held -to- maturity	225 857	230 473	1 872 836	1 880 751

	31/12/2011		31/12/2010	
	Book value	Fair value	Book value	Fair value
Financial liabilities				
Due to banks	859 684	859 684	3 399 638	3 399 638
Customers' deposits				
- Current balances	10 184 146	10 184 146	9 310 874	9 310 874
Other loans	958 479	958 479	955 245	955 5

- **Due from banks**

  The fair value of the Due from banks is the book value where all due from banks mature within a year.

- **Loans and advances to banks**

  Loans and advances to banks are represented in loans other than Deposits with banks. The expected fair value for Loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by adopting the current market rate to determine the fair value.

- **Loans and advances to customers**

  Loans and advances are presented in net after discounting the impairment loss provision. Loans and advances to customers are divided to current and non-current balances and the book value of current balances is equal to the fair value but it is difficult to obtain the fair value of non-current balances.

- **Investments in financial securities**

  Investments in financial securities in the previous table include only held to maturity bearing assets. Available for sale assets are assessed at fair value with the exception of equity instruments which the bank has been unable to evaluate their fair value to a reliable extent. The fair value of financial assets held to maturity is determined based on market rates or prices obtained from brokers. If these data are unavailable then the fair value is assessed by applying the financial markets' rates for negotiable financial securities with similar credit features, maturity dates as well as similar rates.

- **Due to banks**

  The fair value of the Due to banks is the book value where all Due to banks mature within a year.

- **Customers' deposits**

  Customers' deposits are divided to current and non-current balances and the book value of current balances is equal to the fair value while could not obtain the present value of non-current balances.

E- **Capital Management**

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

- Compliance with the legal requirements capital in Arab Republic of Egypt and in countries where the bank's branches operate.
- Protection the bank's ability to continue as going concern and enabling it to continue in generating return to shareholders and other parties that deals with the bank.
- Maintaining a strong capital base that supports the growth of business.

Capital adequacy and capital utilizations according to the requirements of regulators (the Central Bank of Egypt in Arab Republic of Egypt) are reviewed and monitored daily by the bank's management through models, which depend on the guidelines of Basel Committee for Banking Supervision. Required information is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires each bank to do the following:

- Maintaining an amount of L.E 500 million as a minimum limit of issued and paid-up-capital.

- Maintaining a percentage between capital elements and asset and contingent liabilities elements weighted by risk equals to or exceeds 10%.

The overseas bank's branches outside Egypt are subject to the supervision rules regulating banking business in the countries where they operate.

The numerator of the capital adequacy ratio consists of the following two tiers:

Tier One: Represented in basic capital which consists of paid-in-capital (after deducting the book value of treasury shares), retained profits and reserves from profit appropriation with the exception of general banking risk reserve less any goodwill previously recognized or any carried over losses.

Tier Two: Supplementary Capital consists of equivalent of the general risks provision related to creditworthiness bases issued by the Central Bank Of Egypt and not exceeding 1.25% of the total risk weighted assets and contingent liabilities, subordinated loans / deposits' term which exceed 5 years (with amortization of 20%of their value each year of the last five years of their term) and

45% of the increase between fair value and book value of financial investments available for sale, held to maturity and associates.

When calculating the total numerator of the capital adequacy ratio it should be taken into consideration that the supplementary capital does not exceed in any way the basic capital and that subordinated loans (deposits) do not exceed half of the basic capital.

Asset at risk are weighted ranging from zero up to 100% classified in accordance with the nature of the debit side of each asset, to reflect the related credit risks, while taking into consideration cash collaterals. Same treatment is applied on off-balance amounts after making adjustments to reflect the contingent nature and probable losses of these amounts.

The bank has complied with all local capital requirements during the last two years.

The following table summarizes the components of basic and supplementary capital and capital adequacy ratios as at 31/12/2011 compared with 31/12/2010:

	31/12/2011 LE 000	31/12/2010 LE 000
Capital		
Tier one (Basic capital)		
Share capital (in net after excluding treasury shares)	800 000	800 000
General reserve	29 312	29 312
Legal reserve	263 466	230 723
Other reserves	642 231	691 757
Retained profits	1 574 125	1 057 551
Total basic capital	**3 309 134**	**2 809 343**
Tier two (Supplementary capital)		
Equivalent to general provisions	275 415	278 534
45% of the increase in the fair value over book value of financial investment without held -for- trading investment	24 777	92 018
Total supplementary capital	**300 192**	**370 552**
Total capital	**3 609 326**	**3 179 895**

Risk weighted assets and contingent liabilities :		
Balance sheet's assets	21 254 826	21 370 451
Contingent liabilities	778 340	912 302
Total risk weighted assets and contingent liabilities	**22 033 166**	**22 282 753**
Capital adequacy ratio (%)	**16.38 %**	**14.27 %**

4- **The significant accounting estimates and assumptions**

The bank applies estimates and assumptions, which affect the amounts of assets and liabilities to be disclosed within the following financial year. Estimates and assumptions are continuously assessed based on historical experience and other factors as well, including the expectations of future events, which are considered reasonable in the light of available information and surrounding circumstances.

a) **Impairment loss on loans and advances**

The bank reviews the loans and advances portfolio on at least a quarterly basis to assess impairment. The bank applies personal judgment when determine the necessity of recording the impairment charges to the income statement so as to know if there is any reliable data which refer to the existence of a measurable decline in the expected future cash flows of the loans portfolio even before being acquainted with the decline at the level of each loan in the portfolio. These evidences may include observable data, which refer to the occurrence of an negative change in the ability of a portfolio of borrowers to repay the bank, or local or economic circumstances related to default in the bank's assets. On scheduling future cash flows, the management use estimates based on prior experience of losses of assets with credit risk characteristics in the presence of objective evidences that refer to impairment similar to those included in the portfolio. The method and assumptions used in estimating the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on expertise. If the net present value of projected /estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by thousand L.E 81 094 of the composed provisions .

b) **Impairment of investments in equity instruments available for sale:**

The bank determine impairment in equity's instruments' investments available for sale when there is a significant or prolonged decline in their fair value below their cost. Determining whether the decrease is significant or prolonged depends on personal judgment. To reach this judgment the bank estimates- among other factors- the usual volatility of the share price. In addition, there could be impairment if there is evidence on the existence of deterioration in the financial position of the invested company or in its operating and financing cash flows or if there is deterioration in the industry's or sector's performance or in case of changes in technology.

If the full decline in the fair value below the cost is considered significant or prolonged then the bank will suffer from an additional loss L.E 190 610 thousands which represents transferring of the negative balance of fair value reserve to the Income statement.

c) **The fair value of derivatives**

The fair value of financial instruments, which are not listed in active markets, is identified by applying valuation methods. When those methods are used to identify fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them. All models have been approved before using them and after testing them to ensure that their results reflect actual data and prices that can be compared with the market, to the extent that deems practical, these models only use the documented data but in areas such as credit risks related to the bank and counterparties, volatility or the correlations the management has to use estimates. Changes in assumptions around these factors may affect the fair value of the disclosed financial instruments.

d) **Financial investments held - to- maturity**

The non-derivative financial assets with payments and maturity dates that are fixed or determinable are classified as financial investments held to maturity, and this classification requires to a great extent the application of personal judgment and to reach such decision the bank evaluates the intention and ability to hold these investments until maturity. If the bank fails to hold these investments until maturity date, with the exception of very special cases such as selling an insignificant amount near maturity, then these investments, which were classified held to maturity, should be reclassified available for sale investments. Consequently, these investments shall be measured by fair value and not by amortized cost in addition to suspension of classifying any investments under the mentioned item.

If the usage of investments held to maturity's classification is suspended then the book value will be adjusted by the increase of an amount of L.E 4 616 thousand to reach the fair value by recording a corresponding entry in the fair value reserve within shareholders equity.

e) **Income taxes**

The bank records the liabilities of the expected results of tax examination according to estimates of the probability of the emergence of additional taxes. When there is, a variance between the final result of taxes and the amounts previously recorded then these variances will affect the income tax and deferred tax provision for the year in which the variance has been identified.

5- Sectors segment analysis

a - Business segment analysis

Business segment includes operational processes, assets used in providing banking services and management of their surrounding risks and return related to this business that are different from those of other business segments. It includes related to segment analysis of these operations in accordance with type of banking business as mentioned in the following:

Large, medium and small Corporate

It includes the activities of Current accounts, Deposits, Debit current accounts, Loans, Credit facilities, and Financial derivatives.

Investment

It includes the activities of companies' mergers, purchasing investments; financing companies restructuring and financial instruments.

Retail

It includes the activities of Current accounts, Savings, Deposits, Credit cards, Personal loans, and Mortgage.

Other activities

Include other types of banking businesses such as treasury management.

Dealings and transactions between the segmental activities are done in accordance with the bank's normal course of business and include operational assets and liabilities as presented in the bank's balance sheet.

LE 000

31/12/2011	**Corporate**	**Medium and small enterprises**	**Investment**	**Retail**	**Other activities**	**Total**
Income and expenses according to segmental activity						
Segmental activity income	285 635	77 140	4 614	380 288	2 728 066	3 475 743
Segmental activity expenses	(132 528)	31 888	(7 973)	(395 188)	(2 223 109)	(2 726 910)
Results of segment business	153 107	109 028	(3 359)	(14 900)	504 957	748 833
Unclassified expenses	--	--	--	--	(282 832)	(282 832)
Profit before income tax of the year	153 107	109 028	(3 359)	(14 900)	222 125	466 001
Income tax	--	--	--	--	(133 222)	(133 222)
Profit for the year	153 107	109 028	(3 359)	(14 900)	88 903	332 779
Assets and liabilities according to segmental activity as at 31/12/2011						
Segmental activity Assets	10 317 420	1 161 296	940 443	7 902 844	17 489 215	37 811 218
Segmental activity liabilities	2 452 884	3 014 417	76 190`	24 282 603	7 985 124	37 811 218
Other items of business segment						
Depreciation	--	--	--	--	(59 152)	(59 152)
Impairment and other provisions on income statement	--	--	--	--	(358 907)	(358 907)

31/12/2010	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental activity						
Segmental activity income	261 622	66 457	5 588	325 048	2 429 501	3 088 216
Segmental activity expenses	(27 931)	50 654	(4 499)	(164 245)	(1 847 154)	(1 993 175)
Results of segment business	233 691	117 111	1 089	160 803	582 347	1 095 041
Unclassified expenses	--	--	--	--	(312 013)	(312 013)
Profit before income tax of the year	233 691	117 111	1 089	160 803	270 334	783 028
Income tax	--	--	--	--	(126 525)	(126 525)
Profit for the year	233 691	117 111	1 089	160 803	143 809	656 503
Assets and liabilities according to segmental activity as at 31/12/2010						
Segmental activity Assets	10 041 443	1 056 512	1 177 609	6 988 010	17 954 802	37 218 376
Segmental activity liabilities	2 308 398	2 778 572	11 068	22 332 816	9 787 522	37 218 376
Other items of business segment as at 31/12/2010						
Depreciation	--	--	--	--	(54 597)	(54 597)
Impairment and other provisions on income statement	--	--	--	--	(71 979)	(71 979)

b- Geographical Segment Analysis

LE 000

31/12/2011	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment				
Geographical segment income	2 495 196	638 404	342 143	3 475 743
Geographical segment expense	(1 856 871)	(762 234)	(390 637)	(3 009 742)
Profit before tax of the year	638 325	(123 830)	(48 494)	466 001
Income tax	(133 222)	--	--	(133 222)
Profit for the year	505 103	(123 830)	(48 494)	332 779

31/12/2011	Cairo	Alex. , Delta and Sinai	Upper Egypt	Total
Assets and liabilities according To geographical segment				
Geographical segment assets	30 631 873	4 645 655	2 533 690	37 811 218
Geographical segment liabilities	20 329 026	11 510 892	5 971 300	37 811 218
Other items of geographical segment				
Depreciations	(59 152)	--	--	(59 152)
Impairment and other provisions on income statement	(358 907)	--	--	(358 907)

31/12/2010	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment				
Geographical segment income	2 178 109	581 935	328 172	3 088 216
Geographical segment expense	(1 372 388)	(596 345)	(336 455)	(2 305 188)
Profit before tax of the year	805 721	(14 410)	(8 283)	783 028
Income tax	(126 525)	--	--	(126 525)
Profit for the year	679 196	(14 410)	(8 283)	656 503
Assets and liabilities according to geographical segment as at 31/12/2010				
Geographical segment assets	30 341 504	4 578 529	2 298 343	37 218 376
Geographical segment liabilities	21 034 196	10 666 824	5 517 356	37 218 376
Other items of geographical segment				
Depreciations	(54 597)	--	--	(54 597)
Impairment and other provisions on income statement	(71 979)	--	--	(71 979)

6- Net interest income

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Interest income on loans and similar income		
Loans and advances to:		
- Banks	49 427	49 427
- Customers	1 798 373	1 626 712
	1 847 800	1 676 139
Treasury bills and bonds	890 396	465 313
Current accounts and deposits	256 024	327 359
Investments in debt instruments	28 098	47 910
	3 022 318	2 516 721
Interest expenses on deposits and similar charges		
Current accounts & deposits to:		
– Banks	(4 737)	(13 770)
– Customers	(1 498 444)	(1 219 879)
	(1 503 181)	(1 233 649)
Other loans	(25 763)	(20 164)
	(1 528 944)	(1 253 813)
Net	**1 493 374**	**1 262 908**

7- Net fee and commission income

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Fee & commission income:		
Fee and commission related to credit	159 534	172 370
Fee on the financing services (corporate)	656	744
Trust and custody fee	5 860	10 358
Other fees	156 855	154 205
	322 905	337 677

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Fee and commission expenses		
brokerage fee	(1)	(129)
Other fees	(7 051)	(7 271)
	(7 052)	(7 400)
Net	**315 853**	**330 277**

8- Dividends income

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Held for trading securities	-	1 250
Available for sale securities	24 123	26 868
Held to maturity securities	-	413
	24 123	**28 531**

9– Net trading income

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Foreign currency transactions:		
Profits of dealing in foreign currencies	105 651	78 533
Profits of valuation of assets and liabilities balances in foreign currencies held for trading	1 281	2 649
Profits of Swap	-	1 770
Profits of Trading debt instruments	3 693	4 143
Profits of Trading equity instruments	1 866	3 950
	112 491	**91 045**

10- Administrative expenses

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Employees cost		
– Wages and salaries	(592 446)	(433 966)
– Social Insurance	(29 256)	(24 500)
Pension cost		
– Defined benefits plans (Note no.33)	(104 263)	(64 971)
	(725 965)	**(523 437)**
Other administrative expenses	(282 832)	(300 093)
	(1 008 797)	**(823 530)**

11- Other operating (expenses) and income

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Revaluation losses of assets and liabilities balances in foreign currencies with monetary nature other than these held for trading or classified at inception at fair value through profits and losses	(71 743)	(53 787)
Gains on disposal of assets reverted to the bank in settlement of debts	220	6 748
Gains on sale of property and equipment	710	1 640
Rents	(16 036)	(15 589)
Operating and finance lease	(2 120)	(2 166)
Reconstruction cost	(6 046)	-
Reversal of other provisions (Note no. 31)	14 884	61 584
Losses resulting from the events of January 25, 2011	(6 725)	-
Others	7 511	4 781
	(79 345)	**3 211**

12- Impairment losses on customers' loans

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Loans & advances to customers (Note no. 20)	(370 078)	(133 563)
Impairment losses on Financial investments held to maturity (Note no. 21)	(3 713)	-
	(373 791)	**(133 563)**

13- Income tax expenses

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Current taxes	(130 802)	(124 255)
Deferred income taxes (Note no. 32)	(2 420)	(2 270)
	(133 222)	**(126 525)**

The Supreme Council of the armed forces has issued a Decree-Law No. 51 of 2011 amending certain rules of the income tax Act issued under the law No. 91 of 2005 where the article No. 49 (First paragraph) is modified as follows:

Some tax base is round to the nearest ten EGP and subject according to the two following Tranches :

First tranche : up to 10 million EGP with price 20%.

Second tranche : more than 10 million EGP with price 25%.

The above is Instead of placing full tax base for the price of 20%.

This decree has the force of law and will be implemented starting from the 1st of July 2011.

14- Basic earnings per share *

Basic earnings per share are calculated by dividing net profit attributable to shareholders by the weighted average of ordinary shares issued during the year after excluding the average of shares the bank repurchased and held among treasury shares if any.

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Net profit for the year	332 779	656 503
Board members' remuneration	(2 200)	(2 200)
Employees profit share (in net profit of the year)	(31 545)	(62 182)
Shareholders' share in net profit of the year (1)	299 034	592 121
The weighted average of the ordinary shares issued (2) "shares in thousands"	400 000	400 000
Basic earnings per share (in LE) (1:2)	0.75	1.48

* Diluted earnings per share have not been calculated as the bank has issued one type of shares (ordinary shares).

15- Cash and due from Central Bank of Egypt

	31/12/2011 LE 000	31/12/2010 LE 000
Cash	615 978	595 810
Balances at central bank within the required reserve ratio	2 408 274	1 981 192
	3 024 252	**2 577 002**
Non- interest bearing balances	3 024 252	2 577 002

16- Due from banks

	31/12/2011	31/12/2010
	LE 000	LE 000
Current accounts	39 740	50 458
Deposits	3 277 463	7 016 870
	3 317 203	**7 067 328**

Central bank other than the required reserve ratio	490 817	5 712 284
Local banks	887 349	111 767
Foreign banks	1 939 037	1 243 277
	3 317 203	**7 067 328**

Balances without interest	17 359	18 067
Balances with fixed return	3 299 844	7 049 261
	3 317 203	**7 067 328**

Current balances	2 834 036	6 660 654
Non-current balances	483 167	406 674
	3 317 203	**7 067 328**

17- Treasury bills and other governmental notes

	31/12/2011	31/12/2010
	LE 000	LE 000
Treasury bills due 91 days	1 206 750	118 100
Treasury bills due 182 days	4 903 450	379 150
Treasury bills due 273 days	2 961 350	1 557 875
Treasury bills due 364 days	395 425	3 040 525
Unearned income	(355 368)	(301 286)
Total	**9 111 607**	**4 794 364**

18- Financial assets held -for- trading

	31/12/2011 LE 000	31/12/2010 LE 000
Debt instruments		
- Government bonds	--	45 310
Total debt instruments	**--**	**45 310**
Equity instruments		
Unlisted in Stock Market		
- Mutual funds	--	53 376
Total equity instruments	--	**53 376**
Total financial assets held -for- trading	--	**98 686**

19- Loans and advances to banks

	31/12/2011 LE 000	31/12/2010 LE 000
Term loans	500 000	500 000
Non - current balances	**500 000**	**500 000**

20 – Loans and advances to customers

	31/12/2011 LE 000	31/12/2010 LE 000
Retail		
- Debit current accounts	333 781	261 177
- Credit cards	35 232	33 359
- Personal loans	8 271 658	7 408 173
- Mortgages	57 769	63 316
Total (1)	**8 698 440**	**7 766 025**
Corporate including small loans for economic activities		
– Debit current accounts	6 983 885	6 716 336
– Direct loans	2 386 776	1 443 793
– Syndicated loans	3 287 133	4 110 051
– Other loans	349 008	29 533
Total (2)	**13 006 802**	**12 299 713**
Total loans advances to customers (1+2)	**21 705 242**	**20 065 738**
Less: Impairment loss provision	(2 323 683)	(1 979 773)
Net	**19 381 559**	**18 085 965**
Distributed to:		
– Current balances	9 364 727	11 071 263
– Non-current balances	10 016 832	7 014 702
	19 381 559	**18 085 965**

Impairment loss provision (**)

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

31/12/2011	Retail				
	Debit current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Total**
	LE 000	**LE 000**	**LE 000**	**LE 000**	**LE 000**
Balance at the beginning of the year	5 040	5 545	314 316	1 908	**326 809**
Impairment loss for the year	(3 596)	591	101 827	1 226	**100 048**
Amounts written-off during the year	--	(1 811)	(9 076)	--	**(10 887)**
Amounts recovered during the year *	--	--	480	--	**480**
Foreign currencies revaluation differences	4	--	--	--	**4**
Balance at the end of the year	**1448**	**4 325**	**407 547**	**3 134**	**416 454**

31/12/2011	Corporate				
	Debit current accounts	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total**
	LE 000	**LE 000**	**LE 000**	**LE 000**	**LE 000**
Balance at the beginning of the year	1 489 730	29 774	132 604	856	**1 652 964**
Impairment loss for the year	236 767	27 974	1 054	4 235	**270 030**
Amounts written-off during the year	(18 655)	--	--	--	**(18 655)**
Amounts recovered during the year *	253	--	--	--	**253**
Foreign currencies revaluation differences	608	1 017	1 002	10	**2 637**
Balance at the end of the year	**1 708 703**	**58 765**	**134 660**	**5 101**	**1 907 229**
Total Provision					**2 323 683**

31/12/2010	Retail				
	Debit current accounts	Credit Cards	Personal Loans	Mortgage	Total
	LE 000	LE 000	LE 000	LE 000	LE 000
Balance at the beginning of the year	9 949	4 281	178 212	1 693	**194 135**
Impairment loss for the year	(4 928)	651	136 305	215	**132 243**
Amounts written-off during the year	(5)	(5)	(239)	--	**(249)**
Amounts recovered during the year *	--	618	30	--	**648**
Foreign currencies revaluation differences	24	--	8	--	**32**
Balance at the end of the year	**5 040**	**5 545**	**314 316**	**1 908**	**326 809**

31/12/2010	Corporate				
	Debit current accounts	Direct Loans	Syndicated Loans	Other Loans	Total
	LE 000	LE 000	LE 000	LE 000	LE 000
Balance at the beginning of the year	1 639 398	72 356	41 099	474	**1 753 327**
Impairment loss for the year	(45 750)	(44 617)	91 305	382	**1 320**
Amounts written-off during the year	(107 436)	--	--	--	**(107 436)**
Amounts recovered during the period *	817	--	--	--	**817**
Foreign currencies revaluation differences	2 701	2 035	200	--	**4 936**
Balance at the end of the year	**1 489 730**	**29 774**	**132 604**	**856**	**1 652 964**
Total Provision					**1 979 773**

** Regards to calculation corporates' performing loan provision, to rely on the data of customers that have been transferred from performing to non-performing, starting from year 2009 (when risk management department takes responsibility) which is not going enough to calculate historical default rate, so, the bank has calculated the provision according new CBE regulations for years 2009 and 2010 (two year only) which amounted to million L.E 285.3 .

* From amounts that have been previously written off

21- Financial investments

	31/12/2011 LE 000	31/12/2010 LE 000
Available for sale financial investments		
Debt instruments at fair value		
– Listed in the market	954 858	888 656
– Unlisted in the market	25 284	25 284
Equity instruments at fair value		
– Listed in the market	7 682	177 731
– Unlisted in the market	550 642	469 565
Total available for sale financial investments (1)	**1 538 466**	**1 561 236**
Financial investments held to maturity		
Debt instruments		
– Listed in the market	70 000	90 000
– Unlisted in the market	155 857	1 782 836
Total Financial investments held to maturity (2)	**225 857**	**1 872 836**
Total of Financial investments (1+2)	**1 764 323**	**3 434 072**
– Current balances	882 629	2 403 878
– Non-current balances	881 694	1 030 194
	1 764 323	**3 434 072**
– Debt instrument with fixed interest	1 048 952	983 146
– Debt instrument with variable interest	157 047	1 803 630
	1 205 999	**2 786 776**

	Available-for-sale investments LE 000	Held-to-maturity investments LE 000	Total LE 000
Balance as at 1/1/2011	**1 561 236**	**1 872 836**	**3 434 072**
Additions	226 418	47 437	273 855
Disposals (sale/ redemption)	(67 199)	(1 690 703)	(1 757 902)
Valuation difference of monetary assets dominated in foreign currencies	2 214	--	2 214
Losses from changes in fair value(Note no.35/c)	(184 203)	--	(184 203)
Less: Impairment losses provision	--	(3 713)	(3 713)
Balance as at 31/12/2011	**1 538 466**	**225 857**	**1 764 323**

	Available-for-sale investments LE 000	Held-to-maturity investments LE 000	Total LE 000
Balance as at 1/1/2010	**1 774 252**	**1 788 391**	**3 562 643**
Additions	127 857	44 670	172 527
Disposals (sale/ redemption)	(565 580)	(49 298)	(614 878)
Valuation difference of monetary assets dominated in foreign currencies	4 910	89 073	93 983
Gains from changes in fair value(Note no.35/c)	219 984	--	219 984
Less: Impairment losses provision	(187)	--	(187)
Balance as at 31/12/2010	**1 561 236**	**1 872 836**	**3 434 072**

The bank did not reclassify AFS debit instruments within Treasury bills and other eligible government bills, also the bank did not transfer any amounts from AFS investments to the items of loans and debts and Assets held to maturity.

(Losses) profits from financial investments

	For the year ended 31/12/2011 LE 000	For the year ended 31/12/2010 LE 000
Profits on sale of financial investments available -for- sale	191	14 666
Impairment loss of equity instruments available -for- sale	(28 127)	(187)
Profits on sale of financial investments held to maturity	5 643	4 765
Profits on financial investments in associates	4 386	4 905
	(17 907)	**24 149**

22- Investments in associates

The percentage of the bank's contribution in associates is as follows:

31/12/2011	Total shareholders' equity LE 000	Bank's share percentage %	Bank's contribution in the shareholders' equity LE 000
Misr international towers	135 150	27.86	37 648
Misr Alexandria financial investment fund Co.	126 265	25.00	31 566
United company for valves (Butterfly)	--	25.00	--
	261 415		**69 214**

31/12/2010	Total shareholders' equity	Bank's Share Percentage	Bank's contribution in the shareholders' equity
	LE 000	%	LE 000
Misr international towers	134 068	27.86	37 346
Misr Alexandria financial investment fund Co.	153 265	25.00	38 316
United company for valves (Butterfly)	--	25.00	--
	287 333		75 662

The financial data and information of associates is as follows:

31/12/2011	Country of the Head Office Company's**	Balance Sheet date	Company's Assets	Company's Liabilities (without shareholders' equity ***)	Company's Revenues	Profits (losses) of the company ***	Percentage of Contribution
			LE 000	LE 000	LE 000	LE 000	%
Misr international towers	Egypt	30/9/2011	158 714	23 564	13 706	8 885	27.86
Misr Alexandria financial investment fund co.	Egypt	30/9/2011	127 644	1 379	8 556	7 421	25.00
United valves (Butterfly)	Egypt	31/12/2007	3 770	16 561	--	(182)	25.00
			290 128	41 504	22 262	16 124	

31/12/2010	Country of the Head Office Company's **	Balance Sheet date	Company's Assets	Company's Liabilities (without shareholders' equity ***)	Company's Revenues	Profits (losses) of the company	Percentage of Contribution
			LE 000	LE 000	LE 000	LE 000	%
Misr international towers	Egypt	30/9/2010	158 821	24 753	17 434	14 925	27.86
Misr Alexandria financial investment fund co.	Egypt	30/9/2010	154 518	1 253	8 062	7 019	25.00
United valves (Butterfly)	Egypt	31/12/2007	3 770	16 561	--	(182)	25.00
			317 109	42 567	25 496	21 762	

** Disclosure of financial data and information for associates including the total amounts of assets, liabilities, revenues and profit or losses.

*** Including the effect of profit appropriation (The Board of director members and the employees' share).

23- Intangible assets

31/12/2011	Computer software programs LE 000	Benefits of rental contracts LE 000	Total LE 000
Cost at the beginning of the year	66 822	655	67 477
Additions	27 139	--	27 139
Total cost	**93 961**	**655**	**94 616**
Amortization at the beginning of the year	(24 535)	(380)	(24 915)
Amortization for the year	(23 432)	(26)	(23 458)
Accumulated amortization	**(47 967)**	**(406)**	**(48 373)**
Net book value at the end of period	**45 994**	**249**	**46 243**

31/12/2010	Computer Software Programs LE 000	Benefits of rental contracts LE 000	Total LE 000
Cost at the beginning of the year	42 228	655	42 883
Additions	24 594	--	24 594
Total cost	66 822	655	67 477
Amortization at the beginning of the year	(8 342)	(354)	(8 696)
Amortization for the year	(16 193)	(26)	(16 219)
Accumulated amortization	**(24 535)**	**(380)**	**(24 915)**
Net book value at the end of year	**42 287**	**275**	**42 562**

24- Other assets

	31/12/2011 LE 000	31/12/2010 LE 000
Accrued revenues	178 255	149 271
Prepaid expenses	35 165	80 981
Payments under purchase of fixed assets	116 186	62 049
Assets reverted to the Bank in settlement of debts (after deducting impairment)	32 788	35 550
Deposits with others	9 141	8 555
Others	202 387	180 983
	573 922	517 389
Less: Provisions for doubtful amounts	(142 330)	(145 500)
	431 592	**371 889**

25- Property investment

31/12/2011	Land	Buildings	Total
	LE 000	LE 000	LE 000
Cost at the beginning of the year	51	197	248
Total cost	**51**	**197**	**248**
Depreciation at the beginning of the year	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
Net book value at the end of year	**51**	**--**	**51**

31/12/2010	Land	Buildings	Total
	LE 000	LE 000	LE 000
Cost at the beginning of the year	51	197	248
Total cost	51	197	248
Depreciation at the beginning of the year	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
Net book value at the end of year	**51**	**--**	**51**

26- Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipments	Others	Total
	LE 000	LE 000	LE 000	LE 000	LE 000
Balance as at 1/1/2010					
Cost	112 628	15 959	75 620	217 358	421 565
Accumulated depreciation	(61 760)	(9 491)	(33 410)	(161 364)	(266 025)
	50 868	**6 468**	**42 210**	**55 994**	**155 540**
Additions	8 726	5 271	5 147	35 234	54 378
Disposals	(1 026)	--	(30)	(932)	(1 988)
Depreciation for the year	(3 713)	(4 557)	(7 181)	(22 927)	(38 378)
Disposals accumulated depreciation	792	--	22	429	1 243
Net book value as at 31/12/2010	**55 647**	**7 182**	**40 168**	**67 798**	**170 795**

	Land and Buildings	Improvements on leased assets	Machinery and Equipments	Others	Total
	LE 000	LE 000	LE 000	LE 000	LE 000
Balance as at 1/1/2011					
Costs	120 328	21 230	80 737	251 660	473 955
Accumulated depreciation	(64 681)	(14 048)	(40 569)	(183 862)	(303 160)
	55 647	**7 182**	**40 168**	**67 798**	**170 795**
Additions	4 192	5 550	4 778	18 630	33 150
Losses resulting from the events of January 25, 2011	--	(622)	(3 431)	(626)	(4 679)
Disposals	(203)	--	(92)	(3 028)	(3 323)
Depreciation for the year	(4 038)	(4 515)	(7 280)	(19 861)	(35 694)
Losses accumulated depreciation resulting from the events of January 25, 2011	--	537	2 075	511	3 123
Disposals accumulated depreciation	123	--	87	1 592	1 802
Net book value as at 31/12/2011	**55 721**	**8 132**	**36 305**	**65 016**	**165 174**
Balance as at 31/12/2011					
Costs	124 317	26 158	81 992	266 636	499 103
Accumulated depreciation	(68 596)	(18 026)	(45 687)	(201 620)	(333 929)
Net book value	**55 721**	**8 132**	**36 305**	**65 016**	**165 174**

There are assets leased under law no. 95 of 1995 represented equipments rented from a third party:

	31/12/2011
	LE 000
Total contractual leasing payments	10 599
Total value at cost on the end of lease contract	Not specified
Average useful life	5 year
Annual leasing payments	2 120

27- Due to banks

	31/12/2011	31/12/2010
	LE 000	LE 000
Current accounts	187 404	115 317
Deposits	672 280	3 284 321
	859 684	**3 399 638**
Local banks	479 200	2 061 780
Foreign banks	380 484	1 337 858
	859 684	**3 399 638**
Balances without interest	120 869	110 412
Balances with fixed interest	738 815	3 289 226
	859 684	**3 399 638**
Current balances	**859 684**	**3 399 638**

28- Customers' deposits

	31/12/2011	31/12/2010
	LE 000	LE 000
Demand deposits	2 956 314	2 593 786
Term and notice deposits	5 521 708	4 639 941
Certificates of deposits and savings	7 882 310	5 633 607
Savings deposits	13 942 090	14 347 743
Other deposits	478 704	398 667
	30 781 126	**27 613 744**
Corporate deposits	6 439 549	5 103 281
Retail deposits	24 341 577	22 510 463
	30 781 126	**27 613 744**
Balances without interest	2 867 504	2 401 518
Balances with variable interest	22 338 095	20 530 252
Balances with fixed interest	5 575 527	4 681 974
	30 781 126	**27 613 744**
Current balances	10 184 146	9 310 874
Non current balances	20 596 980	18 302 870
	30 781 126	**27 613 744**

Customers' deposits include deposits amounted to thousands LE 733 829 thousand as at 31/12/2011 versus thousands LE 767 642 as at 31/12/2010 which represent collaterals of customer loans, documentary credits and letter of guarantees. Deposits' fair value is approximately the same as its present value.

29- Other loans (long term loans)

	Interest Rate %	31/12/2011 LE 000	31/12/2010 LE 000
Arab International Bank loan	Libor 6 month + 1.85, 2.4	904 785	870 735
Social Development Fund loan	4 : 10	904	14 780
Loan within the framework of the Agricultural Sector Development Program	3.5: 4.5	52 790	69 730
Total of long term loans		**958 479**	**955 245**
Current balances		27 666	46 520
Non current balances		930 813	908 725
		958 479	**955 245**

The bank has fulfilled all its loans obligations in terms of the principal amount, interests or any other terms and conditions during the current year and the comparative year.

30- Other liabilities

	31/12/2011 LE 000	31/12/2010 LE 000
Accrued interest	137 899	94 912
Prepaid revenues	17 702	25 356
Accrued expenses	92 868	95 242
Creditors	52 666	68 419
Other credit balances	309 364	456 790
	610 499	**740 719**

31- Other provisions

	31/12/2011 LE 000	31/12/2010 LE 000
Balance at the beginning of the year	438 372	523 570
Foreign currencies valuation differences	2 408	1 303
Charged to income statement	(14 884)	(61 584)
Amounts redeemed	60	--
Transfers from doubtful amounts (Other assets)	(6 423)	(24 917)
The utilized amounts during the year	3 170	--
Balance at the end of the year	**422 703**	**438 372**

A provision with an amount of thousands LE 189 405 at 31/12/2011 has been formed to meet contingent liabilities and contractual commitments amounted thousands LE 2 486 022 versus thousands LE 207 057 as at 31/12/2010 to meet contingent liabilities and contractual commitments amounted thousands LE 2 657 311.

32- Deferred tax liabilities

The deferred income taxes have been computed in full on the deferred tax differences according to the liabilities methods by applying the actual tax rate of - 25% for the present fiscal year *.

- Deferred tax assets resulting from carried over tax losses have not been recognized unless the existence of future tax profits which can through them make use of the carried tax losses has proven likely.
- Deferred tax assets resulting from other provisions have not been recognized. The balances and the movement of deferred tax assets & liabilities are as follows:

A- Recognized deferred tax liabilities

	Deferred tax liabilities	
	31/12/2011	31/12/2010
	LE 000	LE 000
Fixed assets (Depreciation)	(10 409)	(7 988)
Fair value differences	(44 454)	(9 570)
Total deferred tax liability	**(54 863)**	**(17 558)**

The movement of deferred tax liabilities:

	31/12/2011	31/12/2010
	LE 000	LE 000
Balance at the beginning of the year	(17 558)	(8 184)
Additions	(37 305)	(9 374)
Balance at the end of the year	**(54 863)**	**(17 558)**

The deferred tax recorded directly in equity:

	31/12/2011	31/12/2010
	LE 000	LE 000
Fair value differences	(44 454)	(9 570)
	(44 454)	**(9 570)**

* The effective tax rate calculated to reflect the average tax rates applied in Egypt in addition to those applied to profits the bank's foreign branches. Thus, this average weighted by each unit's profit of the bank's units.

B- Unrecognized deferred tax assets:

	Deferred tax assets	
	31/12/2011	31/12/2010
	LE 000	LE 000
Other provisions (other than impairment loss, provision on customers' loans and income tax provision and performing contingent liabilities provision)	84 274	66 268
Carried forward tax losses	499 371	499 371
Total deferred tax asset	**583 645**	**565 639**

Deferred tax assets is not the recognized of on items above mentioned, due to the lack of reasonable assurance to benefit in the near future.

33- Retirement benefits obligations

	31/12/2011	31/12/2010
	LE 000	LE 000
Liabilities included in the financial position for:		
- Post retirement Medical benefits	384 382	299 596
	384 382	**299 596**

Liabilities recognized in the income statement:

	31/12/2011	31/12/2010
	LE 000	LE 000
Post retirement Medical benefits	104 263	64 971
	104 263	**64 971**

The balances in the financial position presented as the following:

	31/12/2011	31/12/2010
	LE 000	LE 000
The present value of funded obligations	607 573	648 403
Unrealized actuarial losses *	(223 191)	(348 807)
The liabilities in the balance sheet	**384 382**	**299 596**

* While Actuarial losses are higher than 10% of the total liabilities then the amortized amount recognized at the income statements over 14 years (the average of the remaining years of work).

The movement on liabilities during the period / year is represented in the following:

	31/12/2011	31/12/2010
	LE 000	LE 000
The balance at the beginning of the period /year	299 596	255 898
Current service cost	12 071	8 307
Interest cost	71 324	46 692
Actuarial losses	20 868	9 972
Paid benefits	(19 477)	(21 273)
Balance at the end of the year	**384 382**	**299 596**

The recognized amounts in the income statement presented as follow:

	31/12/2011	31/12/2010
	LE 000	LE 000
Current service cost	12 071	8 307
Interest cost	71 324	46 692
Actuarial losses	20 868	9 972
Balance at the end of the year	**104 263**	**64 971**

The principal actuarial assumptions used are presented as follows:

	31/12/2011	31/12/2010
Discount rate	%11.0	%11.0
Previous service cost inflation rate (pre-retirement)	% 9.0	% 9.0
Future service assumption cost inflation rate	%11.0	%11.0
Mortality assumption	90 mortality cases every year	90mortality cases every year
Staff turnover	%0.5	%0.5

34- Capital

	No. of Shares (In million)	Ordinary Shares	Total
		LE 000	LE 000
Balance at the beginning of year	400	800 000	800 000
Balance at the end of year	400	800 000	800 000

- The bank's authorized capital amounted to LE 1000 million.
- The issued and subscribed capital amounted to LE 800 million and is represented in 400 million shares with a par value of LE 2 each and it has been fully subscribed and paid.
- The Bank's ordinary general assembly has approved in its session held on

22 March 2006 some amendments on Bank's Statutes. Accordingly, the issued and paid – in capital which amounted to LE 800 million distributed on 160 million shares with par value of LE 5 each.

- On 31 October 2006 San Paolo – I.M.I. (an Italian Bank) has acquired a percentage of 80% of Bank's issued capital within the frame of developing the Banking sector program approached by the government. The Central Bank of Egypt approved the acquisition process in its session held on 5 December 2006, the process was executed in Cairo Stock Exchange on 12 December 2006, and on 1 January 2007, a merger undertaken between San Paolo I.M.I and Intesa Bank S.P.A, and the name was amended to be Intesa San Paolo /S.P.A.
- On 23 February 2007 the Ministry of Investment (State owned assets management program) has invited the investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees.
- The bank's extraordinary general assembly has approved in its session held on 26 March 2008 on dividing of share with percentage 1:2.5 thereby issued and paid-in capital, which amounted to LE 800 million distributed on 400 million shares with par value of LE 2 per share.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the Bank's shares, thus Intesa San Paolo S.P.A capital share became 70.25%.

It therefore becomes the source bank capital and paid Distributor as:

	Shareholders %	**No. of Shares (000)**	**Nominal value Shares LE 000**
Intesa San Paolo S.P.A	70.25	281 000	562 000
International Finance Corporation I.F.C	9.75	39 000	78 000
The Ministry of finance (The share of State)	20	80 000	160 000
	% 100	400 000	800 000

35- Reserves and retained earnings

	31/12/2011	31/12/2010
	LE 000	LE 000
Legal reserve	263 466	230 723
General reserve	29 312	29 312
Special capital reserve	404 209	402 569
Fair value reserve/financial investments available -for-sale	(51 166)	139 678
Other reserves	289 188	289 188
Bank's contribution in fair value reserve in associates Subsequent to acquisition date	21 234	28 190
General banking risks reserve	136	--
Specific reserve	21 000	21 000
Total reserves	**977 379**	**1 140 660**

The movement on reserves is as follows:

(35/a) Legal reserve

	31/12/2011	31/12/2010
	LE 000	LE 000
Balance at the beginning of the year	230 723	204 635
Formed from the financial year's profits 2010 , 2009	32 743	26 088
Balance at the end of the year	**263 466**	**230 723**

- According to the Bank's statutes, 5% of the annual net profit retained to form the legal reserve, which ceased when the reserve balance reaches 50% of the issued and paid – in capital.

(35/b) Special capital reserve

	31/12/2011	31/12/2010
	LE 000	LE 000
Balance at the beginning of the year	402 569	399 873
Formed from the financial year's profits 2010 , 2009	1 640	2 696
Balance at the end of the year	**404 209**	**402 569**

- The balance of the special capital reserve should not be distributed without the permission of the Central Bank of Egypt.

(35/c) Fair value reserve/ financial investments available - for- sale

	31/12/2011	31/12/2010
	LE 000	LE 000
Balance at the beginning of year	139 678	(47 393)
Net (losses) gains from change in fair value (Note no.21)	(184 203)	219 984
Net losses (gains) transferred to income statement resulting from disposals	209	(26 173)
Valuation differences of reserve in foreign currencies	(23)	(33)
The impact on the reserve after calculating the bonds by the amortized cost	(70)	398
Impairment loss provision for investments	28 127	--
Deferred taxes liability (Note No.32)	(34 884)	(7 105)
Balance at the end of the year	**(51 166)**	**139 678**

(35/d) Retained earnings

The movement on retained earnings	**31/12/2011**	**31/12/2010**
	LE 000	**LE 000**
Balance at the beginning of the year	1 737 851	1 201 899
Change in general banking risks reserve	161	--
Net profits of the current year	332 779	656 503
Employees' share to 2010 , 2009	(62 183)	(49 567)
Board of directors members remuneration to 2010 , 2009	(2 200)	(2 200)
Transferred to legal reserve	(32 743)	(26 088)
Transferred to General banking risks reserve	(297)	--
Transferred to Special capital reserve	(1 640)	(2 696)
Shareholders' dividends to 2010,2009	(40 000)	(40 000)
Balance at the end of the year	**1 931 728**	**1 737 851**

36- Dividends:

Dividend is not recorded until it is approved by the General Assembly of Shareholders, the Board of Directors proposes to the Assembly scheduled to be held on 26/3/2011 an amount of thousands L.E. 84 511 to be distributed to the shareholders, the Board of Directors proposed in accordance with the Bank's statute to the General Assembly of shareholders a distribution of an amount L.E. 31 545 for employees as share in profits and the amount of thousands LE 2 200 as reward to members of the Board of Directors (the actual distributions amounted to thousands L.E. 62 182 for employees and the amount of thousands

LE 2 200 as reward to the members of the Board of Directors for the comparative year) The distribution decision is not recognized in these presented financial statements and dividends on share holders and employees share in profits and members of the Board of Directors remuneration will be recorded in shareholders' equity distributed from the retained earnings in the year ended 31/12/2011.

37 - Cash and cash equivalents

For purpose of cash flow statements presentation, cash and cash equivalents include the following balances with maturities of three months or less from the acquisition date.

	31/12/2011 LE 000	31/12/2010 LE 000
Cash and due from Central Bank of Egypt (Note no.15)	615 978	595 810
Due from banks (Note no. 16)	3 244 928	6 968 044
Treasury bills and other Governmental notes (Note no. 17)	1 175 503	115 909
	5 036 409	**7 679 763**

38- Contingent liabilities and commitments:

a) Legal Claims

There are a number of existing cases filed against the bank on 31 December 2011 and no provision for these cases has been established, as it is not expected that the bank shall suffer any losses because of them.

b) Capital commitments

1- Financial investments

The value of the capital commitments related to financial investments and not paid until financial statements date amounted to USD 6 352 thousand according to the following:

		USD 000	
Available - for - sale investments (foreign currency)	**Investment value**	**Paid amount**	**Remained amount and not requested**
Horus Fund for Investment in Agricultural and Food Sector	3 567	3 215	352
African Bank for Import and Export (Afrexim)	10 000	4 000	6 000
	13 567	**7 215**	**6 352**

2- Fixed assets and preparation of branches

The value of the commitments related to contracts to purchase of fixed assets and prepare branches that are not yet executed until the balance sheet date, amounted to LE 103 275 thousand on 31 December 2011 versus LE 96 095 thousand on 31 December 2010, management has got sufficient confidence in providing achieving revenues and providing the finance required to cover these commitments.

c) Loans, guarantees, and facilities commitments

The bank's commitments related to loans, guarantees and facilities are represented in the following:

	31/12/2011	31/12/2010
	LE 000	LE 000
Accepted papers	92 889	112 344
Letters of guarantees	1 879 681	1 930 880
Documentary credits "import"	341 697	476 024
Documentary credits "export"	171 755	138 063
Total	**2 486 022**	**2 657 311**

d) Commitments on operational leasing contracts:

The total of minimum lease payments on irrevocable operational leasing contracts has reached, according to the following to:

	31/12/2011	31/12/2010
	LE 000	LE 000
Not more than one year	2 449	2 481
More than one year but less than five years	7 224	9 570
More than five years	--	103
Total	**9 673**	**12 154**

39- Transactions with related parties

- The bank follows the parent bank (Intesa Sanpaolo Bank - Italy) which owns 70.25% of ordinary shares where as the remaining percentage (29.75%) owned by other shareholders.
- The bank has entered into many transactions with the related parties within the context of its normal business. These include loans, deposits, as well as foreign currency swaps. There are no transactions dealings with the parent bank* except payment of dividends for ordinary shares.
- The transactions and the balance of the related parties at the end of period are as follow:

A) Deposits from related parties:

	31/12/2011 LE 000	31/12/2010 LE 000
Due to customers		
Deposits at the beginning of the year	16	15
Deposits at the end of the year	16	15

B) Transactions with the parent bank (Intesa Sanpaolo Bank)

	31/12/2011 LE 000	31/12/2010 LE 000
Due from banks	195 524	112 429
Debit balances and other assets	1 305	658
Due to banks	4 876	376 410
Credit balances and other liabilities	275	1 788

* Discoursing of any transactions with the parent company or these companies, which may exercise influence or control in a direct or indirect way over the bank.

C) Net annual income to The Top 20 employees

"The monthly average amount of the 20 biggest employees' salaries for the current year is equal to 1.637.0 Thousand EGP"

40- Mutual funds

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.

These funds are managed by EFG- Hermes Fund Management Company as follows:

A) The first mutual fund of the bank (with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of LE 300 million (after increasing the capital of the mutual fund on 26 March 2006 with an amount of LE 100 million). Out of these 50 thousand certificates were allocated to the Bank to undertake the fund's activity and this is after item (6) was amended from prospectus by the agreements of the Money market authority, the percentage will be 2% instead of 5% and that was amended by article no. 150 with minister decision no. 209 for year 2007 from money market article law.

The Bank has purchased a number of 136 thousand certificates (including certificates have direct activities), their redeemable value as at 31/12/2011 amounted to LE 16.7 million.

The redeemable value of the certificate as at 31/12/2011 amounted to LE 122.53 and the certificates outstanding at that date reached to 644 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission as at 31/12/2011 amounted to LE 1 087 thousand presented under the item of "Fee and commission income" caption in the income statement.

B) Monetary mutual fund of the bank (with daily-accumulated return in LE)

The certificates of the fund reached 20 million certificates with an amount of LE 200 million, the Bank as an open fund has to adjust weekly the percentage allocated.

The Bank has purchased a number of 3.07 million certificates (including certificates have direct activities), and their redeemable value amounted to LE 49 million as at 31/12/2011.
The redeemable value of the certificate as at 31/12/2011 amounted to LE 15.86 and the certificates outstanding at that date reached to 154 013 thousand certificates.

According to the fund's management contract and its prospectus, the Bank will obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission as at 31/12/2011 amounted to LE 8 331 thousand presented under the item of "Fee and commission income" caption in the income statement.

C) Mutual fund of the bank for investment in fixed return instruments (with quarterly return)

The certificates of the fund reached 10 million certificates with an amount of LE 100 million, Out of these 500 thousand certificates were allocated to the Bank to undertake the fund's activity according the article no. 150 from executive regulations of Capital Market Law No. 95/1992; this fund is open with quarterly return.

The Bank has purchased a number of 500 thousand certificates (including certificates have direct activities), and their redeemable value amounted to LE 5.6 million as at 31/12/2011.

The redeemable value of the certificate as at 31/12/2011 amounted to LE 11.23 and the certificates outstanding at that date reached to 8 235 thousand certificates.

According to the fund's management contract and its prospectus, the Bank will obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission as at 31/12/2011 amounted to LE 491 thousand presented under the item of "Fee and commission income" caption in the income statement.

Chairman	Chief Financial Officer
Bruno Gamba	Stefano Borsari