MAZARS Mostafa Shawki
Accountants & Auditors

WAHID ABDEL GHAFFAR & CO.
Accountants & Consultants

SOCIETE ARABE INTERNATIONALE DE BANQUE (SAIB) (S.A.E.)

FINANCIAL STATEMENTS TOGETHER WITH AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2011

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MAZARS Mostafa Shawki
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TRANSLATION OF AUDITORS' REPORT
ORIGINALLY ISSUED IN ARABIC

INDEPENDENT AUDITORS' REPORT

To the Shareholders of :
Societe Arabe Internationale de Banque
(SAIB) - S.A.E.

Report on the Financial Statements

We have audited the accompanying financial statements of **Societe Arabe Internationale de Banque (SAIB) S.A.E.** which compromises the balance sheet as of December 31, 2011, and the statements of income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An auditing process involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate with circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, the audit process also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Societe Arabe Internationale de Banque (SAIB) - S.A.E.** as of December 31, 2011, and of its financial performance, and its cash flows for the year then ended in accordance with Central Bank of Egypt's rules , according to the rules of the preparation and presentation of the financial statements and measurement and recognition bases approved by its boards of directors on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements .

Report on Legal and other Regulatory Requirements

The bank maintains proper books of account, which includes all that is required by law and by the statutes of the bank; the financial statements are in agreement thereto.

According to the information and explanations given to us during the financial year ended December 31, 2011 no contravention of the central bank, banking and monetary institution law No.88 of 2003.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Bank's books of account.

Cairo, February 6, 2012

AUDITORS

MOHAMMED EL-MOETAZ MAHMOUD
M. Elmoataz
MAZARS Mostafa Shawki
Accountants & Auditors

TAMER MOHAMED NABARAWY
BAKER TILLY Wahid Abdel Ghaffar & Co.
Public Accountants & Consultants

TRANSLATION OF FINANCIAL STATEMENTS
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BALANCE SHEET AS OF DECEMBER 31, 2011
(All Amounts are Expressed in US Dollars)

	Note No.	31/12/2011	31/12/2010
ASSETS			
Cash and due from Central Bank of Egypt	(14)	112,961,535	106,291,130
Due from banks	(15)	134,108,060	117,371,904
Treasury bills	(16)	169,647,050	--
Trading investments	(17)	391,892	597,930
Loans and Facilities for customers	(18)	667,504,137	719,899,836
Financial Investments:	(19)		
Available for sale investments		734,737,241	681,076,497
Held to maturity investments		153,291,261	238,970,322
Investments in subsidiaries companies	(20)	209,584	299,451
Intangible assets	(21)	498,928	725,063
Other assets	(22)	27,107,868	29,001,775
Fixed assets	(23)	12,826,008	13,059,554
Total Assets		**2,013,283,564**	**1,907,293,462**
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES			
Due to banks	(24)	36,351,403	12,768,046
Customers' deposits	(25)	1,608,038,292	1,523,604,912
Other loans	(26)	6,631,408	--
Other liabilities	(27)	134,562,108	142,790,860
Other provisions	(28)	7,490,418	10,325,020
Deferred tax liability	(29)	245,323	285,460
Total Liabilities		**1,793,318,952**	**1,689,774,298**
SHAREHOLDERS EQUITY			
Paid-up capital	(30)	150,000,000	150,000,000
Reserves	(31)	45,980,807	64,401,566
Retained earnings	(31)	23,983,805	3,117,598
Total Shareholders' Equity		**219,964,612**	**217,519,164**
Total Liabilities and Shareholders' Equity		**2,013,283,564**	**1,907,293,462**

- Auditors' Report attached.
- The accompanying Notes from (1) to (38) are an Integral part of these financial statements.

Managing Director	Chief Executive	Chairman
HASSAN ABDEL MEGUID	MOHAMMED NAGUIB IBRAHIM	Dr. HASSAN ABBAS ZAKI

AUDITORS

MOHAMMED EL MOETAZ MAHMOUD	TAMER MOHAMED NABARAWY
MAZARS Mostafa Shawki	BAKER TILLY Wahid Abdel Ghaffar & Co.

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
(All Amounts are Expressed in US Dollars)

	Note No.	31/12/2011	31/12/2010
Loans Interest and similar income	(5)	151,596,022	136,630,661
Deposits interest and similar expenses	(5)	(98,863,098)	(87,413,699)
Net interest income		**52,732,924**	**49,216,962**
Fees and commission income	(6)	14,785,083	19,921,697
Fees and commission expenses	(6)	(262,279)	(427,536)
Net Fees and Commission Income		**14,522,804**	**19,494,161**
Dividends income	(7)	1,432,429	686,257
Net Trading Income	(8)	2,868,919	1,798,279
Gain (loss) from Financial Investments	(19)	(472,384)	3,343,802
Impairment (expenses) recovery from credit losses	(9)	(2,084,380)	(158,266)
Administrative expenses	(10)	(40,017,049)	(37,700,833)
Other operating revenue (expenses)	(11)	(388,857)	(1,533,978)
Income (expenses) from Investments in associate companies	(20)	(63,813)	--
Net profit before income taxes		**28,530,593**	**35,146,384**
Income taxes (expenses)	(12)	(7,664,386)	(7,424,200)
Net profit for the year after taxes		**20,866,207**	**27,722,184**
Earnings per Basic share (US Dollar/Share)	(13)	**0.96**	**1.18**

- The accompanying Notes from (1) to (38) are an Integral part of these financial statements.

Managing Director	Chief Executive	Chairman
HASSAN ABDEL MEGUID	MOHAMMED NAGUIB IBRAHIM	Dr. HASSAN ABBAS ZAKI

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(All Amounts are Expressed in US Dollars)

	31/12/2011	31/12/2010
Cash Flows from Operating Activities		
Net Profit before tax	28,530,593	35,146,384
Adjustments to Reconcile Net Profit to Net Cash Flows from Operating Activities		
Depreciation and amortization	2,340,140	2,548,321
Impairment expenses of assets	3,478,524	158,266
Impairment expenses (recovery) of other provisions	77,975	1,182,438
(Used) from provisions other than loan provision	(2,601,709)	(5,378,058)
Dividends	(1,432,429)	(686,257)
Net trading income from trading equity instruments	186,192	(57,473)
Premium of held to maturity bonds	2,886,583	4,856,510
Discount of held to maturity bonds	(250,285)	(240,775)
(Profits) from sale of financial investments	(921,760)	(3,343,802)
Losses From An Investments In associates	63,813	--
(Gains) from sale of fixed assets	(21,625)	(49,668)
Operating profit before changes in assets and liabilities used in the operating activities	**32,336,016**	**34,135,886**
Net Decrease (Increase) in Assets:		
Due from banks	(7,997,694)	2,774,811
Treasury bills	(169,647,050)	--
Trading Financial Assets	--	34,609
Loans and Facilities for customers	51,427,860	(52,518,228)
Other assets	573,321	(5,193,242)
Due to banks	23,583,357	(582,206)
Customers' deposits	84,433,380	105,775,826
Other liabilities	12,620,251	5,690,291
Paid Income Tax	(7,303,494)	(6,083,589)
Currency Exchange difference	25,856,785	30,209,349
Net cash flows Provided From operating activities	**45,882,728**	**114,243,507**
Cash Flows from Investing Activities:		
(Payments) for the purchase of fixed assets and branches preparation	(1,008,554)	(766,735)
Proceeds from sale of fixed assets	21,625	178,356
Proceeds from sale of financial investments other than financial assets held for trading	177,773,585	212,205,293
Purchase of investments other than financial assets held for trading	(194,090,445)	(425,735,567)
Dividends received	1,448,550	76,941
Net Cash Flows (used in) investing activities	**(15,855,239)**	**(214,041,712)**

- The accompanying Notes from (1) to (38) are an Integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(All Amounts are Expressed in US Dollars)

	31/12/2011	31/12/2010
Cash Flows from Financing Activities:		
Proceeds from other loans	6,631,408	--
Dividends paid	(21,250,030)	(19,170,046)
Net cash flows (used in) financing activities	**(14,618,622)**	**(19,170,046)**
Net increase (decrease) in cash and cash equivalents during the year	15,408,867	(118,968,251)
Cash and cash equivalents at the beginning of the year	**137,824,608**	**256,792,859**
Cash and cash equivalents at the end of the year	**153,233,475**	**137,824,608**
Cash and Cash Equivalents at Year-End are Represented as follows (Note 31):		
Cash and due from Central Bank of Egypt	112,961,535	106,291,130
Due from banks	134,108,060	117,371,904
Treasury bills	169,647,050	--
Due from Central Bank (mandatory reserve)	(93,836,120)	(85,838,426)
Treasury bills maturing after more than three months	(169,647,050)	--
Cash and cash equivalents at year-end	**153,233,475**	**137,824,608**

- The accompanying Notes from (1) to (38) are an Integral part of these financial statements.

Managing Director	Chief Executive	Chairman
HASSAN ABDEL MEGUID	MOHAMMED NAGUIB IBRAHIM	Dr. HASSAN ABBAS ZAKI

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(All Amounts are Expressed in US Dollars)

	Paid up Capital	Reserves	Retained Earnings	Total
2010				
Beginning Balance as issued	**150,000,000**	**56,953,398**	**2,615,855**	**209,569,253**
Net change in financial investments available for sale (Note 31/b)	--	1,549,821	--	1,549,821
Net income recognized directly in share holder's equity	--	1,549,821	--	1,549,821
Settlement-recovery of banking risk reserve (note 31/a)	--	(72,094)	--	(72,094)
Net profit for the year 2010	--	--	27,722,184	27,722,184
Total income for year 2010	**150,000,000**	**58,431,125**	**30,338,039**	**238,769,164**
Dividends for year 2010				
Transferred to banking risk reserve (Note 31/a)	--	2,470,441	(2,470,441)	--
Transferred to legal reserves (Note 31/c)	--	2,767,252	(2,767,252)	--
Transferred to general reserve (Note 31/c)	--	683,080	(683,080)	--
Transferred to capital reserve (Note 31/c)	--	49,668	(49,668)	--
Dividends	--	--	(21,250,000)	(21,250,000)
Balance as of 31/12/2010	**150,000,000**	**64,401,566**	**3,117,598**	**217,519,164**

TRANSLATION OF FINANCIAL STATEMENT
ORIGINALLY ISSUED IN ARAB

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(All Amounts are Expressed in US Dollars)

	Paid up Capital	Reserves	Retained Earnings	Total
2011				
Balance at the beginning of the year	**150,000,000**	**64,401,566**	**3,117,598**	**217,519,164**
Net change in available for sale investments (Note 31/B)	--	(18,420,759)	--	(18,420,759)
Net income recognized directly in share holder's equity	--	(18,420,759)	--	(18,420,759)
Net profit for the year	--	--	20,866,207	20,866,207
Total income after net profit for the year	--	**(18,420,759)**	**20,866,207**	**2,445,448**
Balance as of 31/12/2011	**150,000,000**	**45,980,807**	**23,983,805**	**219,964,612**

- The accompanying Notes from (1) to (38) are an Integral part of these financial statements.

Managing Director	Chief Executive	Chairman
HASSAN ABDEL MEGUID	MOHAMMED NAGUIB IBRAHIM	Dr. HASSAN ABBAS ZAKI

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

PROPOSED STATEMENT OF PROFIT APPROPRIATION FOR THE YEAR ENDED DECEMBER 31, 2011

(All Amounts are Expressed in US Dollars)

	31/12/2011	31/12/2010
Net profit for the year	20,866,207	27,722,184
Less:		
Gain from sale of fixed assets transferred to capital reserve according to the law	(21,625)	(49,668)
General Banking Risk Reserve	(658,789)	(2,470,441)
Net profit for the year available for appropriation	**20,185,793**	**25,202,075**
Add:		
Retained earnings at beginning of the year	3,117,598	2,615,855
Total	**23,303,391**	**27,817,930**
Appropriated as follows:		
Legal reserve	2,084,458	2,767,252
General reserve	2,500,000	683,080
Shareholders' dividends	9,750,000	11,250,000
Employees profit share	5,500,000	8,700,000
Board of Directors' remuneration	954,120	1,300,000
Retained earnings at end of the year	2,514,813	3,117,598
Total	**23,303,391**	**27,817,930**

Managing Director	Chief Executive	Chairman
HASSAN ABDEL MEGUID	MOHAMMED NAGUIB IBRAHIM	Dr. HASSAN ABBAS ZAKI

TRANSLATION OF NOTES TO THE FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN ARABIC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

1. THE BANK'S ACTIVITY

Societe Arabe Internationale de Banque (SAIB) provides retail, corporate banking and investment banking services in Egypt through 22 branches and employs 919 people in the balance sheet date.

The bank was established in accordance with Law No. 43 for 1974 and the Head office is located in 56 Gamaet El Dewal El Arabeya St, Giza. The Bank is listing on the Cairo & Alex stock exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis for Preparation of Financial Statements

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

The financial statements are prepared in accordance to the relevant local laws regulation.

The Central Bank of Egypt adjustment applicable on or after January 1, 2010 includes:

- The bank management applied CBE regulations to the financial statement preparation and presentation and measurement and recognition basis as the EAS applicable to banking industry. The comparative figure for the year 2009 has been amended to be in line with the new regulations and standards.

The following is a summary of significant changes in accounting policies and financial statements due to the application of these accounting adjustments:

- Changes in the disclosure requirements of the objectives and policies and methods of risk management, financial management and capital adequacy and some other explanatory notes.

- The bank set the relevant parties in accordance with the requirements of the amended and added some new notes on these parties.
- Change in the accounting policy for goodwill in the bank's financial statement starting from January 1, 2009 by requiring goodwill to be tested for impairment annually and recognizing in profit or loss on annual basis, the higher of amortization of goodwill at 20% or impairment loss.
- The bank Has changed the method of measuring loans and facilities impairment and other debt instruments, which are measured at amortized cost, Resulted in cancellation of the General Provisions component of loans and facilities and instead total provision was provided for groups of assets that carry a credit risk and similar characteristics or individual provision. As a result of changing the way of provision provided increase the specified provision, which were configured for specific items by amount of US Dollar 3,199,386. The total increase in the outstanding provision in January 1, 2009 had retained to special reserve in owner's equity according to the new method note (reserves) illustrate the impact of this change in accounting policy on bank's equity and the assets exposed to credit risk.
- The Bank has conducted Assets Acquired as Settlement of Debts of the purpose of ascertaining the applicability of rules of classification, as non-current assets held for sale under other assets, did not result in a difference in the classification or value measurement of those assets.

b. <u>Associates companies</u>

Associates are all entities over which the Bank has direct or indirect significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

c. <u>Segment reporting</u>

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

d. <u>Foreign currency translation</u>

d-1 <u>Functional and presentation currency</u>

Transactions are recorded during the year in their original currency. For reporting the financial statements of the bank in US Dollars, at the end of each fiscal period, all assets, liabilities, shareholders' equity and expenses and revenues recorded in a currency other than the US Dollar (except those recorded in Egyptian pounds), are translated to US Dollars using the average international exchange rates (buy – sell). Balances shown in Egyptian pounds are translated to US Dollars using the official exchange rates. This translation has no effect on the income statement.

e. Financial assets

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

e-1 Financial assets at fair value through profit or loss

- This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.
- A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
- Financial assets are classified at fair value through profit or loss when:
- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and debt securities in issue.
- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, and they are designated at fair value through profit and loss.
- Profits and losses arising from changes in fair value of financial derivatives, which are managed in conjunction with the assets or financial liabilities classified at fair value through profit and loss and that in the income statement "item Net income from financial instruments classified at fair value when recognition through profit and loss ".
- Any financial derivative of a valued financial instruments at fair value is not reclassified Through profit and loss during the retention period . It also does not re-classifiy any financial instrument, quoting from a range of financial instruments at fair value Through profit and loss if this tool has been customized by the bank at initial recognition As assessed at fair value through profit and loss.
- According to the financial assets which are reclassified in the periods that begin form first of January 2009 it is reclassified according to the fair value in the date of reclassification.
- Bank in all conditions does not reclassify any financial instrument moving to groups of financial instruments reclassified with fair value from profit and loss or to financial assets groups for trading.

e-2 <u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the bank upon initial recognition designates at fair value through profit or loss.
- Those that the bank upon initial recognition designates as available for sale.
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

e-3 <u>Held to maturity financial assets</u>

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held to-maturity assets, the entire category would be reclassified as available for sale.

e-4 <u>Available-for-sale financial assets</u>

Available-for-sale investments are those non- derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

<u>The following is applied to financial assets</u>

- Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.
- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.
- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished − that is, when the obligation is discharged, cancelled or expires.
- Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost.
- Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

- Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the bank's right to receive payment is established.
- The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset or bid prices is unavailable, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If the bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost and will be subjected to impairment test.

- The Bank reclassify the financial asset tabbed within the range of financial instruments available for sale, which left the definition of loans and debts (bonds or loans), quoting a set of tools available for sale to the group of loans and receivables or financial assets held to maturity – all as the case - when available Bank has the intent and ability to hold these financial assets in the foreseeable future or until maturity and are re-tab at fair value in the history of re-tab, and not process any profits or losses on those assets that have been recognized previously in equity and in the following manner:

  1- In case of financial asset re-tab, which has a fixed maturity are amortized gains or losses over the remaining life of the investment retained until the maturity date in a manner effective yield is consumed any difference between the value on the basis of amortized cost and value on an accrual basis over the remaining life of the financial asset using the effective yield method, and in the case of the decay of the value of the financial asset is a later recognition of any gain or loss previously recognized directly in equity in the profits and losses.

  2- in the case of financial asset which has no fixed maturity continue to profit or loss in equity until the sale of the asset or to dispose of it, then be recognized in the profit and loss In the case of erosion of the value of the financial asset is a later recognition of any gain or loss previously recognized directly within equity in the profits and losses.

- If the Bank to adjust its estimates of actual payments or receipts and amended estimates of the financial asset (or group of financial assets) to reflect the actual cash inflows and the adjusted estimates to be recalculated book value and then calculates the present value of estimated future cash flows at the effective yield of the financial instrument then it is recognized as income or expense in the profit and loss.

- In all cases, if the bank re-Tab financial asset in accordance with what is referred to The Bank at a later date to increase its estimate of the proceeds of future cash result of the increase will be recovered from the cash receipts, is the recognition of the impact of this increase in settlement of the interest rate effective from the date of change in the estimate and not in settlement of the balance of the original notebook in the history of change in the estimate.

f. **Offsetting financial instruments**

- Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.
- The agreements to buy treasury bills with a commitment to re-sale and agreements to sale treasury bills with a commitment to re-purchase on a net basis within the balance sheet included in treasury bills and other eligible bills.

g. **Interest income and expense**

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

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

When loans or debts are classified as non-performing or impaired ,related interest income are not recognized but rather ,are carried off balance sheet in statistical records and are recognized under revenues according to cash basis as per the following:

1- When it is collected and this is after redeeming all dues of consumer loans and personnel mortgages also small loans for economic activities

2- For loans given to institutions it is related to the monetary base also, it raises the return after that, according to rescheduling conditions on the loan till paying 25% from rescheduling payments with a minimum one year without being late, if the customer is always paying at his due dates the interest calculated is added to the loan balance which makes revenues (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.

h. **Fee and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) Where it is recorded in the records of marginal outside the financial statements, And are recognized as income in accordance with cash basis Income is recognized when revenue for fees note no (2-g) that represent an integral part of the effective yield of the financial asset are generally treated as an amendment to the actual rate of return.

And postponement of fees is the link on the loans if there is a possibility that he will likely be the withdrawal of such loans and the fees on the grounds that the link obtained by the Bank are considered compensation for the constant intervention for the acquisition of a financial instrument, Then be recognized by the amend the effective interest rate on the loan In the case of the end of the link without issuing bank for the loan fees are recognized as income at the end of the period of validity of the link.

Fees are recognized on the debt instruments that are measured at fair value within the income on initial recognition& Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time- apportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

i. Dividend income

Dividends are recognized in the income statement when the bank's right to receive dividend is established.

j. Impairment of financial assets

j-1 Financial assets carried at amortized cost

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

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Great financial troubles facing the borrower or debtor.
- Breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.
- Granting privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial troubles, which are not granted by the bank in the normal course of business.

- Impairment of guarantee
- Deterioration of creditworthiness.

- A substantive evidence for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset.

- The bank estimates the period between the loss event and identifying thereof for each specific portfolio. In general, the period used vary between three months and 12 months.

- The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Taking into account the following:

- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment based on historical loss rates.

- Assets that are individually assessed for impairment and for which an impairment loss is continues to be recognized are not included in a collective assessment of impairment.

- If the previous assessment resulted in the absence of impairment loss then the assets is included into the group.

- The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

- If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

j-2 Available for sale financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

During the period starting from January 1, 2009 for listed equity instruments the need to book impairment is analyzed as soon as a significant and prolonged decline of their price below their acquisition cost is observed. The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extended for a period of more than 9 months. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

k. Intangible assets

k-1 Goodwill

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the acquisition date. The extent of goodwill impairment is to be annually checked, while goodwill amortization of 20% or impairment amount, whichever is bigger, is to be charged to income.

k-2 Software (computer programs)

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

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

The computer software cost recognized, as an asset shall be amortized over the period expected useful life not more than 3 years.

k-3 Other intangible assets

The intangible assets other than goodwill and computer programs (for example, trademarks, licenses, benefits of rental contracts). Other intangible assets are stated at the cost of acquisition and depreciated on a straight-line method or on the basis of the economic benefits expected from it, and that over the estimated useful lives, and for assets that do not have a specific useful life, it is not depreciated, it is tested every year for any impairment (if any) it will be recognized on the income statement.

l. Fixed Assets

Land and buildings comprise mainly branches, offices and head offices. All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Computers and Core Systems	5 years
Vehicles	5 years
Fixtures and fittings	5 years
Equipments	5 years
Furniture	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

m. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization (except for goodwill) and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

n. Leases

The accounting treatment for the finance lease in accordance with law 95 of 1995, if the contract entitles the lessee to purchase the asset at a specified date and the value selected, or the current value of the total lease payments representing at least 90% of the value of the asset. The other leases contracts are considered operating leases contracts.

n-1 Being lessee

Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets, within the expenses in the income statement for the period in which they occurred. If the bank decided to exercise the rights to purchase the leased assets, the cost of the right to purchase it as an asset are capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.

And recognition of payments under the operating lease expense minus any discounts obtained from the lesser under expenses in the income statement on a straight-line basis over the term of the contract

o. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills.

p. Other provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. 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.

Provisions which negated the purpose of wholly or partly repaid is allocated in the item of other operating income (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

q. Financial guarantees

The financial collateral contracts are contracts issued by the bank as security for loans or debit current accounts due from its clients to other entities which require the bank to make certain payments for compensating the beneficiary for a loss incurred due to default :on the part of the debtor on maturity date, in accordance with conditions of the debt instruments. These financial guarantees are presented to the banks, corporation and other entities on behalf of the bank's clients.

The fair value shall be recognized initially in the financial statements , on date of granting the security. This fair value shall reflect the fee for this security. Consequently the bank's obligation shall be measured by virtue of the guarantee contract on the basis of the first measurement amount less amortization calculated for recognition of security fees in the income statement, according to the straight line method over the guarantee life term, or based on the best estimate for payments required for settlement of any financial obligation resulting from the financial guarantee on date of balance sheet. Whichever is higher. Such estimates are made based on experience in similar transactions and the historical losses as confirmed by management judgment.

Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) item.

r. income tax

Income tax on the profit or loss for the year includes each of year tax and deferred tax and is recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the budget in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the budget.

Deferred tax assets of the Bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

s. Capital

s-1 Capital issuance cost

Expenses directly attributed to the issuance of the new shares. Issuance of shares to effect acquisition, or issuance of shares options are charged to equity net of tax.

s-2 Dividends

Dividends deducted from equity in the period, which the General Assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the Board of Directors as prescribed by articles of association and law.

s-3 Treasury shares

In case the bank purchase capital's shares, the amount is deducted from the total equity as it represents the cost of treasury shares until it canceled, and in case of sale those shares or re-released in a subsequent period all collections is added to the equity.

t. Fiduciary activities

The bank practices the fiduciary activities that result in ownerships or management of assets on behalf of individuals, trust, and retirement benefit plans and other institution. These assets and income arising thereon are excluded from the bank's financial statements, as they are not assets of the bank.

u. Comparative figures

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

3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

a. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank Treasury and reported to the Board of Directors and head of each business unit regularly.

a-1 Credit risk measurement

- Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components

- The probability of default' by the client or counterparty on its contractual obligations.
- Current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default.
- The likely recovery ratio on the defaulted obligations (the loss given default).

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

Bank's internal ratings scale

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

The credit center exposed to failure depend on the amounts which the bank expect to be stand upon the delay, for example, the loans this center is nominal value, for other links, the bank include all the withdrawn amounts in addition to the other amounts that are expected to be drawn till the date of delay. If happened.

Loss given default or loss severity represents the Bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

- **Debt securities and other bills**

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

a-2 Risk limit control and mitigation policies

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

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

The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored and compared daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

- **Collateral**

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

- Mortgages over residential properties.
- Mortgage business assets such as inventory and equipments.
- Mortgage financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

- **Credit-related commitments**

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

a-3 Impairment and provisioning policies

The internal systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision shown in the balance sheet at year-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom two grading. The table below shows the percentage of the Bank's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	31/12/2011		31/12/2010	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
1-Performing loans	74.03	11.54	80.34	13.90
2-Reular watching	18.41	3.40	12.76	2.34
3-Watch list	0.72	0.12	0.65	0.12
4-Non performing loans	6.84	84.94	6.25	83.64
	100	**100**	**100**	**100**

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 26, based on the following criteria set out by the Bank:

- Great financial troubles facing the borrower or debtor.
- Breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.
- Granting privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial troubles, which are not granted by the bank in the normal course of business.
- Impairment of guarantee
- Deterioration of creditworthiness.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets by using the available historical experience, experienced judgment and statistical techniques.

a-4 Pattern of measuring the danger of general banking activities

In addition to the four categories of measuring credit worthiness discussed in disclosure 1/a the management makes small groups more detailed according to the CBE rules, assets facing credit risk are classified to detailed conditions relying greatly on customer's information, activities, financial position and his regular payments to his debts.

The bank calculates the provisions needed for assets facing credit risk impairment in addition to credit regulations according to special percentages .From CBE , in the case of increase of impairment loss provision needed according to CBE than that for purposes of making the financial statements according to the Egyptian accounting standards ,the risk of general banking reserve is included in owners equity deducted from the retained earning with this increase , this reserve is modified with periodic basis with the increase and decrease , which equals the increase in provisions and this reserve is not distributed , discloser no.(31) present the movement on the reserve account during the fiscal year.

And this is categories of institutional worthiness according to internal ratings according to CBE rules and rates of provisions needed for assets impairment related to credit risk:

CBE Rating	Categorization	Provision %	Internal Rating	Internal Rating Indication
1	Low Risk	0	1	Good Loans
2	Average Risk	1%	1	Good Loans
3	Satisfactory Risk	1%	1	Good Loans
4	Reasonable Risk	2%	1	Good Loans
5	Acceptable Risk	2%	1	Good Loans
6	Marginally Acceptable Risk	3%	2	Normal Follow Up
7	Watch list	5%	3	Special Follow Up
8	Substandard	20%	4	Non Performing loans
9	Doubtful	50%	4	Non Performing loans
10	Bad Debt	100%	4	Non Performing loans

a-5 Maximum exposure to credit risk before collateral

	31/12/2011 US Dollar	31/12/2010 US Dollar
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and facilities to customers:		
Loans to individuals:		
-Debit current accounts	37,365,596	31,084,357
-Credit cards	2,886,594	2,477,445
-Personal loans	48,130,994	70,097,749
-Real estate loans	1,539,864	5,103,260
Loans to corporate:		
-Debit current accounts	268,790,585	272,254,371
-Direct loans	50,097,125	64,113,205
-Syndicated loans	255,109,323	270,546,931
-Other loans	3,584,056	4,222,518
Financial investments		
-Debt instrument	865,208,360	893,880,335
Other assets	27,107,868	29,001,775
Total	**1,559,820,365**	**1,642,781,946**
Credit risk exposures relating to off-balance sheet assets are as follows:		
Letter of Credit	26,933,470	51,213,710
Letter of guarantee	88,964,505	59,705,095
Total	**115,897,975**	**110,918,805**

The above table represents the worst-case scenario of credit risk exposure to the Bank at 31 December 2011 and at 31 December 2010, without taking in consideration any guarantee for balance sheet items, amounts stated depend on the net carrying amounts shown in the balance sheet.

- As shown above, 42.79 % of the maximum limit exposed to credit risk results from loans and facilities to customers against 43.82% at 31 December 2010 while investments in debt instruments represent 55.47% against 54.41% at 31 December 2010.
- Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt securities based on the following:
- 92.44% of the loans and advances portfolio is categorized in the top two grades of the internal rating system against 93.10% at 31 December 2010.
- 92.7% of the loans and advances portfolio are considered to be neither past due nor impaired against 92.8% at 31 December 2010.
- The bank has introduced a more stringent selection process upon granting loans and advances during the financial year ended at 31 December 2011.

a-6 Loans and facilities

The status of balances of loans and facilities in terms of credit ratings as follow:

	31/12/2011 US Dollar	31/12/2010 US Dollar
Loans and facilities		
Neither past due nor impaired	664,948,969,	713,501,588
Past due but not impaired	3,322,529	7,477,391
Individually impaired	49,144,288	47,978,201
Gross	**717,415,786**	**768,957,180**
Less:		
Reserved interest	(8,000,198)	(8,020,342)
Provision for impairment losses	(47,739,500)	(46,530,227)
Net	**661,676,088**	**714,406,611**

- Total impairment expenses for loans and facilities amounted to US Dollar 41,911,451 at 31 December 2011 against US Dollar 41,037,002 at 31 December 2010, Note (18) include additional information on the provision for impairment losses for loans and facilities to customers.

Loans and facilities neither past due or impaired

The credit quality of the portfolio of loans and facilities that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

Loans and facilities to customers
31/12/2011
(US Dollar)

	Individual (retail customers)				Corporate entities				
	Debit current accounts	**Credit cards**	**Personal loans**	**Real estate loans**	**Debit current accounts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total Loans and facilities to customers**
1-Performing loans	22,162,586	17,380	--	1,332,869	236,200,262	49,511,792	221,564,389	1,155	530,790,433
2-Reular watching	15,225,573	2,664,062	41,405,316	--	34,227,859	1,724,407	31,000,000	2,780,100	129,027,317
3-Watch list	--	--	--	--	9,423	--	5,121,796	--	5,131,219
	37,388,159	**2,681,442**	**41,405,316**	**1,332,869**	**270,437,544**	**51,236,199**	**257,686,185**	**2,781,255**	**664,948,969**

31/12/2010
(US Dollar)

	Individual (retail customers)				Corporate entities				
	Debit current accounts	**Credit cards**	**Personal loans**	**Real estate loans**	**Debit current accounts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total Loans and facilities to customers**
1-Performing loans	15,248,329	--	--	5,186,241	262,780,795	64,670,111	268,412,503	892	616,298,871
2-Reular watching	15,862,894	2,307,529	60,609,435	--	9,790,012	643,696	--	2,966,360	92,179,926
3-Watch list	--	--	--	--	155,566	--	4,867,225	--	5,022,791
	31,111,223	**2,307,529**	**60,609,435**	**5,186,241**	**272,726,373**	**65,313,807**	**273,279,728**	**2,967,252**	**713,501,588**

-Mortgage loans in the sub-standard class were considered not to be impaired after taking into consideration the recoverability from collateral.

Loans and facilities past due but not impaired

- Loans and facilities less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired and fair value for related guarantees were as follows:

31/12/2011
(US Dollar)

	Individual (retail customers)				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
Past due up to 30 days	--	194,746	2,724,879	33,572	2,953,197
Past due 30- 60 days	--	--	83,753	--	83,753
Past due 60-90 days	--	--	38,123	--	38,123
Past due 90-120 days	--	--	951	--	951
Total	**--**	**194,746**	**2,847,706**	**33,572**	**3,076,024**

	Corporate entities				
	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	246,505	--	--	--	246,505
Total	**246,505**	**--**	**--**	**--**	**246,505**

31/12/2010
(US Dollar)

	Individual (retail customers)				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
Past due up to 30 days	--	205,959	5,393,243	--	5,599,202
Past due 30- 60 days	--	--	309,643	--	309,643
Past due 60-90 days	--	--	40,658	--	40,658
Past due 90-120 days	--	--	28,543	--	28,543
Total	**--**	**205,959**	**5,772,087**	**--**	**5,978,046**

	Corporate entities				
	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	1,489,238	10,107	--	--	1,499,345
Total	**1,489,238**	**10,107**	**--**	**--**	**1,499,345**

- On initial recording of loans and facilities .the fair value of guarantee is assessed based on valuation methods used for similar assets. In subsequent period, fair value is updated to reflect market price or price of similar assets.

Loans and facilities individually impaired

- Balance of loans and facilities subject to individual impairment before taking into consideration cash flow from guarantee amounted to US Dollar 49,144,288 at 31 December 2011 against US Dollar 47,978,201 at 31 December 2010.
- Below is a breakdown in total value of the loans and facilities subject to individual impairment including fair value for guarantee obtained by the bank for these loans:

31/12/2011
(US Dollar)

	Individual (retail customers)				Corporate entities				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
Individually impaired loans and facilities	21,452	790,001	10,576,766	436,300	1,177,384	89,964	--	36,052,421	49,144,288
	21,452	**790,001**	**10,576,766**	**436,300**	**1,177,384**	**89,964**	**--**	**36,052,421**	**49,144,288**

31/12/2010
(US Dollar)

	Individual (retail customers)				Corporate entities				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
Individually impaired loans and facilities	224	549,891	8,207,819	214,137	975,195	171,524	--	37,859,411	47,978,201
	224	**549,891**	**8,207,819**	**214,137**	**975,195**	**171,524**	**--**	**37,859,411**	**47,978,201**

a-7 Debt securities and other governmental securities

The table below presents an analysis of debt securities and other governmental securities by rating agency designation at the end of the year, based on Standard & Poor's ratings or their equivalent:

	Treasury bills US Dollar	Investment securities US Dollar	Total US Dollar
AA- to AA+	--	20,330,989	20,330,989
A- to A+	--	13,623,576	13,623,576
Lower than A-	169,647,050	831,253,795	1,000,900,845
Total	**169,647,050**	**860,208,360**	**1,034,855,410**

a-8 Concentration of risks of financial assets with credit risk exposure

- Geographical sectors

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2011.

(US Dollar)

	Cairo	Alex, Delta & Sinai	Upper Egypt	Others	Total
Loans and facilities to customers:					
Loans to individuals:					
-Debit current accounts	31,992,263	5,328,493	30	88,825	37,409,611
-Credit cards	2,781,314	873,291	4,274	7,310	3,666,189
-Personal loans	34,324,022	20,334,904	170,862	--	54,829,788
-Real estate loans	1,236,966	172,037	393,738	--	1,802,741
Loans to corporate:					
-Debit current accounts	201,666,681	68,099,979	2,094,765	8	271,861,433
-Direct loans	45,677,421	5,648,742	--	--	51,326,163
-Syndicated loans	241,122,401	16,563,784	--	--	257,686,185
-Other loans	23,100,181	15,733,495	--	--	38,833,676
Derivative financial instruments					
-Financial investments					
-Debt instruments	635,525,957	--	--	229,682,403	865,208,360
Total in 31/12/2011	**1,217,427,206**	**132,754,725**	**2,663,669**	**229,778,546**	**1,582,624,146**
Total in 31/12/2010	**1,116,176,836**	**306,797,432**	**6,923,484**	**232,939,763**	**1,662,837,515**

- **Business sectors**

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by the business sectors of our business of the banks clients:

(US Dollar)

	Financial institutions	Manufacturing	Real estate	Commercial	Governmental	Other industries	Individuals	Total
Loans and facilities to customers:								
Loans to individuals:								
-Debit current accounts	--	--	--	--	--	--	37,409,611	37,409,611
-Credit cards	--	--	--	--	--	--	3,666,189	3,666,189
-Personal loans	--	--	--	--	--	--	54,829,788	54,829,788
-Real estate loans	--	--	--	--	--	--	1,802,741	1,802,741
Loans to corporate:								
-Debit current accounts	59,210,884	128,536,390	1,163,368	63,127,346	--	19,823,445	--	271,861,433
-Direct loans	21,997,070	23,380,480	5,159,385	204,788	--	584,440	--	51,326,163
-Syndicated loans	--	94,044,229	14,307,837	5,998,930	--	143,335,189	--	257,686,185
-Other loans	--	23,757,178	--	10,464,137	--	4,612,361	--	38,833,676
Derivative financial instruments								
-Financial investments								
-Debt instrument	108,048,121	6,283,052	--	--	750,877,187	--	--	865,208,360
Total in 31/12/2011	**189,256,075**	**276,001,329**	**20,630,590**	**79,795,201**	**750,877,187**	**168,355,435**	**97,708,329**	**1,582,624,146**
Total in 31/12/2010	**199,893,807**	**294,868,177**	**21,967,214**	**84,740,776**	**782,400,714**	**164,802,282**	**114,164,545**	**1,622,837,515**

- **Assets and liabilities according to the Activities sector**

(US Dollar)

	31/12/2011			
	Corporate entities	**Individual (retail customers)**	**Others**	**Total**
Assets				
Due from Central Bank of Egypt	--	--	112,961,535	112,961,535
Due from banks	93,795,060	--	40,313,000	134,108,060
Treasury bills	--	--	169,647,050	169,647,050
Trading Financial Assets	391,892	--	--	391,892
Loans and Facilities for customers (Net)	577,581,089	89,923,048	--	667,504,137
Available for sale investments	133,720,806	--	601,016,435	734,737,241
Held to maturity investments	11,960,624	--	141,330,637	153,291,261
Investments in subsidiaries companies	209,584	--	--	209,584
Unclassified Assets				
Intangible assets	--	--	498,928	498,928
Other assets	--	--	27,107,868	27,107,868
Fixed assets (Net)	--	--	12,826,008	12,826,008
Total Assets	**817,659,055**	**89,923,048**	**1,105,701,461**	**2,013,283,564**
LIABILITIES				
Due to banks	36,351,403	--	--	36,351,403
Customers' deposits	955,140,391	652,897,901	--	1,608,038,292
Other loans	--	--	6,631,408	6,631,408
Other liabilities	--	--	134,562,108	134,562,108
Other provisions	--	--	7,490,418	7,490,814
Deferred tax liability	--	--	245,323	245,323
Total Liabilities	**991,491,794**	**652,897,901**	**148,929,257**	**1,793,318,952**
Total Shareholders' Equity	**--**	**--**	**--**	**219,964,612**

	31/12/2010			
	Corporate entities	Individual (retail customers)	Others	Total
Assets				
Due from Central Bank of Egypt	--	--	106,291,130	106,291,130
Due from banks	81,570,197	--	35,801,707	117,371,904
Trading Financial Assets	597,930	--	--	597,930
Loans and Facilities for customers (Net)	611,137,025	108,762,811	--	719,899,836
Available for sale investments	133,590,620	--	547,485,877	681,076,497
Held to maturity investments	10,256,153	--	228,714,169	238,970,322
Investments in subsidiaries companies	299,451	--	--	299,451
Unclassified Assets				
Intangible assets	--	--	725,063	725,063
Other assets	--	--	29,001,775	29,001,775
Fixed assets (Net)	--	--	13,059,554	13,059,554
Total Assets	**837451376**	**108762811**	**961,079,275**	**1,907,293,462**
LIABILITIES				
Due to banks	12,768,046	--	--	12,768,046
Customers' deposits	1,029,631,049	493,973,863	--	1,523,604,912
Other liabilities	--	--	142,790,860	142,790,860
Other provisions	--	--	10,325,020	10,325,020
Deferred tax liability	--	--	285,460	285,460
Total Liabilities	**1,042,399,095**	**493,973,863**	**153,401,340**	**1,689,774,298**
Total Shareholders' Equity	**--**	**--**	**--**	**217,519,164**

b. Market risk

The bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank in the risk management department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts directly as principal with clients or with the market ,Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

b-1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at end of the year. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

(Equivalent to US Dollar)

	LE	USD	GBP	Euro	JPY	CHF	SAR	Other	Total
Financial Assets									
Cash and due from Central Bank of Egypt	104,418,856	6,720,166	196,727	1,522,597	--	3,688	80,654	18,847	112,961,535
Due from banks	163,790	99,834,950	4,994,142	23,942,121	418,498	1,034,057	612,812	3,107,690	134,108,060
Treasury bills	73,170,611	96,476,439	--	--	--	--	--	--	169,647,050
Trading Financial Assets	391,892	--	--	--	--	--	--	--	391,892
Loans and Facilities for customers	498,981,229	160,595,470	8	7,927,430	--	--	--	--	667,504,137
Financial Investments:									
-Available for sale investments	543,427,795	191,309,446	--	--	--	--	--	--	734,737,241
-Held to maturity investments	113,931,701	39,359,560	--	--	--	--	--	--	153,291,261
-Other assets	21,302,601	5,690,973	6,005	37,882	--	--	--	70,407	27,107,868
Total financial Assets	**1,355,788,475**	**599,987,004**	**5,196,882**	**33,430,030**	**418,498**	**1,037,745**	**693,466**	**3,196,944**	**1,999,749,044**
Financial liabilities									
Due to banks	18,488,924	17,776,683	--	36,919	--	--	--	48,877	36,351,403
Customers' deposits	1,205,502,100	359,448,471	5,100,781	33,287,520	349,466	1,019,410	627,672	2,702,872	1,608,038,292
Other loans	6,631,408	--	--	--	--	--	--	--	6,631,408
Other liabilities	130,822,906	3,543,688	7,548	178,001	--	1	9,964	--	134,562,108
Total financial Liabilities	**1,361,445,338**	**380,768,842**	**5,108,329**	**33,502,440**	**349,466**	**1,019,411**	**637,636**	**2,751,749**	**1,785,583,211**
Net Financial Position at 31-12-2011	**(5,656,863)**	**219,218,162**	**88,553**	**(72,410)**	**69,032**	**18,334**	**55,830**	**445,195**	**214,165,833**
Balance at 31-12-2010									
Total financial assets	1,322,218,449	520,836,808	6,268,402	35,976,226	841,426	155,598	715,457	6,197,028	1,893,209,394
Total financial liabilities	1,319,880,023	287,941,379	6,312,911	36,229,706	823,475	170,489	573,477	5,982,358	1,657,913,818
Net Financial Position at 31-12-2010	**2,338,426**	**232,895,429**	**(44,509)**	**(253,480)**	**17,951**	**(14,891)**	**141,980**	**214,670**	**235,295,576**

c. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by Assets & Liabilities Management Dept.

d. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

- Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Assets & Liabilities Management Dept, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring balance sheet liquidity ratios against internal and requirements of central bank of Egypt.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Assets & Liabilities Management Dept. also monitors unmatched medium-term assets, the level and type of un drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

- Funding approach

Sources of liquidity are regularly reviewed by a separate jointly team in Bank Assets & liabilities Management, liabilities Investments to maintain a wide diversification by currency, provider, product and term.

e. Fair value of financial assets and liabilities

- **Due from banks**

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

- **Loans and facilities to customers**

Loans and facilities are net of provisions for impairment. The estimated fair value of loans and facilities represents the discounted amount of estimated future cash flow expected to be received. Expected cash flow are discounted at current market rates to determine fair value.

- **Investment securities**

Investment securities include only interest-bearing assets held to maturity; assets classified as available for sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

- **Due to other banks and customers**

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

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

f. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- Compliance with capital legal requirements in Egypt.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth.
- Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE) by the bank's management through guidelines developed by the Basel Committee; Data are submitted and filed at CBE on a quarterly basis.

The CBE requires each bank to:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a ratio between capital elements, and assets and contingent liability elements weighted by risk weights at 10% or more.

The dominator of capital adequacy comprises the following 2 tiers:

- **The first tier:**

  It is the basic capital consisting of paid-up capital (after deducting the book value of treasury shares), and retained earnings and reserves resulting from the distribution of profits with the exception of General risk reserve banking and deducting there from previously recognized goodwill and any transferred loss.

- **The second tier:**

  It is the subordinate capital, which consists of the equivalent of the risk allocation year provision according to the principles of credit issued by the Central Bank of Egypt for not more than 1.25% of total assets and liabilities weighted with risk, loans / deposits support in excess of the schedule of five years (with consumption of 20% of their value in each year of the last five years of the schedule) and 45% of the increase between the fair value and book value for each of the financial investments available for sale, held to maturity and investments in subsidiaries.

  On calculating the total numerator of capital adequacy , it is to be considered that tier 2 should not be greater than tier 1 , and subordinate loans (deposits) should not be greater than 50% of tier 1.

  Assets are risk weighted ranging from zero to 100% classified by the relation of the debtor to all each asset to reflect the credit risk associated with it, taking the cash collateral account. These are used for the treatment of off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts.

  The table below summarizes the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2011.

	31/12/2011 Value per thousands EGP	31/12/2010 Value per thousands EGP
Capital		
Tier 1 capital		
Capital shares	716,983	715,833
General reserves	170,513	239,829
Retained earning	18,097	14,222
Total tier 1 capital	**905,593**	**969,884**
Tier 2 capital		
The equivalent of the provision for general reserve	50,391	47,034
45% of the increase in the fair value compared to the book value of avilable for sale investment, investments held to maturity, and investment in affiliates and subsidiaries.	--	18,121
Total tier 2 capital	**50,391**	**65,155**
Total capital	**955,984**	**1,035,039**
Risk weighted assets and contingents liabilities :		
Assets in the balance sheet	5,711,220	5,715,986
Contingent liabilities	220,075	260,238
Total risk weighted assets and contingent liabilities	**5,931,295**	**5,976,224**
Capital adequacy ratio (%)	**16.12%**	**17.32%**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available info.

A) Impairment losses on loans and facilities

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow from a portfolio of loans before the decrease can be with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

B) Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

C) Held-to-maturity investments

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This classification requires significant judgment. There for the bank tests whether there is a genuine intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example an insignificant amount close to maturity it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost.

5. Net Interest Income

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Loans Interest and similar income		
Loans and facilities to clients	63,460,929	64,223,501
Treasury Bonds	86,514,220	68,955,596
Deposits and current accounts	1,620,873	3,451,564
	151,596,022	**136,630,661**
Deposits interest and similar expenses		
Deposits and current accounts**:**		
-Banks	(4,934,881)	(1,264,769)
-Clients	(93,928,217)	(86,148,930)
	(98,863,098)	**(87,413,699)**
Net	**52,732,924**	**49,216,962**

6. Net Fees and Commission Income

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Fees & Commissions Income :		
Fees & Commissions Related to Credit	11,101,613	15,436,040
Custody Fees	317,364	390,770
Other Fees	3,366,106	4,094,887
	14,785,083	**19,921,697**
Fees & Commissions expenses		
Other Fees Paid	(262,279)	(427,536)
	(262,279)	**(427,536)**
Net	**14,522,804**	**19,494,161**

7. Dividends

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Available for sale securities	1,375,323	626,754
Investments fund held to maturity	57,106	59,503
	1,432,429	**686,257**

8. Net Trading Income

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Foreign exchange transactions:		
Profit From Foreign exchange	3,055,111	1,740,806
Trading Equity Instruments	(186,192)	57,473
	2,868,919	**1,798,279**

9. Impairment (expenses) recovery from credit losses

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Loans and facilities for clients	(2,084,380)	(158,266)
	(2,084,380)	**(158,266)**

10. Administrative expenses

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Staff Costs		
Wages & Salaries	25,556,719	23,125,842
Social Insurance	678,446	636,366
	26,235,165	**23,762,208**
Deprciation ansd amortization	2,340,140	2,548,321
Other Administrative Expenses	11,441,744	11,390,304
	40,017,049	**37,700,833**

11. Other operating revenue (expenses)

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Profits from selling Fixed Assets	21,625	49,668
Operating lease	(340,407)	(331,159)
(Expenses) recovery of other provisions (Note 28)	(77,975)	(1,182,438)
Other	7,900	(70,049)
	(388,857)	**(1,533,978)**

12. Income taxes (expenses)

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Current tax	(7,704,523)	(7,477,843)
Deferred tax	40,137	53,643
	(7,664,386)	**(7,424,200)**

13. Earnings per share

Basic:

Earning Per share is calculated by dividing the net profit attributable to the shareholders of the Bank excluded the employee's shares and the reward of the Board of Directors from the net profit by the weighted average of ordinary shares issued during the year.

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Net Profit Available for Distribution on shareholders(1)	14,412,087	17,722,184
Weighted average of ordinary issued shares (2)	15,000,000	15,000,000
Basic Earning Per Share (1/2)	**0.96**	**1.18**

14. Cash and due from Central Bank of Egypt

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Cash	19,125,415	20,452,704
Balances with Central Bank (mandatory reserve)	93,836,120	85,838,426
	112,961,535	**106,291,130**
Balances without interest	112,961,535	106,291,130
	112,961,535	**106,291,130**

15. Due from Banks

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Current Accounts	9,221,645	22,604,016
Deposits	124,886,415	94,767,888
	134,108,060	**117,371,904**
Central Banks (Except Obligatory Reserve)	40,313,000	35,801,708
Local Banks	37,072,887	2,322,416
Foreign Banks	56,722,173	79,247,780
	134,108,060	**117,371,904**
Balances without interest	6,584,533	9,613,198
Balances with variable interest	2,637,112	12,990,818
Balances with fixed interest	124,886,415	94,767,888
	134,108,060	**117,371,904**
Current Balances	134,108,060	117,371,904
	134,108,060	**117,371,904**

16. Treasury bills

	31/12/2011	31/12/2010
	US Dollar	US Dollar
Treasury bills	169,647,050	--
	169,647,050	**--**
Egyptian Treasury bills	169,647,050	--
	169,647,050	**--**
266 Days maturity	16,578,520	--
350 Days maturity	26,578,520	--
362 Days maturity	35,000,000	--
364 Days maturity	24,573,511	--
348 Days maturity	5,000,000	--
357 Days maturity	24,867,780	--
363 Days maturity	50,000,000	--
Unearned Income	(12,951,281)	--
	169,647,050	**--**

17. Trading Financial Assets

	31/12/2011 US Dollar	31/12/2010 US Dollar
Equity Instruments not listed on the stock exchange		
Investments fund	391,892	597,930
Total equity instruments	**391,892**	**597,930**
Total trading financial assets	**391,892**	**597,930**

18. Loans and Facilities for customers

	31/12/2011 US Dollar	31/12/2010 US Dollar
Loans to individuals:		
-Debit current accounts	37,409,611	31,111,447
-Credit cards	3,666,189	3,063,379
-Personal loans	54,829,788	74,589,341
-Real estate loans	1,802,741	5,400,378
Total (1)	**97,708,329**	**114,164,545**
Loans to corporate:		
-Debit current accounts	271,861,433	275,190,806
-Direct loans	51,326,163	65,495,438
-Syndicated loans	257,686,185	273,279,728
-Other loans	38,833,676	40,826,663
Total (2)	**619,707,457**	**654,792,635**
Loans and facilities for customers (1+2)	717,415,786	768,957,180
Less:		
Provision for impairment losses	(41,911,451)	(41,037,002)
Reserved interest	(8,000,198)	(8,020,342)
Net loans and facilities for customers, distributed to :	**667,504,137**	**719,899,836**
Current Balances	304,459,799	291,953,962
Non-current Balances	363,044,338	427,945,874
	667,504,137	**719,899,836**

Provision for impairment losses

Analysis of the provision for impairment losses for Customers

31/12/2011
Individual (retail customers)

	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total US Dollar
Balance At Beginning Of The year	**27,051**	**578,250**	**4,457,570**	**240,998**	**5,303,869**
Impairment expenses (recovery)	9,478	157,640	2,363,110	(23,697)	2,506,531
Write Off During The Period	--	(4,435)	--	--	(4,435)
Foreign Currency Revaluation Diff.	(673)	(22,924)	(192,611)	(8,433)	(224,641)
Balance At The End Of The year	**35,856**	**708,531**	**6,628,069**	**208,868**	**7,581,324**

31/12/2011

Corporate entities

	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total US Dollar
Balance At Beginning Of The year	**2,688,900**	**752,687**	**2,732,797**	**29,558,749**	**35,733,133**
Impairment expenses (recovery)	175,538	(182,484)	(91,448)	(323,757)	(422,151)
Write Off During The Period	--	--	--	(101,900)	(101,900)
Refundable Amounts During The Period	--	--	--	1,393	1,393
Foreign Currency Revaluation Diff.	(74,230)	(24,385)	(64,487)	(717,246)	(880,348)
Balance At The End Of The year	**2,790,208**	**545,818**	**2,576,862**	**28,417,239**	**34,330,127**

31/12/2010

Individual (retail customers)

	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total US Dollar
Balance At Beginning Of The year	**90,975**	**264,014**	**3,333,604**	**145,084**	**3,833,659**
Impairment expenses (recovery)	(63,325)	340,778	1,319,007	102,329	1,698,789
Write Off During The Period	--	(4,659)	--	--	(4,659)
Foreign Currency Revaluation Diff.	(581)	(21,883)	(195,041)	(6,415)	(223,920)
Balance At The End Of The year	**27,051**	**578,250**	**4,457,570**	**240,998**	**5,303,869**

Corporate entities

	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total US Dollar
Balance At Beginning Of The year	**4,543,624**	**1,773,019**	**1,837,156**	**32,215,146**	**40,368,945**
Impairment expenses (recovery)	(2,007,572)	(596,587)	965,653	97,983	(1,540,523)
Write Off During The Period	--	--	--	(1,571,122)	(1,571,122)
Foreign Currency Revaluation Diff.	152,848	(423,745)	(70,012)	(1,183,258)	(1,524,167)
Balance At The End Of The year	**2,688,900**	**752,687**	**2,732,797**	**29,558,749**	**35,733,133**

19. Financial Investments

	31/12/2011 US Dollar	31/12/2010 US Dollar
Available for sale financial investments		
Debt instruments-fair value:		
-listed	715,645,762	659,111,718
Equity instruments-fair value:		
-unlisted	2,929,242	4,448,344
Equity instruments-cost:		
-listed	6,740,165	7,003,742
-unlisted	9,422,072	10,512,693
Total avilable for sale financial investments (1)	**734,737,241**	**681,076,497**
Held To Maturity Financial Investment		
Debt instruments-amortized cost:		
-listed	149,562,598	234,768,617
Equity instruments-cost:		
-unlisted	4,215,104	4,379,938
Less :impairment provision	(486,441)	(178,233)
Total Held To Maturity Financial Investment (2)	**153,291,261**	**238,970,322**
Total Financial Investment(1+2)	**888,028,502**	**920,046,819**
Current balances	734,737,241	681,076,497
Non-current balances	153,291,261	238,970,322
	888,028,502	**920,046,819**
Fixed Interest Debt Instruments	857,479,087	883,151,743
Variable Interest Debt Instruments	7,729,273	10,728,592
	865,208,360	**893,880,335**

31/12/2011

	Available for sale financial investments US Dollar	Held To Maturity Financial Investment US Dollar	Total US Dollar
Opening Balance	**681,076,497**	**238,970,322**	**920,046,819**
Addition	154,731,520	39,358,925	194,090,445
Deduction (Selling - Recovery)	(59,292,549)	(117,559,277)	(176,851,826)
Foreign Currency Revaluation Diff.	(22,369,276)	(4,527,495)	(26,896,771)
Profit From Fair Value Deference(note 31/b)	(18,329,723)	--	(18,329,723)
Discount	--	250,280	250,285
Premium	--	(2,886,583)	(2,886,583)
Impairment losses recovery	(1,079,228)	(314,916)	(1,394,144)
Ending balance	**734,737,241**	**153,291,261**	**888,028,502**

31/12/2010

	Available for sale financial investments US Dollar	Held To Maturity Financial Investments US Dollar	Total US Dollar
Opening Balance	**468,555,185**	**269,052,466**	**737,607,651**
Addition	425,735,567	--	425,735,567
Deduction (Selling - Recovery)	(191,017,058)	(18,030,033)	(209,047,091)
Foreign Currency Revaluation Diff.	(24,559,371)	(7,436,376)	(31,995,747)
Profit From Fair Value Deference(note 31/b)	2,362,174	--	2,362,174
Discount	--	240,775	240,775
Premium	--	(4,856,510)	(4,856,510)
Ending balance	**681,076,497**	**238,970,322**	**920,046,819**

- **Profit from Financial Investment**

	31/12/2011 US Dollar	31/12/2010 US Dollar
Profit From Selling Available For Sale Financial Instruments	921,760	3,343,802
(losses)Impairment of available for-sale equity investments	(1,079,228)	--
(losses)Impairment of Held-to-maturity investments	(314,916)	--
	(472,384)	**3,343,802**

- **Settlements on the provision of financial investments held to maturity**

	31/12/2011 US Dollar	31/12/2010 US Dollar
Opening Balance	**178,233**	**188,614**
(losses) impairment for credit losses during the year	314,916	--
Foreign Currency Revaluation Diff.	(6,708)	(10,381)
Ending balance	**486,441**	**178,233**

20. Investments in subsidiaries companies

The bank's shareholding percentage in affiliates companies are as follows:

31/12/2011

	Company country	Balance as of 1/1/2011 US Dollar	Adjustments (Dividends recovery) US Dollar	Adjustments (losses) of investments in Associates companies – equity method US Dollar	Dividends income US Dollar	Foreign Currency Exchange US Dollar	Balance as of 31/12/2011 US Dollar	Shareholding %
Cairo National Co. for Securities Trading	Egypt	267,672	--	(63,813)	(16,121)	(8,737)	179,001	32
International Company for Information Technology	Egypt	31,779	--	--	--	(1,196)	30,583	20
		299,451	--	**(63,813)**	**(16,121)**	**(9,933)**	**209,584**	

31/12/2010

	Company country	Balance as of 1/1/2010 US Dollar	Adjustments (Dividends recovery) US Dollar	Adjustments (losses) of investments in Associates companies – equity method US Dollar	Dividends income US Dollar	Foreign Currency Exchange US Dollar	Balance as of 31/12/2010 US Dollar	Shareholding %
Cairo National Co. for Securities Trading	Egypt	300,158	(17,438)	--	--	(15,048)	267,672	32
International Company for Information Technology	Egypt	33,988	--	--	--	(2,209)	31,779	20
		334,146	**(17,438)**	**--**	**--**	**(17,257)**	**299,451**	

21. Intangible assets

	31/12/2011 US Dollar	31/12/2010 US Dollar
a- Goodwill		
Net book value at the beginning of the year	594,225	838,448
Amortization	(193,053)	(203,393)
Foreign Currency Exchange	(19,931)	(40,830)
Net book value at the ending of the year	**381,241**	**594,225**
b- Usufruct		
Net book value at the beginning of the year	130,838	147,506
Amortization	(8,332)	(8,779)
Foreign Currency Exchange	(4,819)	(7,889)
Net book value at the ending of the year	**117,687**	**130,838**
Total	**498,928**	**725,063**

- Goodwill is annually tested for impairment or if there's any indication for impairment losses.

22. Other assets

	31/12/2011 US Dollar	31/12/2010 US Dollar
Accrued revenue	21,318,976	22,420,904
Prepaid expenses	689,253	1,308,548
Advance payments for purchasing fixed assets	2,169,050	3,478,082
Paid amounts for investments increasing(New/standing)	1,519,915	1,152,709
Assets reverted to the bank in settlement of debts	295,429	306,982
Imprest and insurance	71,162	73,493
Others	1,044,083	261,057
	27,107,868	**29,001,775**

23. Fixed assets

	Land US Dollar	Buildings US Dollar	Computers & Core Systems US Dollar	Vehicles US Dollar	Fixtures & fittings US Dollar	Equipments US Dollar	Furniture US Dollar	Total US Dollar
Balance as of 1/1/2010								
Cost	659,948	13,734,382	11,496,741	866,023	2,838,090	1,438,426	566,425	31,600,035
Accumulated Depreciation	--	(3,803,779)	(7,858,458)	(793,220)	(2,028,533)	(1,108,977)	(456,700)	(16,049,667)
Net book value as of 1/1/2010	**659,948**	**9,930,603**	**3,638,283**	**72,803**	**809,557**	**329,449**	**109,725**	**15,550,368**
Additions	--	3,254	384,293	103,204	70,368	49,546	21,432	632,097
Disposals	--	--	--	(229,608)	--	--	--	(229,608)
Foreign Currency Exchange (Assets balances)	(36,323)	(756,129)	(126,764)	(47,683)	(158,184)	(78,876)	(31,710)	(1,235,669)
Foreign Currency Exchange(Accumulated depreciation)	--	225,780	99,176	45,036	117,877	63,566	26,160	577,595
Depreciation cost	--	(625,974)	(1,314,592)	(29,856)	(229,704)	(98,062)	(37,961)	(2,336,149)
Accumulated depreciation of disposals	--	--	--	100,920	--	--	--	100,920
Net book value as of 31/12/2010	**623,625**	**8,777,534**	**2,680,396**	**14,816**	**609,914**	**265,623**	**87,646**	**13,059,554**
Balance as of 1/1/2011								
Cost	623,625	12,981,507	11,754,270	691,936	2,750,274	1,409,096	556,147	30,766,855
Accumulated Depreciation	--	(4,203,973)	(9,073,874)	(677,120)	(2,140,360)	(1,143,473)	(468,501)	(17,707,301)
Net book value as of 1/1/2011	**623,625**	**8,777,534**	**2,680,396**	**14,816**	**609,914**	**265,623**	**87,646**	**13,059,554**

Fixed assets: continue

	Land US Dollar	Buildings US Dollar	Computers & Core Systems US Dollar	Vehicles US Dollar	Fixtures & fittings US Dollar	Equipments US Dollar	Furniture US Dollar	Total US Dollar
Balance of the current financail year								
Net book value as of 1/1/2011	**623,625**	**8,777,534**	**2,680,396**	**14,816**	**609,914**	**265,623**	**87,646**	**13,059,554**
Additions	--	1,613,826	384,388	--	149,237	104,744	65,391	2,317,586
Disposals	--	--	--	(36,058)	--	--	--	(36,058)
Foreign Currency Exchange (Assets balances)	(23,469)	(507,780)	(82,367)	(26,040)	(104,357)	(53,563)	(19,737)	(817,313)
Foreign Currency Exchange (Accumulated depreciation)	--	165,992	67,797	25,585	83,090	44,388	18,084	404,936
Depreciation cost	--	(631,442)	(1,156,067)	(7,105)	(205,111)	(101,644)	(37,386)	(2,138,755)
Accumulated depreciation of disposals	--	--	--	36,058	--	--	--	36,058
Net book value as of 31/12/2011	**600,156**	**9,418,130**	**1,894,147**	**7,256**	**532,773**	**259,548**	**113,998**	**12,826,008**
Balance as of 31/12/2011								
Cost	600,156	14,087,553	12,056,291	629,838	2,795,154	1,460,277	601,801	32,231,070
Accumulated depreciation	--	(4,669,423)	(10,162,144)	(622,582)	(2,262,381)	(1,200,729)	(487,803)	(19,405,062)
Net book value	**600,156**	**9,418,130**	**1,894,147**	**7,256**	**532,773**	**259,548**	**113,998**	**12,826,008**

24. Due to banks

	31/12/2011 US Dollar	31/12/2010 US Dollar
Current Accounts	1,415,031	3,930,255
Deposits	34,936,372	8,837,791
	36,351,403	**12,768,046**
Local Banks	21,436,372	--
Foreign Banks	14,915,031	12,768,046
	36,351,403	**12,768,046**
Balances without interest	441,393	3,880,379
Balances with variable interest	973,638	49,876
Balances with fixed interest	34,936,372	8,837,791
	36,351,403	**12,768,046**
Current Balances	36,351,403	12,768,046
	36,351,403	**12,768,046**

25. Customers' deposits

	31/12/2011 US Dollar	31/12/2010 US Dollar
Demand Deposits	128,285,992	109,037,639
Time Deposits and call accounts	726,184,377	775,118,567
Certificates of savings and Deposit	648,199,405	517,513,844
Saving Deposits	69,853,671	83,677,571
Other Deposits	35,514,847	38,257,291
	1,608,038,292	**1,523,604,912**
Corporate Deposits	955,140,391	1,029,631,049
Retail Deposits	652,897,901	493,973,863
	1,608,038,292	**1,523,604,912**
Balances without interest	153,070,623	143,804,163
Balances with variable interest	842,261,195	990,321,427
Balances with fixed interest	612,706,474	389,479,322
	1,608,038,292	**1,523,604,912**
Current Balances	953,863,940	1,000,346,500
Non-Current Balances	654,174,352	523,258,412
	1,608,038,292	**1,523,604,912**

26. Other Loans

	31/12/2011 US Dollar	31/12/2010 US Dollar
Loan from Social Fund for Development		
Development Project for Small Entities	3,315,704	--
Development project for Small and medium poultry entities	3,315,704	--
	6,631,408	**--**

27. Other liabilities

	31/12/2011 US Dollar	31/12/2010 US Dollar
Accrued interest	117,422,526	100,418,997
Unearned revenue	210,553	2,413,778
Accrued expenses	1,158,617	1,231,829
Dividends payable	24,127	21,274,157
Sundry credit balances	15,746,285	17,452,099
	134,562,108	**142,790,860**

28. Other provisions

31/12/2011

Description	Balance at The Beginning of the year US Dollar	Translation Differences US Dollar	Charged to Income Statement Note (11) US Dollar	Adjustments – transferred from general banking risk reserve US Dollar	Used during the year US Dollar	year-end balance US Dollar
Provision for potential claims	7,545,927	(238,080)	--	--	(2,601,709)	4,706,138
Provision for contingent liabilities	2,623,766	(66,943)	77,975	--	--	2,634,798
Litigations provision	155,327	(5,845)	--	--	--	149,482
	10,325,020	**(310,868)**	**77,975**	**--**	**(2,601,709)**	**7,490,418**

31/12/2010

Description	Balance at The Beginning of the year US Dollar	Translation Differences US Dollar	Charged to Income Statement Note (11) US Dollar	Adjustments – transferred from general banking risk reserve Note (31-a) US Dollar	Used during the year US Dollar	year-end balance US Dollar
Provision for potential claims	11,406,276	(562,037)	2,079,746	--	(5,378,058)	7,545,927
Provision for contingent liabilities	3,640,259	(191,279)	(897,308)	(72,094)	--	2,623,766
Litigations provision	164,374	(9,047)	--	--	--	155,327
	15,210,909	**(762,363)**	**1,182,438**	**(72,094)**	**(5,378,058)**	**10,325,020**

29. Deferred tax liabilities

	31/12/2011 US Dollar	31/12/2010 US Dollar
Balance At Beginning Of The year	**285,460**	**339,103**
Exclusions (Note 12)	(40,137)	(53,643)
Balance at the end of the year	**245,323**	**285,460**

30. Capital

	No of Shares (Per million) US Dollar	Nominal value per share US Dollar	Total US Dollar
Balance as of 1/1/2011	**15**	**10**	**150,000,000**
Balance as of 31/12/2011	**15**	**10**	**150,000,000**

- The Authorized capital on 31 December 2011 amounting to US Dollar 200 million with a nominal value US Dollar 10 per share, the issued and fully paid capital before increasing amounting to US Dollar 150 million divided on 15,000,000 shares of nominal value US Dollar 10 per share.

31. Reserves and Retained Earnings

	31/12/2011 US Dollar	31/12/2010 US Dollar
Reserves		
General Banking Risks Reserve	3,053,542	3,053,542
Legal Reserve	47,466,068	47,466,068
General Reserve	6,291,493	6,291,493
Capital Reserve	692,295	692,295
Fair value Reserve-available for sale financial investment	(14,859,753)	3,561,006
Special Reserve	3,337,162	3,337,162
Total reserves at the end of the year	**45,980,807**	**64,401,566**

Reserves movements are as follow:

	31/12/2011 US Dollar	31/12/2010 US Dollar
A -General Banking Risks Reserve		
Balance At Beginning Of The Year	3,053,542	655,195
Transferred from the Retained earning	--	2,470,441
Settlement – transferred to the other provision contingent liabilities (Note 28)	--	(72,094)
Balance At the End Of The Year	**3,053,542**	**3,053,542**

	31/12/2011 US Dollar	31/12/2010 US Dollar
B -Fair value Reserve-available for sale financial investment		
Balance At Beginning Of The Year	**3,561,006**	**2,011,185**
Net profit resulting from change in fair value (Note 19)	(18,329,723)	2,362,174
Net profit and losses due to derecognition	--	(496,521)
Foreign Currency Exchange	(91,036)	(315,832)
Balance At Ending Of The Year	**(14,859,753)**	**3,561,006**

	31/12/2011 US Dollar	31/12/2010 US Dollar
C -Retained Earnings		
Balance At Beginning Of The Year	**3,117,598**	**2,615,855**
Net profit of the financial year	20,866,207	27,722,184
Distributions for shareholders	--	(11,250,000)
Employees share in profit	--	(8,700,000)
Board of directors remuneration	--	(1,300,000)
Transferred to general banking risks reserve (Note 31/a)	--	(2,470,441)
Transferred to legal reserve	--	(2,767,252)
Transferred to general reserve	--	(683,080)
Transferred to capital reserve	--	(49,668)
Balance At Ending Of The Year	**23,983,805**	**3,117,598**

32. Distribution for shareholders

- Dividends are not recognized until the approval of the General Assembly of Shareholders. The Board of Directors proposes to the Assembly which will be held on February 27, 2012 to distribute to UD Dollar 0.65 per share for the year 2011 with a total amount of US Dollar 9,750,000 (The actual distributions was US Dollar 0.75 per share with a total amount of US Dollar 11,250,000 for the comparison year.) In addition to the dividend to shareholders, the Board of Directors proposed - in accordance with the Bank's Statute on the next General Assembly of shareholders to distribute US Dollar 5,500,000 as Employees share in profit and US Dollar 954,120 as Board of directors remuneration (The actual dividends amounting US Dollar 8,700,000 for the employees and US Dollar 1,300,000 as Board of directors remuneration for the comparison year) this decision is not recognized in these financial statements and the Distributions for shareholders, Employees share in profit and the board of directors remuneration will be recognized in the equity distributed from the retained earnings in the financial year ending 31 December 2012.

33. Cash and Cash Equivalent

For the purpose of presenting the cash flow statement, cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

	31/12/2011 US Dollar	31/12/2010 US Dollar
Cash and balances with central bank (Note 14)	19,125,415	20,452,704
Due from banks (Note 15)	134,108,060	117,371,904
	153,233,475	**137,824,608**

34. Contingent Liabilities and Commitments

A- Capital Commitments

The bank's contracts for capital commitments amounted to US Dollar 351,235 on 31 December 2011 representing purchase of fixed assets contracts, such as branches constructions, and the management have a sufficient confidence to achive net revenue and the availability to cover those commitments.

B- Loans, Facilities and Guarantees Commitments

The bank's commitments for loans,guarantees and facilities are represented as follows :

	31/12/2011 US Dollar	31/12/2010 US Dollar
Customers Acceptances	22,443,343	25,619,397
Letters Of Guarantee	88,964,505	59,705,095
Letters Of Credit (Import)	26,835,326	51,071,694
Letters Of Credit (Export)	98,145	142,016
	138,341,319	**136,538,202**

35. Transactions with Related Parties

The Bank deals with related parties on the same basis, which is dealing with others, and the nature of the most important transactions and balances in the balance sheet date are as follows:

	31/12/2011 US Dollar	31/12/2010 US Dollar
Nature of transactions		
Due from banks	1,151,849	2,036,249
Other assets	379,242	325,194
Due to banks	392,513	3,880,379
Customers' deposits	36,087,968	80,279,248
Certificates of savings	1,657,852	1,722,683
Other liabilities	4,756	4,756

36. Subsequent Events

- Approved by the Extraordinary General Assembly of the Bank and held in January 29, 2012 to issue Non-convertable nominal bonds, in the name of the bank amounting to two billion Egyptian pounds to be issued in stages in accordance with the vision of the Board of Directors.
- On January 29, 2012 the board of directors agreed to invite The Extraordinary General Assembly of the bank to hold its meeting on February 27, 2012, to amend the transaction currency of the bank's balance sheet to the Egyptian Pound currency with the continuation of the capital currency to still in the U.S. dollar as it is and amend articles 6 and 7 of the bank status to agree with this amendment.

37. Mutual Funds

The first fund

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is Prime Investments for managing financial investments.

- The bank established the first mutual fund on june 3,1996 with a nomianl value of LE 500 for each,on march 13, 2007 the General authority for capital market approved to divide the value of the certificate by 1:5 to become the nominal value of the certificate LE 100 instead of LE 500 ,article (6) of the Fund's prospectus was modified on march 29,2007.

- The number of the certificates reached 136,626 with a total value of US Dollar 2,265,057,the bank's portion 19,000 certificates with a nominal value of US Dollar 314,992 to proceed the fund activity.

- The recoverable amount for the certificate reached LE 325.68 on the date of the balance sheet equivalent to US Dollar 53.99

The Second fund

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is Prime Investments for managing financial investments.

- The bank established the second mutual fund on September 20,1997 with a nomianl value of LE 100 for each.

- The number of the certificates reached 158,677 with a total value of US Dollar 2,630,630,the bank's portion 26,000 certificates with a nominal value of US Dollar 431,042 to proceed the fund activity.

- The recoverable amount for the certificate reached LE 222.73 on the date of the balance sheet equivalent to US Dollar 36.93

The Third fund (EL RABEH)

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is Prime Investments for managing financial investments.

- The bank established the third mutual fund on February 21,1999 with a nomianl value of LE 100 for each.on March 29,2007 the name of the fund changed from the third fund to be (EL RABEH).

- The number of the certificates reached 83,205 with a total value of US Dollar 1,379,416,the bank's portion 50,000 certificates with a nominal value of US Dollar 828,926 to proceed the fund activity.

- The recoverable amount for the certificate reached LE 102.12 on the date of the balance sheet equivalent to US Dollar 16.93

The Fourth fund (Sanabel)

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is HC for securities instead of Prime Investments for managing financial investments since December 21, 2011.

- The bank established the fourth mutual fund (Sanabel) on December 20,2006 with a nomianl value of LE 100 for each.

- The number of the certificates reached 1,136,703 with a total value of US Dollar 18,844,858,the bank's portion 74,085 certificates with a nominal value of US Dollar 1,228,220 to proceed the fund activity.

- The recoverable amount for the certificate reached LE 61.63 on the date of the balance sheet equivalent to US Dollar 10.22.

38. Tax Position

A- Societe Arabe Internationale de Banque

- **First: Corporate Tax**

Years from the date of commencement of activities till 1995

- The bank was inspected for these years and the related due taxes were paid.

Years from 1996 till 2004

- The bank was inspected for these years and the disputed points are being solved with the Settlement Committee of large taxpayer center.

Years from 2005 till 2006

- The tax returns of those years have been prepared and submitted on due dates in accordance with Law No. 91 for 2005, the bank was inspected for these years, and the notification of tax losses have been received .

Years from 2007 till 2010

- The tax returns of those years have been prepared and submitted on due dates in accordance with Law No. 91 for 2005.

- **Second: Salary Tax**

Years from the date of commencement of activities till 2004

- The bank was inspected for these years until the year 2003 and the related due taxes were paid.
- The bank was inspected for the year 2004, the bank has objected on the claim, and the points of dispute are transferred to the dispute committee and are being solved.

Years from 2005 till 2011

- The Bank is calculating, deducting and paying the tax on due dates in accordance with Law No. 91 for 2005., and are currently under inspection by large taxpayer center.

- **Third: Stamp Tax**

Years from the date of commencement of activities till 2005

- The Tax Authority inspected the bank for these years and the bank paid the due tax differences.

Years from January 1, 2006 till July 31, 2006

- The years from the beginning of year 2006 till July 2006 are currently inspected by the large taxpayer center.

Years from August 1, 2006 till December 31, 2011

- Starting from August 1, 2006, the bank pays the accrued taxes every three months according to the law requirements.

B- The position of SAIB - Port Said bank (Port said national bank for development - previously) that have been merged on January 8, 2008 with Societe Arabe International De Banque (SAIB).

- **First: Corporate Tax**

Years from the date of commencement of activities till June 30, 1997

- The bank was inspected for these years and the related due taxes were paid.

Years from July 1, 1997 till June 30, 2002

- The dispute with the Tax authority has finished, and the related due taxes were paid, the dispute on the portion of capital increase are transferred court.

Years from July 1, 2002 till June 30, 2004

- The dispute with the Tax authority has finished, and the related due taxes were paid, the dispute on interest of capital are transferred to the appeal committee.

Years from July 1, 2004 till merging date in December 31, 2007

- The tax returns of those years have been prepared and submitted on due dates in accordance with Law No. 91 for 2005.
- Was an appointment with the competent Tax Office to start checking Those years.

- **Second: Salary Tax**

Years from the date of commencement of activities till 1994

- The bank was inspected for these years and the related due taxes were paid.

Years from 1995 till 1998

- A reconciliation request were presented by the bank to the tax authority to re-inspect the differences and paid the accrued tax.

Years from 1999 till 2004

- The bank was re-inspected for these years and the accrued differences taxes were paid.

Years from 2005 till 2007

- The Bank is calculating, deducting and paying the tax on due dates in accordance with Law No. 91 for 2005, and are currently under inspection by large taxpayer center.
- those years were not inspected till now

- **Third: Stamp Tax**

Years from the date of commencement of activities till 1995

- The bank was inspected for these years and the related due taxes were paid.

Years from 1996 till 2005

- The bank was inspected for these years and the related due taxes were paid, and the points of dispute are transferred to the court and they are in settlement process.

Years from 2005 till 2007

- The bank was inspected for these years. and the objection form was sent by the bank.

Managing Director	Chief Executive	Chairman
HASSAN ABDEL MEGUID	MOHAMMED NAGUIB IBRAHIM	Dr. HASSAN ABBAS ZAKI