Board of Director's Report
On
Bank Activities and
Financial Statements
for the Year ended 31/12/2012

Cairo, 20th February 2012

ALEXBANK | بنك الإسكندرية

INTESA SANPAOLO

Board of Director's Report 2012

Net Profit before income tax
↑ 81.7%

Customers' Deposits
↑ 8.7%

Net income
↑ 30.4%

Net interest income
↑ 38%

Earning per share
↑ 88%

Net loans portfolio
0.2%

Thinking ahead with you

ALEXBANK | بنك الإسكندرية

Financial Highlights of 2012

- Net loans portfolio remain stable of EGP 19.9 Billion.
- Customers' deposits up 8.7% to EGP 33.5 Billion.
- Net interest income up 38% to EGP 2,061 Million.
- Net Profit before income tax raised 81.7% to EGP 846 Million.
- Net profit for the year raised 87.8% to EGP 625 Million.
- Cost to income ratio Decreased from 55.1% to 47.6%.
- Capital Adequacy ratio increased to 17% against 16.4% in 2011.
- Earnings per share increased by 88% to EGP 1.41.

Contents

Global Economy Snapshot

❑ Economic conditions

Economic conditions improved modestly in the third quarter of 2012, with global growth increasing to about 3 percent. The main sources of acceleration were emerging market economies, where activity picked up broadly as expected, and the United States, where growth surprised on the upside. Financial conditions stabilized. Bond spreads in the euro area periphery declined, while prices for many risky assets, notably equities, rose globally. Capital flows to emerging markets remained strong. Global financial conditions improved further in the fourth quarter of 2012. However, a broad set of indicators for global industrial production and trade suggests that global growth did not strengthen further. Indeed, the third-quarter uptick in global growth was partly due to temporary factors, including increased inventory accumulation (mainly in the United States). It also masked old and new areas of weakness. Activity in the euro area periphery was even softer than expected, with some signs of stronger spillovers of that weakness to the euro area core. In Japan, output contracted further in the third quarter.

Turning to the updated outlook, growth in the United States is forecast to average 2 percent in 2013, rising above trend in the second half of the year Growth in emerging market and developing economies is on track to build to 5.5 percent in 2013. Nevertheless, growth is not projected to rebound to the high rates recorded in 2010–11. Supportive policies have underpinned much of the recent acceleration in activity in many economies. But weakness in advanced economies will weigh on external demand, as well as on the terms of trade of commodity exporters, given the assumption of lower commodity prices in 2013 in this Update. Moreover, the space for further policy easing has diminished, while supply bottlenecks and policy.

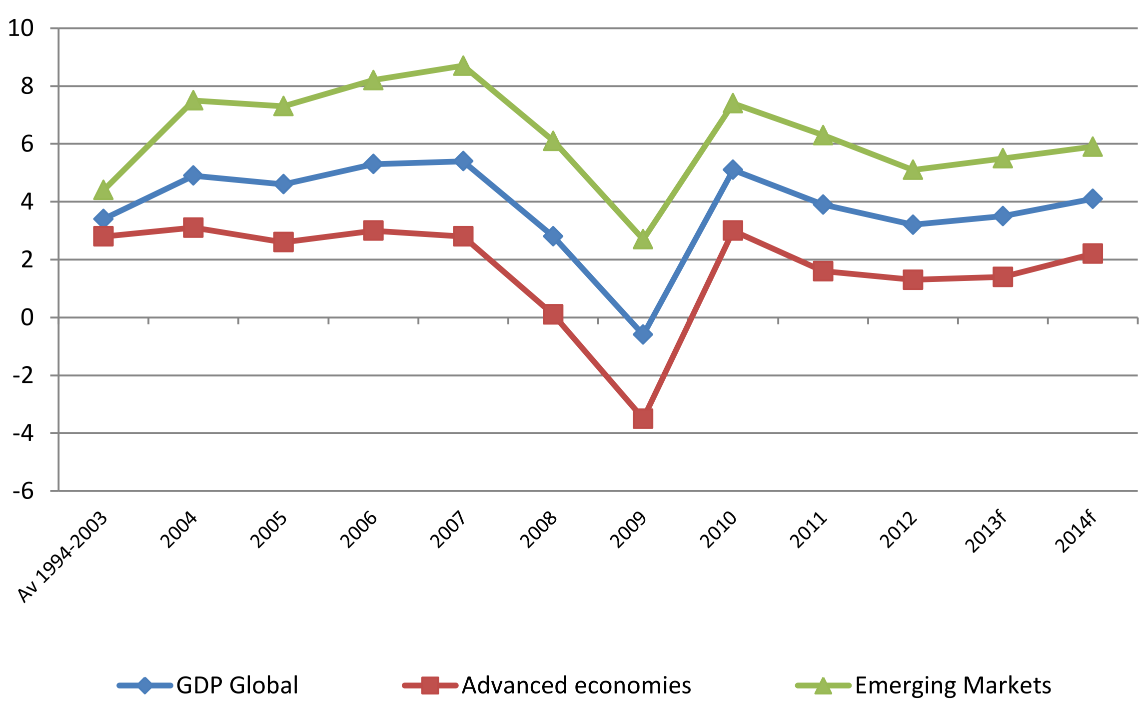
The global economy has deteriorated further since the release of the July 2012 WEO Update, and growth projections have been marked down. Downside risks are now judged to be more elevated than in the April 2012 and September 2011 World Economic Outlook (WEO) reports. A key issue is whether the global economy is just hitting another bout of turbulence in what was always expected to be a slow and bumpy recovery or whether the current slowdown has a more lasting component. The answer depends on whether European and U.S. policymakers deal proactively with their major short-term economic challenges. The WEO forecast assumes that they do, and thus global activity is projected to reaccelerate in the course of 2012; if they do not, the forecast will likely be disappointed once again.

The Year 2012 at a Glance

Global Economy Snapshot continued

Global growth weakened during 2012 compared to 2011 due to elevated downside risks particularly in the Euro zone and the United States, the slowdown in global manufacturing growth, and the spillovers from developed nations' difficulties to emerging and developing economies.
World Output achieved slowed to 3.2% by end of 2012 down from 3.9% in 2011, where developed nations growth fall to 1.3% compared to 1.6% in 2011 driven mainly by the sluggish growth in the United States and the Euro Area periphery. Emerging markets were not able to sustain 2011 growth levels due to slowing external demand that lowered commodity prices and weighed on activity in exporting economies, which pushed their growth rates down to 5.1% from 6.3% in 2011.

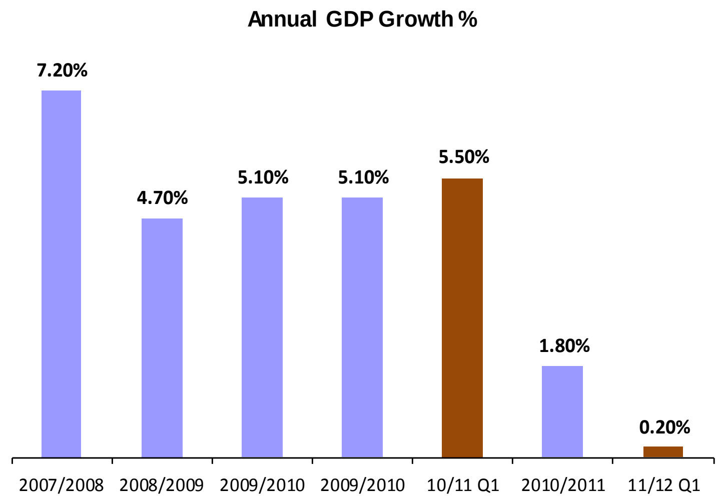
Growth is expected to pick up during 2013 in both advanced and emerging markets to record 1.4% and 5.5% respectively due to signs of improved economic and financial conditions, supportive financial environment, and better policy actions. Global growth is projected to rise to 3.5% during 2013 and to further grow to 4.1% on expectations of strong recovery in the Euro area economies.



Local Economy Snapshot

Economic Growth

Egypt has been undergoing significant changes on its political front since January 25th 2011. Such unfavorable domestic circumstances are disrupting to the macroeconomic scene, keeping growth below potential as the Egyptian economy has grown at 2.2% during FY 2011/2012, compared to 1.8% during the previous fiscal year. Real GDP recorded a growth rate of 2.6% in the first quarter of FY 2012/13 (compared to 0.2% during the same quarter in the previous year).

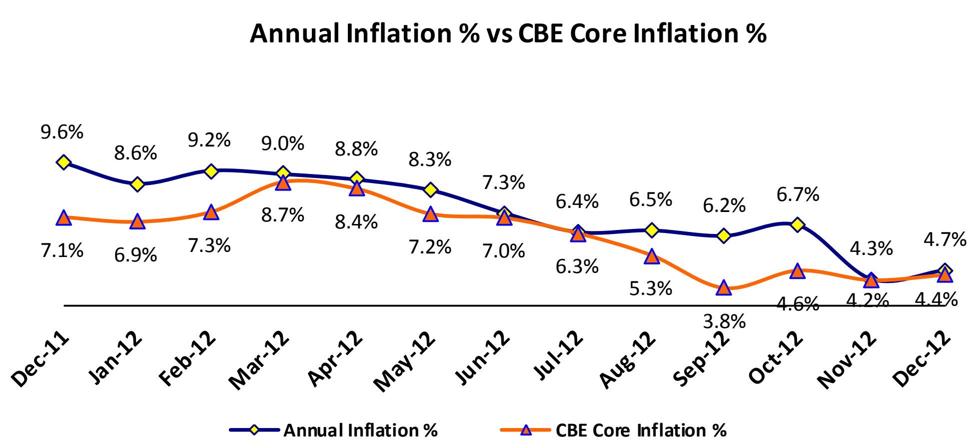


Inflation

Headline CPI published by the Central Agency for Public Mobilization and Statistics on January 10, 2013 increased by 0.15% (m/m) in December 2012 compared to a decline of 1.31% (m/m) in November. The annual rate inched up to 4.7% in December, recording the lowest rate observed since March 2006, from 4.3% in November.

The month-on-month development was mainly driven by an increase in electricity prices as well as higher prices of several food items, which was partially offset by the decline in prices of fresh vegetables.

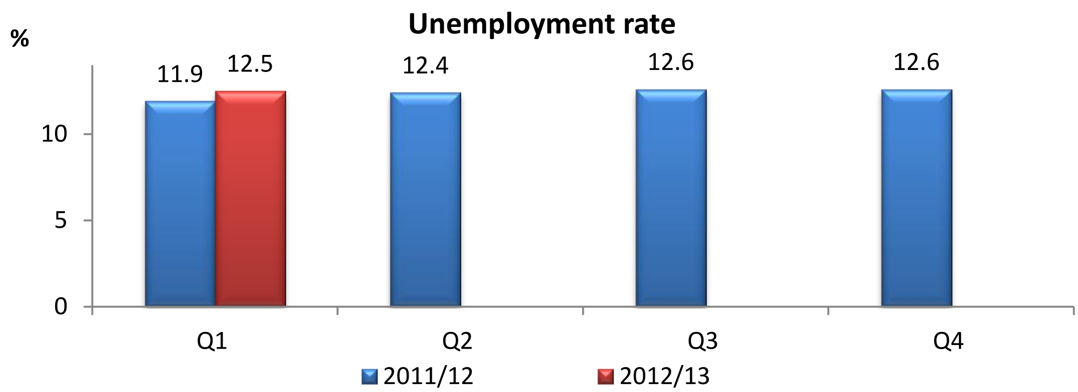
Core CPI increased by 0.44% (m/m) in December 2012 compared to a decline of 0.25% (m/m) in November. The annual rate inched up to 4.4% in December from 4.2% in November.



The Year 2012 at a Glance

Unemployment

In light of the continuity of the negative shadows of the unfavorable environment of the Egyptian economy with companies being hit directly and in an indirect way by these instabilities and being urged to decrease their work force to partially offset their losses, unemployment rate increased to 12.5% during Q1 of FY 2012/2013 with 3.3 million unemployed, up from 11.9% during Q1 of the previous Fiscal Year, while unemployment rate was relatively stable compared to Q4 2011/12.

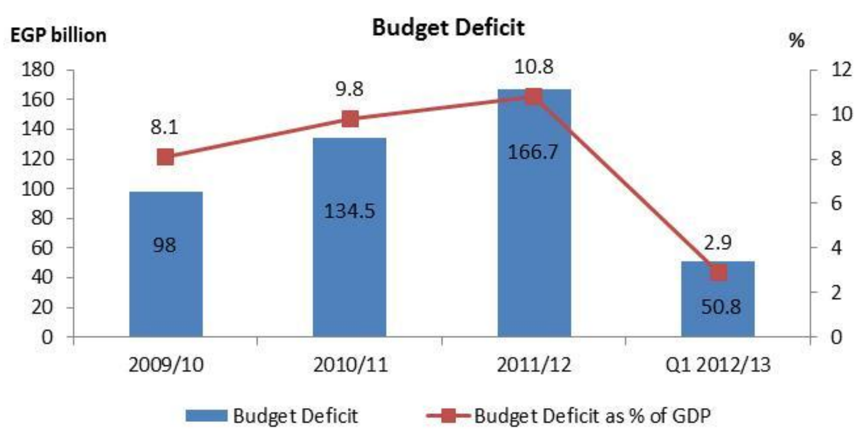


State Budget

According to FY 2011/2012 actual budget outcomes, the overall budget deficit to GDP ratio increased to 10.8%, reaching EGP 166.7 billion, compared to EGP 134.5 billion during FY 2010/2011, and recording EGP 50.8 billion in Q1 of FY 2012/13 (July-September), representing 2.9% of GDP.

Total expenditures increased during FY 2011/2012 by 17.2%, recording EGP 471 billion compared to EGP 401.9 billion during last year, and in the first quarter of FY 2012/13 the total expenditures recorded EGP 101 billion.

From the revenues side, total revenues increased by 14.5% during FY 2011/12, registering almost EGP 303.6 billion compared to EGP 265.3 billion during FY 2010/2011, with EGP 50.7 billion as total revenues in the first quarter of the current fiscal year 2012/13



External Sector

Balance of payments (BOP) registered an overall deficit of US$ 0.5 billion during the period July–September 2012/2013, decreasing by 78% over the period July -September 2011/2012 deficit of US$ 2.4 billion.

The recorded decrease in the overall deficit comes as a result of the 87% drop in the current account deficit (attributed basically to the notable increase in workers' remittances and the decline in imports), which relatively balanced the capital and financial account outflows.

The trade deficit dropped by 12% to register a deficit of US$ 6.9 billion during July–September 2012/2013, compared to a higher deficit of US$ 7.8 billion in the same period last year. This is due to the 3% increase in export proceeds to record US$ 6.9 billion; along with the decrease of import payments by 5 percent reaching US$ 13.8 billion.
Moreover, the services balance has accumulated a surplus of US$ 1.7 billion (0.6 percent of GDP) during July-September 2012/2013 compared to a slightly lower surplus of US$ 1.6 billion during the same period of the previous year.

Total services receipts increased to US$ 5.6 billion mainly as a result of transportation receipts, which increased by 8 percent to US$ 2.2 billion compared to US$ 2 billion during the same period in the previous

In the meantime, tourism receipts declined slightly by 2.3% to record US$ 2.6 billion during July- September of FY 2012/13, compared to US$ 2.7 billion during the same period of the previous year. Moreover, Suez Canal reciepts decreased by 5.3% registering US$ 1.3 billion.

Private transfers witnessed a notable increase of 21 percent to record US$ 4.9 billion during the period July-September 2012/2013 compared to US$ 4 billion during the same period in the year before, mainly due to Egyptian workers' remittances transferred from abroad. It is worthy to note that private transfers is ranked the first most important source of foreign currency, constituting 27.8 of total current account receipts.

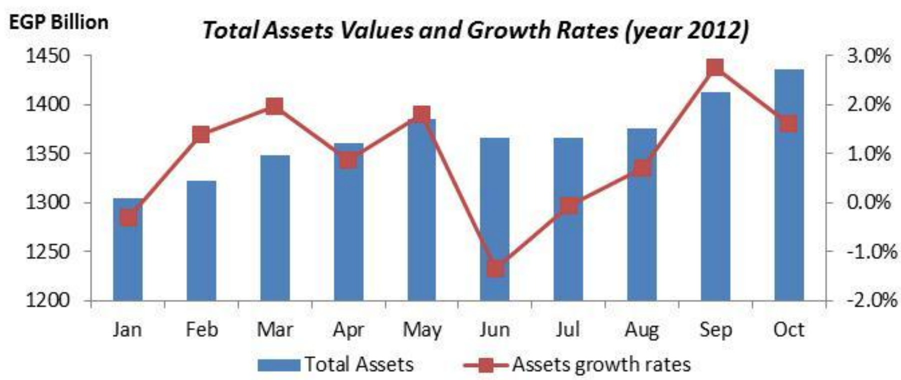
On the other hand, the capital and financial account reported a net inflow of US$ 0.4 billion during the period July-September 2012/13; versus an inflow of US$ 0.5 billion during July-September 2011/2012. This comes as portfolio investments outflows decelerated notably by 81% to record US$ 0.3 billion during July-September 2012/2013 compared to US$ 1.7 billion during July-September 2011/2012, due to the decline in foreigners' sales of their holding of securities, especially T-Bills (reaching only US$ 276 million, in comparison with US$ 1.4 billion in the same period of the previous year). Moreover, net foreign direct investments in Egypt declined recorded a net inflow of US$ 0.1 billion compared to a net inflow of US$ 0.4 billion during July-September 2011/12

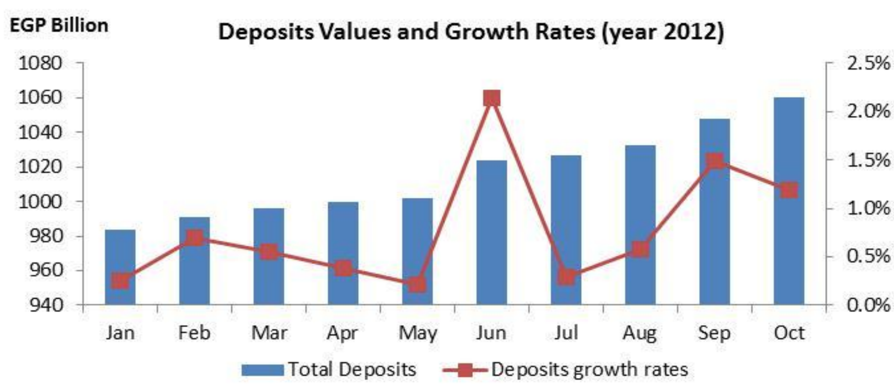
Local Economy Snapshot continued

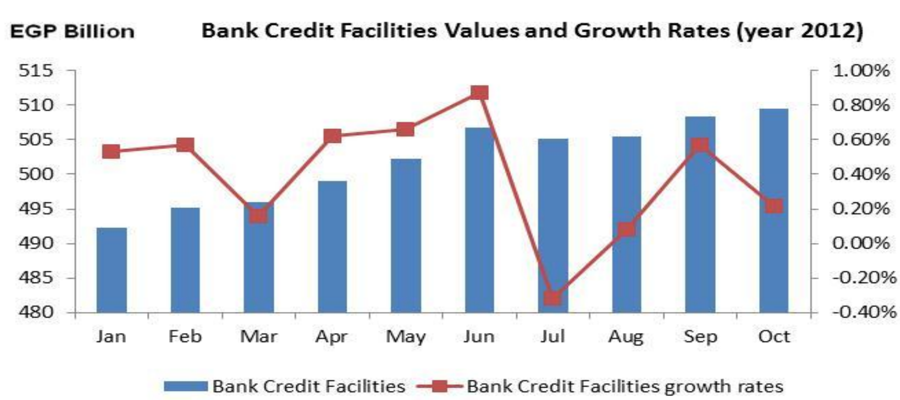
Banking Sector Performance

The Banking sector was one of the sectors hardly hit by the imbalances came up after the 25th of Jan revolution and its lasting effects, however it was able to weather these negative effects and started showing signs of recovery as Total Assets showed a growth rate of 10% during the period January 2012- October 2012.

Total Deposits also regained its positive growth rate to post 7% during the same period. Credit facilities recorded 3.5% increase during the period January 2012- October 2012.







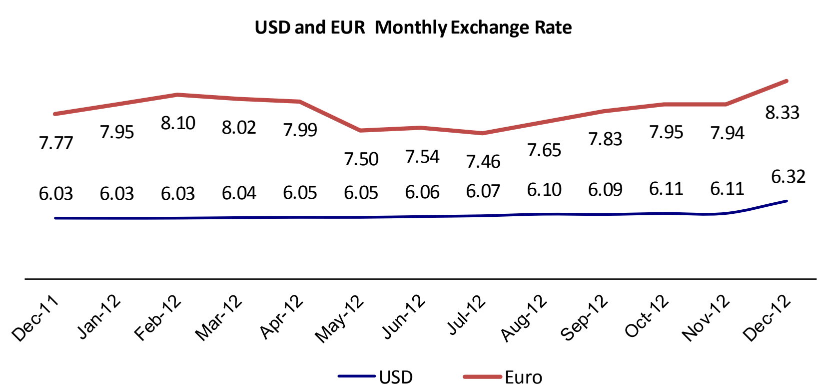
Net International reserve (NIR)

CBE net international reserves (NIR) have declined from a peak of US$ 36 billion in December 2010, to reach US$ 15 billion at end of December 2012, posting an overall decline of 58% since its peak.

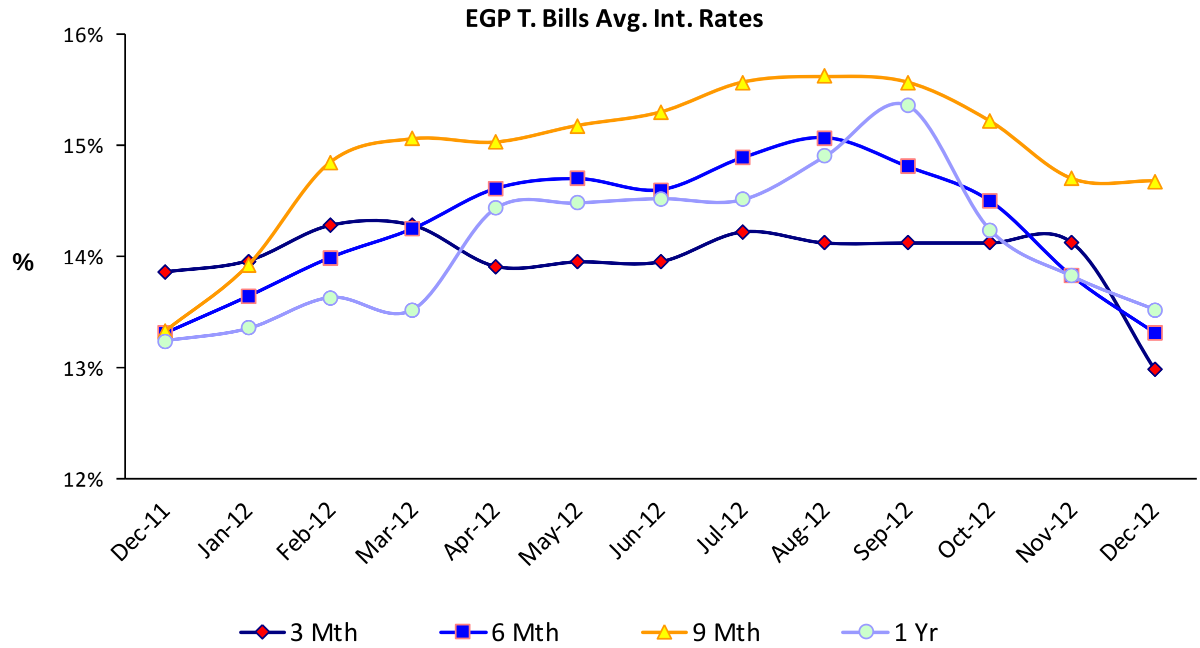
In a related development, the CBE pumped US$ 945 million. through 14 auctions since December 30,2012. The auctions are part of the policy designed to control the foreign reserves depletion which reached a critical stage covering only 3 months of merchandise imports.

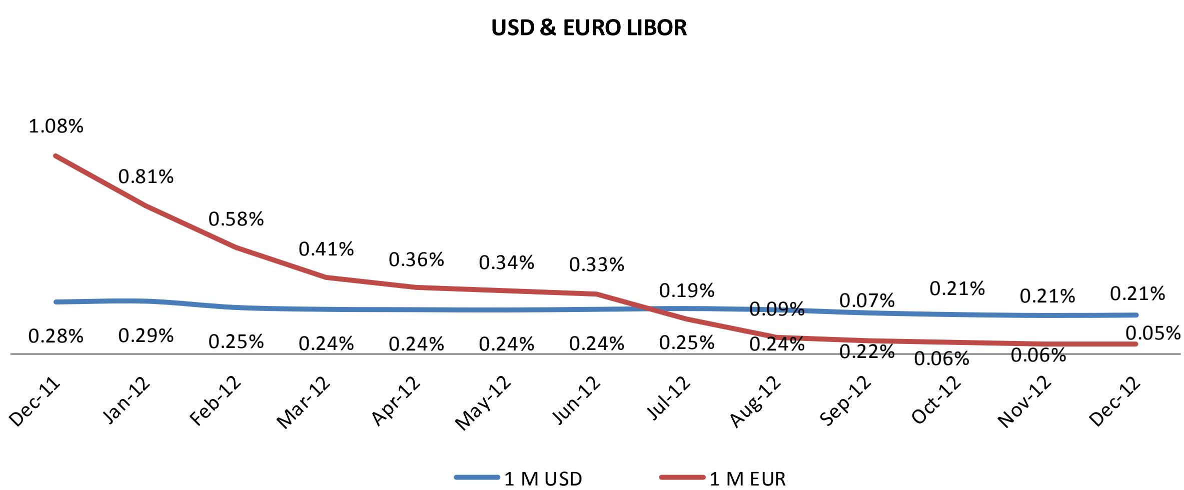
Exchange and interest rates

The Egyptian pound is in downward trend towards more depreciation during 2012 and 2013 being affected by strong pressures it faced due to the sluggish performance the economy was facing, that pushed its Exchange rate against the US Dollar to post EGP 6.32 per dollar by end of December 2012 compared to EGP 6.03 & EGP 5.80 per dollar by end of December 2011 & 2010 respectively. In December 2012, EUR sharply increased to reach 8.33 vs. 7.77 & 7.69 per euro by end of December 2011 & 2010 respectively.



Local Economy Snapshot continued



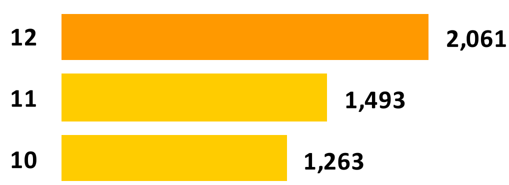


The Year 2012 at a Glance

Financial Highlights

Net Interest Income

(EGP mil)



Net interest income grew by EGP 568 million or 38% in 2012 vs. 2011.

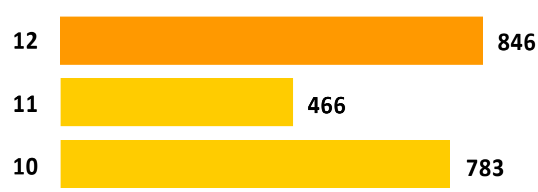
Total Assets

(EGP mil)

Total Assets increased by EGP 3,301 million or 8.7% in 2012 vs. 2011.

Net Profit before income tax

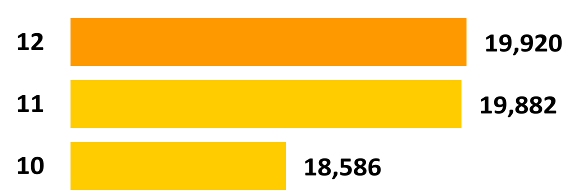
(EGP mil)



Net Profit before income tax increased by EGP 380 million or 81.7% in 2012 vs. 2011.

Net Loans

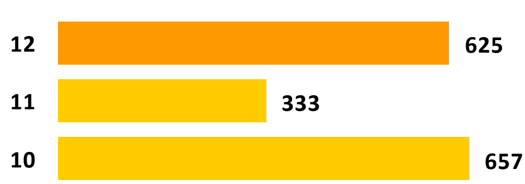
(EGP mil)



Net Loans stood at the same level at 2011.

Net Profit

(EGP mil)



Net Profit for the year increased by EGP 292 million or 87.8% in 2012 vs. 2011.

Customers' Deposits

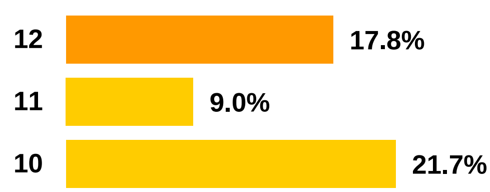
(EGP mil)

Customers' deposits increased by EGP 2,686 million or 8.7% in 2012 vs. 2011.

Financial Highlights continued

Return on Equity

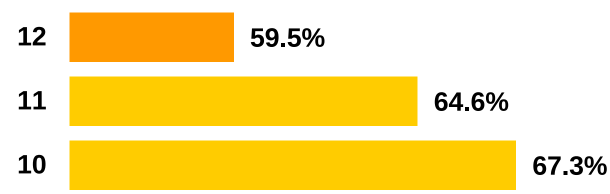
(%)



Return on Equity increased by 8.8% in 2012 vs. 2011.

loans (Net) / Deposits

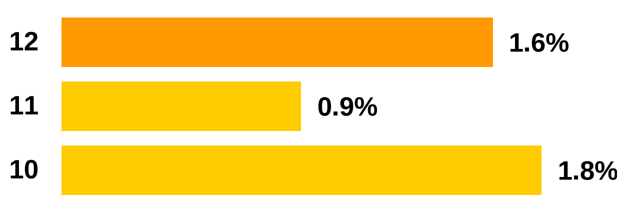
(%)



Net Loans to deposits ratio declined by 5.1% in 2012 vs. 2011.

Return on Assets

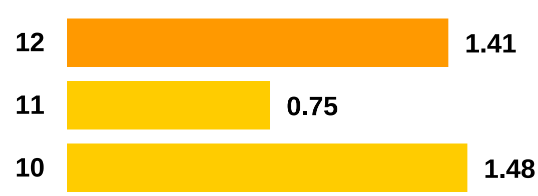
(%)



Return on assets increased by 0.7% in 2012 vs. 2011.

Earnings per Share

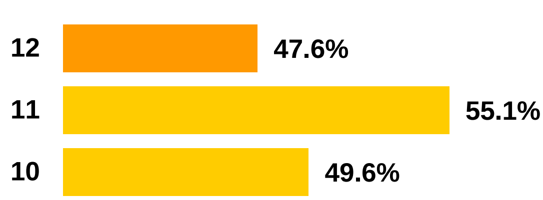
(EGP)



Earnings per share increased by EGP 0.66 or 88% in 2012 vs. 2011.

Cost / Income

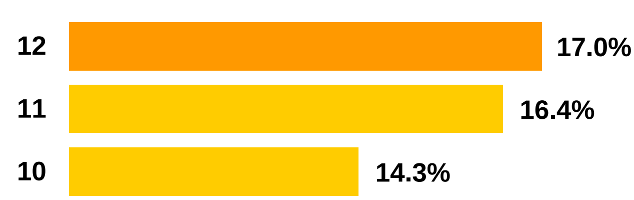
(%)



Cost to income ratio decreased by -7.5% in 2012 vs. 2011.

Capital Adequacy

(%)



Capital adequacy increased by 0 .6% to 17% in 2012 vs. 2011.

Balance Sheet Assets

(in EGP million) ASSETS	Balance as of 31/12/12	Balance as of 31/12/11	Change Abs.	%
Cash and balances with the Central Bank of Egypt	2,777	3,024	(247)	-8.2%
Due from banks	5,853	3,317	2,536	76.5%
Treasury bills and other bills eligible for rediscounting with the CBE	9,958	9,112	846	9.3%
Financial assets - held for trading	500	500	-	0.0%
Loans and advances to banks	19,420	19,382	39	0.2%
Loans and advances to customers	2	-	2	n.r
financial dervatives	-	-	-	0.0%
Financial investments				
Available -for- sale investments	1,594	1,538	55	3.6%
Held -to- maturity investments	212	226	(14)	-6.0%
Investments in associates	78	69	9	12.4%
Intangible Assets	24	46	(23)	-49.0%
Debit balances and other assets (net)	353	432	(78)	-18.1%
Real estate investment	0	0	-	0.0%
Fixed assets (net of accumulated depreciation)	341	165	176	106.7%
Total Assets	**41,112**	**37,811**	**3,301**	**8.7%**

- Increase in Treasury Bills by EGP 846 million (9.3%) reflects the strategy of investing the excess of liquidity in high yield T. Bills.
- Net Loans and advances to customers stood at the same level of EGP 19.4 billion as a combination of a drop in Corporate Loans by EGP 713 million due to the slowdown in the overall market demand, offset by an increase in Retail portfolio by 11.3 %.
- Due from banks increased by EGP 2,536 million mainly due to the increase in Deposits with CBE by EGP 2,000 million to be matured in Jan 2, 2013.
- Fixed Assets increased by EGP 176 million due to the completion of the new Head Office building in Smart Village of total Investment EGP 137 million .

Balance Sheet Liabilities and Shareholders' Equity

(in EGP millions)	Balance as of	Balance as of	Change	
Liabilities	**31/12/12**	**31/12/11**	**Abs.**	**%**
Due to banks	463	860	(397)	-46.1%
Customers' deposits	33,467	30,781	2,686	8.7%
financial dervatives	-	-	-	0.0%
Other Loans	988	958	29	3.0%
Credit balances and other liabilities	941	610	331	54.1%
Dividend payable	-	-	-	0.0%
Other provisions	424	423	1	0.2%
Current income tax liabilities	23	30	(8)	-24.9%
Deferred tax liabilities	65	55	10	19.1%
Retirement benefits obligations	451	384	67	17.4%
Total Liabilities	**36,821**	**34,102**	**2,719**	**8.0%**
Shareholders' Equity				
Issued & paid-in capital	800	800	-	0.0%
Reserves	1,070	977	92	9.4%
Retained Earnings	2,421	1,932	489	25.3%
Total Shareholders' equity	**4,291**	**3,709**	**582**	**15.7%**
Total shareholders' equity & liabilities	**41,112**	**37,811**	**3,301**	**8.7%**

- Customer Deposits base provides the primary source of funding increased by EGP 2,686 million (8.7%) vs. Dec. 2011, mainly due to the contribution of Retail Deposits growing by EGP 2,936 million (+12.1%) (Alex Star CDs increased by EGP 2,600 million 48.3% and Alex Green by EGP 194 million) this offset by decrease in Business Deposits by EGP 250 million (-4%).
- Retirement benefits obligations for the medical expense benefit increased by EGP 67 million (+17.4%) compared with previous year. The amount of the liability is determined every year by an external Actuarial consultant.
- Total Shareholders' Equity increased by EGP 582 million as result in increase of Retained earnings by EGP 489 million 25.3% and Reserves specially in fair value reserve/ financial investments available for sale by EGP 67 million, also an increase in legal reserve by EGP 17 million.

Income Statement

(in EGP million)	For the year ended 31/12/12	For the year ended 31/12/11	Change Abs.	Change %
Interest income on loans and similar income	3 810	3 022	787	26.1%
Interest expense on deposits and similar expenses	(1 748)	(1 529)	219	14.3%
Net interest income	2 061	1 493	568	38.0%
Fee and commission income	307	323	(16)	-5.0%
Fee and commission expenses	(9)	(7)	2	24.9%
Net fees and commission income	298	316	(18)	-5.7%
Net income	**2 359**	**1 809**	**550**	**30.4%**
Dividend income	28	24	4	16.3%
Net income from financial instruments classified at its inception equivalent value through profit or loss	1	-	1	n.r.
Net trading income	93	112	(20)	-17.5%
Gains (lossses) from financial investments	8	(18)	26	n.r.
Impairment losses on customers' loans	(428)	(374)	54	14.5%
Administrative Expenses	(1 157)	(1 009)	148	14.7%
Out of which				
Employees cost	(826)	(726)	100	13.7%
Other administartive expenses	(331)	(283)	48	17.0%
Other operating income (expenses)	(58)	(79)	(22)	-27.3%
Net profit before income tax	846	466	380	81.7%
Income tax expenses	(221)	(133)	88	66.2%
Net profit for the year	**625**	**333**	**292**	**87.8%**

Net interest income (EGP +568 million + 38.0 %)

- **Interest income on loans and similar income** increased by EGP 787 million (+26.1%). This growth can be attributable to the following:
  - Increase in interest income on Loans to customers by EGP 330 million (+18.4%) due to the increase in average volumes by EGP 692 million (+3.7%) and higher interest rate by (108 Bps).
  - Increase in interest income on Bonds and fixed-income Securities by EGP 523 million (+58.6%) over last year, due to higher average volumes by EGP 2,143 million (+25.7%) and higher interest rate (+267 Bps).
  - Decrease in interest income due to banks by EGP - 62 million (-24.4%), due to lower average volume by EGP 681 million (-13.6%) and lower interest rate by (-51 Bps) as a result of the strategy that favors investment in T-bills.
- **Interest expense on deposits and similar expenses** shows an increase of EGP 219 million (+14.3%). This growth can be attributable to the following:

- Increase in interest expense on Customers Deposits by 222 EGP million (+14.8%) mainly due to increase of LCY CDs average volumes by EGP 2,476 EGP million (+36.5%).
- Decrease in interest on Due to banks by EGP 4 EGP million (-84.9%), compared to the last year.

Net fees and commission income (EGP -18 million-5.7%)

- Fees and Commission income on loans decreased by EGP 28 million (-17.6%) mainly due to the cancellation of the HDB commission collected from consumer loans.
- The increase in other commissions and fees on payments EGP 11 million (+7.1%) mainly due to the contribution from Yellow Remittances commission that amounted to EGP 8.9 million in 2012.
- Fees and commission expenses remains at same level of EGP 9 million.

Dividends income (EGP +4 million-16.3%)

- Mainly due to increase in AFS securities by EGP 3.5 million and EGP 0.5 million in HTM securities.

Net trading income (EGP -20 million-17.5%)

- Mainly due to decrease in profits from foreign currencies exchange by EGP 47 million (-45%) and increase in profits of trading debt instrument by 31 EGP million

Gain (Losses) from financial investments (EGP +26 million+800%)

- Mainly due to the impairment occurred in 2011 on 1st Mutual Fund (AFS) amounted to EGP 28.1 million. While the profit from sale of financial investments HTM and associates stood of the same level of the previous year.

Administrative expenses (EGP +148 million +14.7%)

- Personnel cost increased by EGP 100 million (+13.7%) mainly affected by increase of salaries and wages by EGP 117 million (+20%), due to three tranches of salary increases in April, July and October (the last two linked to Bank's performance achievement versus budget), in addition to increase of social insurance by EGP 2 million (+6.5%) and decrease of defined benefits plans by EGP 19 million (-18.5%). The monthly average amount of the 20 biggest employees' salaries for the current year is equal to EGP 2,286 Thousand .
- Number of personnel decreased by 21 employees.

- Other administrative expenses increased by EGP 48 million. (+17%).
  - Insurance expense decreased by EGP 2 million . (-8%), due to effect of decrease in Consumer Loans volumes.
  - Advertising expense decreased by EGP 1.5 million. (-5%).
  - Indirect personnel expenses increased by EGP 2 million. (18%).
  - Logistics expense increased by EGP 4 million. (16%), this results from increase of rental premises expense and furniture maintenance.
  - Information systems increased by EGP 17 million. (+42%), mainly in the HW/SW maintenance by EGP 6 million and EGP 7 million resulting from the new accounting treatment for Microsoft Licenses.
  - Fixed Assets Depreciation increased by EGP 19 million as a result of increasing in Depreciation of SW by EGP 14 million (+61%) (of which EGP 7 million of anticipating depreciation of the residual value of Microsoft Licenses) and in Building by EGP 5 million due to the new Head Quarter in Smart Village.

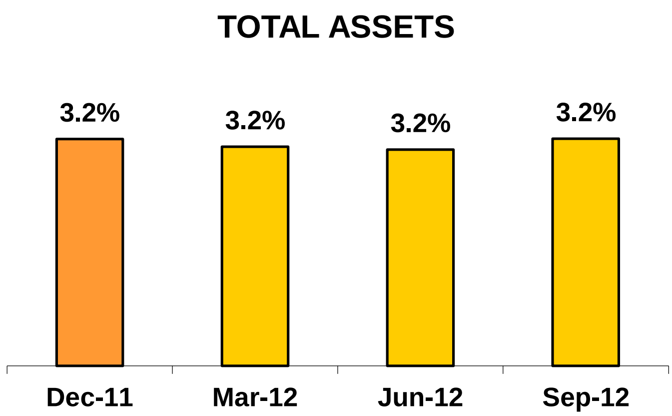
Impairment losses on customers' loans (EGP +54 million+14.5%)

- Impairment losses on Customers loans increased mainly due the higher provision for Taxi Loans amounted EGP 30 million and downgrade of Corporate customers.
- Impairment losses on HTM investments increased by EGP 5 million (+147%)

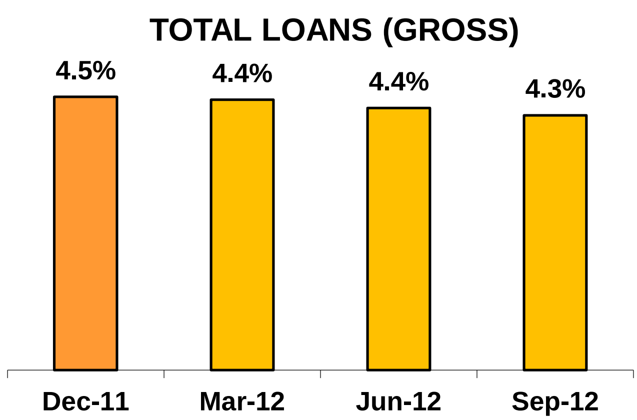
Income Tax expenses (EGP +88 million+66.2%)

- Due to increase in the Profit of the year.

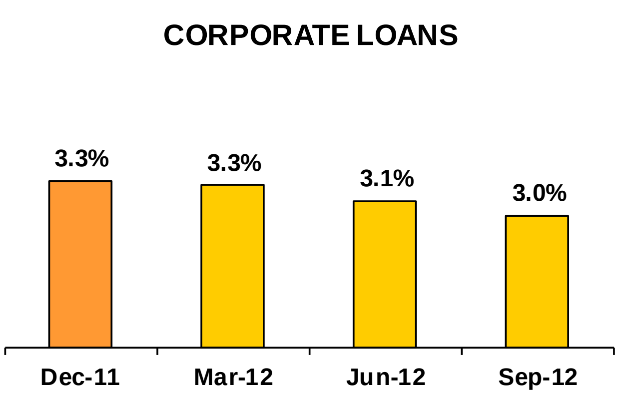
Market Share

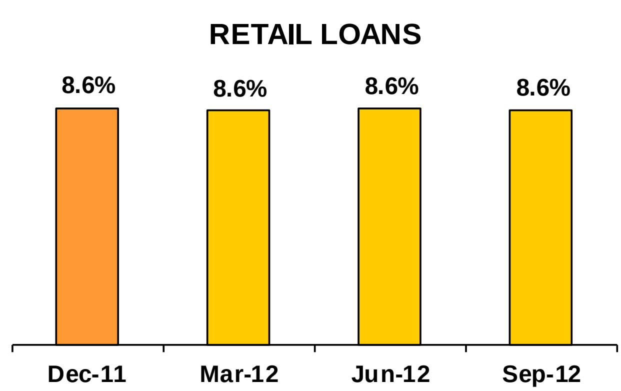


Total Assets market share remains stable at 3.2% as of September 2012, compared to December 2011.



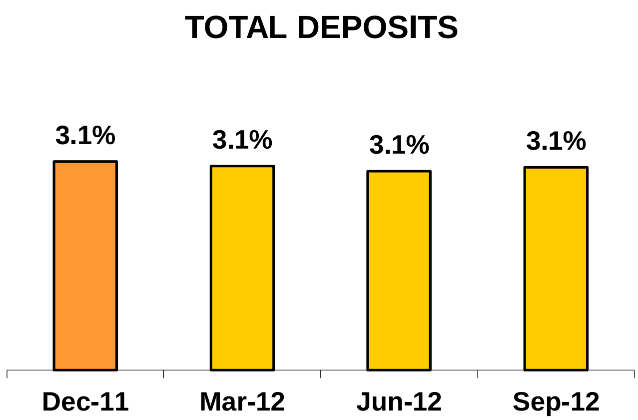
Total Loans market share dropped to 4.3% of in September 2012, due to the decrease in corporate Loans market share to 3.0% against 3.3% in December 2011.



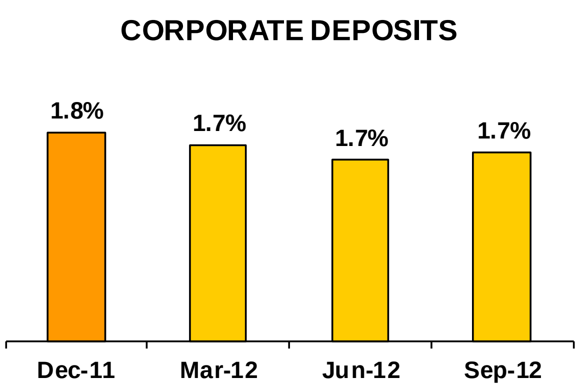


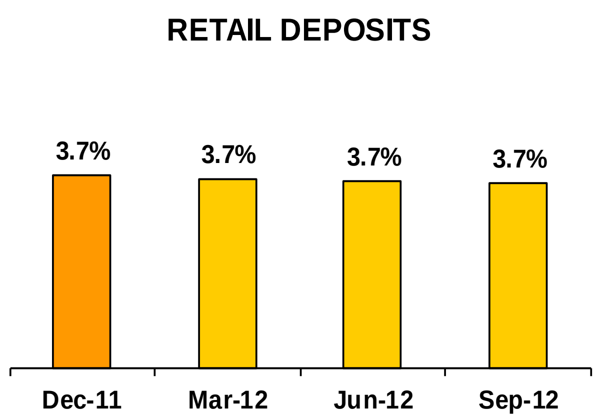
Financial Position Key Drivers

Market Share Continued



Total Customer Deposits market share remains stable compared to December 2011, due to unchanged market share both in Corporate and Retail





Financial Position Key Drivers

Corporate Social Responsibility

❑ Bank's Approach

ALEXBANK is a bank of more than 5,000 employees, doing business across all Egyptian regions. We support a vast network of stakeholders from clients, employees and business partners to community leaders and investors. The work we do impacts not only other companies' business success, but the efficiency and innovation of our country, cities and our communities

ALEXBANK is working towards the upgrading & the enlargement of its CSR activities both internally and externally involving all our stakeholders. Alex bank's philosophy is to integrate corporate social responsibility into all day-by-day business activities.

We developed a thoughtful and comprehensive approach to Corporate Social Responsibility aligned with ALEXBANK and ISP Group's values and based on the vital integration and maximizes the impact we can make as a global enterprise.

We in ALEXBANK believe that in order to build a sustainable society and simultaneously create social and economic value there must be a vital integration of our corporate Social Responsibility concept among bank strategy, management and each and every employee involvement.

We do believe that this approach creates long term stakeholders values towards the development of the Egyptian Society in the fields of Health, Education, Socioeconomic development & the Environmental domain.

Key Achievements:

"2012…Reconstruction and Growth "

Internal CSR Key Projects in 2012

One Family Program

ALEXBANK has launched in 2011 and extended through 2012 the internal CSR campaign "One Family". The One family program is a merge between volunteerism & solidarity among the employees of ALEXBANK. The program briefly is based on a system of collective participation aimed to support the families of the deceased employees. Each employee is to donate a fairly small amount of his/her salary per case, including a standard donation provided by the bank. The amount generated is facilitated in fulfilling any debts (financial engagements) on the deceased colleague & the remainder is provided to the family of the employees. This creates a great sense of solidarity & kinship among our employees, who are dependent on each other to take care of their loved ones.

Employee Family Medical Support Program

The Employee Family Medical Support Program has been initiated at the end of 2011 in which the CSR Office in coordination with the Medical Department dedicates a financial support to employees 'direct family members for medical treatments as well as severe medical cases. During 2012 the CSR Office supported over thirty medical cases of employees' families.

Internal CSR Competiton For Employees "For My people"

"For My People" Competition is a clear refection of ALEXBANK belief in creating a shared value that can be handled in the future by collaborating with our partners ,and most importantly our employees. This year, the CSR office Initiated "For my People" CSR competition for all ALEXBANK employees in all our network regions. In this competition, the CSR Office receives from the staff a proposal about a specific CSR venue or a CSR proposal that he/she believes is applicable for ALEXBANK to fund. At the end of the completion three of all projects submitted where chosen to be funded by the CSR Office.
Providing and improving Health services for vulnerable children and help improve their families in the Slums of Cairo (Shobra) in collabartion with Arab NGO for human and environmental development
Funding heart operations for children in collaboration with El Orman Local NGO.
Health and Environmental awareness campaign to students and schools in Ibrahim Al Attar in Alexandria in collaboration with El Mogedoun NGO.

External CSR Community Projects in 2012

One of ALEXBANK's CSR principles of conduct in relationship with communities is the support of non-profit organizations. The bank acknowledges the role of non-profit organizations in promoting the fair and cohesive development of our society. Furthermore, In relation to our CSR strategy we aim to support and develop partnerships in order to carry out projects that benefit our community.

The sponsorship of the Brest Cancer Foundation in Egypt (BCFE).

ALEXBANK BCFE sponsorship aims at promoting breast health through breast cancer awareness, education, the importance of early detection, and eradicate the stigma attached to having breast cancer to women in all social and economic strata.
ALEXBANK also sponsored the Suzan G. Komen "Rally for A Cure". The Suzan G. Komen is the world's largest breast cancer organization dedicated to the fight against breast cancer. The Race for the Cure is in partnership with the BCFE which is done on a yearly basis in the month of October to promote awareness to women about the breast cancer cause in a form of a one day sport event (Marathon).

Sponsorship of the Renovation of CARITAS Ngo Nursery 2012.

Caritas- is an international NGO in Egypt which provides a variety of general social services, such as financial assistance, medical centers, food programs, small project funding, literacy, kindergarten, social leaders training, programs for the mentally challenged, vocational training, psychological counseling, drug control, and AIDS awareness. In 2012, one of the main CSR projects of ALEXBANK is Caritas- Kindergarten Children playground. This project was a joint project between the CSR Office and the Real Estate Division in which ALEXBANK transformed the place from a deserted area to a full equipment playground for underprivileged children.

Sponsorship of Samusocial International Egypte 2012.

ALEXBANK Sponsorship to Sam social International Egypt aims at mainly campaigning against stigma and creating an increased sense of social belonging for street children in Egypt. ALEXBANK donation will be used by Sam social exclusively to fund expenses directly allocable to the activities developed to help the children during 2012-2013.This project aims at creating social bonds with the most excluded children as well as setting up emergency shelters and professional services for them. It also focuses on the children's right to be recognized with regard to their security, health, education and protection in the Egyptian Society.

Sponsorship of the Italian consulate in Cairo and Alexandria for their cultural programs during 2012.

The sponsorship of the Italian consulate in Cairo and Alexandria in support of their cultural activities and sponsorships implemented across Egypt.

Funding of the renovation of the Monument "Cippo of Bersagliere" In El Alamein.

Sponsorship of the renovation of the Historical Monument of "Cippo of Bersagliere" located in El Alamein in Egypt. The sponsorship entitled the renovation of a Historic Monument for Italians who passed away during the Second World War

CSR Compliance and Governance.

- ALEXBANK distributes the Code of Conduct for all employees. The Code of Conduct ensures that our company is in line with social standards, Group Rules and requires each employee not only to observe laws and regulations, but also to carry out and accomplish corporate activities and daily work in accordance with corporate ethical guidelines and social values.
- ALEXBANK aims to ensure that we succeed in being recognized from society and are respected as a trustworthy bank. To this end, the bank has also distributed the Group Code of Ethics, which requires all employees to improve their understanding of the values
- ALEXBANK adopted "Rules for the Environmental and Energy Policy" in November 2012 and shared it with the concerned divisions in order to implement it in ALEXBANK daily work policies and procedures and benefit both the company as a whole as well as individual departments , divisions and employees.
- ALEXBANK adopted "Sustainability rules for the purchase and use of paper and derivative material" in December 2012 in order to promote the usage of paper with a lower environmental impact. By adopting this policy ALEXBANK concerned divisions will be committed to reducing the risks to health and the environment of printing methods.
- ALEXBANK adopted "Rules for the Implementation of the Equator Principles in Subsidiary banks "in December 2012 and shared it with the concerned divisions in order to Implement it in ALEXBANK daily work policy and procedures. As stated in the Code of Ethics,
- ALEXBANK adopted the Equator Principles in 2012, and has undertaken various activities to integrate the principles into internal project management processes. The objective of this document is to define the rules governing the application of the Equator Principles in Intesa Sanpaolo ISBs. These rules are strictly related to the "Group Credit Governance Guidelines" in regards to credit matters, and the Corporate Social Responsibility issues in regards to environmental and social impacts.

Training Programs

❑ Compliance & security

Anti Money Laundering internal program

Providing the Bank employees with updates in Anti money laundering (No. of Participants 1312)

Information Security

Ensuring that all employees are aware of information security threats and concerns, their responsibilities and liabilities and are equipped to support organizational security policy in the course of their normal work (No. of Participants 1284)

❑ Branch network

Change Management& Customer Services Excellence (Rise Up)

This project is tailored for branches network employees. It has been applied in parallel with Rise up project (the new organizational structure) (No. of Participants 1413)

Cash & Credit Security Awareness

Keeping tellers and Cash handling officers updated with Cash & Credit Security Awareness to minimize its risk (No. of Participants 375)

❑ New business

Induction for small Business RM's

Providing participants with necessary knowledge to enable them effectively integrate in to the bank and quickly enabling each of them to become contributing members of the work team (No. of Participants 38)

Induction for Magnifica RM's

Providing participant with necessary knowledge and skills needed for their new role (No. of Participants 18) .

❑ Managerial skills

Communication& Coaching Skills for Mangers

Aims at developing communication and Coaching skills for Alex Bank managers in order to develop working groups and achieve the desired results. (No. of Participants 385)

Performance appraisal

Introducing the new Performance Management system (No. of Participants 410)

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of financial position
as at 31 December 2012

Assets	**Note No.**	**31/12/2012 EGP 000**	**31/12/2011 EGP 000**
Cash and due from Central Bank of Egypt	(16)	2 776 853	3 024 252
Due from banks	(17)	5 853 366	3 317 203
Treasury bills and other governmental notes	(18)	9 957 515	9 111 607
Loans and advances to banks	(19)	500 000	500 000
Loans and advances to customers	(20)	19 420 187	19 381 559
Financial assets classified at fair value through profit and loss	(21)	1 911	-
Financial investments :			
Available -for- sale	(22)	1 593 675	1 538 466
Held- to- maturity	(22)	212 328	225 857
Investments in associates	(23)	77 796	69 214
Intangible assets	(24)	23 606	46 243
Other assets	(25)	353 455	431 592
Investment property	(26)	51	51
Fixed assets	(27)	341 371	165 174
Total assets		**41 112 114**	**37 811 218**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(28)	463 113	859 684
Customers' deposits	(29)	33 466 748	30 781 126
Other loans	(30)	987 628	958 479
Other liabilities	(31)	941 084	610 499
Other provisions	(32)	423 516	422 703
Current income tax liabilities		22 808	30 375
Deferred tax liabilities	(33)	65 337	54 863
Retirement benefits obligations	(34)	451 075	384 382
Total Liabilities		**36 821 309**	**34 102 111**
Shareholders' equity			
Issued and paid-in capital	(35)	800 000	800 000
Reserves	(36)	1 069 599	977 379
Retained earnings	(36)	2 421 206	1 931 728
Total Shareholders' equity		**4 290 805**	**3 709 107**
Total liabilities and Shareholders' equity		**41 112 114**	**37 811 218**

The accompanying notes from page (31) to page (114) are an integral part of these financial statements and are to be read therewith.

Bank of Alexandria

(Egyptian Joint Stock Company)

Income statement

for the yaer ended 31 December 2012

	Note No.	12/31/2012 EGP 000	12/31/2011 EGP 000
Interest income and similar income	(6)	3 809 709	3 022 318
Interest expense and similar charges	(6)	(1 748 308)	(1 528 944)
Net interest income		2 061 401	1 493 374
Fee and commission income	(7)	306 687	322 905
Fee and commission expenses	(7)	(8 809)	(7 052)
Net fee and commission income		297 878	315 853
Net income		**2 359 279**	**1 809 227**
Dividends income	(8)	28 046	24 123
Net income from financial assets classified at fair value through profit and loss	(9)	607	-
Net trading income	(10)	92 763	112 491
Gains from financial investments	(22)	8 181	(17 907)
Impairment loss on loans and advances	(13,20)	(427 994)	(373 791)
Administrative expenses	(11)	(1 156 677)	(1 008 797)
Other operating expenses	(12)	(57 713)	(79 345)
Net profit before income tax		846 492	466 001
Income tax expenses	(14)	(221 427)	(133 222)
Net profit for the period		625 065	332 779
Earnings per share (LE/share) - Basic	(15)	1.41	0.75

The accompanying notes from page (31) to page (114) are an integral part of these financial statements and are to be read therewith.

Bank of Alexandria

(Egyptian Joint Stock Company)

Statement of changes in shareholders' equity

for the year ended 31 December 2012

	Note No.	Paid - in capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2010		800 000	1 140 660	1 737 851	3 678 511
Transferred to legal reserve		-	32 743	(32 743)	-
Transferred to other reserves		-	1 937	(1 937)	-
Profit appropriation of year 2010		-	-	(104 383)	(104 383)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	(6 956)	-	(6 956)
Net change in fair value of the available-for-sale investments		-	(190 844)	-	(190 844)
Net change in general banking risks reserve		-	(161)	161	-
Net profit for the year end 31 December 2011		-	-	332 779	332 779
Balance as at 31 December 2011		**800 000**	**977 379**	**1 931 728**	**3 709 107**
Balance as at 31 December 2011		800 000	977 379	1 931 728	3 709 107
Transferred to legal reserve	(36)	-	16 603	(16 603)	-
Transferred to other reserves	(36)	-	710	(710)	-
Profit appropriation of year 2011		-	-	(118 256)	(118 256)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	8 365	-	8 365
Net change in fair value of the available-for-sale investments	(36)	-	66 524	-	66 524
Net change in general banking risks reserve		-	18	(18)	-
Net profit for the year end 31 December 2012		-	-	625 065	625 065
Balance as at 31 December 2012		**800 000**	**1 069 599**	**2 421 206**	**4 290 805**

The accompanying notes from page (31) to page (114) are an integral part of these financial statements and are to be read therewith.

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of cash flows
for the year ended 30 December 2012

	For the period ended 31/12/2012 EGP 000	For the period ended 31/12/2011 EGP 000
Cash flows from operating activities		
Net profit for the period before taxes	846 492	466 001
Adjustments to reconcile net profit to cash flows provided from operating activities		
Depreciation and amortization	78 508	59 152
Losses resulted from events of January 25 , 2011	-	1 556
Impairment of assets	427 994	373 791
Other provisions formed (reserved)	19 049	(14 884)
Revaluation differences of financial assets held -for- trading	-	(1 285)
Net income from financial assets classified at fair value through profit and loss	(607)	-
Provisions used (other than loans provision)	(27 631)	(6 423)
Proceeds from amounts previously written-off	16	60
Foreign currencies revaluation differences of other provisions	4 281	2 408
Foreign currencies revaluation differences of other loans	43 065	34 050
Revaluation differences of financial investments (other than financial assets held -for- trading)	(1 454)	(2 214)
Revaluation differences of fair value reserves/available-for-sale investments	(22)	(23)
Interest income from treasury bills and bonds - impact of the recalculation of bonds by the amortized cost	(53)	(70)
Gains from sale of fixed assets	(5 390)	(710)
Dividends income	(28 046)	(24 123)
Impairment losses of investments (other than financial assets held -for- trading)	988	28 127
Gains on sale of investments (other than financial assets held -for- trading)	(9 169)	(10 220)
Gains of financial investments transferred from reserve of fair value account	130	209
Operating profits before changes in assets and liabilities used in operating activities	1 348 151	905 402
Net decrease (increase) in assets and (decrease) increase in liabilities		
Balance with Central Bank within the mandatory reserve percentage	362 272	(427 082)
Due from banks	(294 744)	27 009
Treasury bills and other governmental notes	(1 883 568)	(3 257 649)
Financial assets held-for-trading	-	99 971
Loans and advances to customers	(556 954)	(1 668 434)
Financial assets classified at fair value through profit and loss	(1 304)	-
Other assets	28 820	(70 531)
Due to banks	(396 571)	(2 539 954)
Customers' deposits	2 685 622	3 167 382
Other liabilities	330 585	(130 220)
Retirement benefits obligations	66 693	84 786
Paid taxes	(229 847)	(175 420)
Net cash flows used in from operating activities	**1 459 155**	**(3 984 740)**
Cash flows from investing activities		
Payments to purchase fixed assets and preparation of branches	(75 673)	(24 740)
Proceeds from sale of fixed assets	6 302	2 231
Proceeds from sale of financial investments other than financial assets held -for- trading	90 134	1 763 736
Payments to purchase financial investments other than financial assets held -for- trading	(47 333)	(273 855)
Payments to purchase intangible assets	(14 306)	(27 139)
Dividends Received	32 525	28 001
Net cash flows (used in) provided from investing activities	**(8 351)**	**1 468 234**
Cash flows from financing activities		
Payments of other loans	(13 916)	(30 817)
Dividends paid	(118 256)	(96 032)
Net cash flows used in financing activities	**(132 172)**	**(126 849)**
Net change in cash and cash equivalents during the period	1 318 632	(2 643 355)
Cash and cash equivalents at the beginning of the period	5 036 409	7 679 764
Cash and cash equivalents at the end of the period	**6 355 041**	**5 036 409**
Cash and cash equivalents are represented in the following (note no. 38):		
Cash and due from Central Bank	2 776 853	3 024 252
Due from banks	5 853 366	3 317 203
Treasury bills and other governmental notes	9 957 515	9 111 607
Balances with Central Bank within the mandatory reserve percentage	(2 046 002)	(2 408 274)
Deposits with banks with maturity more than three months *	(367 019)	(72 275)
Treasury bills and other governmental notes (with maturity more than 3 months)	(9 819 672)	(7 936 104)
Cash and cash equivalents	**6 355 041**	**5 036 409**

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

EGP000	138 379	from both payments to purchase fixed assets and the changes in debit balances, which represent the amounts, transferred from assets under constructions.
EGP 000	88 586	from both changes in debit balances and loans (assets reverted to the bank).
EGP000	4 622	from both payments to purchase fixed assets and the changes in debit balances, which represent the amounts, transferred from assets reverted to the bank.
EGP 000	76 888	from both changes in fair value reserve and financial investments available for sale (investments valuation differences).

* From the date of acquisition.

The accompanying notes from page (31) to page (114) are an integral part of these financial statements and are to be read therewith.

Alex Bank (Egyptian Joint Stock Company)

Profit Appropriation Statement (Proposed)

for the year ended 31 December 2012

	For the year ended 31/12/2012 LE000	For the year ended 31/12/2011 LE000
Net profit for the year	625 065	332 779
Less:		
Capital gains transferred to reserve according to the law	(5 389)	(710)
Bank risk reserve	(397)	(18)
Appropriated profit for the year	619 279	332 051
Retained earnings at the beginning of the year	1 796 141	1 598 949
Total	**2 415 420**	**1 931 000**
Appropriation		
Legal reserve	30 964	16 603
Shareholders' dividends	500 052	84 511
Employees' share	58 831	31 545
Board of directors members remuneration	2 200	2 200
Retained earnings at the end of the year	1 823 373	1 796 141
	2 415 420	**1 931 000**

The accompanying notes from page (31) to page (114) are an integral part of these financial statements and are to be read therewith.

Bank of Alexandria
(Egyptian Joint Stock Company)

Financial Statements
For the year ended 31 December 2012
And Auditors' Report

KPMG Hazem Hassan
Public Accountant & Consultants

Allied For Accounting & Auditing – E & Y
Public Accountant & Consultants

Contents

KPMG Hazem Hassan
Public Accountant & Consultants

Allied For Accounting & Auditing – E & Y
Public Accountant & Consultants

Translation of financial statements originally issued in Arabic

Auditors' Report
To the Shareholders of Bank of Alexandria (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Alexandria (S.A.E) which compromise the statement of Balance sheet as at 31 December 2012 and the statements of income, changes in equity and cash flows 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 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 pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and in light of the prevailing Egyptian laws , management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained 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 Bank of Alexandria (S.A.E) as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Central Bank of Egypt's rules, pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Boards of Directors on 16 December 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2012 no contravention of the central bank, banking and monetary institution law No.88 of 2003 and articles of incorporation were noted.

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

The financial information included in the Board of Directors' report which is prepared according to law no 159 of 1981 and its executive regulations , is in agreement with the books of the Bank insofar as such information is recorded therein.

Auditors

Emad Hafez Raghib	Hassan Basyoni Elbesha
Allied for Accounting & Auditing (E&Y)	KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants
11

Cairo , 21 February 2013

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of Balance Sheet
as at 31 December 2012

Assets	Note No.	31/12/2012 EGP 000	31/12/2011 EGP 000
Cash and due from Central Bank of Egypt	(16)	2 776 853	3 024 252
Due from banks	(17)	5 853 366	3 317 203
Treasury bills and other governmental notes	(18)	9 957 515	9 111 607
Loans and advances to banks	(19)	500 000	500 000
Loans and advances to customers	(20)	19 420 187	19 381 559
Financial assets classified at fair value through profit and loss	(21)	1 911	-
Financial investments :			
Available -for- sale	(22)	1 593 675	1 538 466
Held- to- maturity	(22)	212 328	225 857
Investments in associates	(23)	77 796	69 214
Intangible assets	(24)	23 606	46 243
Other assets	(25)	353 455	431 592
Investment property	(26)	51	51
Fixed assets	(27)	341 371	165 174
Total assets		**41 112 114**	**37 811 218**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(28)	463 113	859 684
Customers' deposits	(29)	33 466 748	30 781 126
Other loans	(30)	987 628	958 479
Other liabilities	(31)	941 084	610 499
Other provisions	(32)	423 516	422 703
Current income tax liabilities		22 808	30 375
Deferred tax liabilities	(33)	65 337	54 863
Retirement benefits obligations	(34)	451 075	384 382
Total Liabilities		**36 821 309**	**34 102 111**
Shareholders' equity			
Issued and paid-in capital	(35)	800 000	800 000
Reserves	(36)	1 069 599	977 379
Retained earnings	(36)	2 421 206	1 931 728
Total Shareholders' equity		**4 290 805**	**3 709 107**
Total liabilities and Shareholders' equity		**41 112 114**	**37 811 218**

The accompanying notes from page (6) to page (86) are an integral part of these financial statements and are to be read therewith.

Audit Report "attached"

Chairman
Bruno Gamba

Chief Financial Officer
Stefano Borsari

Bank of Alexandria

(Egyptian Joint Stock Company)

Income statement

for the year ended 31 December 2012

	Note No.	For the year ended 31/12/2012 EGP 000	For the year ended 31/12/2011 EGP 000
Interest income and similar income	(6)	3 809 709	3 022 318
Interest expense and similar charges	(6)	(1 748 308)	(1 528 944)
Net interest income		2 061 401	1 493 374
Fee and commission income	(7)	306 687	322 905
Fee and commission expenses	(7)	(8 809)	(7 052)
Net fee and commission income		297 878	315 853
Net income		**2 359 279**	**1 809 227**
Dividends income	(8)	28 046	24 123
Net income from financial assets classified at fair value through profit and loss	(9)	607	-
Net trading income	(10)	92 763	112 491
Gains (loss) from financial investments	(22)	8 181	(17 907)
Impairment loss on loans and advances	(13,20)	(427 994)	(373 791)
Administrative expenses	(11)	(1 156 677)	(1 008 797)
Other operating expenses	(12)	(57 713)	(79 345)
Net profit before income tax		846 492	466 001
Income tax expenses	(14)	(221 427)	(133 222)
Net profit for the year		625 065	332 779
Earnings per share (EGP/share) - Basic	(15)	1.41	0.75

The accompanying notes from page (6) to page (86) are an integral part of these financial statements and are to be read therewith.

Chairman

Bruno Gamba

Chief Financial Officer

Stefano Borsari

Bank of Alexandria

(Egyptian Joint Stock Company)

Statement of changes in shareholders' equity

for the year ended 31 December 2012

	Note No.	Paid - in capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2010		800 000	1 140 660	1 737 851	3 678 511
Transferred to legal reserve	(36)	-	32 743	(32 743)	-
Transferred to other reserves	(36)	-	1 937	(1 937)	-
Profit appropriation of year 2010		-	-	(104 383)	(104 383)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	(6 956)	-	(6 956)
Net change in fair value of the available-for-sale investments	(36)	-	(190 844)	-	(190 844)
Net change in general banking risks reserve	(36)	-	(161)	161	-
Net profit for the year end 31 December 2011		-	-	332 779	332 779
Balance as at 31 December 2011		**800 000**	**977 379**	**1 931 728**	**3 709 107**
Balance as at 31 December 2011		800 000	977 379	1 931 728	3 709 107
Transferred to legal reserve	(36)	-	16 603	(16 603)	-
Transferred to other reserves	(36)	-	710	(710)	-
Profit appropriation of year 2011		-	-	(118 256)	(118 256)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	8 365	-	8 365
Net change in fair value of the available-for-sale investments	(36)	-	66 524	-	66 524
Net change in general banking risks reserve	(36)	-	18	(18)	-
Net profit for the year end 31 December 2012		-	-	625 065	625 065
Balance as at 31 December 2012		**800 000**	**1 069 599**	**2 421 206**	**4 290 805**

The accompanying notes from page (6) to page (86) are an integral part of these financial statements and are to be read therewith.

Chairman

Bruno Gamba

Chief Financial Officer

Stefano Borsari

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of cash flows
for the year ended 31 December 2012

	For the year ended 31/12/2012 EGP 000	For the year ended 31/12/2011 EGP 000
Cash flows from operating activities		
Net profit for the year before taxes	846 492	466 001
Adjustments to reconcile net profit to cash flows provided from operating activities		
Depreciation and amortization	78 508	59 152
Losses resulted from events of January 25 , 2011	-	1 556
Impairment of assets	427 994	373 791
Other provisions formed (reserved)	19 049	(14 884)
Revaluation differences of financial assets held -for- trading	-	(1 285)
Net income from financial assets classified at fair value through profit and loss	(607)	-
Provisions used (other than loans provision)	(27 631)	(6 423)
Proceeds from amounts previously written-off	16	60
Foreign currencies revaluation differences of other provisions	4 281	2 408
Foreign currencies revaluation differences of other loans	43 065	34 050
Revaluation differences of financial investments (other than financial assets held -for- trading)	(1 454)	(2 214)
Revaluation differences of fair value reserves/available-for-sale investments	(22)	(23)
Interest income from treasury bills and bonds - impact of the recalculation of bonds by the amortized cost	(53)	(70)
Gains from sale of fixed assets	(5 390)	(710)
Dividends income	(28 046)	(24 123)
Gains on sale of investments (other than financial assets held -for- trading)	(9 169)	(10 220)
Impairment losses of investments (other than financial assets held -for- trading)	988	28 127
Gains of financial investments transferred from reserve of fair value account	130	209
Operating profits before changes in assets and liabilities used in operating activities	1 348 151	905 402
Net decrease (increase) in assets and (decrease) increase in liabilities		
Balance with Central Bank within the mandatory reserve percentage	362 272	(427 082)
Due from banks	(294 744)	27 009
Treasury bills and other governmental notes	(1 883 568)	(3 257 649)
Financial assets held-for-trading	-	99 971
Loans and advances to customers	(556 954)	(1 668 434)
Financial assets classified at fair value through profit and loss	(1 304)	-
Other assets	28 820	(70 531)
Due to banks	(396 571)	(2 539 954)
Customers' deposits	2 685 622	3 167 382
Other liabilities	330 585	(130 220)
Retirement benefits obligations	66 693	84 786
Paid taxes	(229 847)	(175 420)
Net cash flows provided from (used in) from operating activities	**1 459 155**	**(3 984 740)**
Cash flows from investing activities		
Payments to purchase fixed assets and preparation of branches	(75 673)	(24 740)
Proceeds from sale of fixed assets	6 302	2 231
Proceeds from sale of financial investments other than financial assets held -for- trading	90 134	1 763 736
Payments to purchase financial investments other than financial assets held -for- trading	(47 333)	(273 855)
Payments to purchase intangible assets	(14 306)	(27 139)
Dividends Received	32 525	28 001
Net cash flows (used in) provided from investing activities	**(8 351)**	**1 468 234**
Cash flows from financing activities		
Payments of other loans	(13 916)	(30 817)
Dividends paid	(118 256)	(96 032)
Net cash flows used in financing activities	**(132 172)**	**(126 849)**
Net change in cash and cash equivalents during the year	1 318 632	(2 643 355)
Cash and cash equivalents at the beginning of the year	5 036 409	7 679 764
Cash and cash equivalents at the end of the year	**6 355 041**	**5 036 409**
Cash and cash equivalents are represented in the following (note no. 38):		
Cash and due from Central Bank	2 776 853	3 024 252
Due from banks	5 853 366	3 317 203
Treasury bills and other governmental notes	9 957 515	9 111 607
Balances with Central Bank within the mandatory reserve percentage	(2 046 002)	(2 408 274)
Deposits with banks with maturity more than three months *	(367 019)	(72 275)
Treasury bills and other governmental notes (with maturity more than 3 months)	(9 819 672)	(7 936 104)
Cash and cash equivalents	**6 355 041**	**5 036 409**

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

EGP000	138 379	from both payments to purchase fixed assets and the changes in debit balances, which represent the amounts, transferred from assets under constructions.
EGP 000	88 586	from both changes in debit balances and loans (assets reverted to the bank).
EGP000	4 622	from both payments to purchase fixed assets and the changes in debit balances, which represent the amounts, transferred from assets reverted to the bank.
EGP 000	76 808	from both changes in fair value reserve and financial investments available for sale (investments valuation differences).

* From the date of acquisition.

The accompanying notes from page (6) to page (86) are an integral part of these financial statements and are to be read therewith.

Chairman
Bruno Gamba

Chief Financial Officer
Stefano Borsari

Bank of Alexandria (Egyptian Joint Stock Company)

Profit Appropriation Statement (Proposed)

for the year ended 31 December 2012

	For the year ended 31/12/2012 EGP 000	For the year ended 31/12/2011 EGP 000
Net profit for the year	625 065	332 779
Less:		
Capital gains transferred to reserve according to the law	(5 389)	(710)
Bank risk reserve	(397)	(18)
Appropriated profit for the year	619 279	332 051
Retained earnings at the beginning of the year	1 796 141	1 598 949
Total	**2 415 420**	**1 931 000**
Appropriation		
Legal reserve	30 964	16 603
Shareholders' dividends	500 052	84 511
Employees' share	58 831	31 545
Board of directors members remuneration	2 200	2 200
Retained earnings at the end of the year	1 823 373	1 796 141
	2 415 420	**1 931 000**

The accompanying notes from page (6) to page (86) are an integral part of these financial statements and are to be read therewith.

Chairman
Bruno Gamba

Chief Financial Officer
Stefano Borsari

Bank of Alexandria
(Egyptian joint stock Company)
Notes to the financial statements
For the year ended 31 December 2012

1- General information

Bank of Alexandria provides retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 210 branches and banking units, and employs 5 462 staff members on 31 December 2012.

- Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank. On 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued and paid-in capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of SanPaolo I.M.I has been amended to Intesa Sanpaolo S.P.A.
- Bank of Alexandria currently performs its activities under the provisions of the Central Bank, Banking Sector, and Monetary law No. 88/2003.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa Sanpaolo S.P.A capital share decreased to 70.25%.

2- Summary of accounting policies

Following are the significant accounting policies applied in the preparation of the financial statements. These policies have been consistently applied for all periods presented unless otherwise stated.

A- Basis of preparation of financial statements

The financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) issued in 2006 and their amendments and in accordance with the instructions of the Central Bank of Egypt (CBE), approved by its Board of Directors on 16 December 2008 that are compliant with the standards referred; to under the historical cost convention, as modified by revaluation of financial assets, liabilities held for trading, financial assets and liabilities classified at inception at fair value through profit and loss, available for sale financial investments and all financial derivatives contracts.

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

B- Associates

Associates are entities over which the bank exercises a direct or indirect influence without reaching the extent of control. Normally the bank holds ownership equities ranging between 20% and 50% of the voting rights.

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

The associates in the bank's independent financial statements are accounted by the equity method. In addition, dividend payouts are debited in the fair value of the investment when approved.

C- Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risk and returns, different from those that are related to other business segments. A geographical segment is related to providing products and services within the same economic environment subject to risk and returns different from those that are related to other geographical segments that operate in a different economic environment.

D- Foreign currencies translation

D-1 Functional and presentation currency:

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

D-2 Transactions and balances in foreign currencies

- The bank holds its accounts in the Egyptian pound. Transactions in foreign currencies during the fiscal year are recorded using the prevailing exchange rates at the date of the transaction. Balances of assets and liabilities with monetary nature in foreign currency are re-evaluated at the end of the year using the prevailing exchange rates at that date. The gains and losses resulting from settlement of such transactions, as well as the differences resulting from the re-evaluation, are recognized in the income statement among the following items:

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

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

E- **Financial assets**

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

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

This category includes financial assets held for trading and assets classified at inception at fair value through profit and loss.

- A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking. Further, derivatives are classified as held for trading.
- Financial assets are classified at inception at the fair value through profit and loss in the following cases:
  - When such classification reduces the measurement inconsistency that could arise from handling the related derivative as held for trading at the time of the valuation of the financial instrument in the place of the derivative at amortized cost for loans and facilities to banks and customers, and issued debt instruments;
  - When some investments, such as investments in equity instruments are managed, and valuated at fair value according to the investment strategy or risk management and reports are prepared for the top management on this basis;
  - The financial instruments such as held debt instruments, which contain one or more embedded derivatives that strongly affect cash flows are classified through fair value through profit and loss.
- Profits and losses resulting from changes in the fair value of the financial derivatives that managed in conjunction with the assets and liabilities classified at inception at fair value through profit and loss are recorded in the income statement under "Net income from financial instruments classified at inception at fair value through profit and loss".
- No reclassification for any derivative from the financial instruments valuated at fair value through profit and loss is made during the period in which it is held or its validity period. In addition, any instrument from the financial instruments valuated at fair value through profit and loss, is not reclassified if it has been classified by the bank at its initial recognition as an instrument valuated at fair value through profit and loss.

E-2 Loans and receivables

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

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

E-3 Held -to- maturity financial investments

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

E-4 Available -for- sale investments

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

The following shall be adopted concerning financial assets:

- Purchase and sale transactions of the financial assets classified at fair value through profit and loss, of the held-to-maturity financial investments and of the available-for-sale investments shall be recognized in the ordinary way on the trade date on which the bank is committed to purchase or sell the asset.
- The financial assets which are not classified at inception at fair value through profit and loss shall be recognized at fair value plus the transaction costs, whereas financial assets classified at inception at fair value through profit and loss are recognized only at fair value with the transaction costs associated to those asset being reported in the income statement under "Net Trading Income" item.

- Financial assets shall be derecognized when the contractual right validity to receive cash flows from the asset expires or when the bank transfers most of risk and returns associated with the ownership to a third party. Financial liabilities are derecognized when they expire by either discharging, cancellation, or the expiration of the contractual period.

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

- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit and loss shall be recognized in the income statement in the period in which they are made, while the gains and losses arising from changes in the fair value of the available for sale investments shall be directly recognized in shareholders' equity statement, until the asset is derecognized or impaired. In which case, the cumulative profit and losses previously recognized in shareholders' equity statement shall be recognized in the income statement.

- Income calculated at the amortized cost method and gains and losses on foreign currencies related to the assets with monetary nature classified as available-for-sale assets shall be recognized in the income statement. Dividends resulting from equity instruments classified as available for sale shall be recognized in the income statement when the right of the bank to receive payment is established.

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

- The bank shall reclassify the financial asset previously classified within the group of financial instruments available for sale and within the definition of loans and receivables (bonds or loans) by transferring the same from the group of available for sale instruments to the group of loans and receivables or to financial assets held-to-maturity as the case may be, when the bank has the intention and the ability to hold and maintain these assets through the near future or until maturity date. The reclassification shall be made at fair value on the date of reclassification. Any gains or losses related to these assets, which previously recognized within shareholders' equity shall be treated as follows:

  1- In case of the reclassification of financial assets with fixed maturity date, the gains or losses shall be amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate method. Any value difference based on the amortized cost and the value based on maturity date shall be amortized over the remaining lifetime of the financial asset by using the effective interest rate method. Later, in case of any impairment in the financial asset value, any gains or losses previously recognized directly among shareholders' equity shall be recognized in the profit /loss statement.

  2- In case of the financial asset that has an unfixed maturity date, the gains or losses shall remain within shareholders' equity until the asset is sold or disposed, and then be recognized within profit /loss statement. Later, in case of any impairment in the asset's value, any gains or losses previously recognized directly in shareholders' equity shall be recognized in the profits and losses as well.

- If the bank adjusts its estimates of payments or receivables, the book value of the financial asset (or the group of financial assets) shall be settled in a way that reflects the actual cash flows and the adjusted estimates, provided that the book value is recalculated by calculating the present value of future cash flows estimated by the actual return rate of the financial instrument. The result of the settlement shall be recognized as revenue or expenses in the profit and loss.

- In all cases, if the bank reclassifies a financial asset according to the abovementioned and on a subsequent date it raises its estimates of future cash receivables due to an increase in recovered cash, then the impact of this increase shall be recognized as an adjustment of the actual rate of return from the date of the estimates' change and not as a settlement to the asset's book balance on the date of estimates change.

F- Offsetting of financial instruments

Financial assets and liabilities are offset in case the bank has a legal right in force to undertake the offsetting of the recognized amounts and it intends to settle the amounts on a net basis or to receive the asset and settle the liability simultaneously.

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

G- Financial Derivatives

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

H- Interest income and expense

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

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

When loans or receivables are classified as non-performing or impaired ones as the case may be, the related interest income shall not be recognized nor recorded as off-balance sheet items. However, such interest income shall be recognized under the revenue item pursuant to the cash basis according to the following:

H-1 As for consumer loans, mortgage loans for personal housing and small loans for economic activities, when the interest income is collected and after arrears are fully recovered. .

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

I- Fee and commission income

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

Commitment fees on loans shall be postponed, if there is a probability that these loans will be withdrawn, taking into account that these fees which the bank receives are a compensation for the constant intervention to acquire the financial instrument. Then they shall be recognized by amending the effective rate of return on the loan. When the period of commitment expires without the loan being issued by the bank, these fees shall be recognized within the income at the expiry of the commitment's validity.

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

Fees and commission resulting from negotiations or the participation in negotiations on a transaction in favor of a third party shall be recognized within the income statement- such as the arrangement of the acquisition of shares or other financial instruments, or the acquisition or selling of premises- when the specific transaction is completed. The administrative consultations' fees and other services are normally recognized based on the distribution over time relative to the service performance period. However, the financial planning management fees and conservation services fees, which are provided for long periods of time, are recognized over the period during which the service is performed.

J- Dividend income

Dividend income shall be recognized when the right to receive such income is established.

K- Purchase and resale agreements and sale and repurchase agreements

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

L- Impairment of financial assets

L-1 Financial assets recorded at amortized cost

At reporting dates, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of assets shall be considered impaired and impairment losses shall be recognized when there is objective evidence on the impairment as a consequence of an event or more events that occurred after the initial recognition of the asset and such (Loss Event) affects the reliability of the estimated future cash flow of the financial asset or the group of financial assets.

The indicators that the bank considers to determine the existence of objective evidence on impairment losses include the following:

- Significant financial difficulties that face the borrower / debtor;
- Breach of the terms of the loan facility, such as the stopping of repayments;
- Expectation of the declaration of the borrower's bankruptcy, the entering into of the liquidation lawsuit or the restructuring of the granted finance;
- Deterioration of the competitive position of the borrower;
- Granting privileges or concessions by the bank to the borrower for legal or economic reasons related to the latter's financial difficulties, which the bank may not accept granting the same in ordinary circumstances;
- The impairment of the collateral's value;
- The deterioration of the credit situation and positions.

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product. .

The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

Further, the bank first assesses whether there is objective evidence of impairment exists for each individual financial asset if it represents significance. The assessment is made individually or collectively for the financial assets that are not significant on an individual basis. In this regard, the following shall be taken into account:

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

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

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

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

Upon estimating the impairment of a group of the financial assets based on historical default ratios, the future cash flows of the group shall be estimated based on the contractual cash flows of the banks' assets and the amount of historical losses of these assets with similar credit risk characteristics of these assets held by the bank. The amount of historical losses shall be adjusted based on the current disclosed data in a way that reflects the impact of the current conditions which did not occur in the period over which the amount of historical losses has been identified. Besides, this will cause that the effects of the conditions that existed in the historical periods but no longer exists be cancelled.

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

L-2 Financial investments available for sale

On each reporting date, the bank estimates whether there is objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale or financial investment held to maturity. In the case of the existence of investments in equity instruments classified as available-for-sale investments, the significant or prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset.

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

M- Investments Property

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

N- Intangible assets

N-1 Computer software

Expenditure on the development or maintenance of the computer software shall be recognized when being incurred in the income statement. Expenditures associated directly with specific software under the bank's control which are expected to generate economic benefits exceeding their cost for more than a year shall be recognized as intangible asset. The direct expenses include the cost of

the staff involved in the software development, in addition to an adequate share of related overheads.
Expenditure which leads to the increase or expansion in the performance of computer software beyond their original specifications shall be recognized as a development cost and shall be added to the cost of original software.

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

N-2 Other intangible assets

Other intangible assets represent intangible assets other than goodwill and computer software (for example but not limited to trademark, licenses, and benefits of rental contracts).

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

O- Fixed assets

Lands and buildings are mainly represented in head office premises, branches, and offices. All fixed assets shall be disclosed at historical cost minus accumulated depreciation and impairment losses. The historical cost includes expenses directly attributable to the acquisition of the fixed assets' items.
Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.
Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to spread the cost in a way that makes residual value be distributed over the useful life of the asset as follows:

Buildings and constructions	20 years
Elevators	10 years
Leased Improvements	4 years or leasing period, whichever is less
Office furniture	10 years
Machinery	10 years
Means of transport	5 years
Computers / core banking system	5 years
Fittings and fixtures	10 years

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of the book value over the net realizable value.

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

P- Impairment of non-financial assets

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

The impairment loss shall be recognized and the asset's value shall be reduced by the in the asset's book value over its net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. For purposes of the estimation of impairment, the asset shall be linked to the smallest available cash-generating unit. On the date of the preparing the financial statements, the non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement.

Q- Finance Lease

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

Q-1 Lease

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

Payments under the operational leasing minus any discounts granted by the lessor shall be recognized within expenses in the income statement by applying the straight-line method over the period of contract.

R- Cash and cash equivalents

For the purpose of the representation of the cash flow statement, cash and cash equivalents shall include the balances with maturity not exceeding three months from the date of the acquisition, and cash and balances at the Central Bank of Egypt, other than those that are deemed within the compulsory reserve, due from banks, treasury bills and other government notes.

S- Other provisions

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

When there are similar obligations, the cash outflow that can be used in settlement shall be identified, taking into consideration this set of liabilities. The related provision shall be recognized even if there is a little possibility that an outflow with respect to any one item is included in the same class of obligations.

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

T- Employees' benefits

T-1 Obligations of Retirement benefits obligations

The bank manages a variety of retirement benefit plans which are often funded through payments that are defined based on periodical actuarial calculations and are made to insurance companies and other specialized funds. The bank has plans of defined benefits and defined contributions.

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

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

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

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

Past service costs shall be immediately recognized in the income statement within administrative expenses, unless the introduced changes on the retirements' plans are conditional on that employees must be in service for a specified period of time (vesting period). In which case, the past service costs shall be amortized by the straight-line method over the vesting period.

Defined contribution plans: These are pension schemes pursuant to which the bank pays fixed contributions to an independent entity while there is no legal or constrictive commitment on the bank to pay further contributions, if the entity has not established sufficient assets to pay all the employees' benefits related to their service whether in current or previous periods.

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

T-2 Liabilities of other post-service's benefits

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age, and completes a minimum period of service. The expected costs of these benefits are matured (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the item T-1.

U- Income tax

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

The income tax shall be recognized based on the net profit subject to tax through the application of the applicable tax rates at the date of preparing the balance sheet, in addition to the tax adjustments related to previous years.

Deferred tax arising from temporary timing differences between the book value of assets and liabilities calculated according to the accounting principles, as well as its values shall be recognized according to the tax principles. . Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates enacted or substantively enacted by the end of the reporting year.

The deferred tax assets shall be recognized when profits to be subject to tax in the future are likely to be generated, through which this asset can be utilized. The deferred tax shall be decreased with the portion from which the expected taxable benefit will not be achieved over the coming years. In case of the increase of the expected taxable benefits, the deferred tax assets shall be increased within the limit of previous reduction in the value of deferred tax assets.

V- Borrowing

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

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

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

W- Capital

W-1 Cost of capital

The issuance expenses, directly attributable to the issuance of new shares or shares against the acquisition of an entity, or the issuance of options shall be presented as a deduction from the shareholders' equity in net proceeds after taxes.

W-2 Dividends

Dividends shall be recognized through deducting the same from shareholders' equity in the period where the General Assembly meeting shareholder approves these dividends. They include the employees' share in profits and the remuneration of the board of directors prescribed by the article of association of the bank and the law.

X- Custody activities

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

Y- Comparative figures

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

3- Financial risk management

The bank is exposed to a variety of financial risk, while it practices its business and activities, and the acceptance of risk is considered the basis of financial business. Some risk aspects or a combination of risk are analyzed, assessed, and managed. The bank targets to achieve adequate balance between the risk and return, and to minimize likely adverse impacts on its financial performance. The most important types of risk are credit risk, market risk, liquidity risk and other operating risk. Market risk includes the risk of foreign exchange rates, interest rates and the other pricing risks.

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.

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

A- Credit risk

The bank is exposed to credit risk, which is the risk of default of one party on its obligations. Credit risk is considered as the most important risk the bank faces. Thus, the top management carefully manages risk exposure. Credit risk is mainly represented in lending business from which activities of loans and facilities arise, and in investment activities which cause that the bank's assets include debt instruments. Credit risk is also found in the financial instruments off- balance sheet, such as loan commitments. The credit risk management team in the division, which reports to the board of directors, top management as well as heads of business units, conducts mainly all operations related to the management and control of the credit risk.

A-1 Measurement of credit risk

- Loans and facilities to banks and customers

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

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

  The daily activities of the bank's business involve the measurement of credit risk which reflects the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may contradict with the impairment charge according to the Egyptian Accounting Standard no. (26), which depends on losses realized at the reporting date (realized losses model) and not on expected losses (Note A/3).
- The bank estimates the probability of default at the level of every customer by applying internal rating methods to rate the creditworthiness of the different categories of customers in details. These methods have been developed for internal rating and the statistical analyses are taken into account together with the personal reasoning of credit officials to reach the adequate rating. The bank's customers have been divided into four categories of creditworthiness rating. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects how probable default of each category is, which mainly means that credit positions move among mentioned categories pursuant to the change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever required. Further, the bank periodically assesses the performance of the creditworthiness rating methods and how they are able to predict default cases.

  The bank's internal classification categories:

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

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

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

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

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

A-2 Risk Mitigation Policies

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

The bank structures the levels of credit risk tolerance by placing limits for the risk tolerance in relation to each borrower or a class of borrowers, and at the level of economic activities and geographical sectors. Such risk shall be constantly monitored and controlled and shall be subject to reviews on an annual basis or more frequently if necessary. Limits of credit risk at the level of borrower/ the group / producer, the sector and the country shall be quarterly approved by the board of directors. .

Lines of credit for any borrower including banks shall be divided into sub-lines which include in- and off- the balance sheet amounts and daily risk limit related to trading items such as forward foreign exchange contracts. Actual amounts shall be compared daily with the mentioned limits.

Credit risk exposure is also managed by the regular analysis of the present and the potential borrowers' ability to fulfill their obligations and by amendment of the lending lines when appropriate.

Following are some methods to mitigate risk:

- **Collateral**

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

  Main types of collateral against loans and facilities include the following:

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

Longer-term finance and lending to corporate are often secured, while credit facilities granted to retail customers are generally unsecured. To reduce credit loss to its minimum level, the bank seeks to get additional collateral from the concerned parties as soon as indicators of impairment in a loan or facility appear.

Collateral held as a security against assets other than loans and facilities; determined by the nature of the instrument, and debt instruments and treasury bills are normally unsecured with the exception of asset-backed securities and the similar instruments backed by a securities portfolio.

- **Derivatives**

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

Collateral or other security is not usually obtained against credit risk exposures in these instruments, except where the bank requires that collateral be taken as margin deposits from the counterparties.

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

- **Master Netting Arrangements**

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

The bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can be substantially changed within a short period, as it is affected by each transaction subject to these arrangements.

- **Credit related commitments**

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

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

A-3 Impairment policies and provisions

The internal systems of aforementioned assessments (note no. A-1) focus to a great extent on the planning of the credit quality, from the starting point of the recognition of lending and investment activities. However, the impairment losses incurred at the reporting date are only recognized for purpose of the preparation of financial statements based on objective evidence, which refers to impairment pursuant to the disclosure below in light of the implementation of different methods.

The impairment loss provision included in the balance sheet at the end of the fiscal year is derived from the four internal ratings; however, the majority of the provision results from the last two ratings. The following table shows the percentage for the items within the balance sheet relate to loans and facilities and the relevant impairment for each of the bank's internal ratings:

Bank's Assessment	**31/12/2012**		**31/12/2011**	
	Loans and advances %	**Impairment loss provision %**	**Loans and advances %**	**Impairment loss provision %**
1-Performing loans	19.63	2.71	30.55	4.25
2-Regular watching	65.53	20.02	53.57	14.22
3-Watch list	5.08	11.41	5.26	3.38
4-Non performing loans	9.76	65.86	10.62	78.15
	100	100	100	100

The tools of internal rating help the management define whether there is objective evidence on the existence of impairment pursuant to the Egyptian Accounting Standard no. 26 and depending on the following indicators the bank has defined:

- Great financial difficulties facing the borrower or debtor;
- Breach of the loan agreement's terms such as the non-payment;
- Expectation of the borrower's bankruptcy, entrance into liquidation case, or restructuring of the finance granted;
- Deterioration of the competitive position of the borrower;
- For economic or legal reasons related to the borrower's financial difficulties, the bank grants privileges and concessions to the borrower, which may not be approved thereby in normal circumstances;
- Deterioration of the collateral's value;
- Deterioration of the credit situation.

The bank's policies require review of all financial assets, which exceed defined relative importance at least annually or more if necessary. The impairment charge is to be defined to accounts that have been assessed on an individual basis by assessing the realized loss at the reporting date on each individual case and is to be applied individually to all accounts that have relative importance. The assessment usually includes the outstanding collateral with a reconfirmation of the possibility to realize the collateral as well as the expected collections from these identified accounts being made. The impairment loss provision shall be made on the basis of a group of homogeneous assets by using the available historical experience, personal discretion, and statistical methods.

A-4 The General Model for Measurement of Banking Risk

In addition to the four-creditworthiness ratings shown in (note no. A-1), the management also prepares ratings in the form of more detailed subgroups, which are in line with the requirements of the Central Bank of Egypt (CBE). Assets exposed to credit risk shall be rated in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, business and activities, financial position and how regular the repayments thereof are.

The bank calculates the provision required for the impairment of these assets exposed to credit risk, including credit related commitments based on defined rates set by the Central Bank of Egypt. In case the impairment loss provision required according to Central Bank of Egypt's rules exceeds the provisions as required for the purposes of the preparation of the financial statements according to the Egyptian Accounting Standards (EAS), that excess shall be debited to retained earnings and carried to the general reserve for banking risk in the shareholders' equity section. Such reserves shall be regularly adjusted, by any increase or decrease so that the reserve shall always be equal to the amount of increase between the two provisions. Such provision shall not be subject to distribution.

Following is an indication of corporate credit worthiness categories according to internal rating principles, compared to the rating principles of the Central Bank of Egypt, and of the required provision percentages for the impairment of assets exposed to credit risk:

Central Bank Of Egypt's rating	Rating's meaning	Provision's ratio required	Internal Rating	Meaning of Internal Rating
1	Low risk	Zero	1	Performing loans
2	Average risk	1%	1	Performing loans
3	Satisfactory risk	1%	1	Performing loans
4	Reasonable risk	2%	1	Performing loans
5	Acceptable risk	2%	1	Performing loans
6	Marginally acceptable risk	3%	2	Regular follow up
7	Watch List	5%	3	Special follow up
8	Substandard	20%	4	Nonperforming loans
9	Doubtful	50%	4	Nonperforming loans
10	Bad debt	100%	4	Nonperforming loans

A/5 The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the Balance Sheet:

	31/12/2012 EGP thousand	31/12/2011 EGP thousand
Treasury bills and other government notes	9 957 515	9 111 607
Loans and advances to banks	500 000	500 000
Loans and advances to customers		
Loans to individuals (Retail):		
Overdraft accounts	565 914	333 781
Credit cards	38 052	35 232
Personal loans	9 025 362	8 271 658
Mortgage	51 269	57 769
Corporate loans :		
Overdraft accounts	4 467 810	6 983 885
Direct loans	4 712 434	2 386 776
Syndicated loans	3 112 166	3 287 133
Other loans	1 912	349 008

Credit Risk exposures in the Balance Sheet:

	31/12/2012 EGP thousand	31/12/2011 EGP thousand
Financial investments :		
Debt instruments	1 133 398	1 205 999
Other assets	146 306	191 681
Total	**33 712 138**	**32 714 529**
Credit risk exposures of off-balance sheet items:		
Financial guarantees	576 324	597 941
Letters of credit	301 039	606 341
Letters of guarantee	1 108 131	1 281 740
Total	**1 985 494**	**2 486 022**

- The previous table represents the maximum limit of exposure as at 31 December 2012 and as at 31 December 2011, without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet.

As illustrated in the previous table 66.7 % of the maximum Limit exposed to credit risk arises from loans and advances to banks and customers versus 67.9 % at the end of 31/12/2011 whereas investments in the debt instruments represent 3.4 % versus 3.7 % as at 31/12/2011.

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

- 1.1 % of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/ average risks) versus 5.1 % at the end of the 31/12/2011 .
- 80 % of the loans and advances' portfolio is free from any delays or impairment indicators versus 82 % as at 31/12/2011 .
- The mortgages covered by collaterals, represent an important group in the portfolio.
- The loans and advances that have been assessed on an individual basis reach EGP 2 084 298 thousand as at 31 December 2012 versus EGP 2 238 134

thousand as at 31/12/2011. Formed from it an 82% as a provision versus 81.3 % as at 31/12/2011.

- The bank applied more conservative selecting process when extending loans and advances during the year.
- More than 98 % as at 31 December 2012 versus 97.5 % as at 31 December 2011 , of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

A/6 Loans and advances

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

	EGP 000 31/12/2012		**EGP 000 31/12/2011**	
	Loans and advances to customers	**Loans and advances to Banks**	**Loans and advances to customers**	**Loans and advances to banks**
With no past dues or impairment	17 589 332	500 000	17 778 816	500 000
With past dues but not subject to impairment	2 301 289	--	1 688 292	--
Subject to impairment	2 084 298	--	2 238 134	--
Total	**21 974 919**	**500 000**	**21 705 242**	**500 000**
Less: Impairment loss provision	(2 554 732)	--	(2 323 683)	--
Net	**19 420 187**	**500 000**	**19 381 559**	**500 000**

- The total impairment loss on loans and advances; reached EGP 2 554 732 thousand as of 31/12/2012 versus EGP 2 323 683 thousand as of 31 December 2011, including EGP 1 709 346 thousand as of 31 December 2012 versus EGP 1 819 021 thousand as of 31 December 2011, of which represents the impairment of individual loans and the remaining amounting to EGP 845 386 thousand versus EGP 504 662 thousand representing the impairment losses on a group basis of the credit portfolio. (Notes no. 19 and 20) include further information on the impairment losses provision of loans and advances to banks and customers.
- The bank's loans and advances' portfolio has been increased by 1.24 % during the period as a result of expansion in the lending business and activities especially in Arab Republic of Egypt, the bank is focusing on dealing with large institutions, banks or individuals with sound creditworthiness.

Loans and advances with no past dues or impairment:

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

EGP 000

31/12/2012

Assessment	Retail				Corporate				Net loans and advances to customers	Net loans and advances to Banks
	Debit Current account	Credit Cards	Personal Loans	Mortgage	Debit Current account	Direct Loans	Syndicated Loans	Other Loans		
1- Performing	--	--	--	--	1 498 299	1 670 960	936 210	82	4 105 551	500 000
2- Regular Watching	481 900	24 864	7 171 953	41 104	1 101 210	1 363 493	1 774 280	278	11 959 082	--
3- Watch List	--	--	1 096	--	174 222	470 670	133 662	391	780 041	--
Total	**481 900**	**24 864**	**7 173 049**	**41 104**	**2 773 731**	**3 505 123**	**2 844 152**	**751**	**16 844 674**	**500 000**

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

EGP 000

31/12/2011

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

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

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

EGP 000

31/12/2012

	Retail				Corporate		Net loans and advances to customers
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Direct Loans	
Past dues up to 30 days	1 177	4 731	868 534	3 928	1 263	764 122	1 643 755
Past dues more than 30 days to 60 days	36 538	1 596	149 590	588	18 481	55 421	262 214
Past dues more than 60 days to 90 days	28 856	743	47 384	1 526	19 074	197 009	294 592
Total	**66 571**	**7 070**	**1 065 508**	**6 042**	**38 818**	**1 016 552**	**2 200 561**
The fair value of collaterals	--	--	--	--	**11 280**	**259 328**	**270 608**

EGP 000

31/12/2011

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

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

Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 2 084 298 thousand versus EGP 2 238 134 thousand as at 31/12/2011.

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

EGP 000

31/12/2012

	Retail				Corporate		
	Overdraft account	**Credit Cards**	**Personal Loans**	**Mortgage**	**Overdraft account**	**Syndicated Loans**	**Total loans and advances to customers**
Balance	1 887	4 922	324 346	2 666	1 581 245	169 232	**2 084 298**
Provision	(1 791)	(1 955)	(190 395)	(1 769)	(1 371 804)	(141 632)	**(1 709 346)**
Net	**96**	**2 967**	**133 951**	**897**	**209 441**	**27 600**	**374 952**
The fair value of collaterals	47	--	558	--	106 169	--	106 774

EGP 000

31/12/2011

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

Restructured Loans & Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs , amending and postponing repayment. The policies of restructuring application depend on indicators or standards which refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 114 960 thousands.

	31/12/2012 EGP 000
Corporate	
Direct loans	114 960

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

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

EGP 000

	Treasury bills and other governmental notes	Investments in Securities	Total
AAA	--	49 472	49 472
+A to - A	--	55 584	55 584
Less than - A	9 957 515	840 717	10 798 232
Unclassified	--	187 625	187 625
Total	**9 957 515**	**1 133 398**	**11 090 913**

A/8 Acquisition of collaterals

During the present financial year, the bank has obtained assets by acquiring their collateral as follows:

Type of assets	EGP 000 **Book value**
Land	57 868
Buildings	30 664
Total	**88 532**

Acquired assets are sold whenever practicable, and are recorded under the "Other Assets" item in the balance sheet.

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

Geographical segments

The following table represents an analysis of the bank's most important bounders of credit risk at book value, distributed in accordance with the geographical segment as at 31 December 2012.

EGP 000

31/12/2012	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	9 957 515	--	--	9 957 515
Loans and advances to banks	500 000	--	--	500 000
Loans and advances to customers				
- Loans to individuals (Retail)				
Overdraft accounts	247 694	224 324	93 896	565 914
Credit cards	35 045	2 023	984	38 052
Personal loans	3 448 317	3 120 298	2 456 747	9 025 362
Mortgage	47 196	2 222	1 851	51 269
Loans to corporate				
Overdraft accounts	2 347 919	1 743 497	376 394	4 467 810
Direct loans	4 332 426	344 955	35 053	4 712 434
Syndicated loans	2 840 173	271 993	--	3 112 166
Other loans	1 861	49	2	1 912
Financial Investments				
Debt instruments	1 133 398	--	--	1 133 398
Other assets	120 391	20 237	5 678	146 306
Total as at 31/12/2012	**25 011 935**	**5 729 598**	**2 970 605**	**33 712 138**
Total as at 31/12/2011	**24 450 312**	**5 708 926**	**2 555 291**	**32 714 529**

Business Segment

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

EGP 000

31/12/2012	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	--	--	--	--	9 957 515	--	--	**9 957 515**
Loans & advances to Banks	500 000	--	--	--	--	--	--	**500 000**
Loans & advances to customers:								
Loans to individuals (Retail)								
Overdraft accounts	--	--	--	--	--	--	565 914	**565 914**
Credit cards	--	--	--	--	--	--	38 052	**38 052**
Personal loans	--	--	--	--	--	--	9 025 362	**9 025 362**
Mortgage	--	--	--	--	--	--	51 269	**51 269**
Loans to Corporate								
Overdraft accounts	1 798	1 487 462	233 258	1 107 760	32 646	1 604 886	--	**4 467 810**
Direct loans	38 123	2 049 223	1 334 611	389 389	10 843	890 245	--	**4 712 434**
Syndicated loans	--	1 711 696	114 521	50 552	487 088	748 309	--	**3 112 166**
Other loans	--	283	125	1 213	--	291	--	**1 912**
Financial Investments	-	-	-	-	-	-		-
Debt instruments	62 328	50 000	--	--	932 645	88 425	--	**1 133 398**
Other assets	57 505	--	--	--	30 496	33 999	24 306	**146 306**
Total as at 31/12/2012	**659 754**	**5 298 664**	**1 682 515**	**1 548 914**	**11 451 233**	**3 366 155**	**9 704 903**	**33 712 138**
Total as at 31/12/2011	**673 394**	**6 115 054**	**1 773 348**	**1 744 771**	**10 763 415**	**2 904 510**	**8 740 037**	**32 714 529**

B- Market Risk

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

The management of market risk resulted from trading, non-trading activities are centralized in the market risk department in the bank and market risks reports are submitted to the board of directors and heads of business units on a regular basis.

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

B-1 Methods of Measuring Market Risk

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

- **Value at Risk**

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

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

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk; are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial year ended 31 December 2012 amounted to EGP 9 040 thousand, versus EGP 4 792 thousand during the comparative year.

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

Stress Testing

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

B/2 Summary of value at risk

Total value at risk according to the risk type

	EGP 000			EGP 000		
	31/12/2012			31/12/2011		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	9 040	18 622	3 148	4 792	23 268	303
Total value at risk	**9 040**	**18 622**	**3 148**	**4 792**	**23 268**	**303**

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

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

	EGP 000			EGP 000		
	31/12/2012			31/12/2011		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	11 782	16 349	3 789	2 514	8 479	163
Total value at risk	**11 782**	**16 349**	**3 789**	**2 514**	**8 479**	**163**

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

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

	EGP 000			EGP 000		
	31/12/2012			31/12/2011		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	7 978	10 535	1 224	2 978	7 507	132
Total value at risk	**7 978**	**10 535**	**1 224**	**2 978**	**7 507**	**132**

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

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

The previous results of value at risk calculated separately and independently from the concerned positions and historical movements of markets. Total values at risk for trading and non-trading do not form the bank's value at risk given the correlation between the types of risks and types of portfolios and the subsequent diverse impacts.

B/3 The risk of fluctuations in foreign exchange rates

The bank exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors has set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at 31 December 2012. The following table includes the book value of financial instruments distributed into its component currencies:

The concentration of currency risk of financial instruments

EGP 000

	LE	USD	Euro	GBP	Other Currencies	Total
As at 31/12/2012						
Financial assets						
Cash and balances with Central Bank of Egypt	2 709 626	47 038	10 581	2 567	7 041	**2 776 853**
Due from banks	2 842 475	2 383 188	426 275	138 430	62 998	**5 853 366**
Treasury bills and other governmental notes	9 594 121	200 411	162 983	--	--	**9 957 515**
Loans and advances to banks	500 000	--	--	--	--	**500 000**
Loans and advances to customers	15 667 432	3 601 527	113 646	--	37 582	**19 420 187**
Financial assets classified at fair value through profit and loss	--	--	1 911	--	--	**1 911**
Financial Investments						
- Available -for- sale	1 443 118	150 256	301	--	--	**1 593 675**
- Held-to-maturity	212 328	--	--	--	--	**212 328**
Total financial assets	**32 969 100**	**6 382 420**	**715 697**	**140 997**	**107 621**	**40 315 835**
Financial liabilities						
Due to banks	19 920	299 710	88 954	822	53 707	**463 113**
Customers' deposits	27 703 278	4 972 621	600 170	140 319	50 360	**33 466 748**
Other loans	39 778	947 850	--	--	--	**987 628**
Total financial liabilities	**27 762 976**	**6 220 181**	**689 124**	**141 141**	**104 067**	**34 917 489**
Net of financial position	**5 206 124**	**162 239**	**26 573**	**(144)**	**3 554**	**5 398 346**
Credit related commitments	**977 319**	**334 870**	**667 179**	**--**	**6 126**	**1 985 494**
As at 31/12/2011						
Total financial assets	**30 011 609**	**6 127 349**	**669 494**	**151 295**	**139 197**	**37 098 944**
Total financial liabilities	**25 501 628**	**6 173 847**	**638 166**	**148 685**	**136 963**	**32 599 289**
Net of financial position	**4 509 981**	**(46 498)**	**31 328**	**2 610**	**2 234**	**4 499 655**
Credit related commitments	**1 210 659**	**482 223**	**704 487**	**2 352**	**86 301**	**2 486 022**

B/4 Interest rate risk

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

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

EGP 000

As at 31/12/2012	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and balance with Central Bank of Egypt	--	--	--	--	--	2 776 853	**2 776 853**
Due from banks	4 453 628	360 595	364 019	636 780	--	38 344	**5 853 366**
Treasury bills and other governmental notes	360 996	2 875 628	6 720 891	--	--	--	**9 957 515**
Loans and advances to banks	--	--	--	500 000	--	--	**500 000**
Loans and advances to customers	6 413 957	1 539 268	3 442 930	5 935 916	1 858 152	229 964	**19 420 187**
Financial assets classified at fair value through profit and loss	1 911	--	--	--	--	--	**1 911**
Financial Investments							
- Available for sale	621 821	25 446	160 424	465 811	320 173	--	**1 593 675**
- Held-to-maturity	62 328	100 000	25 000	25 000	--	--	**212 328**
Other financial assets	--	--	--	--	--	156 407	**156 407**
Total financial assets	**11 914 641**	**4 900 937**	**10 713 264**	**7 563 507**	**2 178 325**	**3 201 568**	**40 472 242**

As at 31/12/2012	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial liabilities							
Due to banks	358 928	--	--	--	--	104 185	**463 113**
Customers' deposits	16 732 427	2 712 973	3 613 416	7 168 320	27 495	3 212 117	**33 466 748**
Other loans	--	--	671 678	315 950	--	--	**987 628**
Other financial liabilities	--	--	--	--	--	170 105	**170 105**
Total financial liabilities	**17 091 355**	**2 712 973**	**4 285 094**	**7 484 270**	**27 495**	**3 486 407**	**35 087 594**
The interest gap re-pricing	**(5 176 714)**	**2 187 964**	**6 428 170**	**79 237**	**2 150 830**	**(284 839)**	**5 384 648**
As at 31/12/2011							
Total financial assets	**12 509 272**	**4 705 446**	**7 064 084**	**7 287 201**	**2 272 307**	**3 459 244**	**37 297 554**
Total financial liabilities	**17 377 122**	**2 634 599**	**1 712 596**	**7 841 965**	**44 634**	**3 126 271**	**32 737 187**
The interest gap re-pricing	**(4 867 850)**	**2 070 847**	**5 351 488**	**(554 764)**	**2 227 673**	**332 973**	**4 560 367**

C- Liquidity risk

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

- **Liquidity risk management**

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

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

- Management of concentration and profile the debt maturities.

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

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

- **Financing approach**

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

- **Non derivative cash flows**

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

EGP 000

31/12/2012	Up to 1 month	1-3 months	More than 3 months – 1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	430 202	--	402	--	--	430 604
Customers' deposits	20 283 309	2 759 809	3 902 759	8 741 298	43 655	35 730 830
Other loans	--	--	676 915	322 377	--	999 292
Other financial liabilities	170 105	--	--	--	--	170 105
Total financial liabilities according to contractual maturity date	**20 883 616**	**2 759 809**	**4 580 076**	**9 063 675**	**43 655**	**37 330 831**
Total financial assets according to contractual maturity date	**14 951 086**	**4 860 438**	**9 947 313**	**7 995 975**	**1 893 891**	**39 648 703**

EGP 000

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

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

Off-balance sheet items:-

The following is according to Note no. (39)

EGP 000

31/12/2012	Less than 1 year	1-5 years	Total
Financial guarantees, accepted bills and other financial facilities	1 985 494	--	1 985 494
Commitments on operational leasing contracts	2 385	4 839	7 224
Capital commitments due to fixed assets' acquisition	17 442	--	17 442
Capital commitments due to holding shares	--	39 214	39 214
Total	**2 005 321**	**44 053**	**2 049 374**

EGP 000

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

D- The fair value of financial assets and liabilities

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

The change in estimated fair value by applying valuation methods has reached EGP 40 537 thousand in the financial year ended 31 December 2012 versus EGP 12 719 thousand in the financial year ended 31 December 2011, with an increase of EGP 27 818 thousand.

Financial instruments not measured at fair value

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

EGP 000

	31/12/2012		31/12/2011	
	Book value	Fair value	Book value	Fair value
Financial Assets				
Due from banks	5 853 366	5 853 366	3 317 203	3 317 203
Loans and advances to banks	500 000	500 000	500 000	500 000
Loans and advances to customers				
- Current balances	9 203 149	9 203 149	9 364 727	9 364 727
Financial investments				
- Equity instruments Available - for- sale	95	95	3 775	3 775
-Held-to-maturity	212 328	219 517	225 857	230 473
Financial liabilities				
Due to banks	463 113	463 113	859 684	859 684
Customers' deposits				
- Current balances	12 026 593	12 026 593	10 184 146	10 184 146
Other loans	987 628	987 628	958 479	958 479

Due from banks

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

- **Loans and advances to banks**

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

- **Loans and advances to customers**

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

- **Investments in financial securities**

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

- **Due to banks**

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

- **Customers' deposits**

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

E- Capital Management

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

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

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

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

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

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

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

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

Tier One:

A. Ongoing capital :

Consists of issued and paid in capital , legal , statutory and capital reserve and retained earnings (retained losses) excluding the following :-

- Treasury Shares
- Good Will
- Bank investments in financial companies (Banks and Companies) and insurance companies [more than 10% or more of the company's issued capital].
- Increase in all bank investments where each investment individually is less than 10% of the company's issued capital for the value of 10% of ongoing capital after regulatory amendments (capital base before excluding investments in financial companies and insurance companies).

The following elements are not considered :-

- Fair value reserve of AFS financial investments (If negative)

- Foreign currency translation differences reserve (If negative)
  Where the above items are deducted from Basic capital if the balance is negative while it's not considered if it is positive.

B. Additional ongoing capital :

It consists of permanent non-cumulative preferred shares, quarterly profit (loss), minority rights and the difference between the nominal value and the current value of supplementary loans (deposits).

Interim profits is recognized only after approval of the auditor and the General Assembly approval of the distributions and the approval of CBE, interim losses are deducted without conditions.

Tier Two:

Consist of the following:-

- 45% of the increase in fair value of the book value of financial investments (AFS fair value reserve if positive, HTM financial investments, investments in associates and subsidiaries).
- 45% of the special reserve .
- 45% of positive foreign currency translation differences reserve .
- Hybrid financial instruments
- Supplementary loans (deposits)
- Impairment loss provision of loans and contingent liabilities (must not exceed 1.25% of the total credit risk of performing assets and contingent liabilities weighted by risk weights, Thus, the provision should be sufficient to meet the obligations for which the provision is allocated).

Exclusions of 50% of Tire 1 and 50% Tire 2 :

- Investments in non-financial companies (each individual) 15% or more of Basic ongoing capital of the bank before the regulatory amendments.
- Total value of bank investments in non-financial companies (each individual) less than 15% of core ongoing capital before regulatory amendments, these investments must exceed (collectively) 60% of ongoing capital of the bank before the regulatory amendments.
- Securitization portfolio
- The share (in general banking risks reserve) of assets reverted to the Bank in settlement of debts.

When calculating the total numerator of capital adequacy, it should be noted that supplementary loans (deposits) must not exceed 50% of Tier 1 after exclusions.

Assets and contingent liabilities are likely weighted by credit risk weights, market risk and operating risks.

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional capital ratios and capital adequacy according to Basel II requirements at the end of 31/12/2012 and the Basel I requirements at the end of 31/12/2012, 31/12/2011:-

	Basel II	Basel I	
	31/12/2012	31/12/2012	31/12/2011
	EGP 000	EGP 000	EGP 000
Capital			
Tier one Ongoing basic capital)			
Share capital	800 000	800 000	800 000
General reserve	29 312	29 312	29 312
Legal reserve	280 069	280 069	263 466
Other reserves	693 512	694 107	642 231
Retained profits	1 770 376	1 770 376	1 574 125
Total basic capital	**3 573 269**	**3 573 864**	**3 309 134**
Tier two (Supplementary basic capital)			
Equivalent to general risks provisions	345 453	287 106	275 415
45% of the Special reserve	9 450	--	--
45% of the increase in the fair value over book value of financial investment without held -for-trading investment	36 707	36 707	24 777
Total supplementary capital	**391 610**	**323 813**	**300 192**
Total capital	**3 964 879**	**3 897 677**	**3 609 326**
Risk weighted assets and contingent liabilities:			
Balance sheet's assets	26 671 611	22 332 884	21 254 826
Contingent liabilities	964 635	635 595	778 340
Total risk weighted assets and contingent liabilities	**27 636 246**	**22 968 479**	**22 033 166**
Capital adequacy ratio (%)	**14.35 %**	**16.97 %**	**16.38 %**

4- The significant accounting estimates and assumptions

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

A) Impairment loss on loans and advances

The bank reviews the portfolio of loans and advances to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets. Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 75 672 thousand of the formed provisions.

B) Impairment of investments in equity instruments available for sale:

The bank determines the impairment in available for sale equity instruments, when there is a significant or prolonged decline in their fair value below its cost. This determination whether the decrease is significant or prolonged depends on a discretionary judgment. To reach this judgment, the bank estimates- among other factors- the normal volatility of the share price. Additionally, there could be impairment if there is evidence on the existence of deterioration in the company's financial position, in which investments are injected, or in its operating and financing cash flows, in the industry's or the sector's performance, or in changes in technology.

If the full decline in the fair value below the cost is considered significant or prolonged decline, then the bank will suffer an additional loss of

EGP 157 136 thousand , which represents the transfer of the negative balance of fair value reserve to the income statement.

C) Fair value of derivatives

Fair values of derivative financial instruments not quoted in active markets are determined by using valuation methods. When these methods are used to determine the fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them. All such models have been approved before being used and after being tested to ensure that their results reflect actual data and prices that can be compared with the market to the extent that is deemed practical. Reliable data is only used in these models ; however; areas such as credit risk related to the bank and counterparties, volatility or correlations require the management to use estimates. Changes in assumptions surrounding these factors may affect the fair value of the disclosed financial instruments.

D) Financial investments held to maturity

The non-derivative financial assets with fixed or determinable payments and maturity dates are classified as financial investments held to maturity. This classification requires to a great extent the application of discretionary judgment. To reach such decision, the bank evaluates its willingness and ability to hold these investments until maturity. If the bank fails to hold these investments until maturity date, with the exception of special cases such as the sale of an insignificant amount near maturity, then these investments, which were classified as held–to-maturity investments, shall be reclassified as available-for-sale investments. Consequently, these investments are measured by fair value instead of the amortized cost, in addition to the suspension of the classification of any investments under the mentioned item.

If the classification of investments held to maturity is suspended, then the book value will be adjusted by an increase of EGP 7 189 thousand to reach the fair value through recording a corresponding entry in the fair value reserve within shareholders' equity statement.

E) Income tax

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

5- Segment analysis

A - Business segment analysis

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

Large, medium, and small enterprises (SMEs)

They include the activities of current accounts, deposits, overdraft accounts, loans, credit facilities, and financial derivatives.

Investment

It include the activities of companies' mergers, the purchase of investments; the financing of company restructuring and financial instruments.

Retail

They include the activities of current and savings accounts, deposits, credit cards, personal loans, and mortgage loans.

Other activities

They include other types of banking business activities such as treasury management.

Transactions between the segmental activities are made in accordance with the bank's ordinary course of business and include operational assets and liabilities as presented in the bank's balance sheet.

EGP 000

31/12/2012	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental business activity						
Business activity income	303 369	58 248	4 240	432 035	3 462 208	4 260 100
Business activity expenses	(206 045)	90 142	(3 257)	(308 330)	(2 655 088)	(3 082 578)
Results of activity business	97 324	148 390	983	123 705	807 120	1 177 522
Unclassified expenses	--	--	--	--	(331 030)	(331 030)
Profit before income tax of the year	97 324	148 390	983	123 705	476 090	846 492
Income tax	--	--	--	--	(221 427)	(221 427)
Profit for the year	97 324	148 390	983	123 705	254 663	625 065

31/12/2012	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Assets and liabilities according to business activity as at 31/12/2012						
Business activity Assets	9 163 172	1 324 224	1 038 373	8 932 790	20 653 555	41 112 114
Business activity liabilities	2 323 687	3 264 820	237 984	27 117 470	8 168 153	41 112 114
Other items of business segment						
Depreciations	--	--	--	--	(78 508)	(78 508)
Impairment and other provisions on income statement	--	--	--	--	(447 043)	(447 043)

31/12/2011	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Revenue and expenses according to segmental business activity						
Business activity income	285 635	77 140	4 614	380 288	2 728 066	3 475 743
Business activity expenses	(132 528)	31 888	(7 973)	(395 188)	(2 223 109)	(2 726 910)
Results of activity business	153 107	109 028	(3 359)	(14 900)	504 957	748 833
Unclassified expenses	--	--	--	--	(282 832)	(282 832)
Profit before income tax of the year	153 107	109 028	(3 359)	(14 900)	222 125	466 001
Income tax	--	--	--	--	(133 222)	(133 222)
Profit for the year	153 107	109 028	(3 359)	(14 900)	88 903	332 779

Assets and liabilities according to segmental activity as at 31/12/2011						
Business activity assets	10 317 420	1 161 296	940 443	7 902 844	17 489 215	37 811 218
Business activity liabilities	2 452 884	3 014 417	76 190	24 282 603	7 985 124	37 811 218
Other items of business segment						
Depreciations	--	--	--	--	(59 152)	(59 152)
Impairment and other provisions on income statement	--	--	--	--	(358 907)	(358 907)

b-Geographical Segment Analysis

EGP 000

31/12/2012	Cairo	Alex. , Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment				
Geographical segment Income	3 155 488	687 802	416 810	4 260 100
Geographical segment expense	(2 097 505)	(865 306)	(450 797)	(3 413 608)
Profit before income tax of the year	1 057 983	(177 504)	(33 987)	846 492
Income tax	(221 427)	--	--	(221 427)
Profit for the year	836 556	(177 504)	(33 987)	625 065
Assets and liabilities according to geographical segment				
Geographical segment assets	33 363 233	4 837 003	2 911 878	41 112 114
Geographical segment liabilities	21 383 011	12 876 713	6 852 390	41 112 114
Other items of geographical segment				
Depreciations	(78 508)	--	--	(78 508)
Impairment and other provisions on income statement	(447 043)	--	--	(447 043)

EGP 000

31/12/2011	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment				
Geographical segment income	2 495 196	638 404	342 143	3 475 743
Geographical segment expenses	(1 856 871)	(762 234)	(390 637)	(3 009 742)
Profit before income tax of the year	638 325	(123 830)	(48 494)	466 001
Income tax	(133 222)	--	--	(133 222)
Profit of the year	505 103	(123 830)	(48 494)	332 779
Assets and liabilities according to geographical segment as at 31/12/2011				
Geographical segment assets	30 631 873	4 645 655	2 533 690	37 811 218
Geographical segment liabilities	20 329 026	11 510 892	5 971 300	37 811 218
Other items of geographical segment				
Depreciations	(59 152)	--	--	(59 152)
Impairment and other provisions on income statement	(358 907)	--	--	(358 907)

6- Net interest income

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Interest income on loans and similar income:		
Loans and advances to:		
- Banks	49 562	49 427
- Customers	2 128 577	1 798 373
	2 178 139	1 847 800
Treasury bills and bonds	1 413 042	890 396
Current accounts and deposits	193 631	256 024
Investments in debt instruments	24 897	28 098
	3 809 709	3 022 318
Interest expenses on deposits and similar charges:		
Current accounts and deposits to:		
– Banks	(717)	(4 737)
– Customers	(1 720 939)	(1 498 444)
	(1 721 656)	(1 503 181)
Other loans	(26 652)	(25 763)
	(1 748 308)	(1 528 944)
Net	2 061 401	1 493 374

7- Net fees and commissions income

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Fees & commissions income:		
Fees and commissions related to	131 466	159 534
Fees on the financing services	313	656
Trust and custody fee	6 989	5 860
Other fees	167 919	156 855
	306 687	322 905
Fees and commissions expenses		
Brokerage fee	--	(1)
Other fees	(8 809)	(7 051)
	(8 809)	**(7 052)**
Net	**297 878**	**315 853**

8- Dividend income

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Available-for-sale securities	27 546	24 123
Held-to-maturity securities	500	--
	28 046	24 123

9 - Net income from financial assets classified at fair value through profit and loss

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Net income from :-		
Equity instruments	607	--
	607	--

10– Net trading income

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Foreign currency transactions:		
Profits of trading in foreign currencies	58 191	105 651
Profits of valuation of assets and liabilities balances in foreign currencies held for trading	--	1 281
Profits of Trading debt instruments	34 572	3 693
Profits of Trading equity instruments	--	1 866
	92 763	112 491

11- Administrative expenses

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Employees cost		
– Wages and salaries	(709 485)	(592 446)
– Social Insurance	(31 144)	(29 256)
Pension cost		
– Defined-benefit plans (Note no.34)	(85 020)	(104 263)
	(825 649)	**(725 965)**
Other administrative expenses	(331 028)	(282 832)
	(1 156 677)	**(1 008 797)**

12- Other operating expenses

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Revaluation losses of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value	(33 053)	(71 743)
Gains on disposal of assets reverted to the bank in settlement of debts	--	220
Gains on sale of property and equipment	5 389	710
Rents	(17 585)	(16 036)
Operating and finance lease	(2 133)	(2 120)
Restructuring cost	--	(6 046)
Reversal of other provisions (Note no. 32)	(19 049)	14 884
Losses resulting from the events of 25 January 2011	--	(6 725)
Others	8 717	7 511
	(57 713)	**(79 345)**

13- Impairment losses on customer loans

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Loans and advances to customers (Note no. 20)	(429 740)	(370 078)
Impairment loss of Financial investments held to maturity (Note no. 22)	1 746	(3 713)
	(427 994)	(373 791)

14- Income tax expenses

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Current taxes	(222 280)	(130 802)
Deferred income taxes (Note no. 33)	853	(2 420)
	(221 427)	(133 222)

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

- Amending the provisions of the Income tax Law No. 91 of 2005.
- Amending the provisions of the General Sales tax Law No. 11 of 1991.
- Amending the provisions of the Real Estate tax Law No. 196 of 2008.
- Amending the provisions of the Stamp Duty Law No. 111 of 1980.

Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions, therefore the bank management account the effect of these amendments which is not material so the financial statements are not adjusted by this amendments.

15- Basic earnings per share *

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

	For the year ended	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Net profit distributable to shareholders	625 065	332 779
Board members' remuneration	(2 200)	(2 200)
Employees' share (from net profit of the year)	(58 831)	(31 545)
Shareholders' share from net profit of the year (1)	564 034	299 034
The weighted average of the ordinary issued shares (2) "shares in thousands"	400 000	400 000
Basic earnings per share (in EGP) (1:2)	1,41	0.75

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

16- Cash and due from Central Bank of Egypt

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Cash	730 851	615 978
balances at central banks within the compulsory reserve ratio	2 046 002	2 408 274
	2 776 853	**3 024 252**
Non- interest bearing balances	2 776 853	3 024 252

17- Due from Banks

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Current accounts	89 081	39 740
Deposits	5 764 285	3 277 463
	5 853 366	**3 317 203**
Central banks other than the compulsory reserve ratio	2 592 895	490 817
Local banks	1 310 374	887 349
Foreign banks	1 950 097	1 939 037
	5 853 366	**3 317 203**

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Balances without interest	38 344	17 359
Balances with fixed return	5 815 022	3 299 844
	5 853 366	**3 317 203**
Current balances	5 280 456	2 834 036
Non-current balances	572 910	483 167
	5 853 366	**3 317 203**

18- Treasury bills and other government notes

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Treasury bills due 91 days	142 000	1 206 750
Treasury bills due 182 days	4 792 550	4 903 450
Treasury bills due 273 days	3 792 850	2 961 350
Treasury bills due 364 days	1 715 452	395 425
Unearned income	(485 337)	(355 368)
Total	**9 957 515**	**9 111 607**

19- Loans and advances to banks

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Term loans	500 000	500 000
Non - current balances	**500 000**	**500 000**

This amount is represented in the loan granted to the Arab African International Bank (AAIB) according to the loan contract dated 5 February 2007. The principal loan will be fully repaid at the end of loan period which is 7 years. The loan is subject to a constant annual interest rate of 9.75%.

20– Loans and facilities to customers

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Retail		
- Overdraft accounts	565 914	333 781
- Credit cards	38 052	35 232
- Personal loans	9 025 362	8 271 658
- Mortgage loans	51 269	57 769
Total (1)	**9 680 597**	**8 698 440**

	31/12/2012 EGP 000	31/12/2011 EGP 000
Corporate including small loans for economic activities		
– Overdraft accounts	4 467 810	6 983 885
– Direct loans	4 712 434	2 386 776
– Syndicated loans	3 112 166	3 287 133
– Other loans	1 912	349 008
Total (2)	**12 294 322**	**13 006 802**
Total loans and advances to customers (1+2)	**21 974 919**	**21 705 242**
less: Impairment loss provision	(2 554 732)	(2 323 683)
Net	**19 420 187**	**19 381 559**
Distributed to:		
– Current balances	9 203 149	9 364 727
– Non-current balances	10 217 038	10 016 832
	19 420 187	**19 381 559**

Impairment loss provision

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

31/12/2012	**Retail**				
	Overdraft accounts EGP 000	**Credit Cards EGP 000**	**Personal Loans EGP 000**	**Mortgage loans EGP 000**	**Total EGP 000**
Balance at the year beginning	1 448	4 325	407 547	3 134	416 454
Impairment loss for the year	15 898	(1 051)	252 247	92	267 186
Amounts written-off during the year	--	(396)	(6 940)	--	(7 336)
Amounts recovered during the year *	--	273	--	--	273
Differences in revaluation of foreign currencies	1	--	--	--	1
Balance at the year end	17 347	3 151	652 854	3 226	676 578

* From amounts that have been previously written off

31/12/2012	Overdraft accounts EGP 000	Direct Loans EGP 000	Corporate Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the year beginning	1 708 703	58 765	134 660	5 101	1 907 229
Impairment loss for the year	(62 568)	125 262	103 840	(3 980)	162 554
Amounts written-off during the year	(208 141)	--	--	--	(208 141)
Differences in revaluation of foreign currencies	7 826	6 732	1 914	40	16 512
Balance at the year end	1 445 820	190 759	240 414	1 161	1 878 154
Total Provision					**2 554 732**

31/12/2011	Overdraft accounts EGP 000	Credit Cards EGP 000	Retail Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the year beginning	5 040	5 545	314 316	1 908	326 809
Impairment loss for the year	(3 596)	591	101 827	1 226	100 048
Amounts written-off during the year	--	(1 811)	(9 076)	--	(10 887)
Amounts recovered during the year *	--	--	480	--	480
Differences in revaluation of foreign currencies	4	--	--	--	4
Balance at the year end	1 448	4 325	407 547	3 134	416 454

* From amounts that have been previously written off

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

21- Financial assets classified at fair value through profit and loss

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Equity instruments at fair value		
Listed in the market	1 911	--
Total Equity instrument at fair value	1 911	--
Total Financial assets classified at fair value through profit and loss	**1 911**	--

22- Financial investments

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Available–for-sale financial investments		
Debt instruments at fair value		
– Listed on the market	895 786	954 858
– Unlisted on the market	25 284	25 284
Equity instruments at fair value		
– Listed on the market	--	7 682
– Unlisted on the market	672 605	550 642
Total available for sale financial investments (1)	**1 593 675**	**1 538 466**

	31/12/2012 EGP 000	31/12/2011 EGP 000
Financial investments held to maturity		
Debt instruments		
– Listed on the market	50 000	70 000
– Unlisted on the market	162 328	155 857
Total Financial investments held to maturity (2)	**212 328**	**225 857**
Total of Financial investments (1+2)	**1 806 003**	**1 764 323**
– Current balances	945 394	882 629
– Non-current balances	860 609	881 694
	1 806 003	**1 764 323**
– Debt instrument with fixed interest	990 315	1 048 952
– Debt instrument with variable interest	143 083	157 047
	1 133 398	**1 205 999**

	Available-for-sale investments EGP 000	Held-to-maturity investments EGP 000	Total EGP 000
Balance as at 1/1/2012	1 538 466	225 857	1 764 323
Additions	888	46 445	47 333
Disposals (sale/ redemption)	(23 941)	(61 720)	(85 661)
Difference in valuation of monetary assets denominated in foreign currencies	1 454	--	1 454
Loss from changes in fair value (Note no.36/c)	76 808	--	76 808
Less: Impairment losses provision	--	1 746	1 746
Balance as at 31/12/2012	**1 593 675**	**212 328**	**1 806 003**
Balance as at 1/1/2011	**1 561 236**	**1 872 836**	**3 434 072**
Additions	226 418	47 437	273 855
Disposals (sale/ redemption)	(67 199)	(1 690 703)	(1 757 902)
Valuation difference of monetary assets dominated in foreign currencies	2 214	--	2 214
Loss from changes in fair value (Note no.36/c)	(184 203)	--	(184 203)
Less: Impairment losses provision	--	(3 713)	(3 713)
Balance as at 31/12/2011	**1 538 466**	**225 857**	**1 764 323**

The bank did not reclassify available-for-sale (debit instruments) within treasury bills and other eligible government bills. Further, the bank did not transfer any amounts from AFS investments to the items of loans and advances, and assets held to maturity.

Gains from financial investments

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Profits from sale of financial investments available -for-sale	458	191
Impairment loss of equity instruments available for sale	(988)	(28 127)
Profits from sale of financial investments held to maturity	4 015	5 643
Profits from financial investments in associates	4 696	4 386
	8 181	**(17 907)**

The settlement of the impairment loss provision of the financial investments held to maturity:

	31/12/2012 EGP 000	31/12/2011 EGP 000
Balance at the beginning of the year	(3 713)	--
Impairment losses on loans during the year	--	(3 713)
Amounts reversed during the year	1 746	--
Balance at the end of the year	(1 967)	(3 713)

23- Investments in associates

Banks contribution in associates are as follows:-

31/12/2012	Total shareholders' equity	Bank's share percentage	Bank's share in shareholders' equity
	EGP 000	%	EGP 000
Misr International Towers Co.	136 968	27.86	38 154
Misr Alexandria Financial Investment Fund Co.	158 568	25.00	39 642
United Company for Valves (Butterfly)	--	25.00	--
	295 536		**77 796**

31/12/2011	Total shareholders' equity EGP 000	Bank's Share Percentage %	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	135 150	27.86	37 648
Misr Alexandria Financial Investment Fund Co.	126 265	25.00	31 566
United Company for Valves (Butterfly)	--	25.00	--
	261 415		69 214

The financial data and information of associates is as follows:

31/12/2012	**Country of the Head Office Company's	Balance Sheet date	Company's Assets EGP 000	***Company's Liabilities (without shareholders' equity) EGP 000	Company's Revenues EGP 000	***Profits (losses) of the company EGP 000	Share Percentage %
Misr International Towers Co.	Egypt	2012/9/30	163 199	26 231	18 111	11 183	27.86
Misr Alexandria Financial Investment Fund Co.	Egypt	2012/9/30	160 009	1 441	9 047	7 949	25.00
United Company for Valves (Butterfly)	Egypt	2007/12/31	3 770	16 561	--	(182)	25.00
			326 978	44 233	27 158	18 950	

31/12/2011	** Country of the Head Office Company's	Balance Sheet date	Company's Assets EGP 000	*** Company's Liabilities (without shareholders' equity) EGP 000	Company's Revenues EGP 000	*** Profits (losses) of the company EGP 000	Share Percentage %
Misr International Towers Co.	Egypt	2011/9/30	158 714	23 564	13 706	8 885	27.86
Misr Alexandria Financial Investment Fund Co.	Egypt	2011/9/30	127 644	1 379	8 556	7 421	25.00
United Company for Valves (Butterfly)	Egypt	2007/12/31	3 770	16 561	--	(182)	25.00
			290 128	41 504	22 262	16 124	

** Financial data and information for associates including the total amounts of assets, liabilities, revenues and profit or losses are disclosed.

***It includes the effect of decision of dividend payout (The Board members' and the employees' share).

24- Intangible assets

31/12/2012	Computer software programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the year beginning	93 961	655	94 616
Additions	14 306	--	14 306
Total cost	**108 267**	**655**	**108 922**
Amortization at the year beginning	(47 967)	(406)	(48 373)
Amortization for the year	(36 917)	(26)	(36 943)
Accumulated amortization	**(84 884)**	**(432)**	**(85 316)**
Net book value at the year end	**23 383**	**223**	**23 606**

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

25- Other assets

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Accrued revenues	149 116	178 255
Prepaid expenses	34 224	35 165
Payments under purchase of fixed assets	4 412	116 186
Assets reverted to the Bank in settlement of debts (after deducting impairment)	116 752	32 788
Deposits with others	3 224	9 141
Others	182 959	202 387
	490 687	**573 922**
Less: Provisions for doubtful amounts	(137 232)	(142 330)
	353 455	**431 592**

26- Investment property

31/12/2012	Land	Buildings	Total
	EGP 000	EGP 000	EGP 000
Cost at the year beginning	51	197	248
Total cost	**51**	**197**	**248**
Depreciation at the year beginning	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
Net book value at the year end	**51**	**--**	**51**

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

27- Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2011					
Costs	120 328	21 230	80 737	251 660	473 955
Accumulated depreciation	(64 681)	(14 048)	(40 569)	(183 862)	(303 160)
	55 647	**7 182**	**40 168**	**67 798**	**170 795**
Additions	4 192	5 550	4 778	18 630	33 150
Losses resulting from the events of January 25th, 2011	--	(622)	(3 431)	(626)	(4 679)
Disposals	(203)	--	(92)	(3 028)	(3 323)
Depreciation for the year	(4 038)	(4 515)	(7 280)	(19 861)	(35 694)

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Losses accumulated depreciation resulting from the events of January 25th, 2011	--	537	2 075	511	3 123
Disposals' accumulated depreciation	123	--	87	1 592	1 802
Net Book value as at 31/12/2011	**55 721**	**8 132**	**36 305**	**65 016**	**165 174**
Balance as at 1/1/2012					
Costs	124 317	26 158	81 992	266 636	499 103
Accumulated depreciation	(68 596)	(18 026)	(45 687)	(201 620)	(333 929)
	55 721	**8 132**	**36 305**	**65 016**	**165 174**
Additions *	139 601	9 918	19 241	49 914	218 674
Disposals	(392)	(140)	(326)	(896)	(1 754)
Depreciation for the year	(8 902)	(3 943)	(8 652)	(20 068)	(41 565)
Disposals accumulated depreciation	86	140	33	583	842
Book value as at 31/12/2012	**186 114**	**14 107**	**46 601**	**94 549**	**341 371**
Balance as at 31/12/2012					
Costs	263 526	35 936	100 907	315 654	716 023
Accumulated depreciation	(77 412)	(21 829)	(54 306)	(221 105)	(374 652)
Net book value	**186 114**	**14 107**	**46 601**	**94 549**	**341 371**

(*) Include an amount of EGP 129 394 thousand that represents the value of new branch and some departments of the Head Office of the Bank at Smart Village

There are assets leased under law No. 95 of 1995 which are represented in rented equipment's from a third party:

	31/12/2012
	EGP 000
Total contractual leasing payments	10 599
Total value at cost on the end of lease contract	Not specified
Average useful life	5 year
Annual leasing payments	2 120

28- Due to banks

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Current accounts	136 610	187 404
Deposits	326 503	672 280
	463 113	**859 684**
Local banks	160 257	479 200
Foreign banks	302 856	380 484
	463 113	**859 684**
Balances without interest	104 185	120 869
Balances with fixed interest	358 928	738 815
	463 113	**859 684**
Current balances	**463 113**	859 684

29- Customers' deposits

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Demand deposits	3 648 471	2 956 314
Term and notice deposits	5 267 179	5 521 708
Certificates of deposits and savings	10 220 150	7 882 310
Savings deposits	13 982 212	13 942 090
Other deposits	348 736	478 704
	33 466 748	**30 781 126**
Corporate deposits	6 189 118	6 439 549
Retail deposits	27 277 630	24 341 577
	33 466 748	**30 781 126**

	31/12/2012 EGP 000	31/12/2011 EGP 000
Balances without interest	3 212 117	2 867 504
Balances with variable interest	24 927 251	22 338 095
Balances with fixed interest	5 327 380	5 575 527
	33 466 748	**30 781 126**
Current balances	12 026 593	10 184 146
Non-current balances	21 440 155	20 596 980
	33 466 748	**30 781 126**

Customers' accounts include deposits of EGP 698 314 thousand as at 31/12/2012 versus EGP 733 829 thousand as at 31/12/2011. These deposits represent collateral of customer loans, documentary credits, and letter of guarantees. Deposits' fair value approximately equals the current fair value of such deposits.

30- Other loans (long term loans)

	Interest Rate %	31/12/2012 EGP 000	31/12/2011 EGP 000
Arab International Bank loan	Libor 3,6 month + 1.85, 2.4	947 850	904 785
Social Development Fund loan	6.25	100	904
Loan within the framework of the Agricultural Sector Development Program	3.5: 4.5	39 678	52 790
Total of long term loans		**987 628**	**958 479**
Current balances		22 091	27 666
Non-current balances		965 537	930 813
		987 628	**958 479**

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

31- Other liabilities

	31/12/2012 EGP 000	31/12/2011 EGP 000
Accrued interest	170 105	137 899
Prepaid revenues	23 611	17 702
Accrued expenses	118 009	92 868
Creditors	101 281	52 666
Remittances of Egyptian workers in Iraq – Due to customers	85 328	--
Other credit balances	442 750	309 364
	941 084	**610 499**

32- Other provisions

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Balance at the beginning of the year	422 703	438 372
Differences in valuation of foreign currencies	4 281	2 408
charged to income statement	19 049	(14 884)
Amounts redeemed	16	60
The utilized amounts during the year	(27 631)	(6 423)
Transfers from doubtful amounts (Other assets)	5 098	3 170
Balance at the end of the year	**423 516**	**422 703**

A provision of an amount of EGP 170 464 thousand has been made at 31/12/2012 to meet contingent liabilities and contractual commitments that amount to EGP 1 985 494 thousand, versus to EGP 189 405 thousand as at 31/12/2011 to meet contingent liabilities and contractual commitments that amount to EGP 2 486 022 thousand.

33- Deferred tax liabilities

The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 25% for the present fiscal year *.

- Deferred tax assets resulting from carried forward tax losses shall not be recognized unless future taxable profits, through which carried forward taxable losses can be utilized, are likely to be proven.
  - Deferred tax assets resulting from other provisions shall not be not recognized.

    Following are the balances and the movement in deferred tax assets and liabilities:

A- Recognized deferred tax liabilities

	Deferred tax liabilities	
	31/12/2012	31/12/2011
	EGP 000	EGP 000
Fixed assets (Depreciation)	(9 556)	(10 409)
Fair value differences	(55 781)	(44 454)
Total deferred tax liability	**(65 337)**	**(54 863)**

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

The movement of deferred tax liabilities:

	31/12/2012 EGP 000	31/12/2011 EGP 000
Balance at the beginning of the year	(54 863)	(17 558)
Additions	--	(37 305)
Exclusions	(10 474)	--
Balance at the end of the year	**(65 337)**	**(54 863)**

The deferred tax recorded directly in equity:

	31/12/2012 EGP 000	31/12/2011 EGP 000
Fair value differences	(55 781)	(44 454)
	(55 781)	**(44 454)**

B- Unrecognized deferred tax assets:

	Deferred tax assets	
	31/12/2012 EGP 000	31/12/2011 EGP 000
Other provisions (other than impairment loss, provision on customers' loans and income tax provision and performing contingent liabilities provision)	90 474	84 274
Carried forward tax losses	499 371	499 371
Total deferred tax asset	**589 845**	**583 645**

Deferred tax assets related to the abovementioned items have not been recognized, due to the lack of reasonable assurance to benefit from them in the near future.

34- Retirement benefits obligations

	31/12/2012 EGP 000	31/12/2011 EGP 000
Liabilities included in the financial position for:		
- Post-retirement Medical benefits	451 075	384 382
	451 075	**384 382**

	31/12/2012	31/12/2011
Liabilities recognized in the income statement:		
	EGP 000	**EGP 000**
Post-retirement Medical benefits	85 020	104 263
	85 020	**104 263**

The balances in the financial position are presented as follows:

	31/12/2012	31/12/2011
	EGP 000	**EGP 000**
The present value of funded obligations	548 963	589 095
Unrealized actuarial losses *	(97 888)	(204 713)
The liabilities in the balance sheet	**451 075**	**384 382**

The movement in liabilities during the period is represented in the following:

	31/12/2012	31/12/2011
	EGP 000	**EGP 000**
The balance at the beginning of the year	384 382	299 596
Current service cost	9 227	12 071
Interest cost	64 800	71 324
Actuarial losses	10 993	20 868
Paid benefits	(18 327)	(19 477)
Balance at the end of the year	**451 075**	**384 382**

The recognized amounts in the income statement are presented as follows:

	31/12/2012	31/12/2011
	EGP 000	**EGP 000**
Current service cost	9 227	12 071
Interest cost	64 800	71 324
Actuarial losses	10 993	20 868
Balance at the end of the year	**85 020**	**104 263**

* Whereas actuarial losses are higher than 10% of the total liabilities, then the amortized amount has been recognized in the income statements based on an average of 14 years of the remaining work - years.

The principal actuarial assumptions used are presented as follows:

	31/12/2012	31/12/2011
Discount rate	%11	%11
Previous service cost inflation rate (pre-retirement)	% 9	% 9
Future service assumption cost inflation rate	%11	%11
Mortality assumption	90 mortality cases every year	90mortality cases every year
Staff turnover	%0.5	%0.5

35- Capital

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

- The bank's authorized capital amounts to EGP1000 million.
- The issued and subscribed capital amounts to EGP800 million, divided into 400 million shares with a par value of EGP2 each and it has been fully subscribed and paid.
- In its session held on March 22nd, 2006, the Bank's Ordinary General Meeting (OGM) has approved some amendments to Bank's Articles of Association. It approved that the issued and paid – in capital becomes EGP800 million divided into160 million shares with a par value of EGP5 each.

- On October 31st,2006 San Paolo – I.M.I. (Italian Bank) has acquired a percentage of 80% of Bank's issued capital as part of the government program to develop the Banking sector. In its session held on December 5th, 2006,the board of directors of the Central Bank of Egypt (CBE) approved the acquisition transaction that was executed in the Egyptian Exchange (EGX) on December 12th, 2006. On January 1st, 2007, a merger has been announced between Sanpaolo I.M.I and Banca Intesa and , the bank name was accordingly amended to Intesa Sanpaolo /S.P.A.
- On February 23rd, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees And the subtraction programme is not implemented yet.
- In its session held on March 26th, 2008, the bank's Extraordinary General Meeting (EGM) approved the splitting of shares with a percentage of 1:2.5; and issued and paid-in capital accordingly amounts to EGP800 million divided into

400 million shares with a par value of EGP2 per share.

- On March 22nd, 2009, the International Finance Corporation (I.F.C) purchased 9.75% of the Bank's shares; thus, Intesa Sanpaolo S.P.A capital share became 70.25%.

Therefore, the bank's issued and subscribed capital is divided as follows:

	Shareholders %	**No. of Shares (000)**	**Nominal value Shares EGP 000**
Intesa Sanpaolo S.P.A	70.25	281 000	562 000
International Finance Corporation I.F.C	9.75	39 000	78 000
The Ministry of finance (The share of State)	20.00	80 000	160 000
	% 100	400 000	800 000

36- Reserves and retained earnings

	31/12/2012 EGP 000	**31/12/2011 EGP 000**
Legal reserve	280 069	263 466
General reserve	29 312	29 312
Special capital reserve	404 919	404 209
Fair value reserve/financial investments available for sale	15 358	(51 166)
Other reserves	289 188	289 188
Bank's contribution in fair value reserve of associates Subsequent to acquisition date	29 599	21 234
General banking risk reserve	154	136
Specific reserve	21 000	21 000
Total reserves	**1 069 599**	**977 379**

The movement in reserves is as follows:

(36/a) Legal reserve

	31/12/2012 EGP 000	**31/12/2011 EGP 000**
Balance at the beginning of the year	263 466	230 723
Formed from the financial year's profits 2010,2011	16 603	32 743
Balance at the end of the year	**280 069**	**263 466**

- According to the Bank's Articles of Association, 5% of the annual net profit shall be retained to make the legal reserve, and shall stop retaining profit for the legal reserve balance when it reaches 50% of the issued and paid – in capital.

(36/b) Special capital reserve

	31/12/2012 EGP 000	31/12/2011 EGP 000
Balance at the beginning of the year	404 209	402 569
Formed from the financial year's profits 2010,2011	710	1 640
Balance at the end of the year	**404 919**	**404 209**

- No amounts shall be distributed from the balance of the special capital reserve expect after obtaining the approval of the Central Bank of Egypt (CBE).

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

	31/12/2012 EGP 000	31/12/2011 EGP 000
Balance at the beginning of the year	(51 166)	139 678
Net losses from change in fair value (Note no.22)	76 808	(184 203)
Net gains transferred to income statement resulting from disposals	130	209
Valuation differences of reserve in foreign currencies	(22)	(23)
The impact on the reserve after calculating the bonds by the amortized cost	(53)	(70)
Impairment loss provision for investments	988	28 127
Deferred tax liability (Note no.33)	(11 327)	(34 884)
Balance at the end of the year	**15 358**	**(51 166)**

(36/d) Retained earnings

The movement in retained earnings	31/12/2012 EGP 000	31/12/2011 EGP 000
Balance at the beginning of the year	1 931 728	1 737 851
Change in general banking risk reserve	(18)	161
Net profits of the current year	625 065	332 779
Profits of employees' share in financial year 2010/2011	(31 545)	(62 183)

The movement in retained earnings	**31/12/2012**	**31/12/2011**
	EGP 000	**EGP 000**
Board of directors' members remuneration for financial year 2010/2011	(2 200)	(2 200)
Transferred to legal reserve	(16 603)	(32 743)
Transferred to General banking risk reserve	--	(297)
Transferred to Special capital reserve	(710)	(1 640)
Shareholders' dividends in financial year 2010/2011	(84 511)	(40 000)
Balance at the end of the year	**2 421 206**	**1 931 728**

37- Dividend:

Dividend is not recorded until it is approved by the General Assembly of Shareholders. The Board of Directors in accordance with the Bank's Bylaws proposes to the Assembly scheduled to be held 18 March 2013 a distribution to the shareholders of an amount of L.E. 500 052 thousand; and the Board of Directors has to distribute an amount of L.E. 58 831 for employees as share in profits and the amount of LE 2 200 pounds as remuneration for members of the Board of Directors (the actual distributions amounted of L.E.31 545 thousand for employees and the amount of LE 2 200 pounds as remuneration to the members of the Board of Directors for the previous year) and not recognized in these presented financial statements resolution. And the dividend recorded for shareholders and employees share in profits and Board of Directors members remuneration in equity distribution of retained earnings in the year ended 31 December 2012.

38- Cash and cash equivalents

For the presentation of the cash flows statement, cash and cash equivalents include the following balances with maturities of no later than three months from the acquisition date.

	31/12/2012	**31/12/2011**
	EGP 000	**EGP 000**
Cash and due from Central Bank of Egypt (Note no.16)	730 851	615 978
Due from banks (Note no. 17)	5 486 347	3 244 928
Treasury bills and other Government notes (Note no. 18)	137 843	1 175 503
	6 355 041	**5 036 409**

39- Contingent liabilities and commitments:

a) Legal Claims

There are a number of cases filed against the bank on December 31, 2012, and the balance of the claims' provision amounted to EGP 181 420 thousand.

b) Capital commitments

1- Financial investments

The value of the capital commitments related to financial investments which are not required to be paid until the reporting date amounted to USD 6 206 thousand according to the following:

		USD 000	
Available - for - sale investments (foreign currency)	**Investment value**	**Paid amount**	**Remaining amount and not requested**
Horus Fund for Investment in Agricultural and Food Sector	3 496	3 290	206
African Bank for Import and Export (Afrexim)	10 000	4 000	6 000
	13 496	**7 290**	**6 206**

2- Fixed assets and fittings and fixtures of branches

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 17 442 thousand on December 31, 2012, versus EGP 103 275 thousand on December 31, 2011. The Top Management has got sufficient confidence in generating revenues and providing the finance required to cover these commitments.

c) Commitments related to loans, guarantees, and facilities

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

	31/12/2012 EGP 000	31/12/2011 EGP 000
Accepted documentation	77 816	92 889
Letters of guarantee	1 684 455	1 879 681
Letters of credit “import”	152 097	341 697
Letters of credit “export”	71 126	171 755
Total	**1 985 494**	**2 486 022**

d) Commitments on operational leasing contracts:

The total of minimum lease payments on irrevocable operational leasing contracts is as follows:

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Not more than one year	2 385	2 449
More than one year but less than five years	4 839	7 224
Total	**7 224**	**9 673**

40- Transactions with related parties

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

A) Deposits from related parties:

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Due to customers		
Deposits at the beginning of the year beginning	17	16
Deposits at the end of the year	**17**	**16**

B) Transactions with the Parent Bank (Intesa Sanpaolo Bank)

	31/12/2012	31/12/2011
	EGP 000	EGP 000
Due from banks	428 324	195 524
Debit balances and other assets	1 123	1 305
Due to banks	388	4 876
Credit balances and other liabilities	562	275

* Any transactions with the Parent Company or the companies, which may exercise influence or control in a direct or indirect way over the bank, are disclosed.

C) Board of Directors and the Top management Benefits

" The monthly average amount of the 20 biggest employees' salaries for the current year is amounted to EGP 2 286 thousand as at 31 December 2012."

41- Mutual funds

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

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

A) Bank of Alexandria Mutual Fund No.1(with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of EGP300 million (after increasing the capital of the mutual fund on March 26th, 2006 with an amount of EGP 100 million). 50 thousand certificates were allocated to the Bank to undertake the fund's activity after Clause (6) of the prospectus was amended under the approval of the Capital Market Authority (CMA), in order that the percentage be amended to 2% instead of 5% under Article No. 150 by the Ministerial Decree No. 209 for year 2007 from the capital market law executive regulations.

The Bank investments in the fund amounted to a number of 136 thousand certificates (including certificates of activity undertaking), with a redeemable value of EGP 21.45 million as at 31 December 2012.

The redeemable value of the certificate as at 31 December 2012 amounted to EGP 157.45 and the outstanding certificates at that date reached 707 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 524 thousand as at 31 December 2012, which were presented under the item of "Fee and commission income" in the income statement.

B) Bank of Alexandria's Monetary Mutual Fund (with daily-accumulated return in Egyptian pound)

The certificates of the fund reached 20 million certificates with an amount of EGP 200 million. As the fund is an open fund, the Bank adjusts its allocated percentage on a daily basis.

The Bank investments in the fund amounted to a number of 3.09 million certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 55 million as at 31 December 2012.
The redeemable value of the certificate amounted to EGP 17.66 as at December 31, 2012, and the outstanding certificates at that date reached 153 191 thousand certificates.
According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 8 149 thousand as at 31 December 2012, which were presented under the item of "Fee and commission income" in the income statement.

C) Bank of Alexandria Fixed Income Fund (with quarterly return)

The certificates of the fund reached 10 million certificates with an amount of EGP100 million. 500 thousand certificates have been allocated to the Bank to undertake the fund's activity according the Article No. 150 of the executive regulations of the Capital Market Law No. 95/1992. It is worth mentioning that the fund is an open-ended fund with a quarterly return.

The Bank investment in the fund amounted to 500 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 6. 25 million as at 31 December 2012.
The redeemable value of the certificate amounted to EGP 12.50 as at December 31, 2012, and the outstanding certificates at that date reached 6 773 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 212 thousand as at December 31, 2012, which were presented under the item of "Fee and commission income" in the income statement.

Chairman
Bruno Gamba

Chief Financial Officer
Stefano Borsari