Bank of Alexandria

(Egyptian Joint Stock Company)

Financial statements

For the year ended 31 December 2015

And

Auditors' Report There on

KPMG Hazem Hassan
Public Accountant & Consultants

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

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KPMG Hazem Hassan
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Translation of financial statements originally issued in Arabic

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Alexandria (S.A.E) which comprise the balance sheet as at 31 December 2015 and the statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E) as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Boards of Directors on 16 December 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2015 no contravention of the Central Bank, Banking and Monetary Institution law no.88 of 2003.

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

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

Auditors

Member of
afez Raghib
t & Young Global
ing & Auditing (E&Y)

Hassan Basyoni Elbesha

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants
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Cairo, February 1, 2016

Bank of Alexandria

(Egyptian Joint Stock Company)

Balance sheet

as at 31 December 2015

Assets	Note No.	31/12/2015 EGP 000	31/12/2014 EGP 000
Cash and due from Central Bank of Egypt	(16)	3 760 379	3 267 991
Due from banks	(17)	5 628 731	8 223 797
Treasury bills and other governmental notes	(18)	9 436 184	9 745 022
Loans and advances to customers	(19)	24 793 648	21 042 523
Financial assets classified at fair value through profit and loss	(20)	3 645	3 707
Financial investments :			
Available -for- sale	(21)	2 931 596	1 222 677
Held -to- maturity	(21)	40 319	49 320
Investments in associates	(22)	40 640	93 148
Intangible assets	(23)	54 688	41 796
Other assets	(24)	494 318	383 950
Investment property	(25)	51	51
Fixed assets	(26)	333 462	345 735
Total assets		**47 517 661**	**44 419 717**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(27)	1 548 831	250 412
Customers' deposits	(28)	37 565 500	36 592 184
Other loans	(29)	126 063	134 767
Other liabilities	(30)	1 306 716	1 461 432
Other provisions		491 253	470 151
Current income tax liabilities		268 440	154 916
Deferred tax liabilities	(32)	93 912	107 977
Retirement benefits obligations	(33)	633 623	563 208
Total Liabilities		**42 034 338**	**39 735 047**
Shareholders' equity			
Share capital	(34)	800 000	800 000
Reserves	(35)	1 401 949	1 306 175
Retained earnings	(35)	3 281 374	2 578 495
Total Shareholders' equity		**5 483 323**	**4 684 670**
Total liabilities and Shareholders' equity		**47 517 661**	**44 419 717**

The accompanying notes from page (6) to page (88) are an integral part of these financial statements and are to be read therewith.

Auditors' Report "attached"

and Managing Director
Dante Campioni

Chief Financial Officer
Mohamed Raef

Bank of Alexandria

(Egyptian Joint Stock Company)

Income statement

for the year ended 31 December 2015

	Note No.	For the year ended 31/12/2015 EGP 000	31/12/2014 EGP 000
Interest and similar income	(6)	4 478 103	4 014 036
Interest and similar expense	(6)	(1 689 864)	(1 737 897)
Net interest income		2 788 239	2 276 139
Fee and commission income	(7)	559 542	434 670
Fee and commission expense	(7)	(32 782)	(21 639)
Net fee and commission income		526 760	413 031
Net income		3 314 999	2 689 170
Dividend income	(8)	8 056	31 503
Net income from financial assets classified at fair value through profit and loss	(9)	925	745
Net trading income	(10)	65 706	36 358
Gain on financial investments	(21)	39 862	34 553
Impairment loss on loans and advances	(13,19)	(111 325)	(253 817)
Administrative expenses	(11)	(1 424 567)	(1 357 228)
Other operating expenses	(12)	(79 340)	(107 522)
Net profit before income tax		1 814 316	1 073 762
Income tax expense	(14)	(423 896)	(349 996)
Net profit for the year		1 390 420	723 766
Earnings per share (EGP/share) - Basic	(15)	3.14	1.63

The accompanying notes from page (6) to page (88) are an integral part of these financial statements and are to be read therewith.

CEO and Managing Director
Dante Campioni

Chief Financial Officer
Mohamed Raef

Bank of Alexandria

(Egyptian Joint Stock Company)

Statement of changes in shareholders' equity

for the year ended 31 December 2015

	Note No.	Share capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2013		800 000	1 256 473	2 483 706	4 540 179
Transferred to Legal Reserve	(35)	-	32 926	(32 926)	-
Transferred to Other Reserves	(35)	-	2 604	(2 604)	-
Profit appropriation for the year 2013		-	-	(593 443)	(593 443)
Bank's share in the Fair Value Reserve of Investments in Associates after acquisition date		-	12 192	-	12 192
Net change in fair value of the Available-for-Sale Investments	(35)	-	1 976	-	1 976
Net profit for the year ended 31 December 2014		-	-	723 766	723 766
Net change in General Banking Risks Reserve	(35)	-	4	(4)	-
Balance as at 31 December 2014		**800 000**	**1 306 175**	**2 578 495**	**4 684 670**
Balance as at 31 December 2014		800 000	1 306 175	2 578 495	4 684 670
Transferred to Legal Reserve	(35)	-	36 165	(36 165)	-
Transferred to Other Reserves	(35)	-	471	(471)	-
Profit appropriation for the year 2014		-	-	(649 936)	(649 936)
Bank's share in the Fair Value Reserve of Investments in Associates after acquisition date		-	(40 979)	(1 094)	(42 073)
Net change in fair value of the Available-for-Sale Investments	(35)	-	100 242	-	100 242
Net profit for the year ended 31 December 2015		-	-	1 390 420	1 390 420
Net change in General Banking Risks Reserve	(35)	-	(125)	125	-
Balance as at 31 December 2015		**800 000**	**1 401 949**	**3 281 374**	**5 483 323**

The accompanying notes from page (6) to page (88) are an integral part of these financial statements and are to be read therewith.

and Managing Director

Dante Campioni

Chief Financial Officer

Mohamed Raef

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of cash flows
for the year ended 31 December 2015

	For the year ended 31/12/2015 EGP 000	31/12/2014 EGP 000
Cash flows from operating activities		
Net profit before tax	1 814 316	1 073 762
Adjustments to reconcile net profit to cash flows from operating activities		
Depreciation and amortization	75 847	66 815
Impairment loss on loans and advances	111 325	253 817
Other provisions formed	34 823	46 855
Impairment loss on assets	-	5 283
Net income from financial assets classified at fair value through profit and loss	(925)	(745)
Provisions used (other than loans provision)	(14 051)	(54 433)
Foreign currencies revaluation differences of other provisions	4 309	(823)
Foreign currencies revaluation differences of other loans	5 900	-
Revaluation differences of financial investments (other than financial assets held -for- trading)	-	(299)
Interest income from treasury bills and bonds - impact of the recalculation of bonds by the amortized cost	(303)	(17)
Losses (Gains) from sale of fixed assets	54	(471)
Dividend income	(8 056)	(31 503)
Gains from financial investments (other than financial assets held -for- trading)	(39 862)	(34 553)
Gains of financial investments transferred from reserve of fair value account	(5 876)	(17 916)
Operating profits before changes in assets and liabilities used in operating activities	1 977 501	1 305 772
Net decrease (increase) in assets and (decrease) increase in liabilities		
Balances with Central Bank within the mandatory reserve percentage	(554 541)	(625 295)
Due from banks	107 670	105 628
Treasury bills and other governmental notes	2 026 582	(7 695 134)
Loans and advances to banks	-	500 000
Loans and advances to customers	(3 913 280)	(1 637 644)
Financial assets classified at fair value through profit and loss	927	-
Other assets	(73 291)	98 634
Due to banks	1 298 419	(35 901)
Customers' deposits	973 316	2 667 811
Other liabilities	(5 478)	294 341
Retirement benefits obligations	70 415	61 351
Paid taxes	(313 361)	(274 918)
Net cash flows provided from (used in) operating activities	1 594 879	(5 235 355)
Cash flows from investing activities		
Payments to purchase fixed assets and preparation of branches	(41 930)	(61 746)
Proceeds from sale of fixed assets	437	1 891
Proceeds from sale of financial investments other than financial assets held -for- trading	1 383 202	2 248 847
Payments to purchase financial investments other than financial assets held -for- trading	(2 943 262)	(1 748 022)
Payments to purchase intangible assets	(24 899)	(35 668)
Dividends Received	13 546	34 935
Net cash flows (used in) provided from investing activities	(1 612 906)	440 237
Cash flows from financing activities		
Proceeds from other loans	-	71 410
Payments of other loans	(14 604)	3 955
Dividends paid	(799 174)	(444 205)
Net cash flows used in financing activities	(813 778)	(368 840)
Net change in cash and cash equivalents during the year	(831 805)	(5 163 958)
Cash and cash equivalents at the beginning of the year	9 350 807	14 514 765
Cash and cash equivalents at the end of the period	8 519 002	9 350 807
Cash and cash equivalents are represented in the following (note no. 37):		
Cash and due from Central Bank	3 760 379	3 267 991
Due from banks	5 628 731	8 223 797
Treasury bills and other governmental notes	9 436 184	9 745 022
Balances with Central Bank within the mandatory reserve percentage	(2 904 633)	(2 350 092)
Deposits with banks with maturity more than three months *	-	(107 670)
Treasury bills and other governmental notes (with maturity more than 3 months)	(7 401 659)	(9 428 241)
Cash and cash equivalents	8 519 002	9 350 807

For the purpose of preparing the statement of cash flows the following non - cash transactions were eliminated:

EGP 000	10 128	from both payments to purchase intangible assets and the change in debit balances, which represent the amounts, transferred from assets under construction.
EGP 000	51 185	from both loans and advances to customers and the change in debit balances, which represent the amounts of assets reverted to the bank.
EGP 000	149 238	from both the retained earnings and the change in credit balances - dividend payable , distributions of profit for the year 2014.
EGP 000	95 345	from both changes in fair value reserve and financial investments available for sale (investments valuation differences).
EGP 000	7 500	from both changes in financial investments available for sale and Investments in associates (Reclassification of Misr Alexandria Financial Investment Fund Company).

* From the date of acquisition.

The accompanying notes from page (6) to page (88) are an integral part of these financial statements and are to be read therewith.

CEO and Managing Director
Dante Campioni

f Financial Officer
Aohamed Raef

Bank of Alexandria

(Egyptian Joint Stock Company)

Profit Appropriation Statement (Proposal)

for the year ended 31 December 2015

	For the year ended	
	31/12/2015	**31/12/2014**
	EGP 000	**EGP 000**
Net profit for the year	1 390 420	723 766
Less:		
Capital gains transferred to reserve according to the law	-	(471)
Banking risk reserve	125	(4)
Net profit for the year available for distribution	1 390 545	723 291
Retained earnings at the beginning of the year *	1 890 828	1 854 732
Total	**3 281 373**	**2 578 023**
Appropriation :-		
Legal reserve **	19 856	36 165
Shareholders' dividends	556 168	579 013
Employees' profit share	137 069	68 713
Board of directors members remuneration	2 340	2 210
Retained earnings carried forward	2 565 940	1 891 922
	3 281 373	**2 578 023**

* An amount of EGP 1 094 thousand was added as a result of the reclassification of Misr Alexandria Fund Company from the portfolio of associate companies to available for sale investments (Note 35)

** starting from 2015, as prescribed by the article of association, the bank will no longer deduct from issued and paid - in - capital as it exceeded the 50% range .

The accompanying notes from page (6) to page (88) are an integral part of these financial statements and are to be read therewith.

CEO and Managing Director
Dante Campioni

Chief Financial Officer
Mohamed Raef

Bank of Alexandria

(Egyptian joint stock Company)

Notes to the financial statements

for the year ended 31 December 2015

1- General information

Bank of Alexandria renders retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 210 branches and banking units, and employs 5 035 staff members as of 31 December 2015.

- Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank. On 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued and paid-in capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of SanPaolo I.M.I has been amended to Intesa Sanpaolo S.P.A.
- Bank of Alexandria currently performs its activities under the provisions of the Central Bank, Banking Sector, and Monetary law No. 88/2003.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa Sanpaolo S.P.A capital share decreased to 70.25%.
- The Bank's Board of Directors' have approved the financial statements hereunder for issuance on 1 February 2016.

2- Summary of accounting policies

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

A- Basis of preparation of financial statements

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

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

B- Associates

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

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

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

C- Segment reporting

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

D- Foreign currencies translation

D-1 Functional and presentation currency:

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

D-2 Transactions and balances in foreign currencies

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

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

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

E- Financial assets

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

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

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

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

E-2 Loans and receivables

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

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

E-3 Held -to- maturity financial investments

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

E-4 Available -for- sale investments

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

The following is applied to financial assets:

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

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

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

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

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

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

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

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

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

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

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

F- Offsetting of financial instruments

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

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

G- Financial Derivatives

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

H- Interest income and expense

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

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

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

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

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

I- Fee and commission income

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

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

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

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

J- Dividend income

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

K- Purchase and resale agreements and sale and repurchase agreements

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

L- Impairment of financial assets

L-1 Financial assets recorded at amortized cost

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

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

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

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product.
The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

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

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

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

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

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

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

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

L-2 Financial investments available-for-sale

On each reporting date, the bank estimates whether there is objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale or financial investment held to maturity.

In the case of the existence of investments in equity instruments classified as available-for-sale investments, the significant or prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset or not.

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

M- Investments Property

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

N- Intangible assets

N-1 Computer software

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

Expenditure which leads to the increase or expansion in the performance of computer software beyond their original specifications shall be recognized as a development cost and shall be added to the cost of original software.

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

N-2 Other intangible assets

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

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

O- Fixed assets

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

Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to allocate the cost over the useful life of the asset in a way that the remaining carrying value would equal to its residual value as follows:

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

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

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

P- Impairment of non-financial assets

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

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

Q- Finance Lease

Finance lease is accounted for pursuant to law no. 95 for the year 1995 on leasing; if the lease contract gives the lessee the right to purchase the asset on a fixed date for a fixed amount and the contract's period represents more than 75% of the asset's expected useful life at least or the present value of total rental payments represents is not less than 90% of the asset value. Other leasing contracts shall be considered operational leasing ones.

Q-1 Lease

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

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

R- Cash and cash equivalents

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

S- Other provisions

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

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

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

T- Employees' benefits

T-1 Retirement benefits obligations

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

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

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

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

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

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

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

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

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

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age, and completes a minimum period of service. The expected costs of these benefits are matured (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the item 2- T/1.

U- Income tax

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

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

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

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

V- Borrowing

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

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

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

W- Share capital

W-1 Cost of capital

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

W-2 Dividends

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

X- Custody activities

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

Y- Comparative figures

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

3- Financial risk management

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

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.
Risk management is carried out by Risk Management Division in the light of the policies approved by the Board of Directors. Risk division identifies, assesses, and hedges against the financial risk in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole, in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risk, and the use of derivatives and non-derivatives financial instruments. In addition, Risk division is responsible for the periodic review of risk management and control environment independently.

A- Credit risk

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

A-1 Measurement of credit risk

- **Loans and facilities to banks and customers**

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

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

    The daily activities of the bank's business involve the measurement of credit risk which reflects the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may contradict with the impairment charge according to the Egyptian Accounting Standard no. (26), which depends on losses realized at the reporting date (realized losses model) and not on expected losses (Note A/3).

- The bank estimates the probability of default at the level of every customer by applying internal rating methods to rate the creditworthiness of the different categories of customers in details. These methods have been developed for internal rating and the statistical analysis are taken into account together with the personal reasoning of credit officials to reach the adequate rating. The bank's customers have been divided into four categories of creditworthiness rating. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects how probable default of each category is, which mainly means that credit positions move among mentioned categories pursuant to the change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever required. Further, the bank periodically assesses the performance of the creditworthiness rating methods and how they are able to predict default cases.

The bank's internal classification categories:

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

- The position exposed to default depends on the amounts the bank expects to be outstanding amounts when the default takes place; for example, as for a loan, the position is the nominal value while for commitments, the bank enlists all already withdrawn amounts in addition to these amounts expected to be withdrawn until the date of default, if it happens.
- Loss given default or loss severity each represents the bank's expectations of the loss to the extent when claiming repayment of debt if the default occurs. Expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's seniority and availability guarantees or other credit mitigation.

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

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

A-2 Risk Mitigation Policies

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

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

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

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

Following are some methods to mitigate risk:

- **Collaterals**

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

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

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

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

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

- **Derivatives**

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

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

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

- **Master Netting Arrangements**

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

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

- **Credit related commitments**

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

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

A-3 Impairment policies and provisions

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

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

Bank's Assessment	31/12/2015		31/12/2014	
	Loans and advances %	Impairment loss provision %	Loans and advances %	Impairment loss provision %
1-Performing loans	23.73	4.80	20.43	2.98
2-Regular watching	68.35	30.20	69.56	25.12
3-Watch list	2.69	15.73	3.32	11.57
4-Non performing loans	5.23	49.27	6.69	60.33
	100	100	100	100

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

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

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

A-4 The General Model for Measurement of Banking Risk

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

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

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

A/5 The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the Balance Sheet:

	31/12/2015 EGP 000	31/12/2014 EGP 000
Treasury bills and other governmental notes	9 436 184	9 745 022
Loans and advances to customers		
Loans to individuals (Retail):-		
Overdraft accounts	532 122	596 353
Credit cards	63 442	51 910
Personal loans	13 295 625	11 643 294
Mortgage	22 176	26 551
Corporate loans :-		
Overdraft accounts	3 990 724	3 464 258
Direct loans	6 132 330	5 507 826
Syndicated loans	2 992 149	2 058 126
Other loans	544	288
Financial investments :		
Debt instruments	2 500 163	835 936
Other assets	118 704	129 364
Total	**39 084 163**	**34 058 928**

Credit risk exposures of off-balance sheet items:

Financial guarantees	2 233 466	1 531 373
Non-revocable credit-related commitments for loans and other liabilities	5 314 894	4 051 299
Letters of credit	335 908	446 582
Letters of guarantee (incentive)	1 578 452	1 247 175
Total	**9 462 720**	**7 276 429**

- The previous table represents the maximum limit of exposure as at 31 December 2015 and as at 31 December 2014, 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 69.2 % of the maximum limit exposed to credit risk arises from loans and advances to banks and customers versus 68.6 % as at 31/12/2014 whereas investments in the debt instruments represent 6.4% versus 2.5% as at 31/12/2014.

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

- 7.0 % of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/ average risks) versus 5.4 % as at 31/12/2014 .
- 77.1 % of the loans and advances' portfolio is free from any delays or impairment indicators versus 77.9 % as at 31/12/2014 .
- The mortgages covered by collaterals, represent an important group in the portfolio.
- The loans and advances that have been assessed on an individual basis reach EGP 1 392 408 thousand as at 31/12/2015 versus EGP 1 533 851 thousand as at 31/12/2014. Formed from it an 80.1% as a provision versus 83.9 % as at 31/12/2014.
- The bank applied more conservative selecting process when extending loans and advances during the year.
- More than 99.6 % as at 31/12/2015 versus 99.2 % as at 31/12/2014 , 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:

	31/12/2015 EGP 000 Loans and advances to customers	31/12/2014 EGP 000 Loans and advances to customers
With no past dues or impairment	20 842 863	18 178 849
With past dues but not subject to impairment	4 793 841	3 635 906
Subject to impairment	1 392 408	1 533 851
Total	**27 029 112**	**23 348 606**
Less: Impairment loss provision	(2 235 464)	(2 306 083)
Net	**24 793 648**	**21 042 523**

- The total impairment loss on loans and advances; reached EGP 2 235 464 thousand as of 31 December 2015 versus EGP 2 306 083 thousand as of 31 December 2014, including EGP 1 115 919 thousand as of 31 December 2015 versus EGP 1 287 580 thousand as of 31 December 2014, of which represents the impairment of individual loans and the remaining amounting to EGP 1 119 545 thousand versus EGP 1 018 503 thousand representing the impairment losses on a group basis of the credit portfolio. Note no. 19 include further information on the impairment losses provision of loans and advances to banks and customers.

Loans and advances with no past dues or impairment:

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

EGP 000

31/12/2015

Assessment	Retail				Corporate				Net loans and advances to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
1- Performing	--	--	--	--	1 942 386	2 313 299	557 288	282	4 813 255
2- Regular Watching	480 678	42 640	10 179 005	5 631	1 234 545	1 818 413	1 017 778	170	14 778 860
3- Watch List	--	--	--	--	6 181	201 071	125 677	14	332 943
Total	480 678	42 640	10 179 005	5 631	3 183 112	4 332 783	1 700 743	466	19 925 058

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

EGP 000

31/12/2014

Assessment	Retail				Corporate				Net loans and advances to customers
	Overdraft accounts	Credit Cards	Personal Loans	Mortgage	Overdraft accounts	Direct Loans	Syndicated Loans	Other Loans	
1- Performing	--	--	--	--	1 562 793	1 896 315	646 648	36	4 105 792
2- Regular Watching	595 544	36 512	10 670 943	18 780	807 532	1 132 714	307 933	119	13 570 077
3- Watch List	--	--	--	--	7 456	4 295	--	--	11 751
Total	**595 544**	**36 512**	**10 670 943**	**18 780**	**2 377 781**	**3 033 324**	**954 581**	**155**	**17 687 620**

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

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

EGP 000

31/12/2015

	Retail				Corporate				Net loans and advances to customers
	Overdraft accounts	Credit Cards	Personal Loans	Mortgage	Overdraft accounts	Direct Loans	Syndicated Loans	Other Loans	
Past dues up to 30 days	2 898	12 246	2 124 684	4 160	34 701	146 385	463 751	33	2 788 858
Past dues more than 30 days to 60 days	38 570	--	87 036	966	56 740	1 160 659	301 133	15	1 645 119
Past dues more than 60 days to 90 days	9 541	--	35 064	4 972	29 170	79 368	--	9	158 124
Total	**51 009**	**12 246**	**2 246 784**	**10 098**	**120 611**	**1 386 412**	**764 884**	**57**	**4 592 101**
The fair value of collaterals	**51 009**	--	**327 075**	--	**366**	**231 636**	30 709	**4**	**640 799**

EGP 000

31/12/2014

	Retail				Corporate				
	Overdraft accounts	Credit Cards	Personal Loans	Mortgage	Overdraft accounts	Direct Loans	Syndicated Loans	Other Loans	Net loans and advances to customers
Past dues up to 30 days	--	8 134	58 069	--	59 299	1 581 084	347 062	39	2 053 687
Past dues more than 30 days to 60 days	--	--	29 351	--	100 843	468 943	--	57	599 194
Past dues more than 60 days to 90 days	--	--	21 556	--	63 289	132 338	238 552	16	455 751
Total	**--**	**8 134**	**108 976**	**--**	**223 431**	**2 182 365**	**585 614**	**112**	**3 108 632**
The fair value of collaterals	--	--	--	--	**38 443**	**85 189**	--	--	**123 632**

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

Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 1 392 408 thousand as at 31/12/2015 versus EGP 1 533 851 thousand as at 31/12/2014.

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

EGP 000

31/12/2015

	Retail				Corporate		
	Overdraft accounts	Credit Cards	Personal Loans	Mortgage	Overdraft accounts	Syndicated Loans	Total loans and advances to customers
Balance	376	6 860	527 131	5 960	580 849	271 232	**1 392 408**
Provision	(353)	(1 422)	(323 718)	(4 744)	(514 901)	(270 781)	**(1 115 919)**
Net	**23**	**5 438**	**203 413**	**1 216**	**65 948**	**451**	**276 489**
The fair value of collaterals	--	--	--	--	38 390	--	38 390

EGP 000

31/12/2014

	Retail				Corporate		
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Syndicated Loans	Total loans and advances to customers
Balance	410	5 883	438 035	7 190	764 530	317 803	**1 533 851**
Provision	(410)	(1 344)	(291 642)	(5 429)	(683 897)	(304 858)	**(1 287 580)**
Net	**--**	**4 539**	**146 393**	**1 761**	**80 633**	**12 945**	**246 271**
The fair value of collaterals	--	--	68	--	32 996	--	33 064

Restructured Loans & Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs, amending and postponing repayment. The policies of restructuring application depend on indicators or standards which refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 610 390 thousand as at 31/12/2015 versus EGP 742 355 thousand as at 31/12/2014.

	31/12/2015 EGP 000	31/12/2014 EGP 000
Retail		
- Overdraft account	33 904	31 970
- Direct loans	576 486	710 385
	610 390	**742 355**

A/7 Debt 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 period based on the assessment of Standard & Poor's rating or its equivalent:

EGP 000

	Treasury bills and other governmental notes	Investments in Securities	Total
AAA	--	12 099	12 099
Less than - A	9 436 184	2 422 453	11 858 637
Unclassified	--	65 611	65 611
Total	**9 436 184**	**2 500 163**	**11 936 347**

A/8 Acquisition of collaterals

During the present financial year, the bank has obtained assets by acquiring some collaterals as follows:-

	EGP 000
Type of assets	**Book value**
Buildings	51 185
Total	**51 185**

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

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

Geographical segments

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment as at 31 December 2015.

EGP 000

	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	9 436 184	--	--	9 436 184
Loans and advances to customers :				
- Loans to individuals (Retail):				
Overdraft accounts	195 337	235 572	101 213	532 122
Credit cards	63 442	--	--	63 442
Personal loans	3 703 741	5 746 340	3 845 544	13 295 625
Mortgage	19 399	1 739	1 038	22 176
- Loans to corporate				
Overdraft accounts	2 388 117	1 240 471	362 136	3 990 724
Direct loans	5 318 290	714 276	99 764	6 132 330
Syndicated loans	2 923 578	68 571	--	2 992 149
Other loans	288	160	96	544
Financial Investments				
Debt instruments	2 500 163	--	--	2 500 163
Other assets	100 029	13 317	5 358	118 704
Total as at 31/12/2015	**26 648 568**	**8 020 446**	**4 415 149**	**39 084 163**
Total as at 31/12/2014	**23 262 355**	**6 865 786**	**3 930 787**	**34 058 928**

Business Segment

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

EGP 000

31/12/2015	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	--	--	--	--	9 436 184	--	--	**9 436 184**
Loans & advances to customers:								
Loans to individuals (Retail)								
Overdraft accounts	--	--	--	--	--	--	532 122	**532 122**
Credit cards	--	--	--	--	--	--	63 442	**63 442**
Personal loans	--	--	--	--	--	--	13 295 625	**13 295 625**
Mortgage	--	--	--	--	--	--	22 176	**22 176**
Loans to Corporate								
Overdraft accounts	14 195	1 424 409	266 574	1 270 218	154 526	860 802	--	**3 990 724**
Direct loans	70 983	3 121 222	603 789	475 792	993 554	866 990	--	**6 132 330**
Syndicated loans	--	1 417 445	67 736	45 111	708 218	753 639	--	**2 992 149**
Other loans	--	223	18	175	--	128	--	**544**
Financial Investments								
Debt instruments	40 319	--	--	--	2 447 745	12 099	--	**2 500 163**
Other assets	11 347	--	--	--	33 188	26 663	47 506	**118 704**
Total as at 31/12/2015	**136 844**	**5 963 299**	**938 117**	**1 791 296**	**13 773 415**	**2 520 321**	**13 960 871**	**39 084 163**
Total as at 31/12/2014	**85 655**	**4 597 809**	**974 564**	**1 398 474**	**11 622 141**	**3 017 894**	**12 362 391**	**34 058 928**

B- Market Risk

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

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

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

B-1 Methods of Measuring Market Risk

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

- **Value at Risk**

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

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

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk; are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial period ended 31 December 2015 amounted to EGP 11 671 thousand, versus EGP 9 218 thousand during the comparative period.

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

Stress Testing

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

B/2 Summary of value at risk

Total value at risk according to the risk type

	EGP 000			EGP 000		
	31/12/2015			31/12/2014		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	11 671	18 360	7 761	9 218	15 464	4 990
Total value at risk	**11 671**	**18 360**	**7 761**	**9 218**	**15 464**	**4 990**

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

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

	EGP 000			EGP 000		
	31/12/2015			31/12/2014		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	--	--	--	--	--	--
Total value at risk	--	--	--	--	--	--

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

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

	EGP 000			EGP 000		
	31/12/2015			31/12/2014		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	11 671	18 360	7 761	9 218	15 464	4 990
Total value at risk	**11 671**	**18 360**	**7 761**	**9 218**	**15 464**	**4 990**

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

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

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

B/3 The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors have set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at 31 December 2015. The following table includes the book value of financial instruments distributed into its component currencies:

The concentration of currency risk of financial instruments

EGP 000

	EGP	USD	Euro	GBP	Other Currencies	Total
As at 31/12/2015						
Financial assets:						
Cash and balances with Central Bank of Egypt	3 687 597	53 479	9 128	1 761	8 414	**3 760 379**
Due from banks	3 661 156	1 383 096	432 573	91 421	60 485	**5 628 731**
Treasury bills and other governmental notes	9 436 184	--	--	--	--	**9 436 184**
Loans and advances to customers	20 926 384	3 753 525	67 344	--	46 395	**24 793 648**
Financial assets classified at fair value through profit and loss	--	--	3 645	--	--	**3 645**
Financial Investments:						
- Available -for- sale	2 738 724	192 536	336	--	--	**2 931 596**
- Held-to-maturity	40 319	--	--	--	--	**40 319**
Total financial assets	**40 490 364**	**5 382 636**	**513 026**	**93 182**	**115 294**	**46 594 502**
Financial liabilities :						
Due to banks	1 345 230	150 836	12 981	800	38 984	**1 548 831**
Customers' deposits	32 109 674	4 808 191	483 570	85 198	78 867	**37 565 500**
Other loans	57 420	68 643	--	--	--	**126 063**
Total financial liabilities	**33 512 324**	**5 027 670**	**496 551**	**85 998**	**117 851**	**39 240 394**
Net of financial position	**6 978 040**	**354 966**	**16 475**	**7 184**	**(2 557)**	**7 354 108**
Credit related commitments	**1 836 820**	**757 073**	**1 449 892**	**96 545**	**7 496**	**4 147 826**
As at 31/12/2014						
Total financial assets	37 889 051	4 894 333	494 805	123 167	153 681	**43 555 037**
Total financial liabilities	31 591 896	4 649 274	463 153	121 644	151 396	**36 977 363**
Net of financial position	**6 297 155**	**245 059**	**31 652**	**1 523**	**2 285**	**6 577 674**
Credit related commitments	1 388 254	801 258	968 189	3 570	63 859	**3 225 130**

B/4 Interest rate risk

The bank is exposed to the impact of the fluctuations in the levels of interest rates prevailing in the market, include the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of the mentioned instrument. Whereas the interest rates 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 set limits for the level of difference in the re-pricing of interest rate that the bank can maintain and treasury department in the bank daily monitors this.

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

EGP 000

As at 31/12/2015	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets:							
Cash and balance with Central Bank of Egypt	--	--	--	--	--	3 760 379	**3 760 379**
Due from banks	5 546 464	17 451	37 035	--	--	27 781	**5 628 731**
Treasury bills and other governmental notes	2 179 214	2 602 559	4 654 411	--	--	--	**9 436 184**
Loans and advances to customers	9 664 540	2 506 832	3 039 677	7 380 870	2 114 310	87 419	**24 793 648**
Financial assets classified at fair value through profit and loss	3 645	--	--	--	--	--	**3 645**
Financial Investments:							
- Available for sale	572 974	12 099	980 884	1 220 147	145 492	--	**2 931 596**
- Held-to-maturity	--	--	--	40 319	--	--	**40 319**
Other financial assets	--	--	--	--	--	123 643	**123 643**
Total financial assets	**17 966 837**	**5 138 941**	**8 712 007**	**8 641 336**	**2 259 802**	**3 999 222**	**46 718 145**

As at 31/12/2015	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial liabilities							
Due to banks	1 374 870	--	496	--	--	173 465	**1 548 831**
Customers' deposits	17 816 054	2 204 928	3 517 295	6 795 000	12 176	7 220 047	**37 565 500**
Other loans	--	--	56 078	69 985	--	--	**126 063**
Other financial liabilities	--	--	--	--	--	116 675	**116 675**
Total financial liabilities	**19 190 924**	**2 204 928**	**3 573 869**	**6 864 985**	**12 176**	**7 510 187**	**39 357 069**
The interest gap re-pricing	**(1 224 087)**	**2 934 013**	**5 138 138**	**1 776 351**	**2 247 626**	**(3 510 965)**	**7 361 076**
As at 31/12/2014							
Total financial assets	20 332 584	2 766 344	11 266 762	4 593 595	1 123 664	3 610 522	**43 693 471**
Total financial liabilities	17 829 656	3 345 176	3 414 665	6 592 581	13 339	5 933 353	**37 128 770**
Interest gap re-pricing	**2 502 928**	**(578 832)**	**7 852 097**	**(1 998 986)**	**1 110 325**	**(2 322 831)**	**6 564 701**

C- Liquidity risk

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

- Liquidity risk management

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

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

  Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively.

The starting point for these projections represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

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

- **Financing approach**

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

- **Non derivative cash flows**

  The following table represents the cash flows payable by the method of non-derivative financial liabilities distributed based on remaining period from the contractual maturities on the balance sheet's date. The amounts presented in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk based on "expected" instead of contractual undiscounted cash flows,

EGP 000

31/12/2015	Up to 1 month	1-3 months	More than 3 months – 1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	1 548 337	--	499	--	--	**1 548 836**
Customers' deposits	25 083 421	1 925 072	4 198 391	8 278 983	40 870	**39 526 737**
Other loans	66 979	--	9 566	55 001	--	**131 546**
Other financial liabilities	116 063	--	--	--	--	**116 063**
Total financial liabilities according to contractual maturity date	**26 814 800**	**1 925 072**	**4 208 456**	**8 333 984**	**40 870**	**41 323 182**
Total financial assets according to contractual maturity date	**17 176 298**	**4 803 706**	**12 899 136**	**17 258 429**	**3 190 339**	**55 327 908**

EGP 000

31/12/2014	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	251 001	--	459	--	--	**251 460**
Customers' deposits	23 235 541	2 800 571	4 135 904	8 322 605	38 580	**38 533 201**
Other loans	--	--	--	134 868	--	**134 868**
Other financial liabilities	151 907	--	--	--	--	**151 907**
Total financial liabilities according to contractual maturity date	**23 638 449**	**2 800 571**	**4 136 363**	**8 457 473**	**38 580**	**39 071 436**
Total financial assets according to contractual maturity date	**18 177 813**	**2 636 376**	**15 154 847**	**14 009 184**	**3 012 724**	**52 990 944**

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

- **Off-balance sheet items:-**

The following is according to Note no. (38)

EGP 000

31/12/2015	Less than 1 year	1-5 years	Total
Commitments of loans and facilities for customers	5 314 894	--	5 314 894
Financial guarantees, accepted bills and other financial facilities	4 147 826	--	4 147 826
Commitments on operational leasing contracts	103	--	103
Capital commitments due to fixed assets' acquisition	4 383	--	4 383
Capital commitments due to holding shares	--	47 114	47 114
Total	**9 467 206**	**47 114**	**9 514 320**

EGP 000

31/12/2014	Less than 1 year	1-5 years	Total
Commitments of loans and facilities for customers	4 051 299	--	4 051 299
Financial guarantees, accepted bills and other financial facilities	3 225 130	--	3 225 130
Commitments on operational leasing contracts	1 791	103	1 894
Capital commitments due to fixed assets' acquisition	8 993	--	8 993
Capital commitments due to holding shares	--	43 518	43 518
Total	**7 287 213**	**43 621**	**7 330 834**

D- The fair value of financial assets and liabilities

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

The change in estimated fair value by applying valuation methods has reached EGP 4 318 thousand in the financial year ended 31 December 2015 versus EGP 10 459 thousand in the financial year ended 31 December 2014 with a decrease of EGP 6 141 thousand during the year.

Financial instruments not measured at fair value

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

EGP 000

	31/12/2015		31/12/2014	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial Assets:				
Due from banks	5 628 731	5 628 731	8 223 797	8 223 797
Loans and advances to customers				
Current balances	11 971 968	11 971 968	10 204 959	10 204 959
Financial investments:				
Held-to-maturity	40 319	52 121	49 320	61 390
Financial liabilities:				
Due to banks	1 548 831	1 548 831	250 412	250 412
Customers' deposits				
Current balances	12 178 978	12 178 978	12 438 933	12 438 933
Other loans	126 063	126 063	134 767	134 767

- **Due from banks**

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

- **Loans and advances to banks**

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

- **Loans and advances to customers**

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

- **Investments in financial securities**

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

- **Due to banks**

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

- **Customers' deposits**

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

E- /1 Capital Management

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

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

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

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

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

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

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

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

Tier One:

A. Ongoing capital :

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

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

The following elements are not considered :-

- Fair value reserve of AFS financial investments (If negative).
- Foreign currency translation differences reserve (If negative).

  Where the above items are deducted from Basic capital if the balance is negative while it's not considered if it is positive.

B. Additional ongoing capital:

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

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

Tier Two:

Consist of the following:-

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

Exclusions of 50% of Tire I and 50% Tire II:

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

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

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

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional capital ratios and capital adequacy according to Basel II requirements at the end of 31/12/2015 , 31/12/2014:-

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Capital		
Tier one (Ongoing basic capital)		
Share capital	800 000	800 000
General reserve	29 312	29 312
Legal reserve	380 144	343 979
Other reserves	679 508	681 883
Retained profits	1 864 080	1 826 429
Total ongoing basic capital	**3 753 044**	**3 681 603**
Tier two (Supplementary basic capital)		
Equivalent to general risks provisions	333 896	287 928
45% of the Special reserve	9 450	9 450
45% of the increase in the fair value over book value of financial investment without held -for- trading investment	139 005	114 270
Total supplementary basic capital	**482 351**	**411 648**
Total capital	**4 235 395**	**4 093 251**
Risk weighted assets and contingent liabilities:		
Credit Risk	26 711 642	23 034 227
Market Risk	369 333	695 071
Operation Risk	3 841 388	3 407 312
Total risk weighted assets and contingent liabilities	**30 922 363**	**27 136 610**
Capital adequacy ratio (%)	**13.70 %**	**15.08 %**

E /2 Financial leverage ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

As a guidance ratio starting from end of September 2015 till December 2017.
As an obligatory ratio starting from the year 2018.

This ratio will be included in Basel requirement tier1 in order to maintain the effectiveness of the Egyptian Banking system, as well as keep up with the best international regulatory practices.

Financial leverage ratio reflect the relationship between tier I for capital that are used in capital adequacy ratio (after Exclusions) and the bank's assets (on and off-balance sheet items) that are not risk weighted assets.

Ratio Components

The numerator components

The numerator consists of tier I for capital that are used in capital adequacy ratio (after Exclusions) in accordance with the requirements of the Central Bank of Egypt (CBE)

The denominator components

The denominator consists of all bank's assets (on and off-balance sheet items) according to the financial statements, called "Bank exposures" including the following totals:

1- On balance sheet exposure items after deducting Tier I Exclusions for capital base.
2- Derivatives contracts exposure.
3- Financing Financial securities operations exposures.
4- off-balance sheet exposures "weighted exchange transactions".

The Financial leverage ratio as of 31/12/2015 is summarized in the following table:

	31/12/2015 EGP 000
First: Tier I capital after exclusions	**3 753 044**
Second: Total exposures on and off-balance sheet	
Cash and due from Central Bank of Egypt (Reserves and other balances)	3 760 379
Banks current accounts and deposits	5 628 731
Treasury bills	9 436 184
Financial assets classified at fair value through profit and loss	3 645
Financial investments available-for-sale	2 931 596
Financial investments held to maturity	40 319
Investments in associates	40 640
Loans and credit facilities to customers	27 038 148
Impairment on non performing facilities loans	(1 073 497)
Set-aside interest	(9 036)
Property and Equipment (net)	333 513
Other assets	549 006
Deducted amounts from exposures (some of Tier I Exclusions for capital base)	(24 257)
Total on-balance sheet exposures items after deducting some of Tier I Exclusions for capital base.	**48 655 371**
Total on-balance sheet exposures, derivatives contracts and financial securities operations (1).	**48 655 371**
Import L/Cs	28 663
Export L/Cs	18 163
L/Gs	789 226
L/Gs covered by foreign banks	1 115 931
Contingent liabilities of Credit facilities on collective and equivalent collaterals	1 605
Accepted papers	101 778
Total contingent liabilities	**2 055 366**
Capital commitments	51 497
Operating lease commitments	103
Commitments of loans and facilities for customers and Banks (Unused part)	1 062 979
Total commitments	**1 114 579**
Total exposures off-balance sheet (2)	**3 169 945**
Total exposures on and off-balance sheet (1+2)	**51 825 316**
Financial leverage ratio	**% 7.24**

4- The significant accounting estimates and assumptions

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

A) Impairment loss on loans and advances

The bank reviews the portfolio of loans and advances to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets. Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 39 284 thousand of the formed provisions.

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

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

If the full decline in the fair value below the cost is considered significant or prolonged decline, then the bank will suffer an additional loss of EGP 11 066 thousand , which represents the transfer of the negative balance of fair value reserve to the income statement.

C) Fair value of derivatives

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

D) Financial investments held to maturity

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

If the classification of investments held to maturity is suspended, then the book value will be adjusted by an increase of EGP 11 802 thousand to reach the fair value through recording a corresponding entry in the fair value reserve within shareholders' equity statement.

E) Income tax

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

5- Segment analysis

A - Business segment analysis

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

Large, medium and small enterprises (SMEs)

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

Investments

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

Retail

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

Other activities

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

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

EGP 000

31/12/2015	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental business activity						
Business activity income	1 261 677	373 266	63 926	4 613 670	(1 144 552)	5 167 987
Business activity expenses	(865 404)	(243 586)	(38 752)	(3 305 682)	1 562 556	(2 890 868)
Results of activity business	396 273	129 680	25 174	1 307 988	418 004	2 277 119
Unclassified expenses	--	--	--	--	(462 803)	(462 803)
Profit before income tax of the year	396 273	129 680	25 174	1 307 988	(44 799)	1 814 316
Income tax	--	--	--	--	(423 896)	(423 896)
Profit for the year	**396 273**	**129 680**	**25 174**	**1 307 988**	**(468 695)**	**1 390 420**

31/12/2015	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Assets and liabilities according to business activity as at 31/12/2015						
Business activity Assets	10 493 133	1 062 363	539 946	13 238 152	22 184 067	47 517 661
Business activity liabilities	2 863 954	2 774 393	14 253	31 739 440	10 125 621	47 517 661
Other items of business segment						
Depreciations	--	--	--	--	(75 847)	(75 847)
Impairment and other provisions on income statement	--	--	--	--	(146 148)	(146 148)

31/12/2014	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental business activity						
Business activity income	992 987	377 005	157 117	4 282 046	(1 257 655)	4 551 500
Business activity expenses	(951 230)	(133 314)	(56 982)	(3 280 756)	1 378 892	(3 043 390)
Results of activity business	41 757	243 691	100 135	1 001 290	121 237	1 508 110
Unclassified expenses	--	--	--	--	(434 348)	(434 348)
Profit before income tax of the year	41 757	243 691	100 135	1 001 290	(313 111)	1 073 762
Income tax	--	--	--	--	(349 996)	(349 996)
Profit for the year	**41 757**	**243 691**	**100 135**	**1 001 290**	**(663 107)**	**723 766**
Assets and liabilities according to segmental activity as at 31/12/2014						
Business activity assets	8 613 280	860 015	617 873	12 614 202	21 714 347	44 419 717
Business activity liabilities	3 238 988	2 392 507	57 207	30 952 716	7 778 299	44 419 717
Other items of business segment						
Depreciations	--	--	--	--	(66 815)	(66 815)
Impairment and other provisions on income statement	--	--	--	--	(300 672)	(300 672)

b- Geographical Segment Analysis

31/12/2015	Cairo	Alex. , Delta and Sinai	Upper Egypt	EGP 000 Total
Income and expenses according to geographical segment				
Geographical segment Income	3 350 203	1 166 396	651 388	5 167 987
Geographical segment expense	(1 869 281)	(988 030)	(496 360)	(3 353 671)
Profit before income tax of the year	1 480 922	178 366	155 028	1 814 316
Income tax	(423 896)	--	--	(423 896)
Profit for the year	**1 057 026**	**178 366**	**155 028**	**1 390 420**
Assets and liabilities according to geographical segment				
Geographical segment assets	35 437 288	7 731 293	4 349 080	**47 517 661**
Geographical segment liabilities	22 561 352	16 345 835	8 610 474	**47 517 661**
Other items of geographical segment				
Depreciations	(75 847)	--	--	(75 847)
Impairment and other provisions on income statement	(146 148)	--	--	(146 148)

31/12/2014	Cairo	Alex., Delta and Sinai	Upper Egypt	EGP 000 Total
Income and expenses according to geographical segment				
Geographical segment income	3 011 119	973 486	566 895	4 551 500
Geographical segment expenses	(1 992 528)	(992 612)	(492 598)	(3 477 738)
Profit before income tax of the year	1 018 591	(19 126)	74 297	1 073 762
Income tax	(349 996)	--	--	(349 996)
Profit of the year	**668 595**	**(19 126)**	**74 297**	**723 766**
Assets and liabilities according to geographical segment as at 31/12/2014				
Geographical segment assets	34 045 403	6 486 083	3 888 231	44 419 717
Geographical segment liabilities	20 795 581	15 327 247	8 296 889	44 419 717
Other items of geographical segment				
Depreciations	(66 815)	--	--	(66 815)
Impairment and other provisions on income statement	(300 672)	--	--	(300 672)

6- Net interest income

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Interest income on loans and similar income:		
Loans and advances:		
- Banks	--	7 529
- Customers	2 794 224	2 426 962
	2 794 224	2 434 491
Treasury bills and bonds	1 305 615	1 176 866
Current accounts and deposits	376 466	395 425
Investments in debt instruments	1 798	7 254
	4 478 103	4 014 036
Interest expense on deposits and similar charges:		
Current accounts and deposits:		
– Banks	(6 717)	(244)
– Customers	(1 678 381)	(1 733 746)
	(1 685 098)	(1 733 990)
Other loans	(4 766)	(3 907)
	(1 689 864)	**(1 737 897)**
Net	**2 788 239**	**2 276 139**

7- Net fee and commission income

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Fees & commission income:		
Fee and commission related to credit	299 780	195 476
Fee on the financing services (corporate)	450	199
Trust and custody fee	5 937	7 555
Other fees	253 375	231 440
	559 542	434 670
Fee and commission expenses		
Fees paid	--	(53)
Other fees	(32 782)	(21 586)
	(32 782)	**(21 639)**
Net	**526 760**	**413 031**

8- Dividend income

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Available-for-sale securities	8 056	31 153
Held-to-maturity securities	--	350
	8 056	**31 503**

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

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Net income from :-		
Equity instruments	925	745
	925	**745**

10 - Net trading income

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Foreign currency transactions:		
Profits of trading in foreign currencies	54 051	28 323
Profits evaluate currencies swaps	--	24
Profits of trading debt instruments	11 655	8 011
	65 706	36 358

11- Administrative expenses

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Employees cost		
- Wages and salaries	(815 582)	(794 591)
- Social insurance	(45 634)	(40 391)
Pension cost		
- Defined-benefit plans (Note no.33)	(100 547)	(87 897)
	(961 763)	**(922 879)**
Other administrative expenses	(462 804)	(434 349)
	(1 424 567)	**(1 357 228)**

12- Other operating expenses

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Revaluation losses of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss	(32 151)	(10 769)
Gains on disposal of assets reverted to the bank in settlement of debts	1 555	(1 061)
Gains on sale of property and equipment	(54)	471
Rents	(28 160)	(23 172)
Operating and finance lease	--	(2 107)
The cost of restructuring	--	(24 253)
Reversal of other provisions (Note no. 31)	(34 823)	(46 855)
Impairment of the assets reverted to the Bank	--	(5 283)
Others	14 293	5 507
	(79 340)	**(107 522)**

13- Impairment loss on loans and advances

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Loans and advances to customers (Note no. 19)	(110 972)	(253 877)
Financial investments held to maturity (Note no. 21)	(353)	60
	(111 325)	**(253 817)**

14- Income tax expenses

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Current taxes	(426 885)	(342 512)
Deferred income taxes (Note no. 32)	2 989	(7 484)
	(423 896)	**(349 996)**

Additional information related to deferred income taxes (Note no. 32) has been disclosed, The difference between the taxes on bank's profits and the results from the application of the applicable tax rates are as follows : -

	For the year ended 31/12/2015 EGP 000		For the year ended 31/12/2014 EGP 000	
	Amount	**Aggregate**	**Amount**	**Aggregate**
Accounting profit before tax		1 814 316		1 073 762
Tax rate at 22.5% versus 25 % in year 2014	408 221		268 441	
Additional tax of 5% to more than EGP one million	--		53 638	
Total tax		408 221		322 079
Add (deduct): -				
Expenses are not deductible	20 469		37 629	
The impact of provisions	4 027		17 038	
Tax exemptions	(6 133)		(34 234)	
		18 363		20 433
Tax according to the tax return		426 584		342 512
The actual tax rate		23.5 %		31.9 %

- Tax Position

Bank Tax Policy

The Bank calculates and pays tax due in accordance with the applicable laws, rules and regulations, and makes provisions for all tax liabilities after conducting the required study in light of the actual and forecast tax claims.

Following is the Bank's tax position:

A- Corporate Tax:

The tax inspection was conducted till the financial year ended on 31/12/2013, and all tax disputes were settled.

- Concerning the financial year ended 31/12/2013,
- For the fiscal year ended on 31/12/2013, an appeal was submitted against the form, as it has not included the taxes paid on income from T.bills and bonds till May 17, 2013, and those which were computed till December 31, 2013.

- Concerning the financial year ended 31/12/2014, the tax return reflected, tax payable to the Major Taxpayers Center after deducting the tax on T.bills and bonds. The tax due was paid within the legal deadlines.
- For the fiscal year ended on 31/12/2015, the initial tax return reflects a positive tax base as the income statement for such period reflected the tax calculated on this base.
- On June 4, 2014, Law no. 44/2014 was issued imposing a 5% temporary additional annual tax for 3 years on amounts exceeding EGP 1 million from the tax base on the income of natural persons or the profits of Corporate Bodies in accordance with the income tax law. This law is effective from June 5, 2014.
- On June 30, 2014, Presidential Decree has been issued with Law no. 53 for the year 2014, this law has amended some articles of the Law on Income Tax promulgated by Law no. 91 of 2005, the most important of these amended rules are:
  - Tax shall be imposed on dividend payout.
  - Tax shall be imposed on capital gains resulting from the sale of shares and securities.
- On April 6, 2015, Ministerial Decree No. 172 for the year 2015 was issued, amending some of the provisions of the executive regulations of the income tax law issued by the Decree of the Minister of Finance No. 991/ 2005.
- On August 20, 2015, the Presidential Decree No. 96 of the year 2015 was issued amending some provisions of Income Tax Law No. 91 of the year 2005 and Decree No. 44 of the year 2014 on the imposition of a temporary surtax. This Decree shall be effective as of the day following its publishing date. Following are the most significant amendments stipulated in the Decree:
  1- Decreasing the income tax rate to be 22.5% of the annual net profit;
  2- Amending the term of the 5% temporary surtax;
  3- Amending the tax on dividends;
  4- Suspending the tax on capital gains from trading in listed securities for two years starting from 17/5/2015.

B- Stamp Tax Duty

* The status of Stamp Tax Duty for the period from the application of Law No. 143 of 2006.

As per the protocol signed between the Federation of Egyptian Banks (FEB) and the representatives of the Taxation Authority, Executive Directives No. 61/2015 dated 16/12/2015 were issued on the principles of stamp tax duty computing as to banks. Such Directives include the following directives that positively affect our Bank:

1- Regarding the balances of non-performing customers, Banks will be accountable for their share rather than the non-performing customers' share. In case the Bank makes a settlement with the indebted customers in any subsequent phase, banks shall pay the tax, due by such debtors as of the first quarter in which the non-performing debt arose or the application of Law 143/2006, along with each payment as per the settlement schedule.

2- Regarding the balances of the customers that are subject to the provisions of Article 20 of Law No. 8/1997 on Investment Guarantees and Incentives as amended, Banks will be accountable for their share, with the customers being exempted from their share, as it has been resolved that the random 25% of the balances of facilities and loans, which were subject to stamp tax duty, shall be revoked. Accordingly, the following was applied:

   - For the period from 1/8/2006 to31/3/2013, the Bank's tax was re-inspected in light of these directives, and the data required is being completed in coordination with the Large Taxpayer Center;
   - For the period from 1/4/2013 30/9/2015, the Bank has received a notification on the determination of the inspection date (Form #1 Inspection of Stamp Duty), and coordination is made with the Large Taxpayer Center in this respect.

C- Payroll Tax

The dispute with the Major Taxpayers Center was settled for the period till 2004. Presumptive tax claims were received for the period from 1/1/2005 till 31/12/2009 without an actual inspection having been conducted. These claims were referred to the internal committee that decided that the file be referred to the actual re-inspection.

15- Basic earnings per share *

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

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Net profit for the year	1 390 420	723 766
Board members' remuneration	(2 340)	(2 210)
Employees' profit share (in net profit of the year)	(137 069)	(68 713)
Shareholders' share in net profit of the year (1)	1 251 011	652 843
The weighted average of the ordinary issued shares (2) "shares in thousands"	400 000	400 000
Basic earnings per share (in EGP) (1:2)	3.14	1.63

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

16- Cash and due from Central Bank of Egypt

	31/12/2015 EGP 000	31/12/2014 EGP 000
Cash	855 746	917 899
Balances at central bank within the mandatory reserve ratio	2 904 633	2 350 092
	3 760 379	**3 267 991**
Non- interest bearing balances	3 760 379	3 267 991

17- Due from Banks

	31/12/2015 EGP 000	31/12/2014 EGP 000
Current accounts	332 026	130 659
Deposits	5 296 705	8 093 138
	5 628 731	**8 223 797**
Central banks other than the obligatory reserve ratio	4 235 669	6 481 003
Local banks	292 864	396 605
Foreign banks	1 100 198	1 346 189
	5 628 731	**8 223 797**
Balances without interest	27 781	69 035
Balances with fixed return	5 600 950	8 154 762
	5 628 731	**8 223 797**

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Current balances	5 077 992	7 689 339
Non-current balances	550 739	534 458
	5 628 731	**8 223 797**

18- Treasury bills and other governmental notes

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Treasury bills due 91 days	2 054 100	324 275
Treasury bills due 182 days	2 134 500	3 480 200
Treasury bills due 273 days	3 515 725	4 842 350
Treasury bills due 364 days	2 038 125	1 694 200
Unearned income	(306 266)	(596 003)
Total	**9 436 184**	**9 745 022**

19- Loans and advances to customers

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Retail		
– Overdraft accounts	532 122	596 353
– Credit cards	63 442	51 910
– Personal loans	13 295 625	11 643 294
– Mortgage loans	22 176	26 551
Total (1)	**13 913 365**	**12 318 108**
Corporate including small loans for economic activities		
– Overdraft accounts	3 990 724	3 464 258
– Direct loans	6 132 330	5 507 826
– Syndicated loans	2 992 149	2 058 126
– Other loans	544	288
Total (2)	**13 115 747**	**11 030 498**
Total loans and advances to customers (1+2)	**27 029 112**	**23 348 606**
Impairment loss provision	(2 235 464)	(2 306 083)
Net	**24 793 648**	**21 042 523**

	31/12/2015 EGP 000	31/12/2014 EGP 000
Distributed to:		
– Current balances	11 971 968	10 204 959
– Non-current balances	12 821 680	10 837 564
	24 793 648	**21 042 523**

Impairment loss provision

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

31/12/2015

	Retail				
	Overdraft accounts EGP 000	**Credit Cards EGP 000**	**Personal Loans EGP 000**	**Mortgage loans EGP 000**	**Total EGP 000**
Balance at the beginning of the year	809	2 725	716 982	6 010	**726 526**
Impairment loss during the year	(364)	220	(28 527)	(775)	**(29 446)**
Amounts written-off during the year	(38)	(569)	(23 839)	(4)	**(24 450)**
Amounts recovered during the year *	--	742	1 808	--	**2 550**
Differences in revaluation of foreign currencies	5	--	(1)	--	**4**
Balance at the year end	**412**	**3 118**	**666 423**	**5 231**	**675 184**

	Corporate				
	Overdraft accounts EGP 000	**Direct Loans EGP 000**	**Syndicated Loans EGP 000**	**Other Loans EGP 000**	**Total EGP 000**
Balance at the beginning of the year	782 413	292 137	504 986	21	**1 579 557**
Impairment loss during the year	(27 548)	114 661	53 304	--	**140 417**
Amounts written-off during the year	(159 143)	--	(59 315)	--	**(218 458)**
Amounts recovered during the year *	23 673	--	--	--	**23 673**
Differences in revaluation of foreign currencies	1 658	6 337	27 096	--	**35 091**
Balance at the year end	**621 053**	**413 135**	**526 071**	**21**	**1 560 280**
Total provision					**2 235 464**

* From amounts that have been previously written off.

31/12/2014			Retail		
	Overdraft accounts	Credit Cards	Personal Loans	Mortgage loans	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance at the beginning of the year	19 467	2 748	791 376	5 388	**818 979**
Impairment loss during the year	(18 383)	259	(55 753)	674	**(73 203)**
Amounts written-off during the year	(276)	(930)	(19 485)	(52)	**(20 743)**
Amounts recovered during the year *	--	648	844	--	**1 492**
Differences in revaluation of foreign currencies	1	--	--	--	**1**
Balance at the year end	**809**	**2 725**	**716 982**	**6 010**	**726 526**

			Corporate		
	Overdraft accounts	Direct Loans	Syndicated Loans	Other Loans	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance at the beginning of the year	1 055 526	213 289	312 968	258	**1 582 041**
Impairment loss during the year	63 382	78 808	186 499	(1 609)	**327 080**
Amounts written-off during the year	(345 234)	--	--	--	**(345 234)**
Amounts recovered during the year *	8 575	--	--	--	**8 575**
Differences in revaluation of Foreign currencies	164	40	5 519	1 372	**7 095**
Balance at the year end	**782 413**	**292 137**	**504 986**	**21**	**1 579 557**
Total Provision					**2 306 083**

* From amounts that have been previously written off.

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

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Equity instruments at fair value:		
- Listed in the market	3 645	3 707
Total Equity instrument at fair value	**3 645**	**3 707**
Total Financial assets classified at fair value through profit and loss	**3 645**	**3 707**

The value represents 140 127 shares of ISP equity securities owned by the bank with the dividends to be credited to the bank account. The amount due to Italian employees beneficiary of these shares under the Parent Company's Remuneration System for Top Management is recorded under credit balances.

21- Financial investments

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Available-for-sale financial investments		
Debt instruments at fair value:		
Listed on the market	2 434 560	761 332
Unlisted on the market	25 284	25 284
Equity instruments at fair value :		
Unlisted on the market	471 752	436 061
Total available for sale financial investments (1)	**2 931 596**	**1 222 677**
Financial investments held to maturity		
Debt instruments:		
Unlisted on the market	40 319	49 320
Total Financial investments held to maturity (2)	**40 319**	**49 320**
Total of Financial investments (1+2)	**2 971 915**	**1 271 997**
Current balances	2 447 745	787 549
Non-current balances	524 170	484 448
	2 971 915	**1 271 997**
Debt instruments with fixed interest	2 447 737	750 964
Debt instruments with variable interest	52 426	84 972
	2 500 163	**835 936**

	Available-for-sale investments	Held-to-maturity investments	Total
	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2015	**1 222 677**	**49 320**	**1 271 997**
Additions	3 110 094	--	3 110 094
Disposals (sale/ redemption)	(1 337 188)	(8 648)	(1 345 836)
Gains from changes in fair value (Note no.35/c)	95 345	--	95 345
Impairment losses provision reversed	--	(353)	(353)
Amortization of issuance discount	(166 832)	--	(166 832)
Reclassification of Portfolio of Associate Companies	7 500	--	7 500
Balance as at 31/12/2015	**2 931 596**	**40 319**	**2 971 915**
Balance as at 1/1/2014	**1 610 243**	**94 501**	**1 704 744**
Additions	1 740 567	7 455	1 748 022
Disposals (sale/ redemption)	(2 166 696)	(52 696)	(2 219 392)
Valuation Differences of monetary assets denominated in foreign currencies	299	--	299
Gains from changes in fair value (Note no.35/c)	38 264	--	38 264
Impairment losses provision reversed	--	60	60
Balance as at 31/12/2014	**1 222 677**	**49 320**	**1 271 997**

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

Gains from financial investments

	For the year end 31/12/2015 EGP 000	For the year end 31/12/2014 EGP 000
Gain on sale of available-for-sale financial investments	35 073	26 743
Gain from sale of financial investments held to maturity	2 293	2 712
Income from financial investments in associates	2 496	5 098
	39 862	**34 553**

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

	31/12/2015 EGP 000	31/12/2014 EGP 000
Balance at the beginning of the year	--	(60)
Impairment losses on loans reversed during the year	(353)	60
Balance at the end of the year	**(353)**	**--**

22- Investments in associates

The Bank contributions in associates are as follows:-

31/12/2015	Total shareholders' equity	Bank's share percentage	Bank's share in shareholders' equity
	EGP 000	%	EGP 000
Misr International Towers Co.	145 893	27.86	40 640
	145 893		**40 640**

31/12/2014	Total shareholders' equity	Bank's Share Percentage	Bank's share in shareholders' equity
	EGP 000	%	EGP 000
Misr International Towers Co.	146 932	27.86	40 930
Misr Alexandria Financial Investment Fund Co.*	208 872	25.00	52 218
United Company for Valves – Butterfly **	--	25.00	--
	355 804		**93 148**

* The Bank's share in Misr Alexandria Fund for Financial Investments Company was reclassified during the current fiscal year to the portfolio of available for sale investments, as a direct result of Resolution No. 53/2014 of the Board of Directors of the Egyptian Financial Supervisory Authority dated April 13, 2014 on the adjustment of status of investment companies and funds so that the company and the fund shall be a single entity in form of a joint stock company. Further, the Board of Directors of the Egyptian Financial Supervisory Authority issued Resolution No. 63/2014 on April 27, 2014 to compel the joint stock companies launching mutual funds to prepare the statement of financial position of the fund company including the book values of the assets and liabilities of the company and the fund, which caused Bank's share in the opening consolidated financial statements issued on June 30, 2015, to be reduced from 25% to 7.69% in the new entity.

** The Bank has eliminated its share in United Company for Valves – Butterfly, from its records during the current financial year.

The financial data of associates are as follows:

31/12/2015	Country of the Company's Head Office	Balance Sheet date	Company's Assets	*Company's Liabilities (without shareholders' equity)	Company's Revenues	*Profits (losses) of the company	Share Percentage
			EGP 000	EGP 000	EGP 000	EGP 000	%
Misr International Towers Co.	Egypt	30/9/2015	179 008	33 115	21 761	13 389	27.86
			179 008	**33 115**	**21 761**	**13 389**	

31/12/2014	*Country of the Company's Head Office	Balance Sheet date	Company's Assets	* Company's Liabilities (without shareholders' equity)	Company's Revenues	* Profits (losses) of the company	Share Percentage
			EGP 000	EGP 000	EGP 000	EGP 000	%
Misr International Towers Co.	Egypt	30/9/2014	179 025	32 093	18 970	11 919	27.86
Misr Alexandria Financial Investment Fund Co.	Egypt	30/9/2014	212 135	3 263	11 940	11 006	25.00
United Company for Valves - Butterfly	Egypt	31/12/2007	3 770	16 561	--	(182)	25.00
			394 930	**51 917**	**30 910**	**22 743**	

23- Intangible assets

31/12/2015	Computer software programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	160 249	655	160 904
Additions	33 042	--	33 042
Adjustments	1 985	--	1 985
Total cost	**195 276**	**655**	**195 931**
Amortization at the beginning of the year	(118 623)	(485)	(119 108)
Amortization for the year	(22 109)	(26)	(22 135)
Accumulated amortization	**(140 732)**	**(511)**	**(141 243)**
Net book value at the year end	**54 544**	**144**	**54 688**

31/12/2014	Computer Software Programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	124 536	655	125 191
Additions	35 713	--	35 713
Total cost	**160 249**	**655**	**160 904**
Amortization at the beginning of the year	(99 538)	(459)	(99 997)
Amortization for the year	(19 085)	(26)	(19 111)
Accumulated amortization	**(118 623)**	**(485)**	**(119 108)**
Net book value at the year end	**41 626**	**170**	**41 796**

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

24- Other assets

	31/12/2015 EGP 000	31/12/2014 EGP 000
Accrued revenues	110 370	108 410
Prepaid expenses	36 131	29 010
Payments under purchase of fixed assets	8 431	6 535
Assets reverted to the Bank in settlement of debts	95 324	115 624
Deposits with others	3 063	3 086
Others	332 881	209 187
	586 200	**471 852**
Less: Provisions for doubtful amounts	(91 882)	(87 902)
	494 318	383 950

25- Investment property

31/12/2015	Land EGP 000	Buildings EGP 000	Total EGP 000
Cost at the beginning of the year	51	197	248
Total cost	**51**	**197**	**248**
Depreciation at beginning of the year	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
Net book value at the year end	**51**	**--**	**51**

31/12/2014	Land EGP 000	Buildings EGP 000	Total EGP 000
Cost at the beginning of the year	51	197	248
Total cost	**51**	**197**	**248**
Depreciation at the beginning of the year	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
Net book value at the year end	**51**	**--**	**51**

26- Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2014					
Cost	271 142	38 435	108 463	325 666	743 706
Accumulated depreciation	(88 270)	(26 995)	(63 292)	(238 748)	(417 305)
	182 872	**11 440**	**45 171**	**86 918**	**326 401**
Additions	5 179	13 277	14 614	35 388	68 458
Disposals	(914)	--	(714)	(9 570)	(11 198)
Depreciation for the year	(10 861)	(4 869)	(8 757)	(23 217)	(47 704)
Disposals' accumulated depreciation	--	--	617	9 161	9 778
Net Book value as at 31/12/2014	**176 276**	**19 848**	**50 931**	**98 680**	**345 735**
Balance as at 1/1/2015					
Cost	275 407	51 712	122 363	351 484	800 966
Accumulated depreciation	(99 131)	(31 864)	(71 432)	(252 804)	(455 231)
	176 276	**19 848**	**50 931**	**98 680**	**345 735**
Additions	5 721	3 806	19 545	12 508	41 580
Disposals	(253)	(1 094)	--	(1 176)	(2 523)
Adjustments	37	(518)	55	776	350
Depreciation for the year	(10 947)	(7 255)	(9 969)	(25 541)	(53 712)
Disposals' accumulated depreciation	218	1 088	--	726	2 032
Book value as at 31/12/2015	**171 052**	**15 875**	**60 562**	**85 973**	**333 462**
Balance as at 31/12/2015					
Cost	280 912	53 906	141 963	363 592	840 373
Accumulated depreciation	(109 860)	(38 031)	(81 401)	(277 619)	(506 911)
Net book value	**171 052**	**15 875**	**60 562**	**85 973**	**333 462**

27- Due to banks

	31/12/2015 EGP 000	31/12/2014 EGP 000
Current accounts	193 809	176 693
Deposits	1 355 022	73 719
	1 548 831	**250 412**
Local banks	1 344 126	30 376
Foreign banks	204 705	220 036
	1 548 831	**250 412**
Balances without interest	173 465	153 042
Balances with fixed interest	1 375 366	97 370
	1 548 831	**250 412**
Current balances	1 548 831	250 412

28- Customers' deposits

	31/12/2015 EGP 000	31/12/2014 EGP 000
Demand deposits	8 144 918	6 507 197
Term and notice deposits	3 612 160	3 978 682
Certificates of deposits and savings	10 676 281	11 026 957
Savings deposits	14 596 372	14 655 303
Other deposits	535 769	424 045
	37 565 500	**36 592 184**
Corporate deposits	5 804 595	5 616 565
Retail deposits	31 760 905	30 975 619
	37 565 500	**36 592 184**
Balances without interest	7 220 047	5 628 404
Balances with variable interest	26 449 026	26 469 175
Balances with fixed interest	3 896 427	4 494 605
	37 565 500	**36 592 184**
Current balances	12 178 978	12 438 933
Non-current balances	25 386 522	24 153 251
	37 565 500	**36 592 184**

Customers' accounts include deposits of EGP 1 059 987 thousand as at 31/12/2015 versus EGP 979 364 thousand as at 31/12/2014, Which represent collateral of customer loans, letters of credit, and letters of guarantee. Deposits' fair value approximately equals the present value of such deposits.

29- Other loans (long term loans)

	Interest Rate %	31/12/2015 EGP 000	31/12/2014 EGP 000
Loan within the framework of The Agricultural Sector Development Program	3.5: 4.5	57 420	63 366
Sanad Loan Fund for MSME	2.7763	68 643	71 401
Total long term loans		**126 063**	**134 767**
Current balances		56 078	50 388
Non-current balances		69 985	84 379
		126 063	**134 767**

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

30- Other liabilities

	31/12/2015 EGP 000	31/12/2014 EGP 000
Accrued interest	116 674	151 907
Prepaid revenues	77 007	96 409
Accrued expenses	129 117	97 181
Creditors	108 885	133 930
Remittances of Egyptian workers in Iraq – due to customers	60 107	61 608
Dividend payable	--	149 238
Other credit balances	814 926	771 159
	1 306 716	**1 461 432**

31- Other provisions

	31/12/2015 EGP 000	31/12/2014 EGP 000
Balance at the beginning of the year	470 151	478 121
Differences in valuation of foreign currencies	4 309	(823)
Charged to income statement	34 823	46 855
Used amounts during the year	(14 051)	(54 433)
Transfers from doubtful amounts provisions (other assets)	(3 979)	431
Balance at the end of the year	**491 253**	**470 151**

Other provisions include of an amount of EGP 152 122 thousand at 31/12/2015 to meet contingent liabilities and contractual commitments that amount to EGP 4 147 826 thousand, versus to EGP 160 110 thousand as at 31/12/2014 to meet contingent liabilities and contractual commitments that amount to EGP 3 225 130 thousand.

32- Deferred tax liabilities

- The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 22.5% for the present fiscal year
- Deferred tax assets resulting from carried forward tax losses are not recognized unless future taxable profits, through which carried forward taxable losses can be utilized, are likely to be proven.
- Deferred tax assets resulting from other provisions are not recognized.

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

A- Recognized deferred tax liabilities

	Deferred tax liabilities	
	31/12/2015 EGP 000	31/12/2014 EGP 000
Fixed assets (depreciation)	(15 795)	(18 784)
Fair value differences	(78 117)	(89 193)
Total deferred tax liability	**(93 912)**	**(107 977)**

The movement of deferred tax liabilities:

	31/12/2015 EGP 000	31/12/2014 EGP 000
Balance at the beginning of the year	(107 977)	(82 139)
Exclusions / (Additions)	14 065	(25 838)
Balance at the end of the year	**(93 912)**	**(107 977)**

The deferred tax recorded directly in equity:

	31/12/2015 EGP 000	31/12/2014 EGP 000
Fair value differences	(78 117)	(89 193)
	(78 117)	**(89 193)**

B- Unrecognized deferred tax assets

	Deferred tax assets	
	31/12/2015 EGP 000	31/12/2014 EGP 000
Other provisions (other than impairment loss, provision on customers' loans and income tax provision and performing contingent liabilities provision)	68 781	97 215
	68 781	**97 215**

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

33- Retirement benefits obligations

	31/12/2015 EGP 000	31/12/2014 EGP 000
Liabilities included in the financial position		
Post-retirement medical benefits	633 623	563 208
	633 623	**563 208**

Amounts recognized in the income statement:	**For the year end 31/12/2015 EGP 000**	**For the year end to 31/12/2014 EGP 000**
Post-retirement medical benefits	100 547	87 897
	100 547	**87 897**

The balances in the financial position statement are presented as follows:

	31/12/2015	31/12/2014
	EGP 000	EGP 000
The present value of funded obligations	841 930	739 759
Unrealized actuarial losses *	(208 307)	(176 551)
The liabilities in the financial position statement	**633 623**	**563 208**

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

	31/12/2015	31/12/2014
	EGP 000	EGP 000
The balance at the beginning of the year	563 208	501 857
Current service cost	10 136	10 347
Interest cost	81 374	70 878
Actuarial losses	9 037	6 672
Paid benefits	(30 132)	(26 546)
Balance at the end of the year	**633 623**	**563 208**

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

	For the year end 31/12/2015	For the year end 31/12/2014
	EGP 000	EGP 000
Current service cost	10 136	10 347
Interest cost	81 374	70 878
Actuarial losses	9 037	6 672
Balance at the end of the year	**100 547**	**87 897**

* Whereas actuarial losses are higher than 10% of the defined benefits liability, then the amortized amount has been recognized in the income statement.

The principal actuarial assumptions used are presented as follows:

	31 /12/2015	31/12/2014
Discount rate	%11	%11
Previous service cost inflation rate	% 9	% 9
Future service assumption cost inflation rate	%11	%11
Mortality assumption	90 mortality cases every year	90 mortality cases every year
Employee turnover	%0.5	%0.5

34- Share capital

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

- The bank's authorized capital amounts to EGP 1 000 million.
- The issued and subscribed capital amounts to EGP 800 million, divided into 400 million shares with a par value of EGP 2 each and it has been fully subscribed and paid.
- On February 23rd, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees and the subscription program is not implemented yet.

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

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

35- Reserves and retained earnings

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Legal reserve	380 144	343 979
General reserve	29 312	29 312
Special capital reserve	413 383	412 912
Fair value reserve/financial investments available - for- sale	267 728	167 486
Other reserves	289 188	289 188
Bank's share in fair value reserve of associates subsequent to acquisition date	-	40 980
General Banking Risk Reserve	1 194	1 318
Specific reserve	21 000	21 000
Total reserves	**1 401 949**	**1 306 175**

The movement in reserves is as follows:

(35/a) Legal reserve

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Balance at the beginning of the year	343 979	311 053
Formed from the financial year's profits 2013,2014	36 165	32 926
Balance at the end of the year	**380 144**	**343 979**

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

(35/b) Special capital reserve

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Balance at the beginning of the year	412 912	410 308
Formed from the financial year 's profits 2013, 2014	471	2 604
Balance at the end of the year	**413 383**	**412 912**

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

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

	31/12/2015	31/12/2014
	EGP 000	EGP 000
Balance at the beginning of the year	167 486	165 510
Net gains from change in fair value (Note no.21)	95 345	38 264
Net gains transferred to income statement resulting from disposals	(5 876)	(17 916)
The impact on the reserve after calculating the bonds by the amortized cost	(303)	(17)
Deferred tax liability (Note no.32)	11 076	(18 355)
Balance at the end of the year	**267 728**	**167 486**

(35/d) Retained earnings

The movement in retained earnings	31/12/2015	31/12/2014
	EGP 000	EGP 000
Balance at the beginning of the year	2 578 495	2 483 706
Change in general banking risk reserve	125	(4)
Net profits of the current year	1 390 420	723 766
Employees' share in financial year 2013/2014 profit	(68 713)	(62 482)
Board of directors' members remuneration for financial year 2013/2014	(2 210)	(2 070)
Transferred to legal reserve	(36 165)	(32 926)
Transferred to Special capital reserve	(471)	(2 604)
Shareholders' dividends in financial year 2013/2014	(579 013)	(528 891)
Dividends from Associates transferred to Bank's share	(1 094)	--
Balance at the end of the year	**3 281 374**	**2 578 495**

36- Dividend

Dividend is not recorded until it is approved by the General Assembly of Shareholders . The Board of Directors in accordance with the Bank's Bylaws proposes to the Assembly scheduled to be held 13 March 2016 a distribution to the Shareholders of an amount of EGP 556 168 thousand ; and the Board of Directors has to distribute an amount of EGP 137 069 thousand for employees as a share in profits and the amount of EGP 2 340 thousand as remuneration for members of the Board of Directors (the actual distributions amounted of EGP 68 713 thousand for employees and the amount of EGP 2 210 thousand as remuneration to the members of the Board of Directors for the previous year) and not recognized in these presented financial statements resolution. And the dividend recorded for shareholders' and employees' share in profits and Board of Directors members remuneration in equity distribution of retained earnings in the year ended 31 December 2015.

37- Cash and cash equivalents

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

	31/12/2015 EGP 000	31/12/2014 EGP 000
Cash and due from Central Bank of Egypt (Note no.16)	855 746	917 899
Due from banks (Note no. 17)	5 628 731	8 116 127
Treasury bills and other governmental notes (Note no. 18)	2 034 525	316 781
	8 519 002	**9 350 807**

38- Contingent liabilities and commitments:

a) Legal Claims

There are a number of cases filed against the bank on 31 December 2015, and the balance of the claims' provision amounted to EGP 156 330 thousand.

b) Capital commitments

1- Financial investments

The value of the capital commitments related to financial investments which are not required to be paid until 31 December 2015 amounted to USD 6 095 thousand as follows:

		USD 000	
Available - for - sale investments (foreign currency)	**Investment value**	**Paid amount**	**Remaining amount and not requested**
Horus Fund for Investment in Agricultural and Food Sector	3 496	3 401	95
African Bank for Import and Export - Afrexim	10 000	4 000	6 000
	13 496	**7 401**	**6 095**

2- Fixed assets and fittings and fixtures of branches

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 4 383 thousand on 31 December 2015 , versus EGP 8 993 thousand on December 31, 2014. The Top Management has sufficient confidence in generating revenues and providing the finance required to cover these commitments.

2c) Commitments related to loans, guarantees, and facilities

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

	31/12/2015 EGP 000	31/12/2014 EGP 000
Loan commitments	5 314 894	4 051 299
Accepted documentation	101 778	90 804
Letters of guarantee	3 811 918	2 778 548
Letters of credit "import"	143 316	285 245
Letters of credit "export"	90 814	70 533
Total	**9 462 720**	**7 276 429**

d) Commitments on operational leasing contracts:

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

	31/12/2015 EGP 000	31/12/2014 EGP 000
Not more than one year	103	1 791
More than one year but less than five years	--	103
Total	**103**	**1 894**

39- Transactions with related parties

- The bank is a subsidiary of the Parent Bank (Intesa Sanpaolo Bank - Italy), in which it owns 70.25% of the ordinary shares, whereas the remaining percentage 29.75% is owned by other shareholders.
- The bank has entered into many transactions with the related parties within the context of its normal business. These transactions include loans, deposits, as well as foreign currency swaps.
- The transactions and the balances of the related parties at the end of the fiscal year are as follow:

A) Deposits from related parties:

	31/12/2015 EGP 000	31/12/2014 EGP 000
Due to customers		
Deposits at the beginning of the year	1 735	19
Deposits at the end of the year	**1 735**	**19**

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

	31/12/2015 EGP 000	31/12/2014 EGP 000
Statement of financial position		
Due from banks	185 522	320 265
Debit balances and other assets	1 315	1 234
Due to banks	51 628	3 173
Credit balances and other liabilities	486	149 455

Income statement

	For the year ended 31/12/2015 EGP 000	For the year ended 31/12/2014 EGP 000
Interest income banks	975	4 064
Interest expenses banks	13	3
Expenses Central Depository Shares	1 595	1 618

C) Board of Directors and the Top Management Benefits

The monthly average amount of the 20 biggest employees' salaries for the current year is amounted to EGP 2 194 thousand as at 31 December 2015 versus EGP 2 131 thousand as at 31 December 2014.

40- Mutual funds

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

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

A) Bank of Alexandria Mutual Fund (with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of EGP 300 million (after increasing the capital of the mutual fund on March 26th, 2006 with an amount of EGP 100 million). 50 thousand certificates were allocated to the Bank to undertake the fund's activity after Clause (6) of the prospectus was amended under the approval of the Capital Market Authority (CMA), in order that the percentage be amended to 2% instead of 5% under Article No. 150 by the Ministerial Decree No. 209 for period 2007 from the capital market law executive regulations.

The Bank investment in the fund amounted to 50 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 9.49 million as at 31 December 2015.

The redeemable value of the certificate as at 31 December 2015 amounted to EGP 189.73 and the outstanding certificates at that date reached 392 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 2 020 thousand as at 31 December 2015, which were presented under the item of "Fee and commission income" in the income statement.

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

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

The Bank investments in the fund amounted to a number of 1.49 million certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 34.18 million as at 31 December 2015.

The redeemable value of the certificate amounted to EGP 22.97 as at 31 December 2015, and the outstanding certificates at that date reached 74 342 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 7 308 thousand as at 31 December 2015, which were presented under the item of "Fee and commission income" in the income statement.

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

The certificates of the fund reached 10 million certificates with an amount of EGP 100 million. 500 thousand certificates have been allocated to the Bank to undertake the fund's activity according the Article No. 150 of the executive regulations of the Capital Market Law No. 95/1992. It is worth mentioning that the fund is an open-ended fund with a quarterly return.

The Bank investment in the fund amounted to 500 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 8.46 million as at 31 December 2015.

The redeemable value of the certificate amounted to EGP 16.91 as at 31 December 2015 and the outstanding certificates at that date reached 6 112 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 301 thousand as at 31 December 2015 which were presented under the item of "Fee and commission income" in the income statement.

CEO and Managing Director	Chief Financial Officer
Dante Campioni	Mohamed Raef