Commercial International Bank

Activities report for the period from

Jan.1, 2011 to Dec.31, 2011

The following are the financial highlights for the separate balance sheet on Dec.31, 2011 compared to Dec.31, 2010 and income statement for the year ended Dec.31, 2011 compared to the year ended on Dec.31, 2010

		Dec. 31, 2011	Dec. 31, 2010	Variance %
	1) Balance sheet			
	EGP billion			
-	Total assets	**85.7**	**75.1**	**14.1**
-	Contingent liabilities and commitments	**12.6**	**11.9**	**5.9**
-	Loans and advances to banks and customers	**41.1**	**35.2**	**16.8**
-	Investments	**17.0**	**16.4**	**3.7**
-	Treasury bills and other governmental notes	**9.3**	**8.9**	**4.5**
-	Due to customers	**71.6**	**63.5**	**12.8**
-	Other provisions	**0.3**	**0.3**	**0**
-	Total equity	**9.0**	**8.7**	**3.4**

	Dec. 31, 2011	Dec. 31, 2010	Variance %
2)Capital Adequacy Ratio			
Capital Adequacy Ratio	**13.78%**	**16.92%**	**(3.1)**

* 2011 dividend impact is not reflected (Estimate ratio after proposed distribution is 15.39%)

		From Jan.1, 2011 to Dec.31, 2011	From Jan.1, 2010 to Dec.31, 2010	Variance %
	3) Income statement			
	EGP million			
-	Interest and similar income	**5,460**	**4,522**	**20.7**
-	Interest and similar expense	**(2,781)**	**(2,267)**	**22.7**
-	Net income from fee and commission	**779**	**751**	**3.7**
-	Net profit after tax	**1,749**	**2,142**	**(18.3)**

البنـــك التجـــارى الدولـــى
Commercial International Bank

S.A.E

Separate income statement for the year ended on Dec. 31, 2011

	Notes	Dec. 31, 2011 EGP	Dec. 31, 2010 EGP Restated
- Interest and similar income		5,459,248,277	4,521,390,287
- Interest and similar expense		(2,780,703,161)	(2,266,569,515)
Net interest income	(6)	**2,678,545,116**	**2,254,820,772**
- Fee and commission income		865,620,940	835,154,241
- Fee and commission expense		(87,451,431)	(84,876,559)
Net income from fee and commissions	(7)	**778,169,509**	**750,277,682**
- Dividend income	(8)	59,921,078	184,309,092
- Net trading income	(9)	330,958,993	433,251,040
- Profit from financial investments	(22)	75,063,911	102,559,206
- Administrative expenses	(10)	(1,336,701,608)	(1,187,939,938)
- Other operating (expenses) income	(11)	(85,530,954)	1,771,329
- Impairment charge for credit losses	(12)	(320,648,863)	(6,163,496)
Net profit before tax		**2,179,777,182**	**2,532,885,687**
- Income tax expense	(13)	(446,414,136)	(431,731,219)
- Deferred tax	(13) & (33)	15,485,032	39,857,376
Net profit of the year		**1,748,848,078**	**2,141,011,844**
Earning per share	(14)		
- **Basic**		**2.44**	**3.00**
- **Diluted**		**2.39**	**2.94**

Hisham Ramez Abdel Hafez
Vice Chairman
and Managing Director

Hisham Ezz El-Arab
Chairman
and Managing Director

Commercial International Bank

S.A.E

Separate cash flow for the year ended on Dec. 31, 2011

	Dec. 31, 2011 EGP	Dec. 31, 2010 EGP Restated
Cash flow from operating activities		
- Net profit before tax	2,179,777,182	2,532,885,687
Adjustments to reconcile net profit to net cash provided by operating activities		
- Depreciation	185,074,214	179,021,238
- Assets impairment charges	322,276,483	6,783,757
- Other provisions charges	4,217,707	77,632,778
- Trading financial investments revaluation differences	61,887,578	(76,970,503)
- Financial investments impairment charge (release)	(60,754,172)	84,837,159
- Utilization of other provisions	(3,412,238)	(1,990,637)
- Other provisions no longer used	(48,748,110)	(178,037,726)
- Exchange differences of other provisions	2,329,620	7,340,620
- Profits from selling property, plant and equipment	(2,716,747)	(1,574,746)
- Profits from selling financial investments	(100,273,310)	(209,478,369)
- Profits from selling associates	(1,873,813)	96
- Exchange differences of long term loans	164,818	141,768
- Shares based payments	77,459,887	66,356,519
- Investments in subsidiary and associates revaluation	17,721,760	158,363,395
- Real estate investments impairment charges	400,000	7,800,000
Operating profits before changes in operating assets and liabilities	**2,633,530,859**	**2,653,111,036**
Net decrease (increase) in assets and liabilities		
- Due from banks	(1,857,455,963)	1,114,664,704
- Treasury bills and other governmental notes	(1,729,254,403)	492,012,203
- Trading financial assets	799,066,990	(964,447,656)
- Derivative financial instruments	(6,543,758)	49,107,482
- Loans and advances to banks and customers	(6,213,116,023)	(7,776,687,046)
- Other assets	(92,518,310)	(452,877,544)
- Due to banks	2,018,514,608	864,134,680
- Due to customers	8,094,163,906	8,637,253,781
- Other liabilities	(261,547,906)	(436,811,802)
Net cash provided from operating activities	**3,384,840,000**	**4,179,459,838**

Commercial International Bank
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Separate cash flow for the year ended on
Dec. 31, 2011

	Dec. 31, 2011 EGP	Dec. 31, 2010 EGP Restated
Cash flow from investing activities		
- Purchase of subsidiary and associates	(18,000,000)	(16,452,199)
- Proceeds from selling subsidiary and associates	1,000,000	48,750
- Purchases of property, plant and equipment	(153,108,029)	(179,733,400)
- Redemption of held to maturity financial investments	270,175,192	311,446,590
- Purchases of held to maturity financial investments	(5,000,000)	(5,012,498)
- Purchases of available for sale financial investments	(4,535,816,258)	(9,474,625,202)
- Proceeds from selling available for sale financial investments	2,181,325,960	3,492,400,008
- Proceeds from selling real estate investments	15,520,978	5,989,700
Net cash generated from (used in) investing activities	**(2,243,902,157)**	**(5,865,938,251)**
Cash flow from financing activities		
- Increase (decrease) in long term loans	(29,944,867)	35,734,615
- Dividend paid	(841,922,204)	(658,369,589)
- Capital increase	33,119,390	25,721,800
Net cash generated from (used in) financing activities	**(838,747,681)**	**(596,913,174)**
Net increase (decrease) in cash and cash equivalent	302,190,161	(2,283,391,587)
Beginning balance of cash and cash equivalent	7,778,944,041	10,062,335,629
Cash and cash equivalent at the end of the year	**8,081,134,202**	**7,778,944,042**
Cash and cash equivalent comprise		
- Cash and balances with central bank	7,492,064,510	5,675,241,791
- Due from banks	8,449,298,705	9,266,085,911
- Treasury bills and other governmental notes	9,213,390,067	8,821,003,566
- Obligatory reserve balance with CBE	(3,014,779,811)	(2,496,478,514)
- Due from banks (time deposits) more than three months	(5,237,471,784)	(6,394,795,631)
- Treasury bills with maturity more than three months	(8,821,367,485)	(7,092,113,081)
Total cash and cash equivalent	**8,081,134,202**	**7,778,944,042**

Commercial International Bank

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Separate statement of changes in shareholders' equity as of Dec. 31, 2011

Dec. 31, 2010 Restated	Capital EGP	Legal reserve EGP	General reserve EGP	Retained earnings EGP	Special reserve EGP	Reserve For A.F.S investments revaluation diff. EGP	Banking risks reserve EGP	Profits of the year EGP	Reserve for employee stock ownership plan (ESOP) EGP	Total EGP
- Beginning balance	2,925,000,000	513,606,534	1,463,656,484	(1,942,684)	206,530,551	(106,589,600)	26,652,790	1,756,956,708	161,728,985	**6,945,599,768**
- Capital increase	2,976,443,600	(476,326,032)	(2,474,395,768)	-	-	-	-	-	-	**25,721,800**
- Transferred to reserves	-	87,847,835	1,089,303,930	-	-	-	-	(1,098,587,119)	(78,564,646)	**-**
- Dividend paid	-	-	-	-	-	-	-	(658,369,589)	-	**(658,369,589)**
- Net profit of the year	-	-	-	-	-	-	-	2,141,011,844	-	**2,141,011,844**
- Transferred to retained earnings	-	-	-	22,173,982	(22,173,982)	-	-	-	-	**-**
- Addition from financial investment revaluation	-	-	-	-	-	108,716,196	-	-	-	**108,716,196**
- Transferred to bank risk reserve	-	-	-	-	-	-	130,339,725	(130,339,725)	-	**-**
- Reserve for employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	66,356,519	**66,356,519**
- The effect of changing accounting policies	-	-	-	-	-	(20,141,227)	-	-	-	**(20,141,227)**
Balance at the end of the year	**5,901,443,600**	**125,128,337**	**78,564,646**	**20,231,298**	**184,356,569**	**(18,014,631)**	**156,992,515**	**2,010,672,119**	**149,520,859**	**8,608,895,311**

Dec. 31, 2011	Capital EGP	Legal reserve EGP	General reserve EGP	Retained earnings EGP	Special reserve EGP	Reserve For A.F.S investments revaluation diff. EGP	Banking risks reserve EGP	Profits of the year EGP	Reserve for employee stock ownership plan (ESOP) EGP	Total EGP
- Beginning balance	5,901,443,600	125,128,337	78,564,646	20,231,298	184,356,569	(18,014,631)	156,992,515	2,010,672,119	149,520,859	**8,608,895,311**
- Capital increase	33,119,390	-	-	-	-	-	-	-	-	**33,119,390**
- Transferred to reserves	-	106,216,559	1,155,710,314	-	1,574,746	-	-	(1,173,875,293)	(89,626,327)	**-**
- Dividend paid	-	-	-	(20,231,298)	-	-	-	(821,690,906)	-	**(841,922,204)**
- Net profit of the year	-	-	-	-	-	-	-	1,748,848,078	-	**1,748,848,078**
- Addition from financial investment revaluation	-	-	-	-	-	(705,056,187)	-	-	-	**(705,056,187)**
- Transferred to bank risk reserve	-	-	-	-	-	-	124,697,104	(124,697,104)	-	**-**
- Reserve for employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	77,459,887	**77,459,887**
- The effect of changing accounting policies	-	-	-	15,105,920	-	-	-	(15,105,920)	-	**-**
Balance at the end of the year	**5,934,562,990**	**231,344,896**	**1,234,274,960**	**15,105,920**	**185,931,315**	**(723,070,818)**	**281,689,619**	**1,624,150,975**	**137,354,419**	**8,921,344,275**

Commercial International Bank

Proposed appropriation account for the year ended on

Dec. 31, 2011

	Dec. 31, 2011 EGP	Dec. 31, 2010 EGP
- Net profit after tax	**1,748,848,078**	**2,125,905,924**
Deduct:		
- Profits selling property, plant and equipment transferred to capital reserve according to the law	2,716,747	1,574,746
- Bank risk reserve	124,697,104	130,339,725
- **Available net profit for distributing**	1,621,434,227	1,993,991,453
Add:		
- Retained earnings	15,105,920	20,231,298
Total	**1,636,540,147**	**2,014,222,751**
To be distributed as follows:		
- Legal reserve	87,306,567	106,216,559
- General reserve	743,027,061	1,066,083,988
- dividends to share holders (First tranche)	296,728,150	295,072,180
- dividends to share holders (Second tranche)	296,728,150	295,072,180
- Staff profit sharing	163,654,015	201,422,275
- Board members bonus	24,548,102	30,213,341
- CIB's foundation	24,548,102	20,142,228
Total	**1,636,540,147**	**2,014,222,751**

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate banking and investment banking services in various parts of Egypt through 110 branches, and 44 units employing 4495 employees at the balance sheet date.

Commercial International Bank (Egypt) S.A.E. was formed as a commercial bank under the investment law no. 43 of 1974. The address of its registered head office is as follows: Nile tower, 21/23 Charles de Gaulle street-Giza.
The bank is listed in the Egyptian stock exchange.

2. Summary of accounting policies

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

2.1 Basis of preparation

The separate financial statements have been prepared in accordance with Egyptian financial reporting standards issued in 2006 and its amendments and in accordance with the Central Bank of Egypt regulations approved by the board of directors on December 16, 2008.

The separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading, financial assets and liabilities held at fair value through profit or loss, available for sale investment and all derivatives contracts.

The separate and consolidated financial statements of the bank and its subsidiaries have been prepared in accordance with the relevant domestic laws and the Egyptian financial reporting standards, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the bank - directly or indirectly – has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the bank's consolidated financial statements can be obtained from the bank's management. The bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the bank should be read with its consolidated financial statements, for the period ended on December 31, 2011 to get complete information on the bank's financial position, results of operations, cash flows and changes in ownership rights.

2.2 Subsidiaries and associates

2.2(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the bank has owned directly or indirectly the control to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the bank has the ability to control the entity or not.

2.2(b) Associates

Associates are all entities over which the bank has significant influence but do not reach to the extent of control, generally accompanying a shareholding between 20% and 50% of the voting rights.
The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the bank share of the fair value of the identifiable net assets acquired is recorded as goodwill. A gain on acquisition is recognized in profit or loss if there is an excess of the bank's share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

The cost method is applied to account for investments in subsidiaries and associates, whereby, investments are recorded based on the acquisition cost including any goodwill, deducting any impairment losses, and dividends are recorded in the income statement in the adoption of the distribution of these profits and evidence of the bank right to collect them.

2.3 Segment reporting

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

2.4 Foreign currency translation

(*a*) Functional and presentation currency

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

(b) Transactions and balances in foreign currencies

The bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies during the year are translated into the Egyptian pound using the prevailing exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of reporting period at the prevailing exchange rates. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

- Net trading income from held-for-trading assets and liabilities.

- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale assets are analyzed into valuation differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument.

Valuation differences resulting from changes in the amortized cost are recognized and reported in the income statement in 'income from loans and similar revenues' whereas differences resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)'. The remaining differences resulting from changes in fair value are deferred in equity and accumulated in the 'revaluation reserve of available-for-sale investments'.

Exchange component of a gain or loss on a non-monetary item is recognized in equity if the gain or loss on the non-monetary item is recognized in equity. Any exchange component of a gain or loss on a non-monetary item is recognized in the income statement if the gain or loss on the non-monetary item is recognized in the income statement.

2.5 Financial assets

The bank classifies its financial assets in the following categories:

- Financial assets designated at fair value through profit or loss.
- Loans and receivables.
- Held to maturity investments.
- Available for sale financial investments.

Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories:

- Financial assets held for trading,
- Financial assets designated at fair value through profit and loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit making. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial instruments, other than those held for trading, are classified as financial assets designated at fair value through profit and loss if they meet one or more of the criteria set out below, and are designated by management. The bank may designate financial instruments at fair value when the designation:

- Eliminates or significantly reduces measurement and recognition inconsistencies that would arise from measuring financial assets or financial liabilities, or recognizing gains and losses, on different bases. Under this criterion, an accounting mismatch would arise if the debt securities issued were accounted for at amortized cost, because the related derivatives are measured at fair value with changes in the fair value recognized in the income statement. The main classes of financial instruments designated by the bank are loans and advances and long-term debt issues.

- Applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

- Relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments, including certain debt issues and debt securities held.

Any financial derivative initially recognized at fair value can't be reclassified during the holding period. Re-classification is not allowed for any financial instrument initially recognized at fair value through profit and loss.

(b) Loans and advances

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

(a) Those that the bank intends to sell immediately or in the short term, which are classified as held for trading, or those that the bank upon initial recognition designates as at fair value through profit or loss;

(b) Those that the bank upon initial recognition designates as available for sale; or

(c) Those for which the holder may not recover substantially all of its initial investment, other than credit deterioration.

(c) Held to maturity financial investments

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

(d) Available for sale financial investments

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

The following are applied in respect to all financial assets:

Debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value, are classified as available-for-sale or held-to-maturity. Financial investments are recognized on trade date, when the group enters into contractual arrangements with counterparties to purchase securities.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the bank transfers substantially all risks and rewards of the ownership. Financial liabilities are derecognised when they are extinguished , that is, when the obligation is discharged, cancelled or expired.

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

Gains and losses arising from changes in the fair value of the ‘financial assets designated at fair value through profit or loss’ are recognized in the income statement in ‘Net income from financial instruments designated at fair value’. Gains and losses arising from changes in the fair value of available for sale investments are recognised directly in equity, until the financial assets are either sold or become impaired. When available-for-sale financial assets are sold, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Interest income is recognized on available for sale debt securities using the effective interest method, calculated over the asset’s expected life. Premiums and discounts arising on the purchase are included in the calculation of effective interest rates. Dividends are recognized in the income statement when the right to receive payment has been established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, or no current demand prices available the bank measures fair value using valuation models. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation models commonly used by market participants. If the bank has not been able to estimate the fair value of equity instruments classified available for sale, value is measured at cost less any impairment in value.

Available for sale investments that would have met the definition of loans and receivables at initial recognition may be reclassified out to loans and advances or financial assets held to maturity. In all cases, when the bank has the intent and ability to hold these financial assets in the foreseeable future or till maturity. the financial asset is reclassified at its fair value on the date of reclassification, and any profits or losses that has been recognized previously in equity, is treated based on the following:

1 – If the financial asset has a fixed maturity, gains or losses are amortized over the remaining life of the investment using the effective interest rate method. In case of subsequent impairment of the financial asset, the previously recognized unrealized gains or losses in equity are recognized directly in the profits and losses.

2 - In the case of financial asset which has infinite life, any previously recognized profit or loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.

If the bank adjusts its estimates of payments or receipts of a financial asset that in return adjusts the carrying amount of the asset (or group of financial assets) to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the differences are recognized in profit and loss.

In all cases, if the bank re-classifies financial asset in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, this increase adjusts the effective interest rate of this asset only without affecting the investment book value.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to offset the recognised amounts and there is an intention to be settled on a net basis.

2.7 Derivative financial instruments and hedge accounting

Derivatives are recognized initially, and subsequently, at fair value. Fair values of exchange traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models. Derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives in other financial instruments, such as conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognized in income statement unless the bank chooses to designate the hybrid contact as at fair value through net trading income in profit or loss.

The timing of recognition in profit and loss, of any gains or losses arising from changes in the fair value of derivatives, depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge)

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met.

- At the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore,
- At the inception of the hedge, and on ongoing basis, the bank documents whether the hedging instrument is expected to be highly effective in offsetting changes in fair values of the hedged Item attributable to the hedged risk.

2.7.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in the ‘net interest income’ line item of the income statement. Any ineffectiveness is recognized in profit or loss in ‘net trading Income’.

When the hedging instrument is no longer qualified for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date using the effective interest method.

2.7.2 Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized immediately in the income statement. These gains and losses are reported in ‘Net trading income’, except where derivatives are managed in conjunction with financial instruments designated at fair value , in which case gains and losses are reported in ‘Net income from financial instruments designated at fair value’.

2.8 Interest income and expense

Interest income and expense for all financial instruments except for those classified as held-for-trading or designated at fair value are recognized in ‘Interest income’ and ‘Interest expense’ in the income statement using the effective interest method.

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

Once loans or debts are classified as nonperforming or impaired, the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis. When it is collected after redeeming all dues of consumer loans, personnel mortgages and micro-finance loans . Cash basis is also applied for corporate loans , as the calculated interest is capitalized according to the rescheduling agreement conditions until paying 25% from rescheduling agreements payments for a minimum performing period of one year, if the customer continues to perform the calculated interest is recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

2.9 Fee and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that represent an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of that financial asset.

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the bank are recognized when the syndication has been completed and the bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.

Commission and fee arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of properties are recognised upon completion of the underlying transaction in the income statement .

Other management advisory and service fees are recognised based on the applicable service contracts, usually on accrual basis. Financial planning fees related to investment funds are recognised steadily over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are provided on the long term are recognised on the accrual basis also.

2.10 Dividend income

Dividends are recognised in the income statement when the right to collect is established.

2.11 Sale and repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase (repos) are reclassified in the financial statements and deducted from treasury bills balance. Securities borrowed or purchased subject to a commitment to resell them (reveres repos) are reclassified in the financial statements and added to treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

2.12 Impairment of financial assets

(a) Financial assets carried at amortised cost

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

- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Violation of the conditions of the loan agreement such as non payment;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- The bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the bank granted in normal circumstances;
- Deterioration in the value of collateral; or
- Deterioration of the creditworthiness of the borrower.

The objective evidence of impairment loss for a group of financial assets is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, for instance an increase in the default rates for a particular banking product.
The bank estimates the period between a losses occurring and its identification for each specific portfolio. In general, the periods used vary between three months to twelve months.

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant and in this field the following are considered:

- If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment according to historical default ratios.

- If the bank determines that an objective evidence of financial asset impairment exist that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract when there is objective evidence for asset impairment. As a practical expedient, the bank may measure impairment on the basis of an instrument's fair value using an observable market price.
The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.
For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

(b) Available for sale investments

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. During periods start from first of January 2009, the decrease consider significant when it become 10% from the book value of the financial instrument and the decrease consider to be extended if it continues for period more than 9 months, and if the mentioned evidences become available then any cumulative gains or losses previously recognized in equity are recognized in the income statement , in respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement to the extent of previously recognized impairment charge from equity to income statement.

2.13 Real estate investments

The real estate investments represent lands and buildings owned by the bank in order to obtain rental returns or capital gains and therefore do not include real estate assets which the bank exercised its work through or those that have owned by the bank as settlement of debts. The accounting treatment is the same used with property, plant and equipment.

2.14 Property, plant and equipment

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

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

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

- Buildings 20 years,
- Leasehold improvements 3 years, or over the period of the lease if less
- Furniture and safes 5 years.
- Typewriters, calculators and air-conditions 8 years
- Transportations 5 years
- Computers and core systems 3/10 years
- Fixtures and fittings 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. depreciable Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the selling proceeds with the asset carrying amount and charged to other operating expenses in the income statement.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life are not amortised -except goodwill- and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Assets are tested for impairment with reference to the lowest level of cash generating unit(s). A previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognized.

2.16 Leases

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

(a)Being lessee

Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets in the income statement for the period in which they occurred. If the bank decides to exercise the right to purchase the leased asset the leased assets are capitalised and included in 'Property, plant and equipment' and depreciated over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Operating lease payments leases are accounted for on a straight-line basis over the periods of the leases and are included in 'General and administrative expenses'.

(b)Being lessor

For finance lease, assets are recorded in the property, plant and equipment in the balance sheet and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized on the basis of rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients' accounts is transferred to the in the income statement until the expiration of the lease to be reconciled with a net book value of the leased asset. Maintenance and insurance expenses are charged to the income statement when incurred to the extent that they are not charged to the tenant.

In case there is objective evidence that the bank will not be able to collect the of financial lease obligations, the finance lease payments are reduced to the recoverable amount.

For assets leased under operating lease it appears in the balance sheet under property, plant and equipment, and depreciated over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

2.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.18 Other provisions

Provisions for restructuring costs and legal claims are recognised when the bank has present legal or constructive obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group. The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

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

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the balance sheet date. An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions. For obligations due within less than twelve months from the balance sheet date, provisions are calculated based on undiscounted expected cash outflows unless the time value of money has a significant impact on the amount of provision, then it is measured at the present value.

2.19 share based payments

The bank applies an equity-settled, share-based compensation plan. The fair value of equity instruments recognised as an expense over the vesting period using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. Vesting conditions include service conditions and performance conditions and market performance conditions are taken into account when estimating the fair value of equity instruments at the date of grant. At each balance sheet date the number of options that are expected to be exercised are estimated. Recognises estimate changes, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Income tax

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

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

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

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

2.21 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost also any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.22 Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval. Profit sharing includes the employees' profit share and the board of directors' remuneration as prescribed by the bank's articles of incorporation and the corporate law.

2.23 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Financial risk management

The bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effects on the bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.

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

Risk management is carried out by risk department under policies approved by the board of directors. Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the bank's operating units.

The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

3.1 Credit risk

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

3.1.1 Credit risk measurement

(a) Loans and advances to banks and customers

In measuring credit risk of loans and facilities to banks and customers at a counterparty level, the bank reflects three components (I) the 'probability of default' by the client or counterparty on its contractual obligations (II) current exposures to the counterparty and its likely future development, from which the bank derive the 'exposure at default'; and (III) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model') are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under EAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3/a).

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

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

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

(b) Debt instruments and treasury and other bills

For debt instruments and bills, external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.1.2 Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

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

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

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

(b) Derivatives

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

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

(c) Master netting arrangements

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

(d) Credit related commitments

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

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

3.1.3 Impairment and provisioning policies

The internal rating system described in Note 3.1.1 focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that have been incurred at the balance sheet date when there is an objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees. The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the bank and their relevant impairment losses:

Bank's rating

	Dec.31, 2011		Dec.31, 2010	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
1-Performing loans	91.13	42.26	90.88	54.59
2-Regular watching	4.32	4.70	5.40	5.30
3-Watch list	1.74	3.70	0.99	2.56
4-Non Performing Loans	2.81	49.34	2.73	37.55
	100.00	**100.00**	**100.00**	**100.00**

The internal rating tools assists management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set by the bank:

- Cash flow difficulties experienced by the borrower or debtor
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower
- Deterioration of the collateral value
- Deterioration of the credit situation

The bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require. Impairment provisions on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date ,and are applied to all significant accounts individually. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collective impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment and statistical techniques.

3.1.4 Pattern of measuring the general banking risk

In addition to the four categories of the bank's internal credit ratings indicated in note 3.1.1, management classifies loans and advances based on more detailed subgroups in accordance with the CBE regulations. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record. The bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provisions by the application used in balance sheet preparation in accordance with EAS. That excess shall be debited to retained earnings and carried to the general banking risk reserve in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution.

Below is a statement of institutional worthiness according to internal ratings compared with CBE ratings and rates of provisions needed for assets impairment related to credit risk :

CBE Rating	Categorization	Provision%	Internal rating	Categorization
1	Low risk	0%	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 watching
7	Watch list	5%	3	Watch list
8	Substandard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad debts	100%	4	Non performing loans

3.1.5 Maximum exposure to credit risk before collateral held

In balance sheet items exposed to credit risk	Dec.31, 2011 EGP	Dec.31, 2010 EGP
Treasury bills and other governmental notes	11,287,398,570	9,616,491,239
Trading financial assets		
− Debt instruments	353,860,497	880,224,887
Loans and advances to banks	1,433,545,112	128,527,576
Loans and advances to customers:		
Individual:		
- Overdrafts	952,982,877	695,995,810
- Credit cards	575,672,905	530,877,533
- Personal loans	2,659,469,004	1,960,327,857
- Mortgages	419,990,050	432,348,843
- Other loans	40,265,000	84,424,581
Corporate:		
- Overdrafts	4,239,213,684	3,331,087,693
- Direct loans	25,232,315,809	21,584,681,502
- Syndicated loans	7,278,053,191	7,758,798,180
- Other loans	101,625,796	209,582,685
Derivative financial instruments	146,544,656	139,263,948
Debt instruments	14,898,586,881	13,355,786,433
Investments in subsidiary and associates	995,595,778	996,317,538
Total	**70,615,119,810**	**61,704,736,305**
Off balance sheet items exposed to credit risk		
Financial guarantees	2,219,596,241	1,362,771,570
Customers acceptances	542,833,642	589,087,209
Letter of credit	753,154,858	989,910,137
Letter of guarantee	11,263,615,016	10,300,751,367
Total	**14,779,199,757**	**13,242,520,283**

The above table represents the bank Maximum exposure to credit risk at 31 December 2011, before taking account of any collateral held. For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above,61.01% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt Instruments represents 21.60%

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from both its loan and advances portfolio and debt Instruments based on the following:

- 95.45% of the loans and advances portfolios are concentrated in the top two grades of the internal credit risk rating system.
- 97.18% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individualy are valued EGP 1,208,909,123
- The bank has implemented more prudent processes when granting loans and advances during the financial period ended in December.31.2011.
- 86.01% of the investments in debt Instruments are sovereign instruments.

3.1.6 Loans and advances

Loans and advances are summarized as follows:

	Dec.31, 2011		Dec.31, 2010	
	Loans and advances to customers EGP	Loans and advances to banks EGP	Loans and advances to customers EGP	Loans and advances to banks EGP
Neither past due nor impaired	39,842,142,236	1,403,385,688	35,086,911,191	99,503,076
Past due but not impaired	478,696,381	-	527,270,370	-
Individually impaired	1,178,749,623	30,159,500	973,943,123	29,024,500
Gross	**41,499,588,240**	**1,433,545,188**	**36,588,124,684**	**128,527,576**
Less: impairment provision	1,419,409,102	37,950,503	1,255,187,888	2,694,538
Net	**40,080,179,138**	**1,395,594,685**	**35,332,936,796**	**125,833,038**

- Impairment losses for loans and advances reached EGP 1,457,359,605 and for more details about impairment provisions and loans for customers and banks see note 19 and 20

- During the year the bank’s total loans and advances increased by 16.93% as a result of the expansion of the lending business in Egypt. When accessing new markets or industries, in order to minimize the propable exposure to credit risk, the bank focuses more on the business with large enterprises,banks or retail customers with good credit rating or sufficient collateral.

- Net loans and advances to customers and banks:

EGP

Dec.31, 2011	Individual					Corporate					
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
1-Performing loans	914,099,869	504,245,088	2,520,780,759	405,378,706	257,258	3,864,636,142	22,043,384,066	6,784,446,579	94,689,386	**37,131,917,853**	**1,377,362,064**
2-Regular watching	9,461,536	10,798,843	28,278,387	-	37,241,095	136,980,065	1,496,193,485	58,210,281	5,101,102	**1,782,264,794**	**2,456,187**
3-Watch list	8,206,398	3,278,950	11,356,577	-	-	22,334,115	646,624,356	-	101,526	**691,901,922**	**-**
4-Non performing loans	837,459	15,059,805	22,550,809	2,735,047	1,172,716	47,607,968	255,316,129	128,767,666	47,046	**474,094,645**	**15,776,358**
Total	**932,605,262**	**533,382,686**	**2,582,966,532**	**408,113,753**	**38,671,069**	**4,071,558,290**	**24,441,518,036**	**6,971,424,526**	**99,939,060**	**40,080,179,214**	**1,395,594,609**

EGP

Dec.31, 2010	Individual					Corporate					
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
1-Performing loans	675,170,714	472,507,944	1,848,342,189	422,225,216	49,315,690	3,033,424,532	18,795,822,937	7,081,304,703	206,356,881	**32,584,470,805**	**97,524,952**
2-Regular watching	12,666,302	14,691,771	31,833,042	137,891	20,205,968	65,793,224	1,685,532,350	84,905,117	10,458	**1,915,776,123**	**-**
3-Watch list	3,216	1,264,587	2,444,904	304,044	201,828	20,801,628	93,451,118	211,620,140	233,917	**330,325,382**	**-**
4-Non performing loans	1,207,336	293,404	6,248,513	793,528	1,300,666	61,860,290	249,913,269	180,327,341	420,139	**502,364,486**	**28,308,086**
Total	**689,047,568**	**488,757,705**	**1,888,868,648**	**423,460,679**	**71,024,151**	**3,181,879,675**	**20,824,719,675**	**7,558,157,301**	**207,021,394**	**35,332,936,796**	**125,833,038**

- Loans and advances past due but not impaired:

Loans and advances less than 90 days past due are not considered impaired, unless there is an objective evidence of impairment.

EGP

Dec.31, 2011	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	200,977,939	106,509,301	3,509,689	1,211,276	**312,208,205**	-	103,500,085	-	**103,500,085**
Past due 30 - 60 days	9,825,529	11,474,221	1,830,630	94,499	**23,224,879**	9,880,139	8,077,826	-	**17,957,965**
Past due 60-90 days	8,564,505	3,984,099	1,263,730	59,511	**13,871,845**	6,689,585	1,243,817	-	**7,933,402**
Total	**219,367,973**	**121,967,621**	**6,604,049**	**1,365,286**	**349,304,929**	**16,569,724**	**112,821,728**	**-**	**129,391,452**

Dec.31, 2010	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	295,014,498	100,541,608	1,897,568	287,824	**397,741,498**	-	31,065,675	31,504,738	**62,570,412**
Past due 30-60 days	13,209,540	11,914,183	2,280,478	67,046	**27,471,247**	3,980,230	6,189,824	-	**10,170,054**
Past due 60-90 days	951,921	4,564,372	892,843	57,681	**6,466,817**	10,645,228	12,205,115	-	**22,850,342**
Total	**309,175,959**	**117,020,163**	**5,070,889**	**412,550**	**431,679,561**	**14,625,458**	**49,460,613**	**31,504,738**	**95,590,809**

- Individually impaired loans.

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 1,208,909,123

The breakdown of the gross amount of individually impaired loans and advances by product, along with the fair value of related collateral held by the bank, are as follows:

	Individual					Corporate				Total
Dec.31, 2011	**Overdraft**	**Credit cards**	**Personal loans**	**Mortgages**	**Other loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	
Individually impaired loans	17,378,259	52,101,360	86,197,008	11,020,824	1,411,998	157,287,411	557,310,686	326,074,653	126,924	**1,208,909,123**

	Individual					Corporate				Total
Dec.31, 2010	**Overdraft**	**Credit cards**	**Personal loans**	**Mortgages**	**Other loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	
Individually impaired loans	6,978,664	26,646,934	65,343,577	5,834,947	12,838,666	150,610,141	530,355,088	203,688,263	671,343	**1,002,967,623**

- Loans and advances restructured

Restructuring activities include reschaduling arrangements, obligatory management programs, modification and deferral of payments. The application of restructuring policies are based on indicators or criteria of credit performance of the borrower that is based on the personal judgment of the management, indicate that payment will most likely continue. These policies are reviewed frequantly. Restructuring is commonly applied to term loans, specially customer loans. Renegotiated loans totaled at the end of the year EGP 2,780,557,000

	Dec.31, 2011	**Dec.31, 2010**
Corporate		
− Direct loans	2,780,557,000	2,421,912,000
Total	**2,780,557,000**	**2,421,912,000**

3.1.7 Debt instruments, treasury bills and other governmental notes

The table below presents an analysis of debt instruments, treasury bills and other governmental notes by rating agency designation at end of financial Year, based on Standard & Poor's ratings or their equivalent:

Dec.31, 2011	**Treasury bills and other gov. notes** EGP	**Trading financial instruments** EGP	**Financial investments** EGP	**Total** EGP
AAA	-	-	1,154,735,737	**1,154,735,737**
AA- to AA+	-	13,553,416	414,004,877	**427,558,293**
A- to A+	-	2,712,574	361,268,907	**363,981,481**
Lower than A-	-	84,444,886	792,812,782	**877,257,668**
Unrated	9,213,390,067	460,373,398	13,714,432,464	**23,388,195,929**
Total	**9,213,390,067**	**561,084,273**	**16,437,254,767**	**26,211,729,107**

3.1.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

Following is a breakdown of the bank's main credit exposure at their book values categorized by geographical region . The bank has allocated exposures to regions based on the country of domicile of its counterparties.

	EGYPT			
Dec.31, 2011	**Cairo**	**Alex, Delta & Sinai**	**Upper Egypt**	**Total**
- Treasury bills and other governmental notes	11,287,398,570	-	-	**11,287,398,570**
- **Trading financial assets**				
− Debt instruments	353,860,497	-	-	**353,860,497**
- Loans and advances to banks	1,433,545,112	-	-	**1,433,545,112**
- **Loans and advances to customers:**				
- **Individual:**				
− Overdraft	607,884,297	232,270,999	112,827,581	**952,982,877**
− Credit cards	436,946,905	115,701,000	23,025,000	**575,672,905**
− Personal loans	1,748,477,064	721,768,479	189,223,460	**2,659,469,004**
− Mortgages	342,140,551	68,951,499	8,898,000	**419,990,050**
− Other loans	27,836,000	12,429,000	-	**40,265,000**
- **Corporate:**				
− Overdraft	3,587,293,684	620,292,000	31,628,000	**4,239,213,684**
− Direct loans	18,349,809,809	6,284,431,000	598,075,000	**25,232,315,809**
− Syndicated loans	6,904,555,191	373,498,000	-	**7,278,053,191**
− Other loans	86,090,192	15,535,604	-	**101,625,796**
- Derivative financial instruments	146,544,656	-	-	**146,544,656**
- Debt instruments	14,898,586,881	-	-	**14,898,586,881**
- Investments in subsidiary and associates	995,595,778	-	-	**995,595,778**
	61,206,565,187	**8,444,877,582**	**963,677,041**	**70,615,119,810**

(b) Industry sectors

The following table breaks down the Group's main credit exposure at their book value categorized by the industry sectors of our counterparties.

Dec.31, 2011	**Financial institutions**	**Manufacturing**	**Real estate**	**Wholesale and retail trade**	**Government sector**	**Other industries**	**Individual**	**Total**
- Treasury bills and other governmental bills	11,287,398,570	-	-	-	-	-	-	**11,287,398,570**
- **Financial assets for trading**			-					
− Debt instruments	353,860,497	-	-	-	-	-	-	**353,860,497**
- Loans and advances to banks	1,433,545,112	-	-	-	-	-	-	**1,433,545,112**
- **Individual:**								
− Overdraft	-	-	-	-	-	-	952,982,877	**952,982,877**
− Credit cards	-	-	-	-	-	-	575,672,905	**575,672,905**
− Personal loans	-	-	-	-	-	-	2,659,469,004	**2,659,469,004**
− Mortgages	-	-	-	-	-	-	419,990,050	**419,990,050**
− Other loans	-	-	-	-	-	-	40,265,000	**40,265,000**
- **Corporate:**								
− Overdraft	43,746,026	1,307,201,414	1,268,694,563	244,460,752	5,553,376	1,369,557,553		**4,239,213,684**
− Direct loans	992,735,455	11,359,238,760	194,496,188	408,305,437	1,218,918,090	11,058,621,879		**25,232,315,809**
− Syndicated loans	-	3,054,632,007	502,014,035	-	-	3,721,407,149		**7,278,053,191**
− Other loans	-	73,813,502	-	1,000,000	-	26,812,294		**101,625,796**
- Derivative financial instruments	146,544,656	-	-	-	-			**146,544,656**
- Investment securities − debt instrument	1,779,637,765	-	-	-	13,118,949,116			**14,898,586,881**
Financial investments in subsidiary and associates	995,595,778	-	-	-	-			**995,595,778**
-	**17,033,063,858**	**15,794,885,683**	**1,965,204,785**	**653,766,189**	**14,343,420,582**	**16,176,398,876**	**4,648,379,836**	**70,615,119,810**

3.2 Market risk

Market risk represnted as fluctuations in market factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce the bank's income or the value of its portfolios. The bank separates exposures to market risk into trading or non-trading portfolios.

Market risks are measured, monitored and controlled by the market risk management department. In addition, regular reports are submitted to the Asset and Liability Management Committee (ALCO), Board Risk Con and the heads of each business unit.

Trading portfolios include positions arising from market-making, positiontaking and others designated as marked-to-market. Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities, financial investments designated as available for sale and held-to-maturity.

3.2.1 Market risk measurement techniques

As part of the management of market risk, the bank undertakes various hedging strategies. The Bank also enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied .

(a) Value at Risk

The Bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions, based upon a number of assumptions for various changes in market conditions.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose , but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (1 month). The Bank is assessing the historical movements in the market prices based on volatilities and correlations data for the past five years.
The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank's market risk control regime, the Market Risk Management set Soft VaR limits, which have been approved by the ALCO, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the **ALCO**.

The internal models used to calculate VaR are not approved yet by the central bank as the regulator is still apply Basel I in parallel basis with standardize market risk approach in Basel II.

(b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise under extreme market conditions. Therefore, bank computes on a daily basis Stress VaR, combined with Normal VaR to capture the abnormal movements in financial markets and to give more comprehensive picture of risk. The results of the stress tests are reviewed by the ALCO on a monthly basis and the Board Risk Committee on a quarterly basis.

3.2.2 Value at risk (VaR) Summary

- Total VaR by risk type

	Dec.31, 2011			Dec.31, 2010		
	Medium	High	Low	Medium	High	Low
1- Foreign exchange risk	275,822	798,293	22,715	335,428	1,021,367	47,251
2- Interest rate risk	**19,970,380**	**25,574,668**	**15,047,233**	**64,862,911**	**81,655,436**	**53,996,397**
- For non trading purposes	9,752,494	11,883,218	7,638,408	48,257,686	63,983,903	38,055,532
- For trading purposes	13,919,605	16,474,199	11,866,315	13,970,809	17,970,757	4,319,514
3- Equities risk	1,659,204	1,762,596	1,488,630	6,140,352	6,714,030	3,478,929
4- Investment fund	921,509	1,057,998	798,571	1,218,674	1,617,940	1,080,322
Total VaR	**20,406,187**	**26,002,691**	**15,490,695**	**66,470,692**	**83,020,106**	**55,788,545**

- Trading portfolio VaR by risk type

	Dec.31, 2011			Dec.31, 2010		
	Medium	High	Low	Medium	High	Low
1- Foreign exchange risk	275,822	798,293	22,715	335,428	1,021,367	47,251
2- Interest rate risk						
- For trading purposes	13,919,605	16,474,199	11,866,315	13,970,809	17,970,757	4,319,514
3- Equities risk	1,659,204	1,762,596	1,488,630	6,140,352	6,714,030	3,478,929
4- Investment fund	921,509	1,057,998	798,571	1,218,674	1,617,940	1,080,322
Total VaR	**14,382,231**	**15,076,004**	**13,832,710**	**16,670,238**	**18,818,850**	**12,881,880**

- Non trading portfolio VaR by risk type

	Dec.31, 2011			Dec.31, 2010		
	Medium	High	Low	Medium	High	Low
Interest rate risk						
- For non trading purposes	9,752,494	11,883,218	7,638,408	48,257,686	63,983,903	38,055,532
- Total VaR	**9,752,494**	**11,883,218**	**7,638,408**	**48,257,686**	**63,983,903**	**38,055,532**

The aggregate of the trading and non-trading VaR results does not constitute the bank's VaR due to correlations and consequent diversification effects between risk types and portfolio types.

3.2.3 Foreign exchange risk

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

Dec.31, 2011	EGP	USD	EUR	GBP	Other	Equivalent EGP Total
Assets						
Cash and balances with central bank	7,054,716,154	270,143,280	113,340,050	22,305,028	31,559,998	**7,492,064,510**
Due from banks	44,171,179	4,573,871,370	3,325,874,705	392,508,514	112,872,937	**8,449,298,705**
Treasury bills and other governmental notes	9,415,700,000	1,871,698,570	-	-	-	**11,287,398,570**
Trading financial assets	460,373,393	82,033,840	-	-	18,677,040	**561,084,273**
Loans and advances to banks	-	1,421,929,603	11,615,509	-	-	**1,433,545,112**
Loans and advances to customers	23,620,827,662	16,656,189,556	1,103,334,241	27,594,433	91,642,424	**41,499,588,316**
Derivative financial instruments	71,103,086	66,363,174	9,078,396	-	-	**146,544,656**
Financial investments						
- Available for sale	13,725,936,518	1,655,334,715	31,294,836	-	-	**15,412,566,069**
- Held to maturity	29,092,920	-	-	-	-	**29,092,920**
Investments in subsidiary and associates	976,776,250	18,819,528	-	-	-	**995,595,778**
Total financial assets	**55,398,697,161**	**26,616,383,636**	**4,594,537,737**	**442,407,975**	**254,752,400**	**87,306,778,909**
Liabilities						
Due to banks	2,862,882,577	454,635,883	23,230,665	40,421	4,970	**3,340,794,517**
Due to customers	41,758,038,228	24,764,475,805	4,430,878,994	453,736,875	166,917,629	**71,574,047,530**
Derivative financial instruments	21,805,179	88,420,506	4,062,305	-	-	**114,287,990**
Long term loans	92,435,045	3,613,283	3,285,048	-	-	**99,333,376**
Total financial liabilities	**44,735,161,030**	**25,311,145,477**	**4,461,457,012**	**453,777,296**	**166,922,599**	**75,128,463,414**
Net on-balance sheet financial position	**10,663,536,131**	**1,305,238,159**	**133,080,725**	**(11,369,321)**	**87,829,801**	**12,178,315,495**

3.2.4 Interest rate risk

Interest rate risk arises when the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value risk of interest rate is the risk that the value of a financial instrument will fluctuate due to movement of market rates

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise.The board sets limits on the gaps of interest rate repricing that may be undertaken, which is monitored by bank's Risk Management Department.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Dec.31, 2011							
Assets							
Cash and balances with central bank	-	-	-	-	-	7,492,064,510	**7,492,064,510**
Due from banks	4,432,500,279	3,352,211,834	514,598,879	-	-	149,987,713	**8,449,298,705**
Treasury bills and other governmental notes (face value)	333,625,000	1,532,625,000	9,421,148,570	-	-	-	**11,287,398,570**
Trading financial assets	188,546,741	-	-	271,826,657	82,033,840	18,677,035	**561,084,273**
Loans and advances to banks	868,156,935	108,692,080	456,696,097	-	-	-	**1,433,545,112**
Loans and advances to customers	23,770,575,079	8,227,397,230	5,781,107,993	3,331,849,309	388,658,706	-	**41,499,588,316**
Derivatives financial instruments (including IRS notional amount)	571,536,732	434,968,077	124,348,038	4,135,178,024	115,299,768	75,441,571	**5,456,772,210**
Financial investments:-							
– Available for sale	3,467,059,003	366,420,380	1,794,316,073	8,541,251,632	759,740,859	483,778,122	**15,412,566,069**
– Held to maturity	27,512,500	-	215,000	1,365,420	-	-	**29,092,920**
Investments in subsidiary and associates	-	-	-	-	-	995,595,778	**995,595,778**
Total financial assets	**33,659,512,269**	**14,022,314,601**	**18,092,430,649**	**16,281,471,042**	**1,345,733,172**	**9,215,544,728**	**92,617,006,462**
Liabilities							
Due to banks	2,942,477,189	-	-	-	-	398,317,328	**3,340,794,517**
Due to customers	30,210,643,267	6,718,255,908	7,405,534,484	15,651,100,850	733,000,495	10,855,512,526	**71,574,047,530**
Derivatives financial instruments (including IRS notional amount)	1,856,259,648	2,514,491,686	159,347,534	277,158,566	524,775,299	92,482,811	**5,424,515,544**
Long term loans	125,931	1,521,504	82,756,941	14,929,000	-	-	**99,333,376**
Total financial liabilities	**35,009,506,034**	**9,234,269,098**	**7,647,638,959**	**15,943,188,416**	**1,257,775,794**	**11,346,312,666**	**80,438,690,967**
Total interest re-pricing gap	**(1,349,993,765)**	**4,788,045,503**	**10,444,791,690**	**338,282,626**	**87,957,378**	**(2,130,767,937)**	**12,178,315,495**

3.3 Liquidity risk

- Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations arises from its financial liabilities as they fall due or to replace funds when they are withdrawn.
- The consequence may be the failure to meet obligations to repay depositors and fulfill lending commitments.

3.3.1 Liquidity risk management process

The Bank’s liquidity management process, is carried by the assets and liabilities management department and monitored independently by the risk management department, which includes:

- Projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto:
  The Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a diverse range of funding sources with back-up facilities.
- Monitoring balance sheet liquidity and advances to core funding ratios against internal and Central Bank of Egypt regulations.
- Managing the concentration and profile of debt maturities.

Monitoring and reporting takes the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Bank's Risk Management Department also monitors unmatched medium-term assets

3.3.2 Funding approach

Sources of liquidity are regularly reviewed jointly by the bank's Assets & Liabilities Management Department and Consumer Banking to maintain a wide diversification within currencies, geographical area, depositors,products and tenors.

3.3.3 Non-derivative cash flows

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities and the maturities assumption for non contractual products are based on there behavior studies.

Dec.31, 2011	Up to 1 Month	One to Three Months	Three to One Year	One Year to Five Year	Over Five Years	Total
Liabilities						
Due to banks	3,340,794,517	-	-	-	-	**3,340,794,517**
Due to customers	12,876,722,334	8,576,616,724	17,868,791,406	30,859,028,066	1,392,889,000	**71,574,047,530**
Long term loans	125,931	1,521,504	82,756,941	14,929,000	-	**99,333,376**
Derivatives financial instruments (foreign exchange derivatives)	3,674,914	4,125,343	14,004,922	-	-	**21,805,179**
Total liabilities (contractual and non contractual maturity dates)	**16,221,317,695**	**8,582,263,570**	**17,965,553,270**	**30,873,957,066**	**1,392,889,000**	**75,035,980,602**
Total financial assets (contractualandnon contractual maturity dates)	**14,753,504,167**	**11,100,069,868**	**20,844,934,425**	**28,478,165,923**	**10,614,870,781**	**85,791,545,163**

Dec.31, 2010	Up to 1 Month	One to Three Months	Three to One Year	One Year to Five Year	Over Five Years	Total
Liabilities						
Due to banks	837,570,759	49,341,650	435,367,500	-	-	**1,322,279,909**
Due to customers	17,816,915,547	9,151,941,806	8,604,334,536	19,192,725,470	8,713,966,264	**63,479,883,624**
Long term loans	12,114,272	19,773,440	69,568,298	27,657,416	-	**129,113,426**
Derivatives financial instruments (foreign currency derivatives)	46,109,376	10,090,483	8,806,258	163,196	-	**65,169,313**
Total liabilities (contractual and non contractual maturity dates)	**18,712,709,954**	**9,231,147,380**	**9,118,076,592**	**19,220,546,082**	**8,713,966,264**	**64,996,446,271**
Total financial assets (contractualandnon contractual maturity dates)	**11,299,649,630**	**5,289,093,053**	**16,798,436,292**	**28,143,692,012**	**13,446,756,522**	**74,977,627,508**

3.3.4 Derivative cash flows

Derivatives settled on a net basis

The bank's derivatives that will be settled on a net basis include:

- Foreign exchange derivatives: over-the-counter (OTC) and exchange traded options, forwards, exchange traded currency options
- Interest rate derivatives: interest rate swaps, forward rate agreements, OTC and exchange traded interest rate options, other interest rate contracts and exchange traded futures .

- The table below analyses the bank's derivative undiscounted financial liabilities that will be settled on a net basis into maturity groupings based on the remaining period at the balance sheet to the contractual maturity.

maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Dec.31, 2011	Up to 1 Month	One to Three Months	Three to One Year	One Year to Five Year	Over Five Years	Total
Liabilities						
Derivatives financial instruments						
− Foreign exchange derivatives	3,674,914	4,125,343	14,004,923	-	-	**21,805,179**
− Interest rate derivatives	-	85,520	1,177,707	11,757,121	78,592,077	**91,612,426**
Total	**3,674,914**	**4,210,863**	**15,182,630**	**11,757,121**	**78,592,077.26**	**113,417,605**

Off balance sheet items

Dec.31, 2011	Up to 1 year	1-5 years	Over 5 years	Total
Letters of credit, guarantees and other commitments	9,607,994,089	2,512,647,977	438,961,450	**12,559,603,516**
Total	**9,607,994,089**	**2,512,647,977**	**438,961,450**	**12,559,603,516**

3.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the book value and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Book value		Fair value	
	Dec.31, 2011	Dec.31, 2010	Dec.31, 2011	Dec.31, 2010
Financial assets				
Due from banks	8,449,298,705	6,769,607,397	8,449,298,705	6,769,607,397
Loans and advances to banks	1,433,545,112	128,527,576	1,433,545,112	128,527,576
Loans and advances to customers:				
− Individual	4,648,379,836	3,703,974,624	4,648,379,836	3,703,974,624
− Corporate	36,851,208,480	32,884,150,060	36,851,208,480	32,884,150,060
Financial investments:				
Held to Maturity	29,092,920	289,151,745	29,092,920	289,151,745
Total financial assets	**51,411,525,053**	**43,775,411,402**	**51,411,525,053**	**43,775,411,402**
Financial liabilities				
Due to banks	3,340,794,517	1,322,279,909	3,340,794,517	1,322,279,909
Due to customers	71,574,047,530	63,479,883,624	71,574,047,530	63,479,883,624
Long term loans	99,333,376	129,113,425	99,333,376	129,113,425
Total financial liabilities	**75,014,175,423**	**64,931,276,958**	**75,014,175,423**	**64,931,276,958**

Due from banks

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

Loans and advances to banks

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

Loans and advances to customers

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

Financial Investments

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

Due to other banks and customers, other deposits and other borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

3.5 Capital management

- For capital management purposes, the bank's capital includes total equity as reported in the balance sheet plus some other non-equity elements that are managed as capital. The bank manages its capital to ensure that the following objectives are achieved.
- Compliance with the legally imposed capital requirements in Egypt.
- Protecting the bank's ability to continue as a going concern and enabling it to generate yield forshareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the bank's operations.

- Capital adequacy and the use of regulatory capital are monitored on a daily basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the banking supervision unit in the Central Bank of Egypt. The required data is submitted to the Central Bank of Egypt on a quarterly basis.

- Central bank Of Egypt requires the following:
  - Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
  - Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities.
- **Tier one:**

Tier one, comprised of paid-in capital (after deducting the book value of treasury shares), retained earnings and reserves resulting from the distribution of profits except the banking risk reserve and deducting previously recognized goodwill and any retained losses

- **Tier two:**

Represents the gone concern capital which comprised of general risk provision according to the impairment provision guidelines issued by the Central Bank of Egypt for to the maximum of 1.25% of risk weighted assets and contingent liabilities ,subordinated loans with more than five years to maturity(amortizing 20% of its carrying amount in each year of the remaining five years to maturity) and 45% of unrealized gains arising on the fair valuation of available for-sale investments.

When calculating the numerator of capital adequacy ratio, The rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinated to no more than 50% of tier 1.
for half of the share capital.

Assets risk weight scale ranging from zero to 100% based on the counterparty riskt to reflect the related credit risk scheme, taking into considration the cash collatrals.

Similar criteria are used for off balance sheet items after adjusting it to reflect the nature of contingency and the potential loss of those amounts.

The bank has complied with all Capital adequacy requirements for the past two years. The table below summarizes the compositions of teir 1, teir 2 and the capital adecuacy ratio at the end of financial year:

	Dec.31, 2011 EGP	Dec.31, 2010 EGP Restated
Tier 1 capital		
Share capital (net of the treasury shares)	5,934,562,990	5,901,443,600
General reserves	1,234,274,960	1,144,648,634
Legal reserve	231,344,896	231,344,896
Other reserve	(477,244,971)	335,452,173
Retained Earnings	15,105,920	-
Total qualifying tier 1 capital	**6,938,043,795**	**7,612,889,303**
Tier 2 capital		
General risk provision	692,087,775	607,483,178
45% of the Increase in fair value than the book value for A.F.S investments	-	956,968
Total qualifying tier 2 capital	**692,087,775**	**608,440,146**
Total capital 1+2	**7,630,131,570**	**8,221,329,449**
Risk weighted assets and contingent liabilities		
In-balance sheet	50,175,824,604	43,626,939,621
Off-balance sheet	5,191,197,357	4,971,714,657
Total risk weighted assets and contingent liabilities	**55,367,021,961**	**48,598,654,278**
Capital adequacy ratio (%)	**13.78%**	**16.92%**

4 Critical accounting estimates and judgments

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

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%

(b) Impairment of available for-sale equity investments

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

(c) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (as models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(d) Held-to-Maturity investments

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

5 Segment analysis

(a) By business segment

The Bank is divided into main business segments on a worldwide basis:

- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- Investment banking – incorporating financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.
- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Others –Include other banking business, such as Assets Management.

Transactions between the business segments are on normal commercial terms and conditions.

Dec.31, 2011	Corporate banking	SME's	Investment banking	Retail banking	Total
Revenue according to business segment	2,226,050,418	597,635,091	(75,724,924)	1,278,100,557	4,026,061,142
Expenses according to business segment	(777,096,428)	(255,290,741)	(25,181,851)	(788,714,940)	(1,846,283,960)
Activities results by sector	**1,448,953,990**	**342,344,350**	**(100,906,775)**	**489,385,617**	**2,179,777,182**
Profit before tax	1,448,953,990	342,344,350	(100,906,775)	489,385,617	**2,179,777,182**
Tax	(273,777,928)	(64,684,236)	-	(92,466,940)	**(430,929,104)**
Profit for the year	**1,175,176,062**	**277,660,114**	**(100,906,775)**	**396,918,677**	**1,748,848,078**
Assets and liabilities according to business segment	74,621,790,612	2,143,523,905	1,533,773,854	7,329,130,662	**85,628,219,033**
Total assets	**74,621,790,612**	**2,143,523,905**	**1,533,773,854**	**7,329,130,662**	**85,628,219,033**

Dec.31, 2010	Corporate banking	SME's	Investment banking	Retail banking	Total
Revenue according to business segment	2,372,940,489	545,637,320	5,428,422	1,020,144,407	**3,944,150,639**
Expenses according to business segment	(506,661,999)	(157,629,865)	(20,267,205)	(726,705,883)	**(1,411,264,952)**
Activities results by sector	**1,866,278,491**	**388,007,455**	**(14,838,783)**	**293,438,524**	**2,532,885,687**
Profit before tax	1,866,278,491	388,007,455	(14,838,783)	293,438,524	**2,532,885,687**
Tax	(283,369,904)	(58,913,842)	(5,035,307)	(44,554,790)	**(391,873,843)**
Profit for the year	**1,582,908,586**	**329,093,613**	**(19,874,090)**	**248,883,734**	**2,141,011,844**
Assets and liabilities according to business segment	67,425,351,842	1,014,671,790	1,613,413,684	5,039,444,129	75,092,881,445
Total assets	**67,425,351,842**	**1,014,671,790**	**1,613,413,684**	**5,039,444,129**	**75,092,881,445**

(b) By geographical segment

	Egypt			
Dec.31, 2011	**Cairo**	**Alex, Delta & Sinai**	**Upper Egypt**	**Total**
Revenue according to business segment	3,056,055,933	835,887,927	134,117,282	**4,026,061,142**
Expenses according to business segment	(1,335,361,487)	(405,117,905)	(105,804,568)	**(1,846,283,960)**
Activities results by sector	**1,720,694,446**	**430,770,022**	**28,312,714**	**2,179,777,182**
Profit before tax	1,720,694,446	430,770,022	28,312,714	**2,179,777,182**
Tax	(340,172,340)	(85,159,580)	(5,597,184)	**(430,929,104)**
Profit for the year	**1,380,522,106**	**345,610,442**	**22,715,530**	**1,748,848,078**
Geographical segments assets	75,287,082,794	9,812,046,055	529,090,184	**85,628,219,033**
Total assets	**75,287,082,794**	**9,812,046,055**	**529,090,184**	**85,628,219,033**

	Egypt			
Dec.31, 2010	**Cairo**	**Alex, Delta & Sinai**	**Upper Egypt**	**Total**
Revenue according to business segment	3,050,683,873	775,199,795	118,266,971	**3,944,150,639**
Expenses according to business segment	(997,889,633)	(329,539,165)	(83,836,154)	**(1,411,264,952)**
Activities results by sector	**2,052,794,240**	**445,660,630**	**34,430,817**	**2,532,885,687**
Profit before tax	2,052,794,240	445,660,630	34,430,817	**2,532,885,687**
Tax	(317,963,473)	(68,609,725)	(5,300,645)	**(391,873,843)**
Profit for the year	**1,734,830,767**	**377,050,905**	**29,130,172**	**2,141,011,844**
Geographical segments assets	58,494,319,849	15,582,459,610	1,016,101,986	**75,092,881,445**
Total assets	**58,494,319,849**	**15,582,459,610**	**1,016,101,986**	**75,092,881,445**

(6) Net interest income

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Interest and similar income		
- Banks	142,055,284	113,507,031
- Clients	2,900,254,722	2,306,925,726
	3,042,310,006	**2,420,432,757**
- Treasury bills and bonds	2,229,154,572	1,929,290,408
- Reverse repos	22,223,513	16,639,271
- Financial investment in held to maturity and available for sale debt instruments	165,313,561	155,040,368
- Other	246,625	(12,517)
Total	**5,459,248,277**	**4,521,390,287**
- Interest and similar expense		
- Banks	188,421,651	70,469,233
- Clients	2,567,289,984	2,193,757,602
	2,755,711,635	**2,264,226,835**
- Financial instruments purchased with a commitment to re-sale (Repos)	22,306,090	219,881
- Other	2,685,436	2,122,799
Total	**2,780,703,161**	**2,266,569,515**
Net interest income	**2,678,545,116**	**2,254,820,772**

(7) Net income from fee and commissions

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
Fee and commission income		
Fee and commissions related to credit	554,737,120	518,885,060
Custody fee	37,706,902	39,158,012
Other fee	273,176,918	277,111,169
Total	**865,620,940**	**835,154,241**
Fee and commission expense		
Other fee paid	(87,451,431)	(84,876,559)
Total	**(87,451,431)**	**(84,876,559)**
Net income from fee and commission	**778,169,509**	**750,277,682**

(8) Dividend income

	Dec.31, 2011	Dec.31, 2010
Trading securities	874,720	1,330,647
Available for sale securities	45,773,632	150,827,877
Subsidiaries and associates	13,272,726	32,150,568
Total	**59,921,078**	**184,309,092**

(9) Net trading income

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Profit from foreign exchange	270,282,709	334,230,241
- Profit from revaluations of trading assets and liabilities in foreign currencies	6,341,379	9,795,800
- Profit (losses) from forward foreign exchange deals revaluation	1,874,376	(12,297,737)
- (Losses) from interest rate swaps revaluation	(19,845)	(12,912,385)
- Profit (Losses) from currency swap deals revaluation	548,800	(17,643,454)
- Trading debt instruments	52,845,534	107,408,262
- Trading equity instruments	(913,960)	24,670,313
Total	**330,958,993**	**433,251,040**

(10) Administrative expenses

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
Staff costs		
- Wages and salaries	599,054,292	476,468,863
- Social insurance	24,707,497	21,713,306
- Other benefits	38,341,470	29,636,810
- Other administrative expenses	674,598,349	660,120,958
Total	**1,336,701,608**	**1,187,939,938**

(11) Other operating (expenses) income

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- (Losses) Profits from non-trading assets and liabilities revaluation	(70,649,572)	(90,859,875)
- Profits from selling property, plant and equipment	2,716,747	1,574,746
- Release (charges) of other provisions	45,511,985	138,839,630
- Others	(63,110,114)	(47,783,172)
Total	**(85,530,954)**	**1,771,329**

(12) Impairment charge for credit losses

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
Loans and advances to customers	(322,276,483)	(6,783,757)
Held to maturity financial investments	1,627,620	620,261
Total	**(320,648,863)**	**(6,163,496)**

(13) Adjustments to calculate the effective tax rate

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Profit before tax	2,179,777,182	2,532,885,687
- Tax rate	From 20% to 25%	20%
Income tax based on accounting profit	**544,444,295**	**506,577,137**
Add / (Deduct)		
- Non-deductible expenses	24,155,850	9,030,248
- Tax exemptions	(183,887,532)	(113,094,263)
- Effect of provisions	46,216,491	(10,639,280)
Income tax	**430,929,104**	**391,873,842**
Effective tax rate	**19.77%**	**15.47%**

(14) Earning per share

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Net profit for the year available for distribution	1,636,540,147	2,014,222,751
- Board member's bonus	(24,548,102)	(30,213,341)
- Staff profit sharing	(163,654,015)	(201,422,275)
Shareholders' share in profits	**1,448,338,030**	**1,782,587,134**
- Number of shares	593,456,299	593,456,299
Basic earning per share	**2.44**	**3.00**
- By issuance of ESOP earning per share will be:- number of shares including ESOP shares	606,132,335	606,132,335
Diluted earning per share	**2.39**	**2.94**

(15) Cash and balances with central bank

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Cash	1,891,659,489	1,399,250,089
- Obligatory reserve balance with CBE:-		
- Current accounts	5,600,405,021	4,275,991,702
Total cash and due from central bank	**7,492,064,510**	**5,675,241,791**
Non-interest bearing balances	**7,492,064,510**	**5,675,241,791**

(16) Due from banks

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Current accounts	197,047,111	374,811,766
- Deposits	8,252,251,594	6,394,795,631
Total due from banks	**8,449,298,705**	**6,769,607,397**
- Central banks (except Obligatory reserve)	3,031,574,198	2,539,019,714
- Local banks	155,171,707	540,547,702
- Foreign banks	5,262,552,800	3,690,039,981
Total due from banks	**8,449,298,705**	**6,769,607,397**
- Non-interest bearing balances	149,987,713	289,402,609
- Fixed interest bearing balances	8,299,310,992	6,480,204,788
Total due from banks	**8,449,298,705**	**6,769,607,397**
- Current balances	8,449,298,705	6,769,607,397
Total due from banks	**8,449,298,705**	**6,769,607,397**

(17) Treasury bills and other governmental notes

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- 91 Days maturity	1,866,250,000	2,126,041,239
- 182 Days maturity	2,559,925,000	3,830,900,000
- 364 Days maturity	6,861,223,570	3,659,550,000
	11,287,398,570	**9,616,491,239**
- Unearned income	(634,008,503)	(416,346,434)
Total treasury bills	**10,653,390,067**	**9,200,144,805**
- Repos - AFS corporate bonds	-	(379,141,239)
- Repos - treasury bonds	(1,440,000,000)	-
Total treasury bills and other governmental notes	**9,213,390,067**	**8,821,003,566**

(18) Trading financial assets

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- **Debt instruments**		
- Governmental bonds	353,860,497	861,157,325
- Other debt instruments	-	19,067,562
Total debt instruments	**353,860,497**	**880,224,887**
- **Equity instruments**		
- Foreign company shares	18,677,035	74,031,984
- Mutual fund	188,546,741	467,781,970
Total equity instruments	**207,223,776**	**541,813,954**
Total financial assets for trading	**561,084,273**	**1,422,038,841**

(19) Loans and advances to banks

	Dec.31, 2011	Dec.31, 2010
	EGP	EGP
- Time and term loans	1,433,545,112	128,527,576
Total loans and advances to banks	**1,433,545,112**	**128,527,576**
- Impairment provision	(37,950,503)	(2,694,538)
Net loans and advances to banks	**1,395,594,609**	**125,833,038**
Distributed to		
- Non-current balances	1,395,594,609	125,833,038
Net loans and advances to banks	**1,395,594,609**	**125,833,038**

Impairment provision to banks	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Balance at beginning of the year	2,694,538	46,351,691
- Charged during the year	34,736,518	(12,138,367)
- Write off during the year	-	(31,649,180)
- Recoveries from written off debts	-	-
- Exchange revaluation difference	519,447	130,395
Balance at the end of the year	**37,950,503**	**2,694,538**

(20) Loans and advances to customers

	Dec.31, 2011	Dec.31, 2010
	EGP	EGP
Individual		
- Overdrafts	952,982,877	695,995,810
- Credit cards	575,672,905	530,877,533
- Personal loans	2,659,469,004	1,960,327,857
- Mortgages	419,990,050	432,348,843
- Other loans	40,265,000	84,424,581
Total (1)	**4,648,379,836**	**3,703,974,624**
Corporate		
- Overdrafts	4,239,213,684	3,331,087,693
- Direct loans	25,232,315,809	21,584,681,502
- Syndicated loans	7,278,053,191	7,758,798,180
- Other loans	101,625,796	209,582,685
Total (2)	**36,851,208,480**	**32,884,150,060**
Loans and advances to customers (1+2)	**41,499,588,316**	**36,588,124,684**
- Unamortized bills discount	(45,231,397)	(59,528,351)
- Impairment provision	(1,419,409,102)	(1,255,187,888)
- Unearned interest	(365,161,953)	(224,700,550)
Net loans and advances to customers	**39,669,785,864**	**35,048,707,895**
Distributed to		
Current balances	17,307,625,654	13,178,840,189
Non-current balances	22,362,160,210	21,869,867,706
Net loans and advances to customers	**39,669,785,864**	**35,048,707,895**

(20) Loans and advances for customers (cont.)

- **Analysis of the impairment provision for customers**

Dec.31, 2011

Individual

	Overdrafts	Credit cards	Personal loans	Real estate loans	Other loans	Total
- Balance at beginning of the year	6,948,242	42,119,828	71,459,209	8,888,164	13,400,430	**142,815,873**
- Charged during the year	13,429,372	5,306,910	6,589,871	2,988,133	(11,806,498)	**16,507,788**
- Write off during the year	-	(8,858,433)	(2,273,609)	-	-	**(11,132,042)**
- Recoveries from written off debts	-	3,721,913	727,000	-	-	**4,448,913**
Balance at the end of the year	**20,377,614**	**42,290,218**	**76,502,471**	**11,876,297**	**1,593,932**	**152,640,532**

Corporate

	Overdrafts	Direct loans	Syndicated loans	Other loans	Discounted bills	Total
- Balance at beginning of the year	149,208,018	759,961,827	200,640,880	2,561,291	-	**1,112,372,016**
- Charged during the year	17,175,711	154,370,230	100,360,788	(874,553)	-	**271,032,176**
- Write off during the year	-	(144,805,506)	-	-	-	**(144,805,506)**
- Recoveries from written off debts	-	11,291,492	-	-	-	**11,291,492**
- Exchange revaluation difference	1,271,665	9,979,730	5,626,998	-	-	**16,878,393**
Balance at the end of the year	**167,655,394**	**790,797,773**	**306,628,666**	**1,686,738**	**-**	**1,266,768,571**

Dec.31, 2010

Individual

	Overdrafts	Credit cards	Personal loans	Real estate loans	Other loans	Total
Balance at beginning of the year	6,217,574	63,472,214	123,755,953	6,607,506	-	**200,053,247**
Charged during the year	730,668	(2,677,769)	(51,790,357)	2,280,658	13,400,430	**(38,056,370)**
Write off during the year	-	(21,890,799)	(762,282)	-	-	**(22,653,081)**
Recoveries from written off debts	-	3,216,182	255,895	-	-	**3,472,077**
Balance at the end of the year	**6,948,242**	**42,119,828**	**71,459,209**	**8,888,164**	**13,400,430**	**142,815,873**

Corporate

	Overdrafts	Direct loans	Syndicated loans	Other loans	Discounted bills	Total
Balance at beginning of the year	143,233,239	731,698,517	180,395,034	2,462,719	-	**1,057,789,508**
Charged during the year	4,274,439	41,348,827	11,256,656	98,572	-	**56,978,494**
Write off during the year	-	(51,552,415)	-	-	-	**(51,552,415)**
Recoveries from written off debts	-	25,694,981	-	-	-	**25,694,981**
Exchange revaluation difference	1,700,340	12,771,917	8,989,190	-	-	**23,461,447**
Balance at the end of the year	**149,208,018**	**759,961,827**	**200,640,880**	**2,561,291**	**-**	**1,112,372,016**

(21) Derivative financial instruments

21-1 Derivatives

The bank uses the following financial derivatives for non hedging purposes.

- Forward contracts represents commitments of buying foreign and local currencies including unexecuted spot transactions. Future contracts for foreign currencies and/or interest rates represents contractual commitments to receive or pay net amount on the basis of changes in foreign exchange rates or interest rates, and/or buying or selling foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.

- Credit risk is considered low, and future interest rate contracts represents future exchange rate contracts negotiated for case by case, these contracts requires financial settlements of any differences in contractual interest rates and prevailing market interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

- Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts)/ contractual amounts are not exchanged except for some foreign exchange contracts

- Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities.
  This risk is monitored continuously through comparisons of fair value and contractual amount, and to control the outstanding credit risk, the bank evaluates other parties using the same methods as in borrowing activities.

- Options contracts in foreign currencies and/or interest rates represents contractual agreements for the buyer (issuer) to seller (holders) as a right not an obligations whether to buy (buy option) or to sell (sell option) at a certain day or within certain period for a certain amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between the bank and one of its clients (Off balance sheet). The bank exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

- The contractual value for some derivatives options considered a base to compare the realized financial instruments on the balance sheet, but it didn't provide indicator on the projected cash flows of the fair value for current instruments, those amounts doesn't reflects credit risk or interest rate risk.

- Derivatives in the banks benefit represent (assets) conversely it represents (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time and also the range through which the financial derivatives can be in benefit of the bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. hereunder are the fair values of the booked financial derivatives.

A- For trading derivatives

	Dec.31, 2011			Dec.31, 2010		
	Notional amount	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**
- Foreign derivatives:-						
- Forward foreign exchange contracts	**1,324,589,420**	14,828,172	5,643,831	**3,072,183,403**	10,189,895	17,784,952
- Currency swap	**1,408,305,712**	54,023,412	13,909,846	**5,252,345,990**	95,810,458	46,796,806
- Options	**509,022,896**	2,251,502	2,251,502	**129,589,977**	587,555	587,555
Total derivatives (1)		**71,103,086**	**21,805,179**		**106,587,908**	**65,169,313**
- Interest rate derivatives:-						
- Interest rate swaps	**1,124,316,614**	15,667,505	11,842,172	**2,116,390,500**	18,033,720	32,936,778
Total derivatives (2)		**15,667,505**	**11,842,172**		**18,033,720**	**32,936,778**
- Commodity	**128,045,173**	870,385	870,385	**37,459,113**	7,229,086	7,229,086
Total derivatives (3)		**870,385**	**870,385**		**7,229,086**	**7,229,086**
Total assets (liability) for trading derivatives (1+2+3)		**87,640,976**	**34,517,736**		**131,850,714**	**105,335,177**

B- Fair value hedge

	Dec.31, 2011			Dec.31, 2010		
	Notional Amount	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
- Interest rate derivatives:-						
Governmental debit instruments hedging	**524,775,300**	-	78,514,812	**-**	-	-
Customers deposits hedging	**3,661,135,640**	58,903,680	1,255,442	**1,159,112,554**	7,413,234	8,215,863
Total assets (liability) for hedging derivatives (4)		**58,903,680**	**79,770,254**		**7,413,234**	**8,215,863**
Total financial derivatives (1+2+3+4)		**146,544,656**	**114,287,990**		**139,263,948**	**113,551,040**

21-2 Hedging derivatives

Fair value hedge

- The bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate governmental debt instruments in foreign currencies.
  Net derivative value resulting from the related hedging instruments is EGP 78,514,812 at the end of December, 2011 against EGP (0) at the end of December, 2010, Resulting in net losses form hedging instruments at the end of December, 2011 EGP 78,514,812 against EGP (0) at the end of December, 2010.
  Profits arises from the hedged items at the end of December, 2011 reached EGP 77,848,826 against EGP (0) at the end of December, 2010.

- The bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate customers deposits in foreign currencies.
  Net derivative value resulting from the related hedging instruments is EGP 57,648,238 at the end of December, 2011 against EGP 802,629 at the end of December, 2010, Resulting in net profits form hedging instruments at the end of December, 2011 EGP 58,450,867 against net losses EGP 802,629 at the end of December, 2010.
  Losses arises from the hedged items at the end of December, 2011 reached EGP 57,855,943 against profits EGP 608,038 at the end of December, 2010.

(22) Financial investments

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- **Available for sale**		
- Listed debt instruments	14,533,886,080	12,182,202,264
- Listed equity instruments	79,748,671	88,634,556
- Unlisted instruments	798,931,318	1,334,510,210
Total available for sale financial investment	**15,412,566,069**	**13,605,347,030**
- **Held to maturity**		
- Listed debt instruments	1,580,420	54,083,377
- Unlisted instruments	27,512,500	235,068,368
Total held to maturity financial investment	**29,092,920**	**289,151,745**
Total financial investment	**15,441,658,989**	**13,894,498,775**
- Listed instruments	13,301,628,105	11,983,836,014
- Unlisted instruments	2,140,030,884	1,910,662,761
	15,441,658,989	**13,894,498,775**
- Fixed interest debt instruments	12,978,748,170	11,505,888,130
- Floating interest debt instruments	1,919,838,711	1,849,898,303
	14,898,586,881	**13,355,786,433**

	Available for sale financial investment	Held to maturity financial investment	Total
- **Beginning balance on Jan.01, 2010**	**7,420,529,606**	**579,926,673**	**8,000,456,279**
- Addition	9,474,625,202	5,012,500	9,479,637,702
- Deduction (selling - redemptions)	(3,466,577,997)	(311,446,590)	(3,778,024,587)
- Exchange revaluation differences	68,054,023	15,659,162	83,713,185
- Profit (Losses) from fair value difference	108,716,196	-	108,716,196
Balance at end of year	**13,605,347,030**	**289,151,745**	**13,894,498,775**
- **Beginning balance on Jan.01, 2011**	**13,605,347,030**	**289,151,745**	**13,894,498,775**
- Addition	4,535,816,258	5,000,000	4,540,816,258
- Deduction (selling - redemptions)	(2,135,258,815)	(271,802,813)	(2,407,061,627)
- Exchange revaluation differences	55,264,416	5,116,368	60,380,784
- Profit (Losses) from fair value difference	(647,348,588)	-	(647,348,588)
- Impairment (charges) release	(1,254,232)	1,627,620	373,388
Balance at the end of year	**15,412,566,069**	**29,092,920**	**15,441,658,989**

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- **Profit from financial investments**		
Profit from selling available for sale financial instruments	37,608,880	203,689,153
Impairment (charges) of available for sale equity instruments	(1,254,232)	(9,844,647)
Impairment release of available for sale debt instruments	55,264,416	68,054,023
Profits (Losses)from selling investments in subsidiaries and associates	1,873,813	(96)
(Losses) from impairment of subsidiaries and associates	(18,430,000)	(159,325,957)
Profit (Losses) from selling held to maturity debt investments	1,034	(13,270)
	75,063,911	**102,559,206**

(23) Investments in subsidiary and associates

Dec.31, 2011	Company's Country	Company's Assets	Company's Liabilities (without equity)	Company's Revenues	Company's Net Profit	Share Amount	Share percentage %
		EGP					
(A) Subsidiaries							
- CI Capital Holding	Egypt	494,679,584	152,092,327	87,475,153	(37,629,469)	867,656,000	99.98
(B) Associates							
- Commercial International Life Insurance	Egypt	1,532,549,363	1,469,720,530	108,295,223	791,813	44,520,250	45
- Corplease	Egypt	1,418,875,386	1,271,498,831	162,014,580	6,762,407	60,000,000	40
- Haykala for investment	Egypt	3,595,277	307,737	270,000	103,358	600,000	40
- Egypt Factors	Egypt	179,815,258	165,064,735	18,440,302	(6,533,187)	18,819,528	39
- International Co. for Security and Services (Falcon)	Egypt	62,511,444	46,751,684	71,809,412	(2,721,265)	4,000,000	40
Total financial investments in subsidiary and associates		**3,692,026,312**	**3,105,435,844**	**448,304,670**	**(39,226,343)**	**995,595,778**	

Dec.31, 2010	Company's Country	Company's Assets	Company's Liabilities (without equity)	Company's Revenues	Company's Net Profit	Share Amount	Share percentage %
		EGP					
(A) Subsidiaries							
- CI Capital Holding	Egypt	833,968,315	448,454,478	152,335,478	(199,263,438)	886,086,000	99.98
(B) Associates							
- Commercial International Life Insurance	Egypt	1,597,541,347	1,539,900,007	223,889,211	3,147,882	44,520,250	45
- Corplease	Egypt	1,162,538,842	1,045,472,389	186,387,640	8,460,701	42,000,000	40
- Haykala for Investment	Egypt	3,388,431	246,623	1,590,695	328,789	600,000	40
- Egypt Factors	Egypt	189,004,746	164,773,230	14,896,877	(3,036,572)	18,111,288	39
- International. Co. for Appraisal and Collection.	Egypt	6,986,318	662,370	8,176,394	3,553,173	1,000,000	40
- International Co. for Security and Services (Falcon)	Egypt	46,349,141	20,501,661	55,280,073	11,620,683	4,000,000	40
Total investments in subsidiary and associates		**3,839,777,140**	**3,220,010,758**	**642,556,368**	**(175,188,783)**	**996,317,538**	

(24) Real estate investments

Assets*	Dec.31, 2011 EGP Book value	Dec.31, 2010 EGP Book value
- Building number 17 tiba st. Eldokki next to shooting club	-	7,600,000
- Commercial unit number f 35 in arkadia mall (14 elbahr st. Boulak kornish el nile)	-	361,200
- Appartment in the first floor 230 meters elmadina tower elgomhoria st. Port said	750,000	750,000
- 338.32 meters on a land and building the property number 16 elmakrizi st. Heliopolis	700,000	1,000,000
- Villa number 113 royal hills 6th of october	2,000,000	2,000,000
- A land area with 1468.85 meters elsaidi basin -markaz nabrouh eldakahlia	1,121,965	1,121,965
- Land and a bulding in elmansoura elnahda street 766.3 meters	3,463,000	3,463,000
- Agricultural area 1 feddan 14t and 17.25 shares near el azazi fakous elsharkia	222,000	222,000
- Land number 16 mit khamis elmansoura (3 carats, 15 share)which equals 645 meters	-	1,935,000
- Agriculutral area - markaz shebin eldakahlia**	4,517,721	10,242,499
Total	**12,774,686**	**28,695,664**

(25) Other assets

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Accrued revenues	898,844,761	801,607,656
- Prepaid expenses	75,649,940	68,889,983
- Advances to purchase of fixed assets	103,989,488	53,943,062
- Accounts receivable and other assets***	433,844,754	446,874,086
- Assets acquired as settlement of debts	6,180,933	4,630,353
Total other assets	**1,518,509,876**	**1,375,945,140**

* This include the value of premises that was not recorded under the bank's name by EGP 12.774.686 which were acquired against settlement of the debts mentioned above, in the same time the legal procedures are under process to register or sell these assets within the period required by law.

** 22 feddans 9 carats had been sold from total 47 feddans 11 carats

*** Include EGP 6,331,048 as assets held for sale.

(26) Property, plant and equipment

Dec.31, 2011

	Land	Premises	IT	Vehicles	Fitting -out	Machines & equipment	Furniture & furnishing	**Total**
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	**EGP**
Opening balance (3)	60,575,261	404,470,794	698,325,384	37,663,015	249,926,926	241,193,182	104,768,779	**1,796,923,341**
Additions (deductions) during the year	-	19,324,100	42,904,535	9,235,318	17,312,320	15,634,265	1,367,812	**105,778,350**
Closing balance (1)	**60,575,261**	**423,794,894**	**741,229,919**	**46,898,333**	**267,239,246**	**256,827,447**	**106,136,591**	**1,902,701,691**
Accu.depreciation at beginning of the year (4)	-	141,165,205	491,048,946	21,091,258	207,345,143	158,651,862	61,549,769	**1,080,852,183**
Current year depreciation	-	20,705,025	85,369,764	4,724,233	33,648,921	29,873,446	10,752,825	**185,074,214**
Accu.depreciation at end of the year (2)	**-**	**161,870,230**	**576,418,710**	**25,815,491**	**240,994,064**	**188,525,308**	**72,302,594**	**1,265,926,397**
End of year net assets (1-2)	60,575,261	261,924,664	164,811,209	21,082,842	26,245,182	68,302,139	33,833,997	**636,775,294**
Beginning of year net assets (3-4)	**60,575,261**	**263,305,589**	**207,276,438**	**16,571,757**	**42,581,783**	**82,541,320**	**43,219,010**	**716,071,158**
Depreciation rates		**%5**	**%20**	**%20**	**%33.3**	**33.3%**	**20%**	

- Net fixed assets value on the balance sheet date includes EGP 47,111,589 non registered assets while their registrations procedures are in process.

(27) Due to banks

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Current accounts	493,794,517	628,594,359
- Deposits	2,847,000,000	693,685,550
	3,340,794,517	**1,322,279,909**
- Central banks	46,941,713	67,074,769
- Local banks	2,905,759,685	110,476,364
- Foreign banks	388,093,119	1,144,728,776
	3,340,794,517	**1,322,279,909**
- Non-interest bearing balances	398,317,328	528,398,567
- Fixed interest bearing balances	2,942,477,189	793,881,342
	3,340,794,517	**1,322,279,909**
- Current balances	493,794,517	628,594,359
- Non-current balances	2,847,000,000	693,685,550
	3,340,794,517	**1,322,279,909**

(28) Due to customers

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Demand deposits	17,048,122,359	16,778,775,254
- Time deposits	24,532,817,359	21,893,614,059
- Certificates of deposit	18,819,931,329	15,205,693,671
- Saving deposits	9,484,866,150	8,321,204,407
- Other deposits	1,688,310,333	1,280,596,233
	71,574,047,530	**63,479,883,624**
- Corporate deposits	37,227,665,007	34,159,843,374
- Individual deposits	34,346,382,523	29,320,040,250
	71,574,047,530	**63,479,883,624**
- Non-interest bearing balances	10,855,512,526	9,935,629,948
- Fixed interest bearing balances	60,718,535,004	53,544,253,676
	71,574,047,530	**63,479,883,624**
- Current balances	50,607,367,855	47,968,184,622
- Non-current balances	20,966,679,675	15,511,699,002
	71,574,047,530	**63,479,883,624**

(29) Long term loans

	Rate %	Maturity date	Maturing through next year EGP	Balance on Dec.31, 2011 EGP	Balance on Dec.31, 2010 EGP
- Financial Investment & Sector Cooperation (FISC)	3.5 - 5.5 depends on maturity date	3-5 years	8,602,483	13,697,721	34,363,003
- Support to Private Sector Industry Environmental Protection II (KFW)	9 - 10.5	2012	3,285,048	3,285,048	8,966,582
- United Nations Industrial Development Organization (UNIDO)	1	2011	-	-	60,014
- Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	66,930,000	78,570,000	78,352,222
- Social Fund for Development (SFD)	3 months T/D or 9% which more		167,326	167,326	417,000
- Spanish Cooperation Microfinance Fund (SCMF)	0.5	2012	3,613,282	3,613,282	6,954,604
Total			**82,598,138**	**99,333,376**	**129,113,425**

(30) Other liabilities

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Accrued interest payable	263,654,637	208,214,717
- Accrued expenses	162,930,130	95,867,298
- Accounts payable	345,917,454	376,604,579
- Income tax	446,414,136	431,731,219
- Other credit balances	94,869,079	16,501,393
Total	**1,313,785,436**	**1,128,919,206**

(31) Other provisions

Dec.31, 2011

EGP

	Opening balance	Charged during the year	Exchange revaluation difference	Usage during the year	Balance no longer required	Closing balance
- Provision for income tax claims	6,909,685	-	-	-	-	**6,909,685**
- Provision for legal claims	33,150,547	2,021,413	-	-	-	**35,171,959**
- Provision for contingent	256,708,900	-	2,321,223	(178,971)	(48,748,110)	**210,103,042**
- Provision for other claim	13,469,799	2,196,294	8,397	(3,233,267)	-	**12,441,223**
Total	**310,238,930**	**4,217,707**	**2,329,620**	**(3,412,238)**	**(48,748,110)**	**264,625,909**

Dec.31, 2010

EGP

	Opening balance	Charged during the year	Exchange revaluation difference	Usage during the year	Balance no longer required	Closing balance
- Provision for income tax claims	146,909,685	-	-	-	(140,000,000)	**6,909,685**
- Provision for legal claims	3,401,533	32,479,464	-	(5,000)	(2,725,450)	**33,150,547**
- Provision for contingent	281,592,486	3,094,612	7,334,078	-	(35,312,276)	**256,708,900**
- Provision for other claim	11,824,874	3,624,020	6,542	(1,985,637)	-	**13,469,799**
Total	**443,728,578**	**39,198,096**	**7,340,620**	**(1,990,637)**	**(178,037,726)**	**310,238,930**

(32) Equity

(A) Capital

- **The authorized capital reached EGP 20 billion according to the extraordinary general assembly decision on 17 Mar,2010**

- **Issued and Paid in Capital reached EGP 5,934,562,990 to be divided on 593,456,299 shares with EGP 10 par value for each share based on:**

1- Increase issued and Paid up Capital by amount EGP 25,721,800 on April 21, 2010 in according to Board of Directors decision on November 11,2009 by issuance of first trench for E.S.O.P program

2- Increase issued and Paid up Capital by amount EGP 2,950,721,800 on July 15, 2010 according to Board of Directors decision on May 12 ,2010 by distribution of one share for every outstanding share by capitalizing on the General Reserve and part of the Legal Reserve.

3- Increase issued and Paid up Capital by amount EGP 33,119,390 on July 31, 2011 in according to Board of Directors decision on November 10,2010 by issuance of second trench for E.S.O.P program

- The Extraordinary General Assembly approved in the meeting of June 26, 2006 to activate a motivating and rewarding program for the bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2006 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.

- The Extraordinary General Assembly approved in the meeting of April 13,2011 continue to activate a motivating and rewarding program for the bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2011 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.

- Dividend deducted from shareholders' equity in the Year in which the General Assembly recognizes the shareholders of this dividend, which includes staff profit share and remuneration of the Board of Directors stated in the law.

(B) Reserves

- According to the bank status 5% of net profit is to increase legal reserve until it reaches 50% of the bank's issued and paid in capital
- Concurrence of Central Bank of Egypt for usage of special reserve is required.

(33) Deferred tax

Deferred tax assets and liabilities are attributable to the following:	Assets (Liabilities) Dec.31, 2011 EGP	Assets (Liabilities) Dec.31, 2010 EGP
- Fixed assets (depreciation)	(12,780,032)	(23,645,342)
- Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	9,522,636	9,324,074
- Other investments impairment	69,148,702	64,727,644
- Reserve for employee stock ownership plan (ESOP)	29,250,420	29,250,318
Total	**95,141,726**	**79,656,694**

(34) Share-based payments

- According to the extraordinary general assembly meeting on June 26, 2006, the bank launched new employees share ownership plan (ESOP) scheme and issued equity-settled share-based payments. Eligible employees should complete a term of 3 years of service in the bank to have the right in ordinary shares at face value (right to share) that will be issued on the vesting date; otherwise such grants will be forfeited. Equity-settled share-based payments are measured at fair value at the grant date, and expensed on a straight-line basis over the vesting period (3 years) with corresponding increase in equity based on estimated number of shares that will eventually vest(True up model). The fair value for such equity instruments is measured using of Black-Scholes pricing model.

Details of the rights to share outstanding during the Year are as follows:

	Dec.31, 2011 No. of shares	Dec.31, 2010 No. of shares
- Outstanding at the beginning of the year	10,550,825	10,322,024
- Granted during the year	5,844,356	3,388,366
- Forfeited during the year	(407,206)	(587,385)
- Exercised during the year	(3,311,939)	(2,572,180)
- **Outstanding at the end of the year**	**12,676,036**	**10,550,825**

Details of the outstanding tranches are as follows:

Maturity date :	Exercise price EGP	Fair value EGP	No. of shares
- 2012	10	13.70	3,746,842
- 2013	10	21.70	3,084,838
- 2014	10	21.25	5,844,356
Total			**12,676,036**

The fair value of granted shares is calculated using Black-Scholes pricing model with the following:

	5th tranche	4th tranche
Exercise price	10	10
Current share price	31.15	54.68
Expected life (years)	3	3
Risk free rate %	11.6%	12%
Dividend yield%	3.21%	2.74%
Volatility%	34%	42%

Volatility is calculated based on the daily standard deviation of returns for the last three years.

(35) Reserves and retained earnings

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Legal reserve	231,344,896	125,128,337
- General reserve	1,234,274,960	78,564,646
- Retained earnings	15,105,920	20,231,298
- Special reserve	185,931,315	184,356,569
- Reserve for A.F.S investments revaluation difference	(723,070,818)	(18,014,631)
- Banking risks reserve	281,689,619	156,992,515
Total reserves and retained earnings at the end of the year	**1,225,275,892**	**547,258,734**

A- Banking risks reserve

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Beginning balance	156,992,515	26,652,790
- Transferred from profits	124,697,104	130,339,725
Ending balance	**281,689,619**	**156,992,515**

B- Legal reserve

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Beginning balance	125,128,337	513,606,534
- Used during the year	-	(476,326,032)
- Transferred from profits	106,216,559	87,847,835
Ending balance	**231,344,896**	**125,128,337**

C- Reserve for A.F.S investments revaluation difference

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Beginning balance	(18,014,631)	(106,589,600)
- Unrealized gains (losses) from A.F.S investment revaluation	(705,056,187)	108,716,196
- The effect of changing accounting policies	-	(20,141,227)
Ending balance	**(723,070,818)**	**(18,014,631)**

D- Retained earnings

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Beginning balance	20,231,298	(1,942,684)
- Dividend previous year	(5,125,378)	-
- Transferred from special reserve	-	22,173,982
Ending balance	**15,105,920**	**20,231,298**

(36) Cash and cash equivalent

	Dec. 31, 2011 EGP	Dec. 31, 2010 EGP
- Cash and balances with central bank	7,492,064,510	5,675,241,791
- Due from banks	8,449,298,705	6,769,607,397
- Treasury bills and other governmental notes	9,213,390,067	8,821,003,566
- Obligatory reserve balance with CBE	(3,014,779,811)	(2,496,478,514)
- Due from banks (time deposits) more than three months	(5,237,471,784)	(3,898,317,117)
- Treasury bills with maturity more than three months	(8,821,367,485)	(7,092,113,082)
Total cash and cash equivalent	**8,081,134,202**	**7,778,944,041**

(37) Contingent liabilities and commitments

(A) Legal claims

There are a number of existing cases filed against the bank on Dec.31, 2011 without provision as it's not expected to make any losses from it.

(B) Capital commitments

- **Financial investments:-**

The capital commitments for the financial investments reached on the date of financial position EGP 173,576,091 as follows:-

	Investments value EGP	Paid EGP	Remaining EGP
- Available for sale financial investments	366,822,734	193,246,643	173,576,091

- **Fixed assets and branches constructions;-**

The value of commitments for the purchase of fixed assets contracts and branches constructions that have not been implemented till the date of financial statement amounted to EGP 23,292,545

(C) Letters of credit, guarantees and other commitments

	Dec.31, 2011 EGP	Dec.31, 2010 EGP
- Letters of guarantee	11,263,615,016	10,300,751,367
- Letters of credit (import and export)	753,154,858	989,910,137
- Customers acceptances	542,833,642	589,087,209
Total	**12,559,603,516**	**11,879,748,713**

(38) Comparative figures

- The comparative figures are amended to confirm with the reclassification of the current year and general assembly held on 21th of march, 2011, decisions, for ratifying the appropriation account of year 2010.
- The comparative figures of 2010 are amended to confirmed with the effect of changing in accounting policies.

(39) Mutual funds

- **Osoul fund**
  - The Bank established an accumulated return mutual fund under license no.331 issued from capital market authority on 22/02/2005. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
  - The number of certificates issued reached 44,697,171 with redeemed value EGP 7,786,694,160.
  - The market value per certificate reached EGP 174.21 on 31/12/2011.
  - The Bank portion got 1,092,899 certificates with redeemed value EGP 190,393,935.

- **Istethmar fund**
  - CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on 26/02/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
  - The number of certificates issued reached 2,520,794 with redeemed value EGP 116,561,515 .
  - The market value per certificate reached EGP 46.24 on 31/12/2011.
  - The Bank portion got 194,744 certificates with redeemed value EGP 9,004,963 .

- **Aman fund (CIB and Faisal Islamic Bank Mutual Fund)**
  - The Bank and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on 30/07/2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
  - The number of certificates issued reached 766,223 with redeemed value EGP 26,626,249 .
  - The market value per certificate reached EGP 34.75 on 31/12/2011.
  - The Bank portion got 71,943 certificates with redeemed value EGP 2,500,019 .

- **Hemaya fund**
  - CIB bank established an accumulated return mutual fund under license no.585 issued from financial supervisory Authority on 23/06/2010. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
  - The number of certificates issued reached 643,744 with redeemed value EGP 68,307,676 .
  - The market value per certificate reached EGP 106.11 on 31/12/2011.
  - The Bank portion got 50,000 certificates with redeemed value EGP 5,305,500 .

- **Thabat fund**
  - CIB bank established an accumulated return mutual fund under license no.613 issued from financial supervisory authority on 13/09/2011. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
  - The number of certificates issued reached 2,619,141 with redeemed value EGP 268,933,398 .
  - The market value per certificate reached EGP 102.68 on 31/12/2011.
  - The Bank portion got 52,304 certificates with redeemed value EGP 5,370,575 .

(40) Transactions with related parties

All banking transactions with related parties are conducted in accordance with the normal banking practices and regulations applied to all other customers without any discrimination.

(a) Loans, advances, deposits and contingent liabilities	EGP
- Loans and advances	780,597,123
- Deposits	232,470,613
- Contingent liabilities	198,213

(b) Other transactions with related parties	Income (EGP)	Expenses (EGP)
- International Co. for Security & Services	1,715,572	60,682,959
- Corplease Co.	84,790,313	52,413,034
- Commercial International Life Insurance Co.	2,424,880	1,728,547
- Commercial International Brokerage Co.	13,846,930	8,343,581
- Dinamic Company	510,694	142,191
- Egypt Factors	8,975,924	5,955,969
- CI Assets Management	103,972	11,973
- Commercial International Capital Holding Co.	887,906	23,088
- Haykala for Investment	32,759	4,139
- CI Capital Researches	7,991	1,006

(c) Benefits of the board of directors and senior management

Benefits of the board of directors and senior management members reached 3.63% on December.31 ,2011 from total salaries and wages compared with 2.94% on December.31 ,2010

(41) Tax status

- The bank's corporate income tax position has been examined and settled with the tax authority from the start up of operations up to the end of year 1984.
- Corporate income tax for the years from 1985 up to 2000 were paid according to the tax appeal committee decision and the disputes are under discussion in the court of law.
- The bank's corporate income tax position has been examined and settled with the tax authority from 2001 up to 2004.
- Corporate income tax for the years 2005-2006 has been examined from the tax authority and paid.
- The bank pays salary tax according to concerning domestic regulations and laws, and the disputes are under discussion in the court of law.
- The bank pay stamp duty tax according to concerning domestic regulations and laws, and the disputes are under discussion in the court of law .

(42) Main currencies positions

	Dec. 31, 2011 In thousand EGP	Dec. 31, 2010 In thousand EGP
- Egyptian pound	8,068	11,966
- US dollar	24,134	(6,602)
- Sterling pound	408	(400)
- Japanese yen	(53)	(433)
- Swiss franc	118	130
- Euro	7,481	8,218