ABC BANK - EGYPT
ANNUAL REPORT 2012

DETERMINATION

بنك المؤسسة العربية المصرفية
ABC Bank

Contents

determination

ABC Egypt has been resolute in the face of uncertainty. Intelligent navigation of the challenges we face is leading to profitable growth.

Our Group

ARAB BANKING CORPORATION

leadership

Steadfast guidance takes us closer to our goals. Clear strategic direction, backed by solid leadership, is being rewarded by stronger relationships with our clients and financial success.

ABC Bank - Algeria

diligence

Relentless application of our strategy is setting ABC Algeria apart. We are gaining recognition for growing our network and strengthening the quality of our offering.

ABC Bank - Jordan

creativity

Through its entrepreneurialism, ABC Jordan has become a respected local corporate and retail bank. Skilled pursuit of opportunities, backed by careful avoidance of risks, has fuelled growth.

ABC Bank - Tunisie

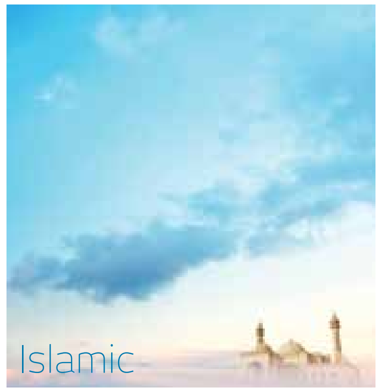
collaboration

ABC Tunisia is building strong relationships. Productive teamwork among our employees and close collaboration with clients are providing resilience.

ABC International Bank plc

reliability

Trustworthiness, consistency and reliability are three invaluable qualities for a bank. In the eyes of our clients, ABC International Bank possesses all of them, which is why they make us a preferred partner.



ABC Islamic Bank (E.C.)

empowerment

Demand for Islamic financial products is huge and growing. ABC Islamic Bank gives people and corporates the opportunity to match their religious beliefs and financial goals.

Our Vision

To become a leading Universal Bank in MENA that delivers superior shareholder returns, provides distinctive services and products to its customers, and is able to attract, develop and retain top talent.

ABC Egypt - Head Office

ABC Bank - Egypt

Directors' Report

The Respectful Shareholders,
On behalf of the Board of Directors, I am honored to submit the annual report of Arab Banking Corporation – Egypt – S.A.E. – to the Shareholders of the Bank, which reveals the most important international and domestic economic changes and the Bank's achievements during the financial year, 2012, which we may brief as follows:

On the Global Front:
The World economy showed a decline during the year 2012, being influenced by the status of economic downturn witnessed by some of the European Countries and most of the Developing Countries. Global GDP during the year recorded a rate of growth of 3.5% approximately, against 4.3% in 2011, while the rates of unemployment remained at highest levels in most countries.
The Euro Zone had the greatest negative influence on the performance of the World Economy, after the decrease of the rate of growth of the real total domestic product of this area to be 0.4% in 2012, against 2.1% in 2011. The climaxed crisis of sovereign debts was the main reason behind that remarkable deterioration, in addition to the increasing fears about the extent of some countries commitment to the austerity programs proposed for rectifying their economies.There were also the problems of the Banking Sector in Spain and the worry about the quality of banking assets in several European Banks.
On the other hand, the Chinese Economy recorded an annual rate of growth of 8.6% in 2012, in comparison to a rate of growth of 9.6% in 2011, due to tightening monetary policy to curb inflation and control the prices of the real estate market in particular.
The above has had a direct negative impact on several financial markets.Share prices in most of the main stock exchanges deteriorated considerably as a result of the increase in costs of borrowingin particular in Italy, Spain and Greece. Credit granted to the private sector in the Developed Countries retreated and investors avoided risky assets for fear of the continuity of the deterioration of the Global Economy.
Several economic analysts expected an improvement in World economic growth rates if the prevailing negative factors causing the weakness of World economic activity are controlled.Application of several rectifying procedures in the Euro Zone and the United States would inevitably lead to a limited boost in the rates of growth in some economies of the developing markets. However, such analysis did not limit the chances of the continuity of the risks of negative developments, including the probability of relapses in the Euro Zone and the risks of exacerbated financial austerity policies on the short run in the United States of America.

On the Local Front:
The Egyptian Economy has been facing several challenges since 2011, due to the prolonged transitional period and the political and security instability that accompanied it, the most important of which was the retreat of Egypt's credit classification for about five degrees to become "B-". However, the most significant of these challenges was the large and increasing deficit in the Balance of Trade to become USD 30.3 billion and in the Balance of Payments to become USD 21.6 billion as well asBudget deficit, estimated in the amount of EGP 140 billion during the financial year 2012/2013. This is increasing to EGP 200 billion to cater for rising public demands. The problematic security situation has led to an almost complete suspension in the flow of direct and indirect foreign investments and tourism. This has negatively impactedthe level of foreign currency reserves from USD 36 billion at the beginning of 2011 to USD 15 billion in December 2012 coupled with a depreciation of the Egyptian Pound against foreign currencies, in addition to the increase of the rate of unemployment and the stoppage of factories.
In an attempt tocurb these negative effects on the Egyptian economy, a loan of USD 4.8 billion US dollars was claimed from the International Monetary Fund for providing the urgent basic needs, whether for importing some strategic commodities or obtaining a provisional finance for filling the investment gaps as a principal step for the recovery of the Egyptian Economy.The approval of the International Monetary Fund represents an explicit support to the economic reform program, which is deemed an international recognition of the Egyptian Economy's capability to fulfill its commitments and to recover. This would have positive effects on the financial institutions and investors and the increase of Private Sector participation in the economy to correct budget deficit and rebuild foreign currency reserves.

A Summary of the Bank's Performance:
Despite the deterioration of the international and domestic economic conditions during the two passing years, which had its influence on the domestic banking market, yet the professional team at the Bank dealt with these circumstances as a new challenge to prove the bank's potential. This was supported by the efforts and cooperation of the Arab Banking Corporation Group in Bahrain and all the affiliated units. A thorough review of all financial aspects was undertaken and necessary plans were developed to grow the Bank in line with originally prepared strategy documents. Such studies resulted into several decisions, the most important of which was the preparation of a detailed comprehensive credit study of the market in order to determine the industries and opportunities for the most secure finance to ensure controlled growth.Furthermore, several competitive banking products were launched in order to attract a larger number of customers. On the other hand, the banking services tariff applied was revisited to reflect increases in operational costs and to re-price finance to some sectors and customers according to the credit risks of each of them. The bank also gave special interest to the settlement of some bad debts, whether for companies or individuals, and this improved the quality of the Bank's credit portfolio, and consequently reduced the value of the provisions required.
I am honored to inform the Shareholders that the Bank succeeded in achieving net profits during the year in the amount of Egyptian pounds 44 million, against Egyptian pounds 35 million in the previous year, i.e. with a growth rate of 25.7%. The bank over-achieved its budget by 13.3%. Balance Sheet footing reached Egyptian pounds 6,256.6 million, with an increase of Egyptian pounds766.1 million, and at a growth rate of 14%, due to the achievement of balanced growth rates especially in customer deposits, which reached a balance of Egyptian pounds 4,727.9 million, with an increase of Egyptian pounds 842.3 million, and a growth rate of 21.7%. At the same time, the total balances of loans amounted to Egyptian pounds 2,350.6 million, with an increase of Egyptian pounds782.6 million, at a growth rate of 49.9%.

The contract concluded to purchase a new administrative premises for the Bank in New Cairo:
The most important evidence of the Shareholders commitment and trust and their long-term investment to the Egyptian Market is the acquisition of a new administrative office buildingto act as the Bank's Head Office in New Cairo, which is one of the most promising new areas in Cairo attracting major banks and financial institutions.
The building and location were carefully selected to accommodate the growth in the Bank's activity and to enhance the Arab Banking Corporation brand name in the Egyptian Market.In order to support the acquisition, it has been agreed to increase the Bank's issued and paid up capital byEgyptian pounds 100 million to reach Egyptian pounds 700 million. Moreover, it shall have its positive impact on the Bank's competitiveness and lending ability.
Future Vision
Within the current circumstances of the Egyptian Economy and its direct negative impact on the Banking Sector, it has become vital to lay down flexible plans, liable to be modified according to market changes and subject to stringent follow up. Accordingly, the Bank has adopted several critical procedures, including the following:

- Closely monitoring the use of the bank'sforeign currency resources according to the mechanism determined by the Central Bank of Egypt. This includes providing foreign currency to specific sector prioritized such as Food and Beverage, Pharmaceuticals, raw materials and intermediary commodities.
- Preparing portfolio stress tests, as directed by the Bank's Assets and Liabilities Committee, to ensure

Directors' Report

- corrective action is taken in a timely manner.
- Reviewing the Bank's maturity ladders by the Assets and Liabilities Committee to ensure liquidity levels are maintained in line with guidelines. Regularly revisiting interest rates to account for changing market conditions.
- Looking at option to provide finance to Small and Medium Enterprises in the near future
- Offering new banking products and services and considering the establishment of a new unit in Retail to cater for Affluent customers with deposits in excess of Egyptian Pounds 500 thousand.

It is also important to note the changes to the Bank's Board of Directors which took place during December 2012. The new Board members, who were selected from within as well as outside Arab Banking Corporation, enjoy a distinguished banking experience and are renowned for their expertise and efficiency in the banking industry. The current formation of the Board shall have its positive impact on the Bank's performance during the coming period. I hereby wish to express my deep esteem and gratitude to the previous Board Members for their distinguished efforts, which resulted in the Bank's achievement of strong results during a period characterized by political and economic instability.

Finally, I am certain that the successes we have achieved are a mere start of a promising phase in our banking lifetime. On behalf of the Board Members and myself, I wish to present my sincere respect to the Bank's Shareholders, its Customers and Correspondents for their continuous support of the bank. I would also like to express my deep gratitude to the Bank's Executive Committee and employees for their loyalty and dedication to the Bank which have contributed positively to our success.

Dr. Khaled Said Kawan
Chairman

Board of Directors

Dr. Khaled Said Kawan
Chairman

Mr. Akram Youssef Tinawi
Managing Director
& Chief Executive Officer

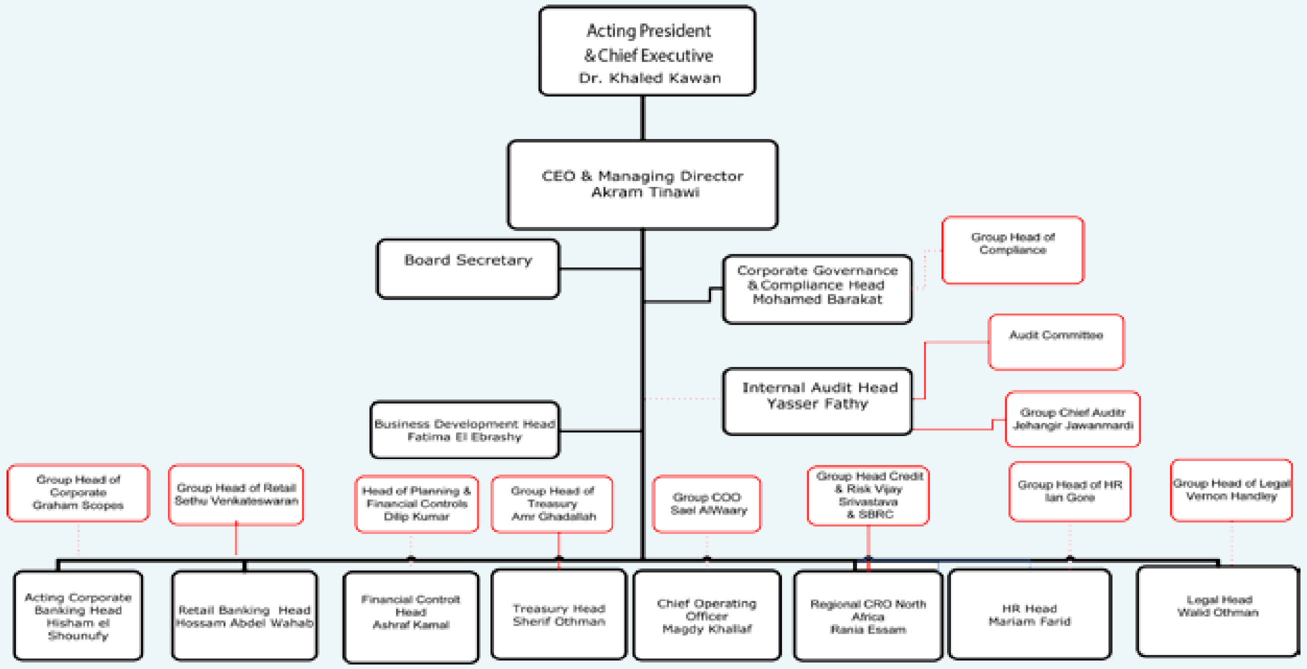
Mr. Musbah Mohamed Elakari
Board Member

Mr. Patrick Edouard Abi Habib
Board Member

Mr. Mohamed Fehmi Hannachi
Board Member

Mr. Walid Abdel Monem
Secretary of the Board

Top Management



Executive Committee

Business Review

Retail Banking

2012 was a challenging year for ABC Egypt; however, Retail Banking continued to build on earlier successes reaching key mile stones and exceeding objectives across all lines of Balance Sheet and Income Statement.

A new Retail Banking organization geared towards supporting balanced growth, excellence in quality service extended to customers, well-diversified product offering and a robust credit structure were the key components of this "set for growth" strategy.

In 2012, total deposits reached EGP 4.6 billion with an unprecedented increase of 24% over 2011 figures. The growth in deposits was fundamentally due to the efforts of the branch network with competitive rates offered on a wide range of liability products.

On the lending side, Retail Banking assets book grew by 23% reaching EGP 527 million. The bank grew its portfolio prudently given the current state of affairs in the country. This was evident in the quality of assets and the decline inspecific provisions, despite the growing portfolio.

The bank continues to closely monitor its portfolio performance and realign its credit policies to ensure it is well-positioned to grow vigilantly.

In 2012, Retail Banking delivery channels acquired 7,933 New to Bank customers, thus making the total customer base equivalent to 35,615.

2012 also witnessed a significant increase in net interest income and commission income by 25% and 8% respectively.

In line with the strategic direction of adopting the cross selling culture, the bank implemented several initiatives using analytics to prospect opportunities for cross sell within the existing portfolio and leverage vertical growth opportunities.

With the customer remaining as our number one priority whilst placing his satisfaction and the quality of service provided to him as the core motive of everything we do, ongoing performance monitoring vs. strategic objectives, robust control environment and investing in human capital remains to be the core values of ABC Egypt.

Treasury

Treasury at ABC Egypt is considered one of ABCE's major profit engines. The team is responsible of managing assetsand liabilities in terms of structure, tenor, rate of return, and cost of fund. We offer clients a variety of products and services that best meet their needs, investment strategies, and risk tolerance.

Treasury manages the risk associated with foreign exchange and interest rate in relation to its balance sheet, profit & loss, and asset management responsibilities. Market risk linked to currencies and interest rate trading tools along with the operation of asset management is very much controlled & limited to best serve the clients' business and its best interest. From that stand point, ABC Egypt Treasury offers a group of products that are diversified innature (explicitly intenor and liquidity).

ABC Egypt's Treasury team offers its clients speedy, accurate and competitive quotations stipulating buying and selling currencies and government securities while providing a complete set of saving vessels in different currencies. Sophisticated clients can also enjoy the advantage of being offered a long list of derivatives and structured products that can suit different investment portfolios in coordination with ABC Group treasury.

As for liquidity management, ABC Egypt Treasury promptly tracks its asset & liability profiles as well as liquidity position. This in turn involves monitoring its contractual and behavioral maturity profiles simultaneously with any market developments to be able to draw a clear vision for its liquidity exposure assuming various scenarios at any given point in time. The afore mentioned takes place while continuously observing its secured funding capacity.

ABC Egypt's Treasury is also one of the dominant market leaders in terms of the USD / EGP Market. ABC Egypt was a major contributor in the local market during the past two tough financial years (2011 & 2012) and plans to expand on its role during the coming year. Needless to say, that clearly emphasizes the importance of the Department, the major role it assumes & carries out with dedication and the commitment of its team to deliver nothing but the best quality at all times.

Business Review

Corporate Banking

Being one of the core segments of the Arab Banking Corporation, ABC Egypt Banking has focused on the development and growth of the Corporate. Using our wide spread regional network has given us a competitive edge over local competitors; along with expertise from a highly qualified team and the provision of high quality services; all of which have allowed us to provide a level of service that is tailored to the needs of each client.

During 2012, the Corporate strove to augment the growth and diversity of the corporate portfolio with the main focus being the capture of solid, well-performing corporations within the Egyptian Market through the provision of a wide range of products (from traditional commercial lending to bespoke structured facilities.) With the application of account plans and the imbedding of indirect limits in packages and the training of managers and analysts, Corporate Banking plans to maximize spreads and increase the effectiveness and efficiency of the facilities, while simultaneously providing the best level of service possible to the client.

As a result, Corporate Banking succeeded in doubling the size of its portfolio during the course of 2012 despite exiting from a number of tickets (amounting to approximately EGP 165 million) due to their increased risk profile. Profitability matrices increased by an average of 44% during the same period, with a substantial increase in the cross-sell ratio by 10%.

The Corporate Bank went a long way towards establishing ABC - Egypt amongst the largest local and multinational banks. The level of customer service, range of products and efficiency with which they are presented have all contributed towards making us the premier banking choice, particularly among those looking for regional banking solutions.

During 2013, the Corporate Banking aims to devote substantial effort towards improving the portfolio structure through the acquisition of longer-term, stable assets by participating in syndications and club deals with other large, reputable banks; augmented through the continuous development of extensive account plans and promotion of cross sales. Additionally, more focus will be placed on mid-corporate organizations and SMEs to increase the portfolio's diversity; tempered with an effective operational risk management strategy and enhanced via staff training.

Correspondent Banking

During 2012, Correspondent Banking was successful at penetrating new markets in the MENA region while paying closer attention to the local market; in an attempt to diversify the flow of Trade Business Sources.

As for 2013, the main focus will be to establish ties with banks in European countries where ABC Group does not have representation, along with concentrating on specific local export businesses. Accordingly, this will enable us to enlarge our customer base whilst building a solid base for our expansion in the market.

Business Review

Credit & Risk

The last two years following the revolution have carried Egypt through a radical political transformation and a difficult economic and operating environment. However, ABC Egypt's Credit & Risk team have successfully managed to reduce negative spill-over effects over the bank's asset book via following a cautious, low risk strategy – selectively focusing on optimizing risk / return balance while improving quality. This strategy of concentrating on prime customers and traditional banking products has continued to protect the bank even during prevailing market conditions of high volatility.

A risk management framework is in place to identify, assess, limit and monitor risks using a comprehensive range of quantitative and qualitative tools. Some of the key risk management tools and techniques deployed are as follows:

- Credit facilities are granted based on detailed credit due diligence measures which consider the purpose of the facility, source & methodology of re-payment, prevailing and potential macro-economic factors, industry trends and the customer's positioning within its industry peer-group.
- The bank's risk exposure is continuously monitored through a system of triggers and early-warning signals aimed at detecting adverse symptoms which could result in deterioration of credit risk quality. Thus, enabling the application of timely corrective measures / actions by management.
- The application of up-to-date risk management techniques aligned with the latest international banking industry developments. The bank regularly assesses the adequacy and effectiveness of its reporting tools and metrics in light of the changing risk environment.
- An enhancement of Market (interest rate and liquidity risk management) & Operational Risk management capabilities supported by know-how transfer and technology sharing from ABC Group Head Office.
- Strict adherence to compliance policies and regulations mandated by ABC Group Head Office, the Central Bank of Egypt and the Basel II Accord. The recent implementation of the CBE Basel II framework is intended to strengthen risk management and market discipline whilst enhancing the safety and soundness of the banking industry in Egypt.

Internal Audit

The Internal Audit applies the Risk Based Audit Approach which has been recognized as the most modern technique and International best practice to identify, evaluate and rate risks.

Whenever an internal advice is requested, the Audit's Team applies the afore mentioned technique, across all Bank's units, which mainly functions as an independent function as well as a consultant to ABC Egypt's Board of Directors.

Internal Audit also follows up on all external audit reports conducted by entities such as External Auditors, The Central Bank of Egypt and the Group Audit of ABC in Bahrain. The Internal Audit Team's most significant achievements in2012 included the following:

- Identified risk areas and prioritized them to determine optimal audit frequency and scope.
- Applied a "fair comparison" between the Bank's various units by comparing its performance across different time intervals. This procedure allows the Bank to closely monitor performance and quickly implement any required contingency plans.

Through out the past year, the Internal Audit submitted a comprehensive strategy based on the Risk Based Audit Approach which takes into consideration the bank's overall risk exposure for each function. This strategy will form the base for the Bank's risk starting the coming year.

Information Technology

While introducing top notch technology, ABC Egypt's IT team strives to provide the clients with the best, most advanced technology banking services experience ever. This is being accomplished via implementing user friendly techniques whilst ensuring the highest level of safety and security measures at all times. The Information Technology Team's achievements in 2012 included the following:

- Swift migration - release 7
- Deploy the automated clearing house system "ACH"
- Expansion of ATM network
- Implementing a new call center 19123 with enhanced call tree
- Introducing new services in Disaster Recovery Site
- Enhancing infrastructure system security
- Applying new high definition video conference system
- Upgrading mail system to the latest version

Business Review

Legal

Today's Legal Departments are expected to run as an independent business unit and function to maximize value while fulfilling its purpose within the bank.
The mission of the Legal is to provide legal services with the best quality and timing to the bank's departments, groups, units, and subsidiaries while effectively protecting the best interest of the bank. Whilst maintaining a strong relationship among the organization, the Legal department succeeded in ensuring the appropriate management and mitigation of its legal risks.
A proactive and efficient legal department is one that has taken control of the drivers of performance and optimized them in a way that ensures smooth departmental operations and high levels of service delivery and client satisfaction. Workload is managed and anticipated, rather than received and reacted to. Tasks are assigned based on defined roles and responsibilities and with an eye toward future needs.
Accordingly, we followed this vision / direction during 2012, and embraced the concept of being proactive and efficient. Attorneys function as active business partners rather than order-takers. Thus, strategic insights are provided and solutions are presented. Legal resources face-off against corporate priorities and formal programs exist for legal to gather feedback directly from the business. KPIs and metrics incorporate measurements of how well legal is supporting business priorities, not just how efficiently legal is operating. Moreover, the legal decision takes into consideration the best way to assign resources, design or improve processes, utilize technology, as well as ensuring that the legal risks that may lead to material negative consequences to the bank are well managed and appropriately mitigated.
By applying our new business strategy, we participated in acquiring the New HO premises in New Cairo, fruitfully handled the acquisition process & associated conditions, and most importantly we prepared all the required contracts & successfully negotiated with the buyer in order to reach the best deal.
During 2012, we started a new project to update the retail application forms in order to minimize the number of documents & applications needed for every product in an attempt to facilitate the employees' role in obtaining clients signatures.
Furthermore, we worked on updating the business standard operating producers' by applying the new forms and applications as well as updating the process in compliance with the existing laws & the decisions of the Central Bank of Egypt.

Administration

During 2012, and despite the shortage of supplies and operating tools needed to perform the Bank's daily activities in addition to the price increase of those available, the employees of Administrative Affairs Sector were able to successfully meet the various needs / requirements of the Bank in a timely manner and without inflating the cost associated with doing so. Needless to say, this was aresult of lengthy negotiations with suppliers and efforts were exerted to amend quantities in amanner to best secure reasonable prices.

We also applied more supervision and implemented tighter control measures to ensure that the quality of service received from third party suppliers remained consistently at a high level.

During the past year, local & foreign insurance Policies have been thoroughly revisited & terms were amended to better cope with the current security situation in the Country. Consequently, safety was successfully maintained at a reasonable cost.

Remedial Loans

Remedial Loans together with the Legal positively contributed to ABC's Egypt 2012 financial results. Throughout the year, they succeeded in recovering several bad debts where sizable collections were made either in cash or via selling some acquired assets.

That was successfully achieved by restructuring and rescheduling payment agreements with a number of clients who in return started repaying their debts in accordance to the agreed upon terms.

The Remedial provisioning policy proved to be effective as ABC Egypt's corporate portfolio risk rating has remained strong throughout the year while none of the bank's recovered loans required any further provisions

Business Review

Central Operations

Changes in the work place are an inevitable part of maintaining a competitive edge over competition, adapting to new technology, and adjusting to an ever-changing work force.

Nowadays, the business environment is being challenged with high levels of uncertainties. That being said, akey to success is to allow systematic adaptation to industry changes with the aim of improving production, performance, efficiency and the overall morale of the business environment.

Moving from that perspective, Central operations in 2012 mainly targeted / focused on the following aspects:

1- Enhancing control factors to strengthen processes and smoothen operations to achieve higher customer satisfaction.
2- Revisiting and modifying manuals to reflect and properly document improved processes.
3- Encouraging staff to get involved in improving work processes by providing them with the necessary support. As a consequence, the number of Certified Documentary Credit Specialist (CDCS) staff in trade finance has doubled which indicates that they possess high qualification in technical knowledge. This in return, will certainly positively reflect on the quality of service offered to ABC clients.
4- A major focus was towards developing positive relationships among colleagues within central operations as well as cross-departmental and across the various sectors of the business which led to:
   - Effective Internal communication.
   - Positive Team Work Spirit.
   - Positive engagement and smooth delivery of services.

5- Implementing Phase One of the new services provided through the Automatic Clearing House (ACH) mechanism to comply with CBE directives while planning on expanding the scope of implementation through the next phase in 2013. Full implementation will develop a solid customer base for both corporate and retail clients thus maximizing business volumes.
6- Centralizing processes, which has been identified as a strategic decision. This has led to real location of additional functions under the Central Operations management.
   - In conclusion, before mid of year 2012, Retail loans processing account ability was moved to Central Operations. Implementing such a move was a major restructuring process that has represented a real challenge for the Central Operations Teams and was a key factor for their collaboration with the Retail Department in order to achieve targets for 2012.
   - Last but not least, by the end of 2012, a decision was taken to establish a Retail Credit Administration Department under Central Operations. Full implementation will take place in 2013.

Corporate Governance & Compliance

The primary responsibility of the Corporate Governance & Compliance is the prevention of non compliance risks, mainly reputation and financials anctions. For this purpose, the Corporate Governance & Compliance ensures the bank's compliance with all the regulations and guidelines issued by the Central Bank of Egypt and the instructions of the Central Bank of Bahrain, as well as polices of ABC Group in Bahrain. The Corporate Governance and Compliance also enhances its relations with all control authorities and seeks to establish continuous and efficient channels of communications.

Corporate Governance was able during 2012 – in light of the political circumstances in Egypt and after the revolution to prevent the risk of non-compliance with the Central Bank of Egypt's instructions concerning customer's outgoing transfers in foreign currencies, charities & non-profit organizations along with some politicians' assets freeze. Corporate Governance was also able to protect the bank from the risk of non-compliance with Security Council's resolutions imposing sanctions and asset freeze of certain Libyans individuals, banks & entities in the wake of the Libyan revolution.

It is worth mentioning that Corporate Governance & Compliance had ensured the bank's commitment to the Central Bank of Egypt's instructions concerning banks' corporate governance rules which were issued on 23rd of August 2011. It also clearly stipulated responsibilities of the bank's board of directors, its main committees and the bank's control functions whilst emphasizing on the importance of applying both transparency & disclosure principles.

Business Review

Human Resources

The Human Resources Department has been significantly active throughout 2012. WE have focused our efforts on 3 major pillars namely:

Recruitment

- Total of (35) New Hires in different Units/ Branches as Staff employees
- Total of (43) New Hires as Outsourced employees
- Total of (17) Internal Job Posting.
- Total of (48) Internal Transfers to fill vacancy and Relocating staff
- The Turn-Over Percentage has been reduced to 6.25% (including the Pension) Vs. 8.08% in 2011

Compensation & Benefits 2012

- Promoted (139) employees
- The annual Merit increase for ABCE eligible staff represents 8%
- Salary Adjustment for (33) employees
- Amended ABCE Staff and car loans
- Published "ABCE HR Policies and Procedures Manual" on ABCE Intranet

Training & Development

- Total of (7) In-House courses covered (344) employees
- Total of (65) undergraduates received the July-August internship program
- Total of (101) Courses covered (402) employees
- Participate for e-learning for two employees - IFID Certificate
- Participated in abroad workshop & Conference for two employees - Executive Program on Private Banking & Wealth and SWIFT Middle East Regional
- Launched ABCE Academy with 1st run of Credit course in November 2012 attended by 15 employees from various Branches & Departments
- Yearly Employee Survey: ABCE Participation for 2012 was95% vs. 2011 Participation of 94%; Overall Employee Satisfaction for 2012 was 66% vs. 63% for 2011

Business Development

Business Development is mainly responsible for shaping the bank's strategy across various departments, developing a robust crisis management strategy in an attempt to provide business support as well as formulating the resumption of lending plans to both corporate and retail banking.

Business Development has also been actively exploring new business opportunities, especially for the SME sector, thus developing a vigorous value proposition to this segment via introducing asset & liability products to best serve customer needs.

A further initiative carried out by Business Development has been process mapping while introducing any feasible amendments accordingly. Business Development has been reevaluating key processes aiming to improve customer experience and enhance control measures. This has been achieved through focusing on automation, tweak turnaround times thus freeing up staff to focus more on customer satisfaction and provide top notch service.

Corporate Communication

The role of Corporate Communication has been instrumental in re-positioning ABC Egypt as an important player in the banking industry. A strong relation with the media has enabled us to gain substantial visibility in the market while enhancing brand awareness.

A further role carried out by Corporate Communication is to enhance a two-way communication channel with staff members, thus improving internal communication. In this context, ABC Egypt Corporate Communication has organized several major staff events throughout 2012. Such events focused on facilitating communicating the Bank's vision, mission & strategy to the staff as well as obtaining their feedback on how to best improve customer experience, work conditions & the Bank's overall performance. These initiatives are setting the scene for ABC Egypt to become an "employer of choice" in Egypt.

Audit Committee's Report

- **Audit Committee's Structure:**

The Audit Committee, part of the Board of Directors, consists of three non-executive Members of the Board of Directors.

- **Audit Committee's objectives:**

1- Assisting the Board of Directors in carrying out its supervisory role in the bank, through the committee's performance as a coordinating link between the Board and the two groups of internal audit, Corporate Governance & Compliance and the Auditors, so as to confirm the independence of each of them, and guarantee an objective source of information for the Board, based on neutral professional principles regarding all issues included in the objectives of the Audit Committee. it follows up the effectiveness of the systems, procedures and restrictions of internal control in the bank, aiming at creating an environment of discipline so as to protect the Bank's assets and the investments of the shareholders.

2- The Audit Committee carries out its objectives independently. It may not interfere in any executive work. Its performance of its duties shall not in any way constitute a modification of the powers, competences or responsibilities of the Management or the Auditors or restrict them in any way. The internal issues, including the preparation of the Bank's financial particulars and the auditing thereof, shall remain among the principal tasks of the Executive Management or (as the case may be) the auditors.

- **Audit Committee's Work Rules:**

In the light of the rules governing the Audit Committee performance, ratified by the Board of Directors, including the condition that it should convene four times at least during each financial year, by virtue of a written invitation to be addressed by its president, provided that the Auditors shall attend all the events of such meetings, the Committee convened four times during 2012, all attended by the Auditors.

- **Audit Committee's Activities during 2012:**

The Committee performed its tasks according to the rules governing its performance, and in conformity with the best applications in the profession, as follows:

A- ABC Risk Assessment:

The Audit Committee followed up a group of the main risks that face the Bank, through displaying the reports of internal and external auditing, in addition to holding meetings with the elements of the higher management & the auditors, who have been invited to attend a part of all the committee meetings during the year. These risks are represented in the following:

- Financial & Accounting Risks
- Risks of Liquidity
- Risks of Credits
- Legal Risks
- Operation & Market Risks
- Risks pertaining to the Information Systems

B- Remedial Procedures:

The Committee has established several procedures that may enable it to rectify the remarks stated in the auditing reports (whether internal or external), and implement its recommendations adopted in each of its meetings held during this year.

Such procedures resulted in a remarkable decrease of the highlighted defects and consequently the improvement of the environment of discipline in the Bank in general.

C- Audit Committee Supervision on Internal Audit and Corporate Governance & Compliance Activities:

The committee followed up the activity of each of the two groups of internal auditing, corporate governance and discipline during 2012, and it ascertained that each group has successfully implemented its ratified plan for this year.

D- Monitoring ABC Egypt External Auditors Performance (Messrs Earnest & Young & Messrs Abdel Aziz Hegazy & Co. "Horwath":

The Committee discussed the following subject-matters during its meetings with the Bank's Auditors all over the year:

1- The general sphere and the auditing plans of the Auditors during 2012, and also discussing them regarding the results they have reached concerning the processes of examining and evaluating the internal control applied by the bank.

2- Acquiring assurances from the Auditors that the Bank is committed to prepare its financial statements, in accordance with the criteria of Egyptian accounting as well as the provisions of the Egyptian laws and regulations in force, and also the efficiency of the accounting criteria adopted by the Bank and the clarity of the particulars revealed in the financial statements and that they don't have any essential remarks in this concern.

3- Ascertaining the quality of the loans and facilities portfolio of the Bank and the extent of sufficiency of the provisions constituted for the defaulting customers quarterly, according to the instructions of the Central Bank of Egypt issued regarding the bases of evaluating the customers' credit efficiency and the formation of the necessary provisions. The auditors assured that they don't have any preservations concerning the provisions constituted in the Bank during 2012 and that, according to their viewpoint, they are deemed sufficient. Besides, they don't have any essential remarks concerning the financial statements and the final accounts of the Bank as at 31/12/2012.

4- The assurance of the appropriateness of the Auditors' fees and submitting recommendations concerning their reappointment for the coming financial year, ending as at 31/12/2013.

Best Regards

Patrick Abi Habib
Audit Committee Head

Date: 23/2/2013

Financial Report of the Bank

For the year ended 31 December 2012

The Board of Directors has the pleasure to display the results achieved during the financial year ending at 31 December 2012, through the financial statements of the financial year ending as of that date.

The Financial Position revealed a total of 6 256.6 million Egyptian pounds as of 31/12/2012, against 5 490.5 million pounds as of 31/12/2011, with an increase of 766.1 million Egyptian pounds, and with a growth rate of 14%.

The balances of liquid assets at our bank amounted to 3 824.3 million pounds as of 31/12/2012, against 3 951.3 million pounds as of 31/12/2011. The liquid assets represent 61.1% of the total assets as of 31/12/2012, against 72.0% as of 31/12/2011.

The contingent liabilities recorded a figure of 1 003.2 million Egyptian pounds as of 31/12/2012, against 1 318.0 million Egyptian pounds as of 31/12/2011, with a decrease of 314.8 million Egyptian pounds, at the rate of 23.9%.

The financial year 2012 witnessed balanced rates of growth in the Bank's various activities, and in particular the customers' deposits & loans, in spite of the severe competition in the banking sector, something that reveals the great effort made by the Higher Management for developing the Bank's activities in various directions, and also assures the soundness of the policy adopted by the Bank and the good reputation it enjoys, whether among the public of customers or within the local and international banking sphere. All these factors resulted in a remarkable progress in the various aspects of activity.

The Bank's activity during the year 2012 revealed a net profit of 44 million Egyptian pounds, against 35.0 million Egyptian pounds during the previous financial year, with an increase of 9 million pounds, as revealed by the following statement:

(In million pounds)

Particulars	The year 2012	The year 2011	Change	Rate of change %
Activity gross profit before taxes	105.7	79.9	+25.8	+32.3%
Less:				
Tax expenses	61.7	44.9	+16.8	+37.4%
Net profit according to the Profit & Loss Account	44.0	35.0	+9.0	+25.7%

We state hereunder the fund resources and the aspects of their utilizations, achieved during the financial year ending as of 31/12/2012:
(In million pounds)

Funds Utilizations		**Fund Resources**	
Increase in Assets		Increase in Liabilities	
Loans & Facilities	749.5	Owners' Equity	60.7
Other assets	151.1	Other Liabilities	49.1
		Other provisions	7.3
		Customers' deposits	842.3
Decrease in Liabilities		Decrease in Assets	
		Financial investments	38.6
Dues to banks	193.3	Cash & balances with banks	88.5
		Fixed assets	7.4
Total of funds utilizations	1 093.9	Total of funds resources	1 093.9

The following statement reveals the most important changes have occurred to the fund resources and the aspects of their utilizations during the financial year 2012:

First: Deposits:

The total of balances of customers' deposits of their various kinds amounted to 4 727.9 million Egyptian pounds as of 31/12/2012, against 3 885.6 million Egyptian pounds as of 31/12/2011, with an increase of 842.3 million pounds. The following statement shows a breakdown of deposits' balances, according to the sectors of economic activity, in conformity with the existing balances as of 31/12/2012:

(In million pounds)

Sector	Year 2012	Year 2011	Change	Rate of growth %
Agricultural Sector	28.3	40.9	-12.6	-30.8%
Industrial Sector	94.7	79.1	+ 15.6	+19.7%
Commercial Sector	119.4	126.8	-7.4	- 5.8%
Services Sector	2 550.5	2 156.5	+394.0	+18.3%
Family Sector	1 625.1	1 454.8	+170.3	+11.7%
Financial Mediators	302.5	11.3	+291.2	+2577%
Others	7.4	16.2	-8.8	-54.3%
Total	**4 727.9**	**3 885.6**	**+842.3**	**+21.7%**

The following statement shows the balances of deposits, each according to its kind, as of the end of the two financial years 2012 & 2011:

(In million pounds)

Particulars	Year 2012	Year 2011	Change	Rate of growth %
Demand deposits	788.9	633.0	+155.9	+ 24.6%
Time deposits with a notification	2 861.8	2 082.2	+779.6	+37.4%
Savings certificates	733.5	801.6	-68.1	-8.5%
Savings deposits	259.5	297.0	-37.5	-12.6%
Other deposits	84.2	71.8	+12.4	+17.3%
Total	**4 727.9**	**3 885.6**	**+842.3**	**+21.7%**

Financial Report of the Bank

For the year ended 31 December 2012

Second: Due to banks and correspondents:

The total value of the due to banks and correspondents locally & abroad amounted to 399.1 million Egyptian pounds as of 31/12/2012, against 592.4 million Egyptian pounds as of 31/12/2011, with a decrease of 193.3 million Egyptian pounds.

Third: Cash balances and balances due from banks & correspondents:

The total balances of this item amounted as of 31/12/2012 to 1 343.9 million Egyptian pounds, against 1 432.4 million Egyptian pounds as of 31/12/2011, as revealed by the following statement:

(in million pounds)

Particulars	Year 2012	Year 2011	Change	Rate of growth %
Cash and balances due from the Central Bank	492.7	607.8	-115.1	-18.9%
Balances with banks	851.2	824.6	+26.6	+3.2%
Total	**1 343.9**	**1 432.4**	**-88.5**	**-6.2%**

Fourth: Loans:

The net used part of the loans granted to customers as of 31/12/2012 amounted to 2 130.1 million Egyptian pounds against 1 380.6 million Egyptian pounds as of 31/12/2011, with an increase of 749.5 million pounds, with a rate of 54.3%.

The following statement reveals the breakdown of the loan balances according to the sectors of economic activity, as per the existing balances as of 31/12/2012:

(In million pounds)

Sector	Year 2012	Year 2011	Change	Rate of growth %
Agricultural Sector	---	0.1	-0.1	-100%
Industrial Sector	655.7	476.1	+179.6	+37.7%
Commercial Sector	398.3	203.7	+194.6	+95.5%
Services Sector	497.5	362.1	+135.4	+37.4%
Family Sector	573.3	466.1	+107.2	+23.0%
Others	225.8	59.9	+165.9	+277.0%
Total	**2 350.6**	**1 568.0**	**+782.6**	**+ 49.9%**
Less:				
Impairment losses provision for loans and facilities	215.0	187.2	+27.8	+14.9%
Unearned discount for commercial discounted bills	5.4	0.1	+5.3	+5300.0%
Suspended interests	0.1	0.1	---	---
Net used amount of credit facilities	**2 130.1**	**1 380.6**	**+749.5**	**+54.3%**

The above shown statement refers to the fact that the Impairment losses provision for loans and facilities amount to 215.0 million Egyptian pounds as of 31/12/2012, against 187.2 million Egyptian pounds, with an increase of 27.8 million Egyptian pounds, with a growth rate of 14.9%.

Fifth: Financial Investments:

The net balances of this item as of 31/12/2012 amounted to 2 492.6 million Egyptian pounds, against 2 531.2 million Egyptian pounds for the existing balances as of 31/12/2011. The following statement shows the changes have occurred to the balances of this item during the financial year 2012:

(In million pounds)

Particulars	Year 2012	Year 2011	Change + (-)
Treasury bills	1 681.1	1 959.1	-278.0
Investment fund constituted by the Bank	12.2	12.3	-0.1
Subscriptions to projects	2.5	2.5	---
Investments in securities	796.8	557.3	+239.5
Net financial investments	**2 492.6**	**2 531.2**	**-38.6**

The above shown statement reveals the fact that the net balances of financial investments between the ends of the two years 2012 & 2011 amounted to 38.6 million Egyptian pounds, mainly concentrated in the treasury bills which existing balances achieved a decrease of 278.0 million Egyptian pounds and also the increase of the balances of subscribing to the investments in securities, in the amount of 239.5 million Egyptian pounds.

Sixth: Owners' Equity:

The total balances of Owners' Equity as of 31/12/2012 amounted to 910.2 million Egyptian pounds, against 849.5 million Egyptian pounds as of 31/12/2011, with an increase of 60.7 million Egyptian pounds.

The following statement shows the changes have occurred to the Owners' Equity during the financial year 2012:

(In million pounds)

Particulars	Year 2012	Year 2011	Change + (-)
Capital	590.9	600.0	-9.1
Reserves	267.5	209.3	+58.2
Retained earnings	51.8	40.2	+11.6
Total	**910.2**	**849.5**	**60.7**

Financial Report of the Bank

For the year ended 31 December 2012

The following statement shows the changes have occurred to the reserve balances during the year 2012:

(Thousand Egyptian pounds)

Particulars	Legal reserve	General reserve	Capital reserve	Banking risks reserve	Reserve of the fair value of financial investments available for sale	Total
Balances as at 31/12/2011	36 209	198 021	936	379	(26 238)	209 307
Subsidy by the distribution account	3 490	26 516	---	----	-----	30 006
Transferred to reserves	-----	-----	111	54	28 024	28 189
Balances as at 31/12/2012	**39 699**	**224 537**	**1 047**	**433**	**1 786**	**267 502**

Seventh: Contingent Liabilities:

The total of customers liabilities in return for opened documentary credits and issued letters of guarantee amounted to 1 003.2 million Egyptian pounds as of 31/12/2012, against 1 318.0 million Egyptian pounds as of 31/12/2011, with a decrease of 314.8 million Egyptian pounds, as revealed by the following statement:

Particulars	Year 2012	Year 2011	Change	Rate of growth %
Value of uncovered by cash of the opened documentary credits	135.7	90.9	+44.8	+49.3%
Value of uncovered by cash of the issued letters of guarantee	867.5	1 227.1	-359.6	-29.3%
Total	**1 003.2**	**1 318.0**	**-314.8**	**-23.9%**

Eighth: Results of Activity:

The results of the Bank activity for the financial year 2012 revealed the achievement of a distributable net profit in the amount of 43.7 million Egyptian pounds. Upon adding the profits carried forward from the previous year, in the amount of 7.9 million Egyptian pounds, the distributable amount shall become 51.6 million Egyptian pounds, against 40.1 million Egyptian pounds for the year 2011.

The following statement shows the distribution proposed by the Board of Directors of the total distributable amount for the year 2012, in comparison to the amended distribution for the year 2011:

	Proposed distribution for the year 2012	Proposed distribution for the year 2011
Reserves subsidy	35.0	30.0
Share of personnel	2.6	2.0
Remuneration of the Board of Directors	0.3	0.2
Profits carried forward	13.7	7.9
	51.6	**40.1**

Ninth: Branches:

The Bank carries out its activity through twenty eight branches, fifteen of which are located in Cairo, two in Alexandria, two in Sharm El Sheikh, and a branch in each of Hurghada, Mansoura, Luxor, Aswan, Assiut, two branches in Damietta, a branch in Tanta and another in Suez.

Tenth: Personnel:

The number of the Bank personnel as of the end of 2012 reached 435 employees, against a number of 429 at the end of the previous year, in addition to 34 service workers.

Due to the importance of the human element, the Bank Management is keen on taking care of all administrative and professional levels by means of keeping on the development of their banking skills and the improvement of their experiences through delegating them to attend training courses at the specialized scientific quarters, especially these courses organized by the Central Bank of Egypt and Federation of Egyptian Banks, so that they are able to render the best possible banking service.

Auditors' Report

The Shareholders of Arab Banking Corporation - Egypt

Report on the financial statements
We have audited the accompanying Financial Statements of Arab Banking Corporation - Egypt (an Egyptian Joint Stock Company) which comprise of the balance sheet as of 31st December 2012, and the related income statements, changes in shareholders' equity, and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
These financial statements are the responsibility of the bank's managment. So it is responsible the preparation, clear and fair presentation of the financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008 and in light of the prevailing Egyptian laws, management responsibility includes designing implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Egyptian auditing standards on auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and ,Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the over all presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ABC Bank - Egypt " SAE " as of 31st December 2012, its financial performance and its cash flows for the financial year then ended in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008, and in light of the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

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

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

The financial information contained in the report of the Board of Directors prepared in conformity with Law No. 159 of 1981, and its executive regulations is in agreement with the Bank's books of account within the limit that such information is recorded therein.

Cairo: 5th of March 2013

Auditors

Amr Mohamed El Shaabani
Allied for Accounting & Auditing
E&Y

Gamal Abd El Rahman Mohamed
DR. Abdel Aziz Hegazy & Co.
Crowe Horwath

Arab Banking Corporation - Egypt (S.A.E)

Financial Position Statement

As of 31 December 2012

	Note	31/12/2012	31/11/2011
		LE 000	LE 000
ASSETS			
Cash and due from Central Bank	(15)	492 725	607 832
Due from banks	(16)	851 231	824 583
Treasury bills	(17)	1 681 107	1 959 054
Loans and advances to customers (net)	(18)	2 130 137	1 380 602
Financial investments :			
-Available for sale	(19)	799 273	559 841
-Held to maturity	(19)	12 160	12 277
Intangible assets	(20)	8 808	14 831
Other assets	(21)	207 139	50 066
Fixed assets	(22)	74 032	81 407
Total assets		**6 256 612**	**5 490 493**
Liabilities & Owners equity			
Liabilities			
Due to banks	(23)	399 098	592 435
Customers' deposits	(24)	4 727 932	3 885 640
Other liabilities	(25)	187 411	138 564
Other provisions	(26)	31 484	24 215
Deferred tax liabilities	(27)	456	151
Total Liabilities		**5 346 381**	4 641 005
Owners' equity			
Issued & paid-in capital	(28)	590 938	600 000
Reserves	(29)	267 502	209 307
Retained earnings	(29)	51 791	40 181
Total Owners' equity		910 231	849 488
Total liabilities & Owners' equity		**6 256 612**	**5 490 493**

Auditors

Chairman
Khaled Said Kawan

Managing Director & CEO
Akram Youssef Tinawi

Amr Mohamed
El Shaabani

Gamal Abd
El Rahman Mohamed

* The accompanying notes from (1) to (35) are an integrated part of these financial statements.
* Audit report attached.

Arab Banking Corporation - Egypt (S.A.E)

Income Statement

For the year ended 31 December 2012

	Note	31/12/2012	31/11/2011
		LE 000	LE 000
Interest income on loans and similar income		530 319	379 780
Interest expense on deposits and similar expenses		(273 153)	(189 382)
Net interest income	(6)	**257 166**	**190 398**
Fees and commissions income		39 309	36 300
Fees and commissions expenses		(1 319)	(1 692)
Net fees and commissions income	(7)	**37 990**	**34 608**
Dividend income	(10)	472	273
(Losses) Gains from financial investments	(19)	(205)	2 666
Net trading income	(8)	11 395	15 414
Other operating (Expense) income	(11)	(6 760)	2 527
Impairment for credit losses	(12)	(22 883)	(8 563)
Administrative expenses	(9)	(171 453)	(157 400)
Net profit before income tax		**105 722**	**79 923**
Income tax expenses	(13)	(61 703)	(44 919)
Net profit for the year		**44 019**	**35 004**
Earnings per share (LE/share)	(14)	**0.684**	**0.543**

* The accompanying notes from (1) to (35) are an integrated part of these financial statements.

Chairman
Khaled Said Kawan

Managing Director & CEO
Akram Youssef Tinawi

Arab Banking Corporation - Egypt (S.A.E)

Statement of Changes in Owners' Equity

For the year ended 31 December 2012

	Paid - in capital LE 000	Reserves LE 000	Retained earnings LE 000	Net profit for the year LE 000	Total LE 000
Balance as of 1 January 2011	600 000	212 038	32 442	-	844 480
Transferred from retained earnings to reserves	-	25 174	(25 174)	-	-
Dividends paid	-	-	(2 036)	-	(2 036)
Net change in fair value of the available for sale investments	-	(27 960)	-	-	(27 960)
Net profit for the year	-	-	-	35 004	35 004
Transferred to retained earnings and banking risks reserve	-	55	34 949	(35 004)	-
Balance as of 31 December 2011	**600 000**	**209 307**	**40 181**	**-**	**849 488**
Balance as of 1 January 2012	600 000	209 307	40 181	-	849 488
Purchasing Treasury Stocks	(9 062)	-	-	-	(9 062)
Transferred From retained earnings to reserves	-	30 117	(30 117)	-	-
Dividends Paid	-	-	(2 238)	-	(2 238)
Net change in fair value of the available for sale investments	-	28 024	-	-	28 024
Net profit for the year	**-**	**-**	**-**	**44 019**	**44 019**
Transferred to retained earnings and banking risks reserve	-	54	43 965	(44 019)	-
Balance as of 31 December 2012	**590 938**	**267 502**	**51 791**	**-**	**910 231**

Chairman
Khaled Said Kawan

Managing Director & CEO
Akram Youssef Tinawi

* The accompanying notes from (1) to (35) are an integrated part of these financial statements.

Arab Banking Corporation - Egypt (S.A.E)

Statement of Cash Flow

For the year ended 31 December 2012

	31/12/2012 LE 000	31/11/2011 LE 000
Cash flows from operating activities		
Net profit before taxes	105 722	79 923
Adjustments to reconcile net profit to cash flows provided from operating activities		
Amortization for discounts & premiums	685	159
Depreciation	16 869	17 908
Impairment losses of assets	22 883	8 563
Impairment losses of other provisions	7 011	(2 549)
Usage from provisions (other than loans' provisions)	(31)	-
Revaluation differences of foreign currencies provision balances (other than loans provision)	289	237
Gains from sale of fixed assets	(239)	(112)
Operating profits before changes in assets and liabilities used in operating activities	**153 189**	**104 129**
Net decrease (increase) in assets		
Due from banks	56 053	(152 773)
Treasury bills	334 124	(1 369 501)
Loans and advances to customers	(774 562)	90 489
Other assets	(16 309)	(11 361)
Net increase (decrease) in liabilities		
Due to banks	(193 337)	509 534
Customers' deposits	842 292	265 566
Other liabilities	46 206	(191 470)
Paid income taxes	(58 758)	(24 334)
Net cash flows generated from (used in) operating activities (1)	388 898	(779 721)
Cash flows from investing activities		
Proceeds from sale of fixed assets	239	112
Payments to purchase fixed assets & preparation of branches	(144 234)	(3 442)
purchases of financial investments (available for sale)	(282 465)	(465 936)
Proceeds from selling financial investments (available for sale)	70 372	70 904
Proceeds from sale of financial investments (held to maturity)	2 261	3 138
Net cash flows used in investing activities (2)	(353 827)	(395 224)
Cash flows from financing activities		
Dividends paid	(2 238)	(2 036)
Financial decrease for paid - in capital (treasury stocks)	(9 062)	-
Net cash flows used in financing activities (3)	(11 300)	(2 036)
Net increase (decrease) in cash and cash equivalents during the year (1 + 2 + 3)	23 771	(1 176 981)
Cash & cash equivalents at 1/1/2012	1 043 335	2 220 316
Cash & cash equivalents at the end of the year	1 067 106	1 043 335

Arab Banking Corporation - Egypt (S.A.E)

Statement of Cash Flow

For the year ended 31 December 2012

	31/12/2012	31/11/2011
	LE 000	LE 000
Cash and cash equivalents are represented in the following:		
Cash and due from Central Bank	492 725	607 832
Due from banks	851 231	824 583
Treasury bills	1 681 107	1 959 054
current C.B.E (mandatory reserve)	(299 148)	(389 080)
Deposits due from banks (with maturity more than 3 months)	(33 879)	-
Treasury bills and other governmental notes (with maturity more than 3 months)	(1 624 930)	(1 959 054)
Cash & cash equivalents	**1 067 106**	**1 043 335**

Chairman
Khaled Said Kawan

Managing Director & CEO
Akram Youssef Tinawi

* The accompanying notes from (1) to (35) are an integrated part of these financial statements.

Arab Banking Corporation - Egypt (S.A.E)

Statement of Proposed Profit Appropriation Account

For the year ended 31 December 2012

	31/12/2012	31/11/2011
	LE 000	LE 000
Net profit for the year - as per income statement	44 019	35 004
Less:		
Income from selling Fixed Assets transferred to capital reserves as per law	(239)	(112)
Banking risk reserve	(54)	(55)
Net profit for the year - available for appropriation	43 726	34 837
Add:		
Retained earnings at the beginning of the year	7 826	5 232
Total	51 552	40 069
Appropriation as follows:		
Legal reserve	4 377	3 489
General reserve	30 623	26 516
Owners shares dividends	-	-
Staff profit share	2 600	2 000
Board of Directors' remuneration	326	238
Retained earnings at the end of the year	13 626	7 826
Total	51 552	40 069

* The statement of proposed profit appropriation for the financial year ended 31 December 2012 was prepared subject to the approval of the Bank's General Assembly

Chairman
Khaled Said Kawan

Managing Director & CEO
Akram Youssef Tinawi

Arab Banking Corporation – Egypt (S.A.E)

Notes of the financial statements for the financial year ended 31 December 2012

1- General Information

The bank has been established on 21 August 1982 according to provisions of investment law and its amendments as an investment and business bank under the name of Egypt Arab African Bank (S.A.E) the name of the bank has been amended to become Arab Banking Corporation – Egypt (S.A.E) in the course of the amendments introduced to the articles of association of the bank promulgated by the ministerial decree No. 788 for year 2000 and published in the investment gazette, edition No. 3261 issued on 18 April 2000 in Egypt and the bank head office in Cairo.

Arab Banking Corporation – Egypt (S.A.E) provide retail, corporate banking and investment banking services in various parts of Egypt through twenty eight branches, and employs over 469 employees in the balance sheet date.

The following are the significant accounting policies applied in the preparation of these financial statements, these policies have been consistently applied to all the presented years, unless otherwise is disclosed.

A- Basis of preparation of financial statements

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

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

B- Segment reporting

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

C- Foreign currencies translation

C-1 Functional and presentation currency:

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

C-2 Transactions and balances in foreign currencies

- The bank's accounts are being hold in the Egyptian pound and all transactions in other currencies are recorded during the current year on the basis of the prevailing exchange rates on the date of processing the transaction. The balances of assets and liabilities with monetary nature in foreign currency are re-evaluated at the end of the financial year on the basis of the prevailing exchange rates on that date. The profits and losses resulted from settling these transactions are to be recognized in the income statement as well as the differences resulted from the re-evaluation among the following items:
  - The net trading income or net income of the financial instruments classified at inception in fair value through the profit and loss of assets / liabilities held for trading or those classified at inception in fair value through profit or loss according to type.
  - Other operating income (expenses) for the remaining items.

- The changes in the fair value of the financial instruments with monetary nature in foreign currencies classified as investments available for sale (debt instruments) are analyzed either as evaluation differences resulting from the changes in the amortized cost of the instruments, differences resulting from the changes in the prevailing exchange rates or differences resulted from the change in the instrument's fair value. The differences resulted from the changes in the amortized cost are to be recognized in the income statement within the "Interest income on loans and similar income", the differences related to exchange rates changes are recognized in the Other operating income (expenses). Whereas the change in the fair value (fair value reserve/financial investments available for sale) are recognized within shareholders' equity.

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

D- Financial assets

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

D-1 Financial assets classified at fair value through profit or loss:

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

- The financial instrument is classified as held for trading if it is acquired and paid for its value primarily for the purpose of selling it in the short term or if it represents a part of a portfolio for specific financial instruments that are managed together and there is an evidence of processing recent actual transactions which resulted in obtaining short-term profits also derivatives are classified as held for trading unless it was classified as hedging instrument.

- Financial assets are classified at inception at fair value through profit or loss in the following cases:
  - When it reduces the measurement inconsistency that could arise from treating the related derivative as held for trading at the time of evaluating the financial instrument in the place of the derivative at amortized cost for loans and advances to banks and customers and issued debt instruments.
  - When managing some investments such as investments in equity instruments and evaluating them at fair value according to the investment strategy or risks management and preparing reports on them for senior management on this basis then they are classified as being in fair value through profit or loss.

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- The financial instruments such as debt instruments held and which contain one or more of the embedded derivatives that strongly affect the cash flow are classified at fair value through profit and loss.

- Profits and losses resulted from changes in the fair value of the financial derivatives which are managed in conjunction with the assets and liabilities classified at inception at fair value through profit or loss are recorded in the income statement within "Net income from financial instruments classified at inception at fair value through profit or loss" item.

- Any derivative from the financial instruments group evaluated at fair value through profit or loss is not to be reclassified during of its holding period or during its validity period. Also any instrument from the financial instruments group evaluated at fair value through a profit or loss is not to be reclassified if that instrument has been allocated by the bank at initial recognition as an instrument to be evaluated at fair value through profit or loss.

D-2 Loans and receivables
Loans and receivables represent non-derivative financial assets with fixed or determinable amount and they are not quoted in an active market with the exception of:
- Assets which the bank intends to sell immediately or in the short term are classified as assets held for trading or these assets which were classified at inception at fair value through profit or loss.
- Assets the bank classifies it as available for sale at initial recognition.
- Assets which the bank will not be able to substantially recover the value of its original investment in them for other reasons than credit deterioration.

D-3 Held to maturity investments
Held to maturity investments represent non- derivative financial assets with fixed or determinable amount of payment and also do have a fixed maturity date while the bank management has the intention and the ability to hold and maintain them till date of maturity. The whole group is to be reclassified as available for sale in case of the bank sells a significant amount of assets held to maturity except in cases of necessity.

D-4 Available for sale investments
Available for sale investments are non derivative financial assets the bank has intention to hold and maintain for indefinite period. They can be sold in response to the need for liquidity or due to changes in interest rates, exchanges rates or equities prices.

The following is to be adopted with regards to financial assets:
- The purchase and sell of financial assets are recognized in the usual way on the trade date on which the bank is committed to buy or sell the asset. The same for assets classified at fair value through profit or loss, financial investments held to maturity and available for sale investments.
- The recognition of financial assets at inception, which have not been classified at inception at fair value through profit or loss at fair value plus transaction costs whereas financial assets classified at inception at fair value through profit or loss are to be recognized only at fair value while charging the transaction costs to "Net Trading Income" item in the income statement.

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

- Measurements are subsequently carried at fair value for each of the available for sale investments and financial assets classified at fair value through profit or loss and at amortized cost for loans and receivables and financial investments held to maturity.

- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit or loss are to be recognized in the income statement in the period in which they occur. But the profits and losses resulting from changes in the fair value of available for sale investments are directly recognized in equity, till the asset is excluded or its value impaired then the accumulated profits and losses previously recognized within equity are to be recognized in the income statement.

- The interest income calculated at the amortized cost method and gains and losses of foreign currencies associated with assets which have monetary nature and classified as an available for sale are to be recognized in the income statement. Also dividends resulting from equity instruments classified as available for sale are to be recognized in the income statement when the bank has the right to collect them.

- Fair value of the investments quoted in active markets is determined pursuant to the current Bid Price. But, in case there is no active market for the assets or the current Bid prices are unavailable then the bank determines the fair value by using one of the evaluation methods. This includes either using modern neutral transactions, discounted cash flow analysis, options pricing models or other evaluation methods commonly used by market dealers. If the bank is unable to estimate the fair value of equity instruments classified available for sale then their value is measured by cost after deducting any impairment in value.

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

  1- In case of reclassified financial assets with fixed maturity date, the profits or losses are amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate. Any difference in the value based on the amortized cost and the value based on maturity date is to be amortized over the remaining lifetime of the asset by using the effective interest rate. In case of later impairment in the assets value any profits and losses previously recognized as directly among shareholders equity will be recognized in the profits and losses.

2- In case of financial asset which has unfixed maturity date the profits or losses remain within shareholders' equity till the asset is sold or disposed of, then they are recognized within profits and losses. In case of later impairment in the asset's value any profits or losses previously recognized as directly in equity will be recognized in the profits and losses as well.

- If the bank adjusts its estimates of payments and receipts then the book value of the financial asset (or group of financial assets) is settled in such a way to reflect the actual cash flow and adjusted estimates provided that the book value is recalculated by calculating the present value of future cash flow estimated by the actual rate of the financial instrument. The resulting settlement is recognized as revenue or expenses in the profit and loss.
- In all cases, if the bank reclassifies an financial assets to what was referred to and the bank on a subsequent date raises its estimates of future cash receipts due to increase of what will be recovered from these cash receipts then the impact of this increase will be recognized as a adjustment of the actual return rate from the date of the estimates' change and not as a settlement of the asset's book balance on the date of estimates change.

E- Offsetting financial instruments

The offsetting financial assets and liabilities take places in case there is a legal right in force to undertake the offsetting of the recognized amounts and there is an intention to conduct a settlement based on the net amounts or to receive the asset and settle the liability simultaneously.
The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase are presented on the net base in the balance sheet within the item of treasury bills and other governmental notes.

F- Interest income and expenses

Interest income and expenses are recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate of all instruments bearing interest other than those classified held for trading or which have been classified at inception at fair value through profit or loss.

The effective interest method is the method to calculate the amortized cost of a financial asset or liability and the distribution of interest income or expenses over the lifetime of related instrument, The rate of actual return is the rate used to discount future cash flows expected to be paid or collected during the expected lifetime of the financial instrument or during a lesser period of time if appropriate in order to reach accurately to the book value of a financial asset or liability. When calculating the rate of actual return the bank estimates cash flows by taking into account all terms and conditions of the financial instrument's contract (such as early payment options) meanwhile future credit losses are not taken into consideration, The method of calculation includes all fees paid or received between contract's parties which are considered part of the effective interest rate, The cost of dealing also includes any premiums or discounts.
When classifying loans or debts as non performing or being impaired according to the case, then the interest income related to them is not recognized and is recorded in marginal records outside the financial statements. It is recognized in the income pursuant to the cash basis, according to the following:

- When it is collected after full redemption of delays as for the consumer loans, Mortgage loans of personal housing and small loans for economic activities.

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

G- Fees and commission income

Fees due for servicing the loan or facility are recognized within the income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records not included in the financial statements. Then they are recognized within the income pursuant to the cash basis when the interest income is recognized according to item (f-2), as for fees which represent an integral part of the actual return of the financial assets in general, they are treated as an amendment to the rate of actual return.

Engagement fees on loans are to be postponed if there is a probability that these loans will be withdrawn on the ground that these fees which the bank receives is a compensation for the constant intervention to acquire the financial instrument. Then they are recognized by amending the rate of actual return on the loan, when the period of engagement comes to end without the bank's issuance of the loan then these fees are recognized within income at the expiry of the engagement's validity.
Fees on debt instruments measured at fair value are recognized within income at the initial recognition. Fees on promoting syndicated loans are recognized within income when the promotion process is completed and the bank doesn't retain any portion of the loan or if the bank retains a portion for itself earning the rate of actual return that is made available to other participants as well.

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

H- Dividends income

Dividends are recognized in the income statement when the bank's right to receive those dividends arises.

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I- Impairment of financial assets

I-1 Financial assets recorded at amortized costs

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

The indicators the bank uses in determining the existences of substantive evidence on impairment losses include the following:

- Significant financial difficulties facing the borrower / debtor.
- Breach of the loan's terms agreement, e.g. default.
- Expecting the borrower's bankruptcy or subject to liquidation lawsuit or restructuring the fund granted to him.
- Deterioration of the competitive position of the borrower.
- Granting privileges or facilities by the bank to the borrower, due to economic or legal reasons which are not granted by the bank in normal circumstances.
- The impairment of the collateral's value.
- The deterioration of the credit worthiness.

Among the objective evidences on the impairment losses of a group of financial assets is the presence of clear data indicating a decline that can be measured in the expected cash flows of the group since the initial recognition though it isn't possible to determine the decline of each individual asset separately, for example, the increase in cases of default payment for one or more of the banking products.

The bank estimates the period between the losses occurring and its identification for each specific portfolio and this period normally ranges between three to twelve months.

At first, the bank assesses whether there is objective evidence on the impairment of each individual asset that has significance of its own whereas assets which don't possess individual significance they are assessed at either aggregate or individual level. In this regard the following is to be taken into consideration:

- If the bank identified the non presence of an objective evidence on the impairment of a financial asset studied separately whether it has a significance of its own or not then this asset will be added to the group of financial assets with similar credit risk features to be assessed together to estimate impairment pursuant to historic default ratios.
- If the bank identified the presence of objective evidence on the impairment of a financial asset studied separately then this asset is not included in the group of assets which impairment losses are assessed on a consolidated basis.
- If the aforementioned study resulted in the non presence of impairment losses then the asset is included in the group.

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

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

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

In estimating the impairment of a group of financial assets on the basis of historical default ratios, future cash flows of the group are estimated on the basis of the contractual cash flows of the banks' assets and the amount of historical losses of these assets with credit risk characteristics similar of these assets held by the bank. The amount of losses is adjusted on the basis of current disclosed data in a way to reflect the impact of the current conditions which were not available in the period over which the amount of historical losses has been identified besides canceling the effects of the conditions that existed in the historical periods but no longer exists.
The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time, for example, changes in unemployment rates, real estate prices, repayment's position and any other factors indicating the changes in the likelihood of loss in the group and its amount. The bank is conducting a periodic review of the method and assumptions used to estimate future cash flows.

I-2 Financial investments available for sale

At each balance sheet date the bank estimates the presence of objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale or financial investment held to maturity. In the case of investments in equity instruments classified available for sale it is to be taken into consideration the significant or prolonged decline in the fair value of the

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

J- Intangible assets

J-1 Computer software programs

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

The cost of computer software the programs is amortized over their expected useful life with a maximum of five years.

K- Fixed assets

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

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

Land is not subject to depreciation while depreciation of other fixed assets is calculated by adopting the straight line method to spread the cost in such a way to reach residual value over the useful life of the asset as follows:

Premises & Buildings	50 years
Furniture & Safes	10 years
Machinery & Equipment	8 years
Vehicles	5 years
Automated systems	5 years
Fixtures and fittings	5 years

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

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

L- Rents

Capital lease is accounted for pursuant to law 95 for the year 1995 on leasing if the lease contract entitles the lessee the right to purchase the asset on a specific date for a fixed amount or the present value of total rental payments represents not less than 90% of the asset value. Other leasing contracts are considered operational leasing contracts.

L-1 Rentals

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

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

M- Cash and cash equivalent

For the cash flow statement purposes, cash and cash equivalent balances including not exceeding three months from the date of acquisition. The above include cash, balances at Central Bank of Egypt outside the context of required reserve ratio, due from banks and finally treasury bills and other governmental notes.

N- Other provisions

Other provisions recognized when there is a legal obligation or a present constructive due to previous events while it is also more likely that the situation shall require the utilization of the bank's resources to settle said liabilities.

When there are similar liabilities the cash outflow that can be used in settlement is determined taking into consideration this set of liabilities. The provision should be recognized even if there is a small possibility in the presence of cash outflow regarding an item from within this set.
When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expense) item.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation which become due after one year from the financial statement date using appropriate rate for the due date (without being affected by effective tax rate) which reflect time value of money, and if the due date is less than one year we calculate the estimated value of obligation but if it have significant impact then it calculated using the present value.

O- Employee's Benefits

Social insurance

The Bank pays contributions to Social Insurance Authority and the Bank has no further payment obligations once the contributions have been paid. These regular contributions are recognized as employee benefit through the income statement when they are due.

Employees profit share

The Bank pays a percentage of the expected profit in cash dividends as employee profit share; the employee profit share is recognized as part of dividends in the equity and as a liability when it is approved by the general assembly of the Bank, and no obligation is recognized for the employees share in the undistributed profits retained earnings.

Staff Pension Funds

The bank and employees contributes to a special saving fund to cover pension and end-of service bonus for permanent bank's employees by a given percentage of the employees' salaries. The monthly contributions are deducted while the bank has no further payment obligations once the contributions have been paid, thus recognized within the operating expenses in the income statement.

P- Income Taxes

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

The income tax is recognized on the basis of the net profit subject to tax through the application tax rates prevailing at the date of preparing the financial statements in addition to the tax adjustments related to previous years.

Deferred taxes arising from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax rules are to be recognized. So the value of the deferred tax is defined according to the method expected to realize or adjusted the value of assets and liabilities by applying the tax rates in force at the date of preparing the balance sheet.

The deferred tax assets are recognized when there is likelihood to achieve taxable profits in the future through which this asset can be beneficial. The value of deferred tax assets is reduced by the portion which will not realize the expected taxable benefit in the coming years whereas in case of the increase in expected taxable benefits the deferred tax assets should be increased within the limit of previous reduction.

Q- Borrowing

Loans which the bank obtains are recognized at inception at fair value less the cost of obtaining the loan. Later the loan is measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate method is to be charged to the income statement.

R- Capital

R-1 Dividends

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

S- Trustee activities (custody)

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

T- Comparative Figures

The figures of comparison were re-categorized to comply with the changes in the adopted presentation of the current year's financial statements.

3- Financial risk management

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

The bank has established risk management policies to define, analyze, set the limits of and control risk. Controlling risks and complying with limits are done through a variety of reliable techniques and updated information systems plans. The bank conducts periodical reviews and amendments of the risk management policies and plans so as to reflect changes in the markets, products and services besides the best modern applications as well.

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

A. Credit risk

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

A-1 Measuring credit risk

- Loans and advances to banks and customers

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

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

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

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

The bank's internal classifications' categories:

Classification	The classification's meaning
1	Performing loans
2	Regular watching
3	Watch list
4	Non-performing loans

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

- The given or severe loss each represents the bank's expectations of the loss extent when claiming repayment of debt if the default occurs. This is expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's priority and extent of the provision of guarantees or other methods for securing the credit.

- Debt instruments, treasury bills and other bills

As concerning debt instruments and bills the bank adopts the external foreign classifications such as that of standard and poors or similar agencies or to manage credit risk. If such assessments are not available then the bank applies methods similar to those applied on credit customers. Investment in securities, financial papers and bills are considered a way to obtain a better credit quality and at the same time to provide an available source to meet funding requirements.

A-2 Risk limit control and Mitigation Policies

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

The bank organizes levels of acceptable credit risk by setting the limits for the risk amount and extent to be accepted at the level of each borrower or a class of borrowers, or at the level of economic activities and geographical sectors. These risks are constantly monitored and controlled while they are also subject to annual reviews or more frequently if necessary. Limits of credit risks are quarterly approved by the board of directors at the level of borrower/ group / producer, the sector and the country.

Limits of credit for any borrower including banks are divided into sublimit which include amounts in and off the balance sheet and daily risk limit related to trading items such as forward foreign exchange contracts and actual amounts are compared daily with determined limits.

Also credit risk exposure is managed by the periodical analysis of the present as well as the possible borrower's ability on fulfilling their obligations and also by amendment of the lending limits if appropriate.

The following are some means of mitigating risk:

-Collaterals

The bank employs a range of policies and controls to mitigate credit risk. Among the methods implemented is to obtain collateral against the extended funds.
The bank has set guiding rules for defined types of acceptable collaterals.
Among the main types of collaterals to loans and advances are the following:

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

Usually corporate lending is for a longer term and secured whereas credit facilities extended to individuals are unsecured. To reduce credit loss to its minimum, the bank seeks to get additional collaterals from the concerned parties as soon as indicators of a loan or facility impairment appear.

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

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A-3 Impairment policies and provisions

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

Usually credit risk presented on financial statements lesser than amount of loss expected by expected loss model that used in preparing financial statements and for central bank of Egypt regulations purposes.
(note no. a-4)

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

Bank's Assessment	**31-12-2012**	31-12-2011
	Loans & advances	Loans & advances
	%	%
1-Performing loans	**12.21**	68.39
2-Regular watching	**84.93**	29.59
3-Watch List	**2.54**	1.72
4-Non performing loans	**0.32**	0.30
	100%	100%

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

- Great financial difficulties facing the borrower or debtor.
- Breach of the loan agreements' terms such as non payment.
- Expectation of the borrower's bankruptcy, entrance into termination claim or restructuring the finance extended to him
- Deterioration of the competitive position for the borrower.
- For economic or legal reasons related to the borrower's financial difficulties the bank is obliged to grant him privileges and concessions which the bank may not approve of granting in normal circumstances.
- The impairment of the collateral's value.
- Deterioration of the credit situation.

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

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

A-4 The General Model for Measuring Banking Risks

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

The bank calculates the provisions required for the impairment of these assets exposed to credit risk including credit related commitments on the basis of defined ratios set by the Central Bank of Egypt. In case of the increase in the impairment loss provision, required according to the Central Bank of Egypt's rules, over that required for purposes of preparing the financial statements according to Egyptian accounting standards, the general banking risks reserve is to be set aside within the shareholders' equity debited to retained earnings within this increase. This reserve is periodically adjusted by increase or decrease as to be equaled to the amount of increase between the two provisions. And this reserve is un-distributable and (note no. a-29) shows the movement of banking risks reserve during the year.

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

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Central Bank Of Egypt Classification	The Classification's Meaning	Provision's Ratio Required	Internal Classification	Meaning of Internal Classification
1	Low risks	Zero	1	Performing loans
2	Average risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans
6	Marginally acceptable risks	3%	2	Regular follow up
7	Watch List	5%	3	Special follow up
8	Sub Standard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad debt	100%	4	Non performing loans

A/5 The Maximum Limit for Credit Risk before Collaterals

Credit Risk exposures in the Balance Sheet:

	31/12/2012 LE.000	31/12/2011 LE. 000
Treasury bills & Other governmental notes	**1 681 107**	1 959 054
Due from banks	**851 231**	824 583
Loans and advances to customers		
Loans to individuals:		
- Current debit accounts (secured by deposits)	**78 173**	80 209
- Credit cards	**18 019**	18 264
- Personal loans	**363 348**	228 853
- Car loans	**62 499**	97 417
Corporate loans:		
- Current debit accounts and direct loans	**1 081 670**	570 954
- Syndicated loans	**267 492**	348 161
- Other loans	**258 936**	36 744
Financial investments:		
- Debt instruments	**796 802**	557 370
Other Assets		
- Other Assets	**62 956**	46 308
Total	**5 522 233**	4 767 917

Credit risk exposures of off-balance sheet items:

Financial guarantees	153 060	42 490
Non-cancelable credit commitment	2 150	482
Letter of guarantee	867 517	1 227 033
Letter of credit	135 633	90 924
Total	**1 158 360**	**1 360 929**

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

  As illustrated in the previous table 38.6 % of the maximum Limit exposed to credit risk arises from loans and advances to banks and customers whereas investments in the debt instruments represent 14.4%. The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities and debt instruments portfolios depending on the following:

  - The bank has applied more conservative choosing processes when extending loans and advances during the year ended 31 December 2012.
  - More than 97.4 %, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

A/6 Loans and advances

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

	31/12/2012 Loans and advances to customers In LE 000	**31/12/2011 Loans and advances to customers In LE 000**
With no delays or impairment	2 064 549	1 349 942
With delays but not subject to impairment	126 429	58 949
Subject to impairment	159 639	159 108
Total	**2 350 617**	**1 567 999**
Less: Impairment losses provision	(215 018)	(187 191)
Less: Unearned discount for discounted commercial bills	(5 329)	(73)
Less: Suspended interest	(133)	(133)
Net	**2 130 137**	**1 380 602**

- Note no. (18) Includes further information on the impairment losses provision of loans and facilities to banks and customers.

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Loans and advances with no delays or impairment:
The credit worthiness of the loans and advances portfolio with no delays or impairment is evaluated with reference to the internal evaluation used by the bank.

Loans and advances to banks and customers
(In LE 000)

31/12/2012

	Retail			Corporate				
Assessment	**Current debit accounts**	**Credit Cards**	**Personal loans**	**Current debit accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and advances to customers**
Performing Regular	78 173	17 692	418 703	5 608	-	-	-	520 176
Watching	-	-	-	348 564	582 188	204 246	265 045	1 400 043
Watch List	-	-	-	33 374	47 045	63 911	-	144 330
Non-performing	-	-	-	-	-	-	-	-
Total	**78 173**	**17 692**	**418 703**	**387 546**	**629 233**	**268 157**	**265 045**	**2 064 549**

31/12/2011

	Retail			Corporate				
Assessment	Current debit accounts	Credit Cards	Personal loans	Current debit accounts	Direct Loans	Syndicated Loans	Other Loans	Total loans and advances to customers
Performing Regular	80 209	17 801	313 781	158 452	78 857	127 480	36 037	812 617
Watching	-	-	-	149 422	90 796	230 278	-	470 496
Watch List	-	-	-	19 386	47 443	-	-	66 829
Non-performing	-	-	-	-	-	-	-	-
Total	**80 209**	**17 801**	**313 781**	**327 260**	**217 096**	**357 758**	**36 037**	**1 349 942**

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

Loans and advances with delays but are not subject to impairment.

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

31\12\2012	**Retail**		**(In LE 000)**
	Credit Cards	**Personal Loans**	**Total**
Delays up to 30 days	340	-	340
Delays more than 30 days to 60 days	167	19 858	20 025
Delays more than 60 days to 90 days	-	-	-
Total	**507**	**19 858**	**20 365**
The fair value of collaterals	-	-	-

31\12\2012	**Corporate**		**(In LE 000)**	
	Debit current accounts	**Direct Loans**	**Syndicated Loans**	**Total**
Delays up to 30 days	26 868	70 270	8 926	106 064
Delays more than 30 days to 60 days	-	-	-	-
Delays more than 60 days to 90 days	-	-	-	-
Total	**26 868**	**70 270**	**8 926**	**106 064**
The fair value of collaterals	-	-	-	-

31/12/2011 (In LE 000)

	Retail		
	Credit Cards	**Personal Loans**	**Total**
Delays up to 30 days	-	-	-
Delays more than 30 days to 60 days	542	-	542
Delays more than 60 days to 90 days	152	18 358	18 510
Total	**694**	**18 358**	**19 052**
The fair value of collaterals	-	-	-

31/12/2011 (In LE 000)

	Corporate			
	Debit current accounts	**Direct Loans**	**Syndicated loans**	**Total**
Delays up to 30 days	2 453	28 305	141	30 899
Delays more than 30 days to 60 days	-	3 077	-	3 077
Delays more than 60 days to 90 days	-	5 921	-	5 921
Total	**2 453**	**37 303**	**141**	**39 897**
The fair value of collaterals	-	-	-	-

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

Loans and advances subject to impairment on an individual basis
The balance of loans & advances which are subject to impairment on an individual basis, before taking into consideration the cash flow from collaterals, amounted to thousand L.E 159 639 Herein below is the analysis of the total value of loans and advances subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

31/12/2012 (In LE 000)

	Retail		Corporate		
	Credit Cards	**Personal Loans**	**Direct Loans & Debit current accounts**	**Other Loans**	**Total**
Loans and advances subject to impairment on an individual basis	5 303	27 032	121 330	5 974	159 639
The fair value of collaterals	_	_	_	_	_

31/12/2011 (In LE 000)

	Retail		Corporate		
	Credit Cards	**Personal Loans**	**Direct Loans & Debit current accounts**	**Other loans**	**Total**
Loans and advances subject to impairment on an individual basis	5 407	23 820	122 811	7 070	159 108
The fair value of collaterals	-	-	-	-	-

A/7 Debit instruments, treasury bills and other governmental notes:
The following table represents an analysis of debt instruments, treasury bills and other governmental notes at the end of the financial year based on the assessment of Standard & Poor's rating or the equivalent:

31/12/2012 (In LE 000)

	Treasury bills	**Investments in Securities**	**Total**
AAA	-	-	-
+AA to – AA	-	-	-
+A to - A	-	-	-
Less than - A	1 681 107	796 802	2 477 909
Unclassified	-	14 631	14 631
Total	**1 681 107**	**811 433**	**2 492 540**

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31/12/2011			(In LE 000)
	Treasury bills	Investments in Securities	Total
AAA	-	-	-
+AA to – AA	-	-	-
+A to - A	-	-	-
Less than - A	1 959 054	557 370	2 516 424
Unclassified	-	14 748	14 748
Total	**1 959 054**	**572 118**	**2 531 172**

A/8 The concentration of financial assets' risks exposed to credit risk
Geographical segments

31/12/2012
(In LE000)

	Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Middle East	Other Countries	Total
Treasury bills	1 681 107	-	-	1 681 107	-	-	1 681 107
Due from Banks	460 614	-	-	460 614	33 604	357 013	851 231
Loans & advances to customers							
Loans to individuals (Retail)							
- Debit current accounts	70 111	8 030	32	78 173	-	-	78 173
- Credit cards	19 261	4 032	209	23 502			23 502
- Personal loans	288 299	60 575	44 479	393 353	-	-	393 353
- Car loans	61 419	9 316	1 505	72 240	-	-	72 240
Loans to corporate							
- Debit current accounts	357 943	56 784	-	414 727	-	-	414 727
- Direct loans	800 057	20 463	-	820 520	-	-	820 520
- Syndicated loans	277 083	-	-	277 083	-	-	277 083
- Other Loans	271 019	-	-	271 019	-	-	271 019
Financial Investments							
- Debt instruments	796 802	-	-	796 802	-	-	796 802
Total at 31/12/2012	**5 083 715**	**159 200**	**46 225**	**5 289 140**	**33 604**	**357 013**	**5 679 757**

The following table represents an analysis of the bank›s most important boundaries of credit risk at book value, distributed in accordance with the geographical segment at 31 December 2011 when preparing this schedule; the risks are distributed into the geographical segment which related to the geographical of the bank customers.

31/12/2011
(In LE000)

	Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Middle East	Other Countries	Total
Treasury Bills	1 959 054	-	-	1 959 054	-	-	1 959 054
Due from Banks	262 556	-	-	262 556	9 741	552 286	824 583
Loans & advances to customers							
Loans to individuals (Retail)							
- Debit current accounts	71 747	7 882	580	80 209	-	-	80 209
- Credit cards	19 552	4 126	224	23 902			23 902
- Personal loans	187 692	42 808	17 318	247 818	-	-	247 818
- Car loans	90 261	15 022	2 858	108 141	-	-	108 141
Loans to corporate							
- Debit current accounts	327 872	2 026	-	329 898	-	-	329 898
- Direct loans	367 880	9 145	-	377 025	-	-	377 025
- Syndicated loans	357 899	-	-	357 899	-	-	357 899
- Other Loans	43 107	-	-	43 107	-	-	43 107
Financial Investments							
- Debt instruments	557 370	-	-	557 370	-	-	557 370
Total at 31/12/2011	**4 244 990**	**81 009**	**20 980**	**4 346 979**	**9 741**	**552 286**	**4 909 006**

Business Segment

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

(In LE 000)

31/12/2012	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills	-	-	-	1 681 107			1 681 107
Due from banks	720 617	-	-	130 614	-	-	851 231
Loans & advances to customers							
Loans to individuals (Retail)							
- Current debit accounts	-	-	-	-	-	78 173	78 173
- Credit cards	-	-	-	-	-	23 502	23 502
- Personal loans	-	-	-	-	-	393 353	393 353
- Car loans	-	-	-	-	-	72 240	72 240
Loans to Corporate							
- Current debit accounts	-	63 850	21 428	121 337	208 112	-	414 727
- Direct loans	-	554 710	230 104	-	35 706	-	820 520
- Syndicated loans	-	82 981	-	54 167	139 935	-	277 083
- Other Loans	149 805	50 235	6 974	28 031	30 000	5 974	271 019
Financial Investments							
- Debt instruments	-	-	-	796 802	-	-	796 802
Total at 31/12/2012	870 422	751 776	258 506	2 812 058	413 753	573 242	5 679 757

31/12/2011	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills	-	-	-	1 959 054			1 959 054
Due from banks	659 445	-	-	165 138	-	-	824 583
Loans & advances to customers							
Loans to individuals (Retail)							
- Current debit accounts	-	-	-	-	-	80 209	80 209
- Credit cards	-	-	-	-	-	23 902	23 902
- Personal loans	-	-	-	-	-	247 818	247 818
- Car loans	-	-	-	-	-	108 141	108 141
Loans to Corporate							
- Current debit accounts	-	213 625	71 557	-	44 716	-	329 898
- Direct loans	-	123 943	77 292	92 460	83 330	-	377 025
- Syndicated loans	-	143 184	-	97 500	117 215	-	357 899
- Other Loans	-	24 850	11 197	-	890	6 170	43 107
Financial Investments							
- Debt instruments	-	-	-	557 370	-	-	557 370
Total at 31/12/2011	659 445	505 602	160 046	2 871 522	246 151	466 240	4 909 006

B- Market Risk

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

The management of market risk resulted from trading and non-trading activities are centralized in the department of market risk in the bank and it is followed up by two separate teams. There is also periodic reporting on market risks to the board of directors and heads of business units.

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

B-1 Methods of Measuring Market Risk

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

- Value at Risk

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

  Value at risk is a statistical expectation for the potential loss resulted from market's adverse moves on the current portfolio. It is an expression of the maximum value the bank can lose using a defined confidence factor (98%) consequently there is a statistical probability of (2%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess the past movement based on the data of the previous five years and applies these historical changes in rates, prices and indicators directly on current positions, and this method known as historical simulation. Actual outputs should also be monitored and controlled on a regular basis to measure the soundness of assumptions and factors applied to calculate value at risk.

  The use of this approach does not prevent losses outside these limits in case of there is more significant market movement.

As value at risk constitutes an integral part of bank's market risk control, the value at risk limits are established by the board annually for all trading and non-trading operations and allocate it to business units, the actual values at risk are compared within the limit on daily basis from the risk management unit at the bank. The daily average value at risk has reached during the present year LE 159 thousand.
The quality of value at risk model is controlled on a continuous basis through tests that reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

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

B/2 Summary of value at risk
Total value at risk according to the risk type

(In LE 000)

	31/12/2012			**31/12/2011**		
	Middle	**Highest**	**Lowest**	**Middle**	**Highest**	**Lowest**
Exchange rate risks	21	24	18	102	197	6
Interest rate risks	138	160	116	189	193	185
Equity instruments risk	-	-	-	-	-	-
Total value at risks	159	184	134	291	390	191

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

(In LE 000)

	31/12/2012			**31/12/2011**		
	Middle	**Highest**	**Lowest**	**Middle**	**Highest**	**Lowest**
Exchange rate risks	21	24	18	102	197	6
Interest rate risk	-	-	-	-	-	-
Equity instruments risk	-	-	-	-	-	-
Total value at risks	**21**	**24**	**18**	**102**	**197**	**6**

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

(In LE 000)

	31/12/2012			**31/12/2011**		
	Middle	**Highest**	**Lowest**	**Middle**	**Highest**	**Lowest**
Exchange rate risks	-	-	-	-	-	-
Interest rate risk	138	160	116	189	193	185
Equity instruments risk	-		-	-	-	-
Total value at risks	**138**	**160**	**116**	**189**	**193**	**185**

The increase in the value at risk is related, especially interest rate risk, by the increase in the sensitivity of interest rates in international financial markets.
The three previous results of value at risk have been calculated independently from the concerned positions and historical movements of markets. Total values at risk for trading and non-trading don't form the bank's value at risk given and that is for correlation between the types of risks and types of portfolios and the subsequent diverse impacts.

B/3 The risk of fluctuations in foreign exchange rates
The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows. The board of directors has set limits of foreign currencies in total value for each position at the end of the day and also intraday which are controlled on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at the end of the fiscal year. The said table includes the book value of financial instruments broken down into its component currencies:

The concentration of currency risk of financial instruments

(In LE 000)

31/12/2012	**L.E**	**USD**	**Euro**	**GBP**	**Other Currencies**	**Total**
Financial assets						
Cash and due from Central Bank of Egypt	385 139	177 965	38 099	6 880	11 610	619 693
Due from banks	333 047	279 027	85 932	19 780	6 477	724 263
Treasury bills (Net)	1 681 107	-	-	-	-	1 681 107
Loans and advances to customers (Gross)	1 576 078	571 405	136 582	296	66 256	2 350 617
Financial Investments						
- Available for sale	544 438	254 835	-	-	-	799 273
- Held to maturity	12 160	-	-	-	-	12 160
Total financial assets	4 531 969	1 283 232	260 613	26 956	84 343	6 187 113
Financial liabilities						
Due to banks	147 251	148 456	62 617	-	40 774	399 098
Customers› deposits	3 363 040	1 122 128	195 235	27 278	20 251	4 727 932
Total financial liabilities	3 510 291	1 270 584	257 852	27 278	61 025	5 127 030
Net of financial position	1 021 678	12 648	2 761	(322)	23 318	1 060 083

31/12/2011	L.E	USD	Euro	GBP	Other Currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt	455 021	230 333	21 958	5 948	23 673	736 933
Due from banks	2 585	396 013	267 123	20 366	9 395	695 482
Treasury bills (Net)	1 959 054	-	-	-	-	1 959 054
Loans and advances to customers (Gross)	1 104 006	446 424	17 569	-	-	1 567 999
Financial Investments						
- Available for sale	392 423	167 418	-	-	-	559 841
- Held to maturity	12 277	-	-	-	-	12 277
Total financial assets	3 925 366	1 240 188	306 650	26 314	33 068	5 531 586
Financial liabilities						
Due to banks	351 899	129 796	110 740	-	-	592 435
Customers› deposits	2 577 256	1 074 845	196 117	27 060	10 362	3 885 640
Total financial liabilities	2 929 155	1 204 641	306 857	27 060	10 362	4 478 075
Net of financial position	996 211	35 547	(207)	(746)	22 706	1 053 511

B/4 Interest rate risk

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

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

(In LE 000)

31/12/2012	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Non – bearing Interest	Total
Financial assets							
Cash and due from Central Bank of Egypt	-	126 968	-	-	-	492 725	619 693
Due from banks	629 192	-	-	-	-	95 071	724 263
Treasury bills	48 475	680 750	1 061 950	-	-	-	1 791 175
Loans and advances to customers	899 857	425 172	466 313	316 184	69 061	174 030	2 350 617
Financial Investments:							
- Available for sale	-	-	139 006	657 796	-	2 471	799 273
- Held to maturity	-	-	-	-	-	12 160	12 160
Total financial assets	1 577 524	1 232 890	1 667 269	973 980	69 061	776 457	6 297 181
Financial liabilities							
Due to banks	267 171	81 910	1 048	-	-	48 969	399 098
Customers' deposits	983 640	1 874 327	489 320	841 874	-	538 771	4 727 932
Total financial liabilities	1 250 811	1 956 237	490 368	841 874	-	587 740	5 127 030
The interest re-pricing gab	326 713	(723 347)	1 176 901	132 106	69 061	188 717	1 170 151

31/12/2011	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Non – bearing Interest	Total
Financial assets							
Cash and due from Central Bank of Egypt	23	129 101	-	-	-	607 809	736 933
Due from banks	669 117	-	-	-	-	26 365	695 482
Treasury bills	140 000	221 675	1 744 075	-	-	-	2 105 750
Loans and advances to customers	203 413	99 072	443 146	490 379	161 097	170 892	1 567 999
Financial Investments:							
- Available for sale	-	-	100 000	457 370	-	2 471	559 841
- Held to maturity	-	-	-	-	-	12 277	12 277
Total financial assets	1 012 553	449 848	2 287 221	947 749	161 097	819 814	5 678 282
Financial liabilities							
Due to banks	552 247	-	-	-	-	40 188	592 435
Customers' deposits	1 174 058	1 716 871	240 165	386 344	-	368 202	3 885 640
Total financial liabilities	1 726 305	1 716 871	240 165	386 344	-	408 390	4 478 075
The interest re-pricing gab	(713 752)	(1 267 023)	2 047 056	561 405	161 097	411 424	1 200 207

1- Liquidity risk

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

- Liquidity risk management
  The processes of liquidity risk control applied by risk department in the bank include the following:
  - The daily finance is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes providing and replacing funds when due or when lending to customers. The bank is always present in active international money markets to ensure achievement of this target.
  - Maintaining a portfolio of highly marketable assets which can easily be liquidated to meet any interruption in cash flows.
  - Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
  - Management of concentration and stating the loans maturities.

For control and reporting purposes the cash flows are measured and expected for the day, the week as well as and the next month which are considered the main periods for liquidity management. The starting point for these expectations is represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

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

- Financing approach
  The liquidity resources are reviewed by a separate team in the risk management department of the bank to provide a wide variety of currencies, geographical regions, resources, products and maturities.

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

(In LE 000)

31/12/2012	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities						
Due to banks	316 140	81 910	1 048	-	-	399 098
Customers' deposits	1 491 509	1 875 127	499 585	861 711	-	4 727 932
Total financial liabilities according to contractual maturity date	**1 807 649**	**1 957 037**	**500 633**	**861 711**	**-**	**5 127 030**
Total financial assets according to contractual maturity date	**1 115 256**	**1 282 224**	**2 266 143**	**1 079 159**	**554 399**	**6 297 181**

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(In LE 000)

31/12/2011	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities						
Due to banks	592 435	-	-	-	-	592 435
Customers' deposits	1 542 260	1 716 871	240 165	386 344	-	3 885 640
Total financial liabilities according to contractual maturity date	**2 134 695**	**1 716 871**	**240 165**	**386 344**	**-**	**4 478 075**
Total financial assets according to contractual maturity date	**1 266 802**	**450 050**	**2 288 258**	**980 251**	**692 921**	**5 678 282**

The assets available to meet all liabilities and to hedge commitments related to loans include cash, balances at CBE, due from banks, treasury bills and other governmental notes at gross. Loans and advances to banks and customers at gross. Within the bank's normal business, a percentage of loans provided to customers who are due within a year are prolonged. In addition to that there are pledging for some of debt instruments, treasury bills and other governmental notes to guarantee liabilities. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

Off-balance sheet items:
The following is according Note no. (32)

(In LE 000)

31/12/2012	Less than 1 year	1-5 years	More than 5 years	Total
Financial guarantees, accepted bills and other financial facilities	1 003 150	-	-	**1 003 150**
Capital commitments due to fixed assets' acquisition	981	-	-	**981**
Total	1 004 131	-	-	**1 004 131**

(In LE 000)

31/12/2011	Less than 1 year	1-5 years	More than 5 years	Total
Financial guarantees, accepted bills and other financial facilities	1 317 957	-	-	**1 317 957**
Capital commitments due to fixed assets' acquisition	684	-	-	**684**
Total	1 318 641	-	-	**1 318 641**

2- The fair value of financial assets and liabilities

D-1 Financial instruments not measured at fair value

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

(In LE 000)

	Book value		Fair value	
	31/12/2012	**31/12/2011**	**31/12/2012**	**31/12/2011**
Financial Assets				
Due from banks	**851 231**	824 583	**851 231**	824 583
Loans & advances to customers				
-Retail	**567 268**	460 070	- *	- *
-Corporate	**1 783 349**	1 107 929	- *	- *
Financial investments				
-Equity instruments available for sale	**2 471**	2 471	- *	- *
-Held -to- maturity	**12 160**	12 277	**13 956**	13 634
Financial liabilities				
Due to banks	**399 098**	592 435	**399 098**	592 435
Customers' deposits				
-Retail	**1 570 417**	1 417 477	- *	- *
-Corporate	**3 157 515**	2 468 163	- *	- *

* The Bank did not measure the rest of the financial assets and liabilities

- Due from banks
  The fair value of floating rate placements and overnight deposits is their present value. The estimated fair value of deposits bearing floating interest rate 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 advances are represent loans other than deposits at banks. The expected fair value

of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate to determine the fair value.

- Loans and advances to customers
  Loans and advances are recognized in their net value after deducting the impairment loss provision. The expected fair value of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate to determine the fair value.

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

- Due to other banks and customers
  The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, represents 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.

- Issued debt instruments
  The aggregate fair value is calculated in accordance with the prevailing financial markets rates. As for securities which do not have active markets, the model of discounted cash flows which is based on the present rate that suite the period remaining to maturity date is applied for the first time.

3- Capital Management

The bank's objectives, when managing capital that includes other elements besides the shareholders' equity disclosed in the balance sheet, are represented in the following:

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

Capital adequacy and capital utilizations prepared according to the Basel requirements issued from Central Bank of Egypt through models which depend on the guidelines of Basel Committee for Banking Supervision. Required data are submitted to the Central Bank of Egypt on a quarterly basis.

Central bank of Egypt requires maintaining an amount of LE 500 million as a minimum limit of issued and paid in capital.

Central bank of Egypt decide on 18 December 2012 at his meeting the approval for instructions specified for minimum capital requirement for capital adequacy ratio in accordance with implementation for Basel instructions and that with taking into consideration the following :-

- First: - Banks that working in Egypt should maintain a minimum 10% from capital base elements except for the branches of foreign banks. The numerator represent the capital base and the denominator represent the weighted average assets and that for facing the credit risk , market risk also operational risk.
- Second: - Banks working in Egypt should comply with implementation this requirement for minimum capital adequacy ratio starting from December 2012 according to Basel instructions.

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

Tier One: consist of two parts which are continuous basic paid in capital and additional basic paid in capital.

Tier Two: is the supported paid in capital and consist of:-

1) 45% from positive foreign currencies translation reserve.
2) 45% from special reserve.
3) 45% from fair value increment over the book value for financial investments. (positive portion only)
4) 45% from fair value reserve balance for financial investment available for sale.
5) 45% from fair value increment over the book value for financial investments held for maturity.
6) 45% from fair value increment over the book value for financial investments in associates and affiliates.
7) Financial instruments with embedded derivative.
8) Loans (Supportive deposits with 20% amortization from its value each year from the last five years from its maturity).
9) Impairment loss provision for loans, advances and performing contingent liabilities with maximum 1.25% from total weighted assets and weighted contingent liabilities.

* Denominator of capital adequacy ratio consist of

1) Credit risk.
2) Market risk.
3) Operational risk.

Assets weighted by risk associated weights from zero to 100% classified on the nature of debtor for each asset which reflect credit risk associated taking into consideration cash collaterals, For off balance amounts the same treatment performed after making adjustments to reflect contingent nature in addition to expected losses for those amounts also bank should comply with all local capital requirements.

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The following table summarizes calculations for capital adequacy ratio according to Basel requirement at end of current year:-

	31/12/2012 LE 000
Capital	
Tier one (Base Capital)	
Capital shares (Gross after deducting treasury stocks)	590 938
Legal reserve	39 699
Other reserves	225 584
Retained earnings	7 827
Total base capital	**864 048**
Tier Two (Supportive Capital)	
45% from fair value reserve balance for financial investment available for sale	803
45% from fair value increment over the book value for financial investments held for maturity	130
Impairment loss provision for loans, advances and performing contingent liabilities *(1.25%)	31 900
Total Supportive capital	**32 833**
Total Capital	**896 881**
Assets and contingent liabilities risk weighted :	
Assets in balance sheet	1 993 500
Contingent liabilities	558 485
Total credit risk	2 551 985
Market risk	--
Operational risk	370 174
Total Assets and contingent liabilities risk weighted	**2 922 159**
Capital adequacy ratio (%)*	**30.69%**

4- The significant accounting estimates and assumptions

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

a) Impairment Losses on loans and advances

The bank reviews the loans and advances portfolio at least on a quarterly basis to assess impairment. The bank applies personal judgment when determining the necessity of recording the impairment charges to the income statement so as to know if there is any reliable data which refer to the existence of a measurable decline in the expected future cash flows of the loans portfolio even before being acquainted with the decline at the level of each loan in the portfolio. These evidences may include observable data which refer to the occurrence of a negative change in the ability of a portfolio of borrowers to repay the bank or local or economic circumstances related to default in the bank's assets. When scheduling the future cash flows, the management applies estimates based on prior experience of losses of assets with credit risk characteristics in the presence of objective evidences that refer to impairment similar to those included in the portfolio.
The method and assumptions applied in estimating the amount and timing of future cash flows are reviewed on a regular basis to eliminate any differences between estimated and actual losses based on expertise.

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

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

If the usage of investments held to maturity's classification is suspended then the book value will be adjusted be increased by LE 1 796 thousand to reach the fair value by registering a corresponding entry in the fair value reserve within shareholders equity section.

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d) Income Taxes

Bank is exposed for income tax in various tax authorities regarding external branches which require usage of important estimations for determining aggregate provision for income tax, there are a lot of calculations and operations which will be difficult to determine the tax accurately. The bank records the liabilities of the expected results of tax examination according to estimates of the probability of the emergence of additional taxes. When there is a variance between the final result of taxes and the amounts previously recorded then these variances will affect the income tax and deferred tax provision for the year in which the variance has been identified.

5- Segmental analysis

A - Business segment analysis

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

Large, medium and small Corporate

It includes the activities of current accounts, deposits, debit current accounts, loans, credit facilities and financial derivatives.

Investment

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

Retail

It includes the activities of current accounts, savings, deposits, credit cards, personal loans, Mortgage and housing loans.

Other activities

They include other types of banking businesses such as treasury management.

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

(In LE 000)

31/12/2012	Corporate	Trade Finance	Investment	Retail	Other activities	Total
Income and expenses according to segmental activity						
segmental activity income	42 771	9 434	162 450	329 850	39 390	583 895
segmental activity expenses	(57 612)	(17 362)	(56 971)	(336 275)	(9 953)	(478 173)
Results of activity business	(14 841)	(7 928)	105 479	(6 425)	29 437	105 722
Income tax expenses	-	-	(40 031)	-	(21 672)	(61 703)
Profit for the year	(14 841)	(7 928)	65 448	(6 425)	7 765	44 019
Assets and liabilities according to segmental activity						
Assets according to business segment	1 357 591	201 685	3 833 928	570 515	-	5 963 719
Unallocated assets	-	-	-	-	292 893	292 893
Total Assets	1 357 591	201 685	3 833 928	570 515	292 893	6 256 612
liabilities according to business segment	82 575	49 046	350 065	4 645 248	-	5 126 934
Unallocated liabilities	-	-	-	-	219 447	219 447
Total liabilities	82 575	49 046	350 065	4 645 248	219 447	5 346 381
Other items of business segment						
Capitalized expenses	-	-	-	-	3 471	3 471
Depreciation	(3 807)	(1 579)	(3 807)	(7 676)	-	(16 869)
Impairment	(15 113)	-	-	(9 914)	-	(25 027)

(In LE 000)

31/12/2011	Corporate	Trade Finance	Investment	Retail	Other activities	Total
Income and expenses according to segmental activity						
segmental activity income	26 734	10 944	99 944	67 583	38 090	243 295
segmental activity expenses	(31 957)	(15 801)	(32 924)	(78 038)	(4 652)	(163 372)
Results of activity business	(5 223)	(4 857)	67 020	(10 455)	33 438	79 923
Income tax expenses	-	-	(28 758)	-	(16 161)	(44 919)
Profit for the year	(5 223)	(4 857)	38 262	(10 455)	17 277	35 004
Assets and liabilities according to segmental activity						
Assets according to business segment	887 984	33 106	3 961 097	462 002	-	5 344 189
Unallocated assets	-	-	-	-	146 304	146 304
Total Assets	887 984	33 106	3 961 097	462 002	146 304	5 490 493
liabilities according to business segment	89 959	-	600 823	3 795 632	-	4 486 414
Unallocated liabilities	-	-	-	-	154 591	154 591
Total liabilities	89 959	-	600 823	3 795 632	154 591	4 641 005
Other items of business segment						
Capitalized expenses	-	-	-	-	5 308	5 308
Depreciation	(4 065)	(1 692)	(4 065)	(8 086)	-	(17 908)
Impairment	(4 589)	-	-	(1 834)	-	(6 423)

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B- Geographical Segment Analysis

(In LE 000)

31/12/2012	Egypt Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Gulf countries	Other Countries	Total
Income and expenses according to geographical segment							
Geographical segment income	540 394	39 446	4 055	583 895	-	-	583 895
Geographical segment expense	(423 148)	(39 763)	(5 308)	(468 219)	-	-	(468 219)
Results of activity business	117 246	(3 17)	(1 253)	115 676	-	-	115 676
Unallocated expenses	(9 954)	-	-	(9 954)	-	-	(9 954)
Pre-tax profit for the year	107 292	(3 17)	(1 253)	105 722			105 722
Tax	(61 703)	-	-	(61 703)	-	-	(61 703)
Profit for the year	45 589	(3 17)	(1 253)	44 019	-	-	44 019
Assets and liabilities according To geographical segment							
Geographical segment assets	5 721 192	190 123	52 404	5 963 719	-	-	5 963 719
Unallocated assets	292 893	-	-	292 893	-	-	292 893
Total assets	6 014 085	190 123	52 404	6 256 612	-	-	6 256 612
Geographical segment liabilities	4 883 406	189 822	53 706	5 126 934	-	-	5 126 934
Unallocated liabilities	219 447	-	-	219 447	-	-	219 447
Total liabilities	**5 102 853**	**189 822**	**53 706**	**5 346 381**	**-**	**-**	**5 346 381**

(In L.E 000)

31/12/2011 Income and expenses according to geographical segment	Egypt Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Gulf countries	Other Countries	Total
Geographical segment income	232 946	9 112	1 237	243 295	-	-	243 295
Geographical segment expense	(144 172)	(13 394)	(3 342)	(160 908)	-	-	(160 908)
Results of activity business	88 774	(4 282)	(2 105)	82 387	-	-	82 387
Unallocated expenses	(2 464)	-	-	(2 464)	-	-	(2 464)
Pre-tax profit for the year	86 310	(4 282)	(2 105)	79 923			79 923
Tax	(44 919)	-	-	(44 919)	-	-	(44 919)
Profit for the year	41 391	(4 282)	(2 105)	35 004	-	-	35 004
Assets and liabilities according To geographical segment							
Geographical segment assets	5 212 268	105 704	26 217	5 344 189	-	-	5 344 189
Unallocated assets	146 304	-	-	146 304	-	-	146 304
Total assets	5 358 572	105 704	26 217	5 490 493	-	-	5 490 493
Geographical segment liabilities	4 138 277	329 869	18 268	4 486 414	-	-	4 486 414
Unallocated liabilities	154 591	-	-	154 591	-	-	154 591
Total liabilities	**4 292 868**	**329 869**	**18 268**	**4 641 005**	**-**	**-**	**4 641 005**

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Notes of the financial statements for the financial year ended 31 December 2012

6- Net Interest Income

	31/12/2012 LE 000	31/12/2011 LE 000
Interest income on loans and similar income		
Loans and advances to customers	**165 777**	127 430
Treasury bills and bonds	**330 751**	237 631
Income on current accounts and deposits (Banks)	**33 791**	14 719
	530 319	379 780
Interest expenses on deposits and similar charges		
Current accounts & deposits to:		
_ Banks	**(21 436)**	(20 734)
_ Customers	**(251 717)**	(168 648)
Total	**(273 153)**	(189 382)
Net	**257 166**	190 398

7- Net Fees & Commissions

	31/12/2012 LE 000	31/12/2011 LE 000
Fees & commissions income:		
Fees & commissions related to credit	**10 400**	4 387
Fees on trade finance	**13 343**	12 300
Other fees	**15 566**	19 613
	39 309	36 300
Fees & commissions expenses:		
Other paid fees	**(1 319)**	(1692)
	(1 319)	(1 692)
Net	**37 990**	34 608

8- Net Trading Income

	31/12/2012 LE 000	31/12/2011 LE 000
Foreign currency transactions:		
Profits of dealing in foreign currencies	**9 872**	11 552
Profits of forward contracts valuation	**702**	(10)
Trading debt instruments	**821**	3 872
	11 395	15 414

9- Administrative expenses

	31/12/2012 LE 000	31/12/2011 LE 000
Employees cost		
_ Wages and salaries	**(96 379)**	(83 791)
_ Social Insurance	**(2 490)**	(2 230)
	(98 869)	(86 021)
Other administrative expenses	**(72 584)**	(71 379)
	(171 453)	(157 400)

-The monthly average for the aggregate annual salaries and incentives for the top 20 paid personnel in the bank for 2012 accounts about 1 792 thousand EGP.

10- Dividends

	31/12/2012 LE 000	31/12/2011 LE 000
Available for sale securities	**472**	273

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Notes of the financial statements for the financial year ended 31 December 2012

11- Other operating income (Expenses)

	31/12/2012	31/12/2011
	LE 000	LE 000
Gains on sale of property & equipment	**239**	112
(Loss) / release of other provisions	**(7 011)**	2 398
Others	**12**	17
	(6 760)	2 527

12- Impairment (loss) / release for credit losses

	31/12/2012	31/12/2011
	LE 000	LE 000
Loans & advances to customers (Note no. 18)	**(25 027)**	(6 423)
Held to maturity financial investments (Note no. 19)	**2 144**	(2 140)
	(22 883)	(8 563)

13- Income Tax Expenses

	31/12/2012	31/12/2011
	LE 000	LE 000
Current taxes (Treasury bills and bonds tax)	**(61 398)**	(45 106)
Deferred tax	**(305)**	187
	(61 703)	(44 919)

There are a lot of laws had been issued to amend some tax law and have been published in the official newspaper on 6 of December 2012.
Those laws had been suspended so there is no effecct had been appear in the financial statements.

14- Earnings per share

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

	31/12/2012	31/12/2011
	LE 000	LE 000
Net profit distributable to shareholders	**43 726**	34 837
Board of Directors remuneration (proposed)	**(329)**	(238)
Employees profit share (proposed)	**(2 600)**	(2 000)
Shareholders' share from the year net profit (1)	**40 797**	32 599
The weighted average of the ordinary shares issued (2)	**59 603**	60 000
Basic earnings per share (1:2)	**0.684**	0.543

15- Cash and Due from Central Bank of Egypt

	31/12/2012	31/12/2011
	LE 000	LE 000
Cash	**193 577**	218 752
Balances at central banks within the mandatory reserve ratio	**299 148**	389 080
	492 725	607 832
Balances without interest	**492 725**	607 832

16- Due from banks

	31/12/2012	31/12/2011
	LE 000	LE 000
Current accounts	**95 071**	63 732
Deposits	**756 160**	760 851
Less: Impairment loss provision	**-**	-
	851 231	824 583
Central banks other than the mandatory reserve ratio	**126 968**	129 101
local banks	**333 646**	133 455
Foreign banks	**390 617**	562 027
	851 231	824 583
Non-Interest bearing balances	**23 606**	26 365
Interest bearing balances (Fixed rate)	**827 625**	798 218
	851 231	824 583
Current balances	**851 231**	824 583
Non current balances	**-**	-
	851 231	824 583

17- Treasury bills

	31/12/2012 LE 000	31/12/2011 LE 000
Treasury bills due 91 days	**57 150**	-
Treasury bills due 182 days	**95 000**	30 000
Treasury bills due 273 days	**142 350**	234 525
Treasury bills due 364 days	**1 496 675**	1 841 225
	1 791 175	2 105 750
Unearned Revenue	**(110 068)**	(146 696)
Total	**1 681 107**	1 959 054

18- Loans & advances to customers

	31/12/2012 LE 000	31/12/2011 LE 000
Individuals (retail)		
- Debit current accounts	**78 173**	80 209
- Credit cards	**23 502**	23 902
- Personal loans	**393 353**	247 818
- Auto loans	**72 240**	108 141
Total (1)	**567 268**	460 070
Corporate including small loans for economic activities		
- Debit current accounts	**414 727**	329 898
- Direct loans	**820 520**	377 025
- Syndicated loans	**277 083**	357 899
- Other loans	**271 019**	43 107
Total (2)	**1 783 349**	1 107 929
Total loans and advances to customers (1+2)	**2 350 617**	1 567 999
Distributed to:		
_ Current balances	**1 632 807**	896 740
_ Non current balances	**717 810**	671 259
	2 350 617	1 567 999
Less:		
Impairment loss provision	**(215 018)**	(187 191)
Unearned Discount for Discounted Commercial Bills	**(5 329)**	(73)
Suspended Interest	**(133)**	(133)
Net loans & advances to customers	**2 130 137**	1 380 602

Analysis of the impairment loss provision for customers' loans & advances:

	31/12/2012 LE 000	31/12/2011 LE 000
Balance at 1/1/2012	**187 191**	178 772
Impairment (losses) / release during the year(+)(-)	**29 658**	16 371
Amounts written-off during the year	**(24)**	(114)
Amounts negated the purpose of it during the year	**(4 631)**	(9 948)
Amounts recovered	**-**	24
Foreign currencies valuation differences (+) (-)	**2 824**	2 086
Balance at 31/12/2012	**215 018**	187 191

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

31/12/2012	Retail			
	Credit cards	Personal loans	Auto loans	Total
	LE 000	LE 000	LE 000	LE 000
Balance at 1/1/2012	**5 638**	**18 965**	**10 724**	**35 327**
Impairment (losses) / release during the year(+)(-)	**(167)**	**12 058**	**(1 977)**	**9 914**
Amounts negated the purpose of it during the year	**-**	**-**	**-**	**-**
Amounts written-off during the year	**-**	**(18)**	**(6)**	**(24)**
Amounts recovered during the year	**-**	**-**	**-**	**-**
Foreign currencies valuation differences (+) (-)	**12**	**-**	**-**	**12**
Balance at 31/12/2012	**5 483**	**31 005**	**8 741**	**45 229**

31/12/2012	Corporate			
	Direct loans	Syndicated loans	Other Loans	Total
	LE 000	LE 000	LE 000	LE 000
Balance at 1/1/2012	**135 836**	**9 738**	**6 290**	**151 864**
Impairment (losses) / release during the year(+)(-)	**19 335**	**(432)**	**841**	**19 744**
Amounts negated the purpose of it during the year	**(4 254)**	**-**	**(377)**	**(4 631)**
Amounts written-off during the year	**-**	**-**	**-**	**-**
Foreign currencies valuation differences (+) (-)	**2 527**	**285**	**-**	**2 812**
Balance at 31/12/2012	**153 444**	**9 591**	**6 754**	**169 789**

Arab Banking Corporation – Egypt (S.A.E)

Notes of the financial statements for the financial year ended 31 December 2012

31/12/2011	Retail			
	Credit cards	Personal loans	Auto loans	Total
	LE 000	LE 000	LE 000	LE 000
Balance at 1/1/2011	5 798	19 451	8 349	33 598
Impairment (losses) / release during the year(+)(-)	(160)	(381)	2 375	1 834
Amounts negated the purpose of it during the year	-	-	-	-
Amounts written-off during the year	(9)	(105)	-	(114)
Amounts recovered during the year	-	-	-	-
Foreign currencies valuation differences (+) (-)	9	-	-	9
Balance at 31/12/2011	**5 638**	**18 965**	**10 724**	**35 327**

31/12/2011	Corporate			
	Direct loans	Syndicated loans	Other loan	Total
	LE 000	LE 000	LE 000	LE 000
Balance at 1/1/2011	137 311	7 418	445	145 174
Impairment (losses) / release during the year(+)(-)	7 639	803	6 095	14 537
Amounts negated the purpose of it during the year	(9 698)	-	(250)	(9 948)
Amounts written-off during the year	-	-	-	-
Amounts recovered during the year	24	-	-	24
Foreign currencies valuation differences (+) (-)	560	1 517	-	2 077
Balance at 31/12/2011	**135 836**	**9 738**	**6 290**	**151 864**

19- Financial investments

	31/12/2012 LE 000	31/12/2011 LE 000
Available for sale financial investments		
Debt instruments at fair value :		
_ Listed in the market	**541 967**	389 952
_ Unlisted in the market	**254 835**	167 418
Equity instruments at fair value :		
_ Listed in the market	**-**	-
_ Unlisted in the market	**2 471**	2 471
Total available for sale financial investments (1)	**799 273**	559 841
Financial investments held to maturity		
Debt instruments : (investment documents)		
_ Unlisted in the market	**10 016**	14 417
_ **Add:** Impairment release / (losses) provision	**2 144**	(2 140)
Total Financial investments held to maturity (2)	**12 160**	12 277
Total of Financial investments (1+2)	**811 433**	572 118
_ Current balances	**36 681**	-
_ Non current balances	**774 752**	572 118
	811 433	572 118
_ Interest-bearing Debt instrument (fixed Return)	**696 679**	457 197
_ Interest-bearing Debt instrument (floating Return)	**100 123**	100 173
	796 802	557 370

	Available-for-sale investments	Held-to-maturity investments	Total
	LE 000	LE 000	LE 000
Balance as at 1/1/2011	192 928	17 555	210 483
Additions	465 936	2 449	468 385
Disposals (sale/redeemed)	(70 904)	(5 587)	(76 491)
Amortization of issuance premium and discount	(159)	-	(159)
Gains from changes in fair value	(27 960)	-	(27 960)
Impairment release / (losses)	-	(2 140)	(2 140)
Balance as at 31/12/2011	**559 841**	**12 277**	**572 118**
Balance as at 1/1/2012	559 841	12 277	572 118
Additions	271 539	-	271 539
Disposals (sale/redeemed)	(70 372)	(2 261)	(72 633)
Amortization of issuance premium and discount	(685)	-	(685)
Gains from changes in foreign currency exchange	10 926	-	10 926
Gains from changes in fair value	28 024	-	28 024
Impairment release / (losses)	-	2 144	2 144
Balance as at 31/12/2012	**799 273**	**12 160**	**811 433**

Profits (losses) of financial investments

	31/12/2012	31/12/2011
	LE 000	LE 000
(Losses) profits on sale of financial assets available -for- sale	**(205)**	2 666
	(205)	2 666

Settlements of impairment loss provision for held to maturity investments:

	31/12/2012	31\12\2011
	LE 000	LE 000
Balance at 1/1/2012	**-**	-
Impairment release / (losses) for credit losses during the year	**2 144**	**(2 140)**
Balance at 31/12/2012	**2 144**	**(2 140)**

20- Intangible assets

	31/12/2012	31/12/2011
	LE 000	LE 000
Software's		
Net book value at 1/1/2012	**14 831**	19 976
Additions	**236**	1 526
Amortization	**(6 259)**	(6 671)
Net book value at 31/12/2012	**8 808**	14 831

21- Other assets

	31/12/2012	31/12/2011
	LE 000	LE 000
Accrued revenues	**42 058**	27 588
Prepaid expenses	**2 036**	2 387
Payments under purchase of fixed assets	**1 605**	825
Paid under account for buying & preparing head office for the bank in Cairo	**140 000**	-
Assets reverted to the Bank in settlement of debts (after deducting impairment)	**542**	546
Custody and insurance	**1 036**	1 028
Others	**19 862**	17 692
Total	**207 139**	50 066

Arab Banking Corporation – Egypt (S.A.E)

Notes of the financial statements for the financial year ended 31 December 2012

22- Fixed Assets

	Premises & Buildings	Automated systems	Vehicles	Fittings & Fixture	Machinery & Equipments	Furniture	Total
	LE 000	LE 000	LE 000	LE 000	LE 000	LE 000	LE 000
Cost at 1/1/2012	70 520	34 117	7 258	39 237	13 432	8 356	172 920
Additions during the year	-	1 628	601	326	525	155	3 235
Disposals during the year	-	-	(567)	-	(1 492)	(492)	(2 551)
Cost at 31/12/2012	70 520	35 745	7 292	39 563	12 465	8 019	173 604
Accumulated depreciation at 1/1/2012	**11 770**	**27 762**	**4 912**	**30 320**	**9 866**	**6 883**	**91 513**
Depreciation for the year	1 397	3 024	993	3 985	911	300	10 610
Disposals accumulated depreciation	-	-	(567)	-	(1 492)	(492)	(2 551)
Accumulated depreciation at 31/12/2012	**13 167**	**30 786**	**5 338**	**34 305**	**9 285**	**6 691**	**99 572**
Net assets as of 31/12/2012	**57 353**	**4 959**	**1 954**	**5 258**	**3 180**	**1 328**	**74 032**
Net assets as at 31/12/2011	58 750	6 355	2 346	8 917	3 566	1 473	81 407

23- Due to Banks

	31/12/2012	31/12/2011
	LE 000	LE 000
Current accounts	**48 968**	127 732
Deposits	**350 130**	464 703
	399 098	592 435
Central banks	-	-
Local banks	-	320 002
Foreign banks	**399 098**	272 433
	399 098	592 435
Non-interest bearing balances	**4 328**	40 188
Interest bearing Balances (floating rate)	-	-
Interest bearing Balances (fixed rate)	**394 770**	552 247
	399 098	592 435
Current balances	**399 098**	592 435
Noncurrent balances	-	-
	399 098	592 435

24- Customers' Deposits

	31/12/2012	31/12/2011
	LE 000	LE 000
Demand deposits	**788 936**	632 952
Term and notice deposits	**2 861 800**	2 082 202
Certificates of deposits	**733 484**	801 631
Savings deposits	**259 509**	297 032
Other deposits	**84 203**	71 823
	4 727 932	3 885 640
Corporate deposits	**3 157 515**	2 468 163
Retail deposits	**1 570 417**	1 417 477
	4 727 932	3 885 640
Non-interest bearing balances	**658 134**	547 451
Interest bearing Balances (floating rate)	**511 603**	876 842
Interest bearing Balances (fixed rate)	**3 558 195**	2 461 347
	4 727 932	3 885 640
Current balances	**2 915 454**	3 466 955
Non current balances	**1 812 478**	418 685
	4 727 932	3 885 640

25- Other Liabilities

	31/12/2012	31/12/2011
	LE 000	LE 000
Accrued interest	**56 336**	18 788
In advance revenues	**879**	1 071
Accrued expenses	**20 640**	20 887
Creditors	**58 538**	64 739
Sundry credit balances	**51 018**	33 079
	187 411	138 564

Arab Banking Corporation – Egypt (S.A.E)

Notes of the financial statements for the financial year ended 31 December 2012

26- Other Provisions

	31/12/2012 LE 000	31/12/2011 LE 000
Balance at 1/1/2012	**24 215**	26 527
Foreign currencies valuation differences	**289**	237
Charged to income statement	**7 113**	483
The utilized during the year	**(31)**	(151)
Amounts Negated the purpose of it	**(102)**	(2 881)
Balance at 31/12/2012	**31 484**	24 215

27- Deferred Income Taxes

The deferred income taxes have been computed in full on the deferred tax differences at the end of fiscal year.

	Deferred Tax liabilities 31/12/2012 LE 000	Deferred Tax liabilities 31/12/2011 LE 000
Fixed assets	**(456)**	(151)
Total deferred tax asset / (liability)	**(456)**	(151)
Net deferred tax asset / (liability)	**(456)**	(151)

The movement of deferred tax assets & liabilities:

	Deferred Tax liabilities 31/12/2012 LE 000	Deferred Tax liabilities 31/12/2011 LE 000
Balance at 1/1/2012	**151**	338
Additions / (disposal)	**305**	(187)
Balance at 31/12/2012	**456**	151

28- Capital

- The bank's authorized capital amounted to LE 1 billion and the issued and paid up capital amounted to LE 600 million and are represented in 60 million shares with a par value of LE 10 each. The bank purchased treasury stocks amounted to 724 408 stock with LE 12.51, treasury stocks represent 1.2% from total bank's stocks and that's in the light for the decision of securities commission committee in the Egyptian stock market on its meeting on 21/3/2012 which canceling trading on bank's stock by an optional canceling on the basis of the decision of extraordinary general assembly of the bank on 2/5/2011 with a commitment on the bank to buy stocks of affected gentlemen by this canceling, and those stocks are being remediated by discounting them from equity.

29- Reserves and Retained Earnings

	31/12/2012 LE 000	31/12/2011 LE 000
Reserves		
Banking risks general reserve	**433**	379
Legal reserve	**39 699**	36 209
Capital reserve	**1 047**	936
Fair value reserve for changing fair value of available for sale financial investments	**1 786**	(26 238)
General reserve	**224 537**	198 021
Total reserves	**267 502**	209 307

The movement on reserves is as follows:

(29/A) Banking risks general reserve

	31/12/2012 LE 000	31/12/2011 LE 000
Balance at 1/1/2012	**379**	324
Transferred from the net profit	**54**	55
Balance at 31/12/2012	**433**	379

(29/B) Legal reserve

	31/12/2012 LE 000	31/12/2011 LE 000
Balance at 1/1/2012	**36 209**	33 285
Transferred from the net profit	**3 490**	2 924
Balance at 31/12/2012	**39 699**	36 209

According to laws which are applied in Egypt there is 10% retention of net profit of the year to supply the reserve till it become equal to 50% of capital issued and paid.

Arab Banking Corporation – Egypt (S.A.E)

Notes of the financial statements for the financial year ended 31 December 2012

(29/C) Fair value reserve for changing fair value of available for sale financial investments

	31/12/2012	31/12/2011
	LE 000	LE 000
Balance at 1/1/2012	**(26 238)**	1 722
Net profits from changing in fair value	**28 024**	(27 960)
Balance at 31/12/2012	**1 786**	(26 238)

(29/D) Retained earnings

The movement on retained earnings	31/12/2012	31/12/2011
	LE 000	LE 000
Balance at the beginning of the year	**40 181**	32 442
Transferred to reserves	**(30 117)**	(25 174)
Paid dividends	**(2 238)**	(2 036)
Transferred from net profit	**43 965**	34 949
Balance at the end of the year	**51 791**	40 181

30- Employees saving fund

The bank share amount in the registration of employees' pension fund recorded into the general and administrative expenses account.

31- Cash and cash equivalent

For purposes of cash flow statement presentation, cash and cash equivalent include the following balance which does not exceed the following maturity dates of three months from the date of acquisition:

	31/12/2012	31/12/2011
	LE 000	LE 000
Cash and Due from Central Bank Of Egypt (included in Note 15)	**193 577**	218 752
Due from banks (included in Note 16)	**817 352**	824 583
Treasury bills and other Governmental notes (included in Note 17)	**56 177**	-
	1 067 106	1 043 335

32- Contingent Liabilities and Correlations:

A) Legal Claims

There are a number of existing cases filed against the bank on 31 December 2012 and no provision for these cases has been established as it is not expected that the bank shall suffer any losses from it.

B) Capital Commitments

The value of the capital commitments amounted to LE 981 thousand as at 31 December 2012 according to the purchases of fixed assets and tangible assets and the management has a sufficient trust that the bank would approach net profits to finance and cover these commitments.

C) Loans, guarantees and facilities commitments

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

	31/12/2012	31/12/2011
	LE 000	LE 000
Letters of guarantees	**867 517**	1 227 033
Letter of credits «import»	**91 315**	42 253
Letter of credits «export»	**44 318**	48 671
Total	**1 003 150**	1 317 957

33- Transactions with related parties

- The bank follows the parent company Arab Banking Corporation – Bahrain (Head office, branches and affiliates) which owns 98.38% of ordinary shares where as the remaining percentage (1.62%) is owned by other shareholders.

- The bank has entered into many transactions with the related parties within the context of its normal business with the same context basis with others. And there are no transactions dealings with the parent bank except payment of dividends for ordinary shares, the transactions and its balances at the end of year are as follow:

	31/12/2012	31/12/2011
Nature of transactions	LE 000	LE 000
Due from banks	**4 856**	1 243
Customers' Deposits	**17 429**	492
Due to banks	**306 894**	144 890

Board of directors and senior management remunerations	31/12/2012	31/12/2011
Short term benefits (transportation expenses and board of directors committees allowances and other expenses)	**2 173 240**	1 645 440

Arab Banking Corporation – Egypt (S.A.E)

Notes of the financial statements for the financial year ended 31 December 2012

34- Mutual funds

The First Mutual Fund of Arab Banking Corporation (with capital growth in LE)

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by Delta Rasmala investments fund management company, the certificates of the fund reached 523 299 certificate with an amount of LE 100 per certificate the bank has purchased a number of 50 000 certificates (their nominal value amounted to LE 100) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to LE 83.74020 and the certificates outstanding at that date reached to 85 500 certificates.

The Second Mutual Fund of Arab Banking Corporation (with daily accumulated return - Mazaya in LE)

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by Belton investments fund management company, the certificates of the fund reached 14 709 856 certificate with an amount of LE 10 per certificate the bank has purchased a number of 500 000 certificates (their nominal value amounted to LE 10) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to LE 13.59177 and the certificates outstanding at that date reached to 500 000 certificates.

35- Comparative Figures

The figures of comparison were re-categorized to comply with the changes in the adopted presentation of the current year's financial statements.

ABC - Egypt Directory

BRANCH LOCATIONS

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Tel.: (202) 2736 2684 - 2736 3579
Fax: (202) 2736 3614/43
e-mail: abcegypt@arabbanking.com.eg
website: www.arabbanking.com.eg

6th of October 1
Hamees Mall, Next to Misr University for Science and Technology, El Hai El Motamayez, 6th of October City
P.O.Box: 62 El Hai El Motamayez (12568)
Tel.: (202) 3836 7611
Fax: (202) 3836 7610

6th of October 2
Mogama Magda lelfenoon behind El Hossary Mosque
Tel.: (202) 38380061/62
Fax: (202) 38380059

Assiut Branch
El-Nile Towers – block 60 – Salah Salem Str. Assiut
Tel.: (2088) 2286243
Fax: (2088) 2286246

Aswan
El Hakim Mall, El Sadat Road, in front of Radio & TV Corporation
Tel.: (2097) 2328920/22/23
Fax: (2097) 2328921

Cairo (Bostan)
18, Youssef El Guendi St., El Bostan Center, Bab El Louk, Cairo
Tel.: (202) 2391 1513
Fax: (202) 2392 6467

Damietta Branch
15 Corniche El Nile Str. Damietta
Tel.: (2057) 372606
Fax: (2057) 372632

Damietta Port Unit
Room 220 First Floor, Damietta Port investment Building, Damietta
Tel.: (2057) 292192/3
Fax: (2057) 292203

Dokki
6 Nawal St.-Agouza-Giza
Tel.: (203) 3386643/29
Fax: (203) 3386659

Giza
94 El Bahr El Azam St.-Giza
Tel.: (203) 35681772/53
Fax: (203) 3568179

Haram
400 Al Haram St. Giza
Tel.: (202) 35866555
Fax: (202) 37815112

Heliopolis
105 Merghany St. Heliopolis
Tel.: (202) 22917299
Fax: (202) 22910393

Hurghada Branch
Sindbad Resort, Hurghada
Tel.: (2065) 3443091
Fax: (2065) 3443093

Luxor Branch
Beginning of Joly Ville Road – Luxor ‹Bandar›
Tel.: (2095) 2282570
Fax: (2095) 2282571

Kattameya
El tessin st. El Madinah Center – plot 324 – fifth avenue
Tel.: (202) 29299822/23
Fax: (202) 29299825

Maadi
8, 257 St. New Maadi
Tel.: (202) 27057030
Fax: (202) 27057028

Mansoura
Building 111 Al Gomhoreya Road, Mansoura City
Tel.: (2050) 2220854 / 847
Fax: (2050) 2220841

Mohandessin
32, Syria St., Mohandessin, Giza,
P.O.Box: 237 Embaba 12411
Tel.: (202) 33385031
Fax: (202) 3761 5760

Nasr City
62, Makram Ebeid St., Area No.6, Nasr City
Tel.: (202) 22877534
Fax: (202) 2287 7532

Obour Buildings
3, Obour Buildings , Salah Salem St.
Tel.: (202) 22616890
Fax: (202) 22616860

Samouha
90 Fawzy Moaz St.- Samouha-Alexandria
Tel.: (203) 42900105/8
Fax: (203) 42900109

Sharm El Sheikh
Marriott Hotel, Commercial Annex, Sharm El Sheikh
Tel.: (2069) 3603743
Fax: (2069) 3603741

Sharm El Sheikh Nabq
Oriental Resort Hotel, Nabq Bay, Beside Metro Market, Sharm El Sheikh
Tel.: (2069) 3710448/449
Fax: (2069) 3710445

Sheraton
2, Khaled Ibn Elwaleed St. next to El Sedeek Mosque, Sheraton Heliopolis
Tel.: (202) 22673160
Fax: (202) 22673117

Shoubra
15 Dawlatian St-Shoubra-Cairo
Tel.: (202) 2060741/39
Fax: (202) 2060729

Suez
6 El Barky St.-Suez
Tel.: (202) 3330089/81
Fax: (203) 3330078

Tanta
23 El Gueish St.(El Bahr St.)-El Kasrawy Building-Tanta
Tel.: (2040) 3288721
Fax: (2040) 3288632

Zamalek
1, El Saleh Ayoub St., Zamalek, Cairo
Tel.: (202) 2736 3629
Fax: (202) 2736 3614

ABC - Egypt Directory

ATM Network

Ain Shams University
Agriculture College, Ain shams University - Shobra

Assiut Branch
El Hilaly st., Wattania Tower,Assiut

Aswan Branch
El Hakim Mall, El Sadat st. - Aswan

Alex Branch
24 bany El Abbas st., Bab Sharq

Cairo Branch
18 Youssef El Guendy st. - Cairo

Carrefour Alexandria
Carrefour Mall, Desert Road, Alexandria

City Center
City Center mall, 3 Makram Ebeid st., Nasr City - Cairo

City Stars Mall
City Stars Mall, Nasr City - Cairo

Damietta Branch
Damietta port, Investment building

Dokki Branch
6 Nawal st., Dokki – Giza

Genina Mall
Genina Mall, El Batrawy st. from Abbas El AKkad st., Nasr City - Cairo

Giza Branch
96 Elbahr Elaazam st. – Giza

Haram Branch
400 El Haram st. – Giza

Heliopolis Branch
105 El Merghany st., Heliopolis - Cairo

Horizon Hotel
Horizon Hotel, Haram st. - Giza

Hurghada Branch
Sindbad Resort - Hurghada

IL Mercato Mall
IL Mercato Hotel - Sharm El Sheikh

Kattameya Branch
90th st., El Madinah Center - Fifth Avenue

Luxor Branch
Jolly Ville Road - Luxor «Bandar»

Maadi Branch
8, st. Number 257 - New Maadi

Mansoura Branch
111 El Gomhoreya st. – Mansoura

Marriott Hotel
Marriott Hotel – Sharm El Sheikh

Mohandessin Branch
32 Syria st., Mohandessin - Giza

Nabq Branch
Oriental Resort Hotel, Nabq Bay - Sharm El Sheikh

Nagaty Serag
42 Nagaty Serag st., Nasr City-Cairo

Naguib Mall
Naguib Mall – Sharm El Sheikh

Nasr City Branch
62 Makram Ebeid st., Nasr City - Cairo

Nefertary School
Nefertary School - Misr Ismaileya Road

Obour Buildings
3 Obour buildings, Salah Salem st. - Cairo

October 1 Branch
Hamees Mall, Next to Misr University for science and technology - 6th Of October

October 2 Branch
Mogamaa Magda for Arts – 6th of October

Radisson Hotel
Radisson Hotel – Sharm El Sheikh

Samouha Branch
90 Fawzy Moaz st., Samouha – Alexandria

Sharm El Sheikh
Marriott Hotel – Sharm El Sheikh

Sheraton Branch
2 Khaled Ibn El Walid st., Heliopolis - Cairo

Shoubra Branch
15 dawlatian Street, Shoubra - Cairo

Suez Branch
6 El Barky st. from El Gueish st., Suez

Tanta Branch
23 El Gueish st., Elkasrawy Building - Tanta

Zamalek Branch
1 El Saleh Ayoub st., Zamalek-Cairo

Agamy Star Mall
Al Agamy Gate No. 8 Square Alex. - Matrouh- Alex Road

Aswan Gov.
1 Cornish El Nile - Ministry of Water Resources and Irrigation

Assuit Gov.
Directorate of Health - Assuit

Mall Of Arabia
Johayna Square - 6th Of October

Carrfoure Sun City
Sheraton Residence - Autostrad

Luxor Temple
Luxor - Cornish El Nile - Berth Ministry of Tourism

Fathallah Market
Rose Garden Mall - kilo 29 Alex Cairo Desert Road.

Egyptian Lang. School
Fifth Avenue, New Division

Mobile ATM
1 El Saleh Ayoub street, Zamalek-Cairo

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B. Chandrasekhar,
Chief executive Officer

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