AHLI UNITED BANK-EGYPT (S.A.E)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2014

TOGETHER WITH THE AUDIT REPORT

Moore Stephens Egypt
Public Accountants & Consultants

Allied for Accounting & Auditing EY
Public Accountants & Consultants

Translation of Auditor's report
Originally issued in Arabic

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AHLI UNITED BANK (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **AHLI UNITED BANK (S.A.E),** represented in the consolidated balance sheet as of 31 December 2014, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Bank's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with the instructions of preparation and presentation of financial statements for Egyptian Banks issued by Central Bank Of Egypt on 16 December 2008 and the related applicable Egyptian laws and regulations. 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. This 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 professional 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 bank'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 bank'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 these consolidated financial statements.

Translation of Auditor's report
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Opinion

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of **AHLI UNITED BANK (S.A.E)**, as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the instructions of preparation and presentation of financial statements for Egyptian Banks issued by Central Bank Of Egypt on 16 December 2008 and the related applicable Egyptian laws and regulations relating to the preparation of these Consolidated financial statements.

Auditors

MOORE STEPHENS
MOORE STEPHENS EGYPT
Public Accountants & Consultants

Sherin Mourad Noureldin
Egyptian Financial Supervisory Authority Register No. (88)
Central Bank of Egypt Register No. "191"
Fellow of Egyptian Society for taxes
Moore Stephens Egypt

المتضامنون للمحاسبة والمراجعة
Member of Ernst & Young Global
الطريق الدائري - القطامية

Sherif El Kilany
Egyptian Financial Supervisory Authority Register No. (83)
FESAA- FEST
RAA - 5285
Allied for Accounting and Auditing E&Y

Cairo: 26 February 2015

AHLI UNITED BANK- EGYPT S.A.E

CONSOLIDATED BALANCE SHEET
As of 31 December 2014

	Note	31 December 2014 EGP (000)	31 December 2013 EGP (000)
ASSETS			
Cash and balances with Central Bank of Egypt	(12)	1,421,076	1,332,227
Due from banks	(13)	2,896,726	1,886,831
Treasury bills and other governmental notes	(14)	3,323,817	2,590,001
Financial investments held for trading	(15)	27,329	21,698
Loans and advances to banks	(16)	58	52
Loans and advances to customers	(16)	12,072,550	9,387,443
Financial derivatives	(17)	3,194	-
Financial Investments			
- Available for sale	(18)	4,051,718	3,845,925
- Held to maturity	(18)	498,633	229,306
Investments properties(net)	(20)	40,056	39,639
Other assets	(21)	355,206	353,520
Fixed assets(net)	(22)	293,494	285,525
TOTAL ASSETS		24,983,857	19,972,167
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(23)	680,832	557,890
Customers' deposits	(24)	21,428,538	17,033,399
Financial derivatives	(17)	-	3,192
Other liabilities	(25)	545,159	334,407
Other provisions	(26)	203,761	166,891
TOTAL LIABILITIES		22,858,290	18,095,779
EQUITY			
Issued and paid-up-capital	(28)	1,500,000	1,125,000
Reserves	(29)	233,231	304,015
Retained earnings	(29/d)	380,691	436,670
SHAREHOLDERS'EQUITY		2,113,922	1,865,685
Non-controlling interest		11,645	10,703
TOTAL EQUITY		2,125,567	1,876,388
TOTAL LIABILITIES AND EQUITY		24,983,857	19,972,167
Contingent liabilities and Commitments			
Letters of guarantee, documentary credit and other commitments	(31)	1,904,428	1,685,970

- The accompanying notes, from (1) to (35) form an integral part of the consolidated financial statements and to be read therewith.
- Auditors' Report attached

Nevine El Messeery

CEO and Managing Director

Shirin Nauldi

Auditors

Sherif El Kelany

Mr. Sherin Mourad Noureldin

Mr. Sherif Fathi El Kelany

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

	Note	31 December 2014	31 December 2013
		EGP (000)	EGP (000)
Interest from loans and similar revenues	(6)	1,938,696	1,466,732
Interest on deposits and similar expenses	(6)	(1,185,482)	(917,709)
Net interest income	(6)	753,214	549,023
Fees and commission revenue	(7)	256,896	190,348
Fees and commission expense	(7)	(4,567)	(4,627)
Net fees and commission income	(7)	252,329	185,721
Dividend income		1,401	920
Net trading income	(8)	32,129	58,582
Gain on sale of financial investments	(19)	2,836	2,367
Impairment losses from available for sale investments	(18)	(57)	-
Impairment of credit losses	(11)	(179,207)	(142,220)
Administrative expenses and depreciation	(9)	(268,444)	(204,229)
Other operating expenses	(10)	(2,926)	(31,922)
Net Profit before income tax		591,275	418,242
Income tax expense		(224,823)	(131,544)
Net profit of the year after tax		366,452	286,698
Attributable to:			
Bank's equity shareholders		365,425	285,846
Non-controlling interest		1027	852
Net profit of the year		366,452	286,698

-The accompanying notes, 1 to 35 form an integral part of the consolidated financial statements and are to be read therewith.

AHLI UNITED BANK- EGYPT S.A.E

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

EGP (000)

	Paid-up-capital	Legal reserves & Capital reserve	Reserve of General Bank Risk	Retained earnings	Fair value reserve for AFS investment	Special reserve	Net profit for the year	SHAREHOLDERS'EQUITY	Non-controlling interest	Total
Balances as of 1 January 2013	1,125,000	113,675	8,792	2,011	55,269	3,087	244,946	1,552,780	9,890	1,562,670
Transferred to reserves	-	12,375	-	-	-	-	(12,375)	-	-	-
Transferred from retained earnings	-	-	-	148,813	-	-	(148,813)	-	-	-
Dividends and employees profit paid	-	-	-	-	-	-	(83,758)	(83,758)	(39)	(83,797)
Revaluation differences in fair value of available-for-sale investments	-	-	-	-	110,817	-	-	110,817	-	110,817
Net profit for the year	-	-	-	-	-	-	285,846	285,846	852	286,698
Balances as of 31 December 2013	1,125,000	126,050	8,792	150,824	166,086	3,087	285,846	1,865,685	10,703	1,876,388
Balance at beginning of the current year	**1,125,000**	**126,050**	**8,792**	**150,824**	**166,086**	**3,087**	**285,846**	**1,865,685**	**10,703**	**1,876,388**
Transferred to reserves	-	**14,292**	-	-	-	-	**(14,292)**	-	-	-
Employees profit paid	-	-	-	-	-	-	**(32,112)**	**(32,112)**	**(85)**	**(32,197)**
Bonus issue (note 28)	**375,000**	-	-	**(135,558)**	-	-	**(239,442)**	-	-	-
Revaluation differences in fair value of available-for-sale investment	-	-	-	-	**(83,140)**	-	-	**(83,140)**	-	**(83,140)**
Used from general risk reserve (note29/A)	-	-	**(1,936)**	-	-	-	-	**(1,936)**	-	**(1,936)**
Net profit for the year	-	-	-	-	-	-	**365,425**	**365,425**	**1,027**	**366,452**
Balances as of 31 December 2014	**1,500,000**	**140,342**	**6,856**	**15,266**	**82,946**	**3,087**	**365,425**	**2,113,922**	**11,645**	**2,125,567**

- The accompanying notes, 1 to 35 form an integral part of the consolidated financial statements and are to be read therewith.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	31-Dec-2014 EGP (000)	31-Dec-2013 EGP (000)
Cash flows From Operating activities			
Profit before tax		**591,275**	418,242
Adjustments:			
Depreciation	(20,22)	**30,722**	28,636
Impairment credit losses	(11)	**179,207**	142,220
Other provisions charges	(26)	**48,163**	87,856
Revaluation differences of loans loss provisions in foreign currencies	(16)	**4,888**	13,762
Revaluation differences on other provisions in foreign currencies	(26)	**1,092**	3,358
Amortization of discount - Investment HTM	(18)	**(26,783)**	(2,332)
Amortization of premium - Investment AFS	(18)	**(3,181)**	(1,898)
Revaluation differences of financial Investments in foreign currencies	(18)	**(907)**	(4,647)
Revaluation differences on financial investments held for trading		**(2,095)**	(1,615)
Provisions no longer required	(26)	**(3,395)**	-
Impairment losses from available for sale investments	(18)	**57**	-
Revaluation differences on financial derivatives for trading	(17)	**(6,386)**	5,737
Operating income before changes in operating activities and liabilities		**812,657**	689,319
Net decrease and increase in assets and liabilities			
Due from banks		**(970,887)**	113,006
Treasury bills and other government notes (due date more than 3 months maturity)		**(878,516)**	(1,139,488)
Financial investments held for trading		**(3,536)**	(9,379)
Loans and advances to customers and Banks		**(2,871,144)**	(2,086,999)
Other assets		**41**	(12,460)
Due to banks		**122,942**	(165,591)
Customers' deposits		**4,395,139**	4,065,797
Other liabilities		**127,211**	55,910
Utilization of other provisions	(26)	**(8,990)**	(30)
Income tax paid		**(141,681)**	(128,594)
Net cash flows resulting from operating activities		**583,236**	1,381,491
Cash flows from investing activities			
Payments to purchase of fixed assets		**(40,835)**	(31,074)
Payments to/ from purchase /sale investment held AFS	(18)	**(1,393,172)**	228,699
(Sale of) purchase investment HTM	(18)	**865,725**	(568,865)
Net cash flows resulting from (used in) investing activities		**(568,282)**	(371,240)
Cash flows from Financing activities			
Dividends and employees profit paid		**(31,797)**	(81,497)
Net cash flows (used in) financing activities		**(31,797)**	(81,497)
Increase in cash and cash equivalents during the year		**(16,843)**	928,754
Cash and cash equivalent at the beginning of the year		**1,956,375**	1,027,621
Cash and cash equivalents at the end of the year		**1,939,532**	1,956,375

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	31-Dec-2014 EGP (000)	31-Dec-2013 EGP (000)
Cash and cash equivalents are represented as follows:			
Cash and balances with Central Bank of Egypt	(12)	1,421,076	1,332,227
Due from banks	(13)	2,896,726	1,886,831
Treasury bills and other governmental notes	(14)	3,323,817	2,590,001
Due from banks	(13)	(2,606,995)	(1,636,108)
Treasury bills and other government notes with maturities more than 3 months	(14)	(3,095,092)	(2,216,576)
Cash and cash equivalents at the end of the year	(30)	1,939,532	1,956,375

- The accompanying notes 1 to 35 form an integral part of the consolidated financial statements and are to be read therewith.

1. General information

The Bank and its subsidiary (together "the Group") provides Institutional, Retail Banking and Investment Banking services within the Arab Republic of Egypt through its head office and 34 branches with 785 employees at 31 December 2014.

Ahli United Bank- Egypt S.A.E (the Bank) was incorporated on 8 August 1977 in accordance with Law No.43 of 1974 and its Executive Regulations within the Arab Republic of Egypt, having its Head Office situated at 81, Ninety St., City Centre, The 5th Settlement New Cairo, Governorate of Cairo, On 14 July 2010 the Bank's shares were voluntarily delisted from the Cairo and Alexandria stock exchanges.

The Board of Director has approved the Bank's financial statements on 2015

2. Summary of the significant accounting policies

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

A- Basis of preparation of the financial statements

The consolidated financial statements are prepared in accordance to the Central Bank of Egypt's Rules approved by the Board of Directors on 16 December 2008, in addition to the applied Egyptian Accounting Standards.

The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of trading financial assets and financial liabilities held at fair value through profit or loss, available for sale financial assets and all derivative contracts.

The Group has prepared the consolidated financial statements in accordance with Egyptian accounting standards and has completely consolidated those subsidiary companies in which the Bank has directly or indirectly, more than half of the voting rights or has the ability to control the financial and operating policies of the subsidiary company, regardless of the type of the activity.

The published amendments to the instructions of the Central Bank of Egypt which are effective from 1 January 2010

The Group's management has applied the Central Bank of Egypt instructions concerning the rules for preparation and presentation of the financial statements and basis of recognition and measurement relating to the activities of the Group, which differ in certain aspects from the Egyptian Accounting Standards.

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

- The disclosure requirements relating to the objectives, policies and methods for financial risk management and capital adequacy management together with other explanatory notes.

- The Group has reassessed the residual value of fixed assets as at the reporting date to determine adequacy of depreciable amount of fixed assets and there are no significant changes in the financial statements.

2. Summary of the significant accounting policies (continued)

A- Basis of preparation of the financial statements (continued)

- The Bank identified the related parties in accordance with the requirements of the new standards and added certain disclosures relating to it.

- The provision for impairment loss is measured as the difference between the carrying amount and the present value of the expected future cash flows, such cash flows should be discounted using the original effective interest rate of the financial asset. The provision does not include the future credit losses that have not been incurred. Carrying amount of the asset is reduced with the impairment loss is recognized in the consolidated income statement.

- The method of measuring impairment of loans and advances and other debt instruments at amortized cost has been changed, which in turn resulted in reversal of the General Provisions component of loans and advances and instead total provision for groups of assets that carry similar credit risk and characteristics, individual provision were recorded. The provision balance at 1 January 2009 had been transferred to a special reserve in owner's equity according to the new method and the effects of the new policy are reflected in the consolidated statement of changes in equity.

- When determining an actual effective interest rate for applying the amortized cost method to calculate the income and cost of the return on debt instruments, commissions and fees associated with the acquisition or issuance of debt instruments are added to or deducted from the value of the acquisition / release as part of the cost of instruments.

- The Bank has examined the ownership of assets acquired under settlement of defaulted loans to ensure that these assets qualify for being classified as non-current assets held for sale under the other assets. Such examination did not result in a difference in classification or value at which such assets are measured.

B- Basis of consolidation

The consolidated financial statement include balance sheet, income statement and cash flow statement which are prepared for the Bank and its subsidiary " Ahli United Finance Company – AUFC – (SAE) " as one whole economic entity , regardless of the legal limits of these companies and this is for the actual and right declaration of business returns .

All material intra- group balance transactions, income, expenses, profits and losses resulting from intra - group balances are eliminated in consolidation. The financial statements of the subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies.

- Subsidiaries

Subsidiaries are all companies (including special purpose entities) over which the Group has owned directly or indirectly the power to govern the financial and operating policies generally the Bank own more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has ability to control the entity.

- Non-controlling interest

The Group considers the non-controlling represents the portion of profit or loss and net assets in the subsidised not attributable to the bank's equity shareholders. Any change in Group's ownership interest in the subsidiary that does not result in a loss of control is accounted as an equity transactions.

2. Summary of the significant accounting policies (continued)

B- Basis of consolidation (continued)

Non-Controlling interest (continued)

Purchasing from non-controlling interest results in goodwill which presents the difference between amounts paid for the acquisition of shares and the net book value of assets related to the subsidiary.

C- Segment reporting

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

D- Translation of foreign currencies

D. 1 Functional and presentation currency:

The consolidated financial statements are presented in Egyptian Pounds, which is the functional and presentation currency of the Group.

D. 2 Foreign currency transactions and balances:

The Bank keeps its accounting records in Egyptian Pounds. Foreign currency transactions are translated into Egyptian pounds using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of fiscal year at the exchange rates then prevailing. Foreign exchange gains and losses resulting from the settlement of such transactions and valuation differences are recognized in the consolidated income statement.

- Net trading income or net income of financial instruments classified at inception by fair value through profit and loss and to assets liabilities for trading or those classified at fair value through profit and loss at inception.

- Other operating income (expenses) for the other items.
  Changes in the fair value of monetary financial instruments in foreign currencies classified as investments available for sale (debt instruments) are classified as valuation differences resulting from changes in amortized cost of the instrument and differences resulted from changes in applicable exchange rates and differences resulted from changes in the instrument fair value. Valuation differences relating to changes in amortized cost are recognized in income statement under "interest and similar income" while differences relating to changes in exchange rates are recognized under item "other operating income (expenses). Differences resulting from changes in fair value are recognized under "fair value reserve – available for sale investments" in the equity caption.

- Valuation differences resulting from non-monetary items include profits and losses resulting from changes in fair value such as equity instruments held at fair value through profits and losses, while valuation differences resulting from equity instruments classified as financial investments available for sale are recognized as "fair value reserve- available for sale investments" under the equity caption.

2. Summary of the significant accounting policies (continued)

E- Financial assets

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

E. 1 Financial assets at fair value through profit or loss

This category includes two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

Financial asset are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near term or it is part financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized. Derivatives can be classified as held for trading unless they are identified as hedging instruments, financial assets are designated at fair value through profit and loss are recognized when:

- Significant reduction in measurement inconsistencies would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to banks or customers and issued debt securities.

- Equity investments that are managed and evaluated at fair value basis in accordance with investment strategy or risk management and preparing reports to top management on that basis are classified as fair value through profit and loss.

- Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.

- Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the income statement "net income from financial instruments classified at fair value through profit and loss".
- It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding year. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is initially recorded by the Bank at fair value through profit or loss.
- In all cases, the Bank should not reclassify any financial instruments into financial instrument measured at fair value through profit or loss or to the held for trading investments.

2. Summary of the significant accounting policies (continued)

E.2 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that are recognized by the amortized cost using the effective Interest rate other than:

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

E. 3 Financial investments held to maturity

Held-to-maturity financial investments are non-derivative financial assets which carry fixed or determinable payments and where the Bank has the intention and ability to hold to maturity. Any sale of significant amount of held-to-maturity assets, the entire category would be reclassified as available for sale, unless in necessary cases subject to regulatory approval.

E. 4 Financial Investments available for sale

Available for sale financial investments are non-derivatives financial assets that are intended to be held for an indefinite year of time and may be sold to provide liquidity or due to changes in shares prices, foreign exchange rate or interest rate.

The following applies to financial assets

Purchases or sales of financial assets classified at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date when the Bank is committed to purchase or sell the financial asset.

Financial assets that are not classified upon initial recognition at fair value through profit and loss are recognized at fair value plus the transaction costs. While financial assets classified at initial recognition at fair value through profit and loss are initially recognized at fair value only and the transaction costs is recognized in the income statement under the caption “net trading income”.

Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the Bank transfers all assets risks and rewards to another party, while a financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value. Held to maturity financial investments, loans and debts are subsequently measured at amortized cost.

Profits and losses arising from changes in the fair value of financial assets designated at fair value through profit and loss are recorded in the consolidated income statement during the year it occurred, while gains and losses arising from changes in the fair value of available for sale financial investments are recognized in consolidated statement of changes in equity until the financial asset is sold or impaired at that time. The cumulative gains and losses previously recognized in consolidated statement of changes in equity are recognized in the consolidated income statement.

2. **Summary of the significant accounting policies (continued)**

E- Financial assets (continued)

E. 4 Financial Investments available for sale (continued)

Interest calculated based on the amortized cost method and foreign exchange profits or losses related to monetary assets classified as available for sale are recognized in the income statement. Dividends arising from available for sale equity instruments are recognized in the income statement when the Bank's right to receive payments is established.

The fair values of quoted investments in active markets are based on current closing price. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the Bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost and will be subject to impairment test.

The Bank reclassifies the financial asset previously classified as available for sale to which the definition of loans- debts (bonds or loans) applies by means of transferring the category of the instruments available for sale to the category of loans and debts or the financial assets held to maturity, once the Bank has the intention and ability to hold such financial assets in the near future or up to the maturity date, such reclassification is made at fair value as on that date. Any profits or losses related to such assets which have been previously recognized within equity shall be treated as follows:

I. Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method. The difference between the amortized cost using the effective interest method and the repayment value is amortized using the effective interest rate method.

   In case of financial asset’s impairment any profits or losses previously recognized in equity is recognized in consolidated income statement.

II. Profits and losses related to the financial assets without fixed or determinable maturity are recorded in consolidated statement of change in equity till selling or disposing it.

   In case of impairment, profits and losses that have been previously recognized directly within consolidated statement of change in equity are recognized in the income statement.

   If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.

   In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

2. Summary of the significant accounting policies (continued)

F- Offsetting of financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Treasury bills, Repos and reverse Repos agreements are netted on the balance sheet and disclosed under treasury bills.

G- Financial derivative instruments

Derivatives are recognized at fair value at the date of the derivative contract, and are subsequently remeasured at fair value. Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the valuation methods as the discounted cash flow models and the pricing lists models, as appropriate. All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

G/1- Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in a consolidated income statement under "net income from trading". Changes in fair value of derivatives that are managed in conjunction with the financial assets and liabilities classified at inception as fair value through profit and loss are recognized in the consolidated income statement as "net income from financial instrument at fair value through profits and losses".

G/2-Fair value hedges

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

H- Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for held for trading investments or recorded at fair value through profit or loss, is recognized under interest and similar income or "interest and similar charges expense" in the consolidated income statement using the effective interest method.

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

2. Summary of the significant accounting policies (continued)

H- Interest income and expense(continued)

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

- When collected and after recovery of all arrears for retail loans, mortgage loans for personal housing and small loans for business.
- For loans granted to corporate, interest income is recognized on cash basis after the Bank collects 25 % of the scheduling instalments and after the instalments continued to be regular for at least one year. Interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

I- Fees and commission income

Accrued fees for loans or advances service are recognized as revenue at the time service is provided. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried off-balance sheet and are recognized under income according to the cash basis, when interest income is recognized.

Fees that represent a complementary part of the actual interest on the financial asset in general and treated as adjustment to the actual interest rate.

Commitment fees on loans granted are deferred if there is a possibility that such loans shall be drawn, since the commitment fees received by the Bank are deemed to be a compensation for the ongoing intervention to acquire the financial instrument; subsequently, they are recognized by adjusting the effective interest rate on the loan. In the event of expiry of the commitment year without issuing the loan by the Bank, the fees are recognized as revenues at the expiry of the commitment Year.

Fees related to debt instruments which are measured at fair value are recognized under revenue at initial recognition. The fees for promotion of syndication loans are recognized as revenues upon completing the promotion process without retaining any part of the loan by the Bank, or if the Bank maintains a part thereof with the actual interest rate available to other participants.

Commissions and fees arising from negotiation, or participating in a negotiation in favour of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized in the consolidated income statement when the transaction is completed, commissions and fees related to management advisory and other service are recognized as on partial time distribution basis through the time of service, usually on a time appropriation basis. Financial planning and custody department fees are recognized over the Year in which the service is provided.

J- Dividend income

Dividends are recognized in the consolidated income statement when the Bank’s right to receive those dividends is established.

2. Summary of the significant accounting policies (continued)

K- Agreement for purchase and resale and agreements for selling and repurchase (Repos and reverse Repos)

Financial instruments sold under repurchase agreements are presented as part of treasury bills and other government notes in the unconsolidated balance sheet while the liability (purchase and resale agreements) is shown as deduction from treasury bills and other government notes in the balance sheet. The difference between the sale and repurchase prices is recognized as a return due through the tenure of the agreement using the effective interest rate method.

L- Impairment of financial assets

L.1 Financial assets at amortized cost

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

The Group considers the following indicators to determine the existence of substantive evidence for impairment losses:

- Cash flow difficulties experienced by the borrower or debtor.
- Breach of loan agreement e.g.: default,
- Initiation of bankruptcy proceedings or entering in dissolution lawsuit or rescheduling the client‘s facility.
- Deterioration of competitive position of borrowers.
- The Bank grants privileges or concessions to the borrower on economic or legal grounds, that would not be granted under normal conditions, taking in to consideration the instructions by the Central Bank of Egypt dated 14 April 2012 specifically detailing the treatment of retail and corporate loans during the financial crisis.
- Impairment of collateral value.
- Deterioration of credit worthiness.

A substantive proof for impairment loss of group of financial assets that shows the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition including such that cannot be separately determined for each individual asset such as increase of default cases with respect to a banking product.

The Bank estimates the Year between loss occurrence and its identification is determined by local management for each identified portfolio.

In general, the Year used varies between three months and twelve months.

2. Summary of the significant accounting policies (continued)

L- Impairment of financial assets(continued)

L.1 Financial assets at amortized cost (continued)

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

- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment according to historical default ratios.
- If the Bank determines that objective evidence of impairment exists assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.
- If there is no impairment losses resulted from the previous assessment, those assets are included in a collective assessment of impairment.

Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recorded cash flow, excluding future expected credit losses not changed yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "Impairment loss" and the book value of the financial asset is reduced by the impairment amount using "Impairment loss provision".

If there is objective evidence that the loan or investment held to maturity has a variable interest rate. The discount rate used to measure any impairment losses is the original effective contractual interest rate. Where practicable, the Group measures the impairment losses based on the fair value of the instrument using declared market prices. In the case of collateralized financial assets, the addition of the present value of the expected future cash flows that may originate from the execution and sale of the collateral after deducting the related expenses must be observed.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics according to the Bank classification taking into consideration type of asset, industry, geographical location, collateral, past-dues and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for those groups of assets as they are indicators of the debtors' ability to pay all amounts due according to its contract terms for assets under study.

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

2. Summary of the significant accounting policies (continued)

L- Impairment of financial assets(continued)

L. 1 Financial assets at amortized cost (continued)

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

L. 2 Financial assets available for sale

The Bank assesses whether there is any objective evidence that a financial asset or a group of financial assets classified under available for sale or held to maturity category impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

From 1 January 2009, the decline in the value is considered as significant if it is 10% of the book value cost, and shall be considered prolonged if it extends for more than nine months, If the indicated evidences are available then the accumulated losses are recorded in consolidated statement of changes in equity are transferred consolidated to income statement, Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement if an increase occurs later in the fair value. If the fair value of a debt instrument classified as available for sale increases, where it is possible to objectively relate that increase to an event occurred following the recognition of the impairment in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

M- Investment Properties

Land and buildings held for the purpose of capital appreciation or for long term rental yield and not occupied by the group is classified as investment properties.
Investment properties are majored of cost less accumulated depreciation.

N- Fixed assets

Land and buildings comprise mainly the head office and the branches, and all fixed assets are reported at historical cost minus depreciation and impairment losses. The historical cost includes the charges directly related to measure at fixed assets items. And accumulated impairment

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

2. Summary of the significant accounting policies (continued)

N- Fixed assets (continued)

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

Buildings	40-50 years
Improvements to the leased assets	10 years
Machinery and equipment	10 years
Other assets	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount presents the net realizable value of assets or the usage amount of the asset whichever is higher.

Profit and (loss) on disposals are determined by comparing proceeds with asset carrying amount. These profits and (losses) are included in other operating income (expenses) in the profit and loss.

O- Borrowing costs

Borrowing costs are recorded in consolidated income statement as funding expenses other than borrowing cost directly related to acquisition of qualifying assets which are capitalized as part of assets' cost.

P- Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition; the Bank uses the indirect method in preparing the cash flow statement cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with Banks and treasury bills.

Q- Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determine taking into consideration the group of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

Provisions no longer required are reversed in other operating income (expense). Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

2. Summary of the significant accounting policies (continued)

R- Income taxes

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

Income tax is recognized based on net taxable profit as per the effective tax rates applicable on the balance sheet date, in addition to tax adjustments related to the previous years.

The deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the rules of the tax, using tax rates applicable at the date of the balance sheet.

The deferred tax assets shall be recognized if it is probable that sufficient taxable profits shall be realized in the future whereby the asset can be utilized and the value of deferred tax assets shall be reduced by the value of portion not yielding the expected tax benefit. However, in case tax benefit is highly expected, the deferred tax assets shall increase to the extent of previous reduction.

S- Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the consolidated income statement over the Year of the borrowings using the effective interest method.

T- Capital

T/1 Cost of capital

Issuing expenses which are directly related to new shares issuance or shares for the acquisition of an entity or issuing optional shares are presented by deducting from owners' equity and by net receivables after tax.

T/2 Dividends

Dividends are recognized as a charge of equity upon the General Assembly approval. Those dividends include the employees' share in profit and the Board of Directors' remuneration as prescribed by the Bank's articles of incorporation and corporate law.

U- Fiduciary activities

The Bank practices the fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans. These assets and related income are excluded from the Bank's financial statements, as they are assets not owned by the Bank.

V- Comparative figures

The comparative figures shall be reclassified when necessary to be in conformity with the changes to presentation used in the current Year.

3. Financial risks management

The Bank’s activities are exposed to various financial risks .Since the basis of financial activity is to accept risks, some risks or group of risks are analyzed, evaluated and managed altogether. The Bank intends to strike a balance between the risk and return and to reduce the probable adverse effects on the Bank’s financial performance.

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated systems.

The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in market, products, services and the best updated applications.

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and covers the financial risks, in collaboration with the Bank’s various operating units, and the Board of Directors provides written policies for management of risks as a whole.

In addition to written policies covering specific risk areas, like credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non–derivative instruments. Moreover, the risk department is independently responsible for regular review of risk management and control environment.

A- Credit risk

The Bank is exposed to the credit risk which it is the risk resulting from failure of one party to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risks for the Bank. The Bank set specific procedures to manage that risk. The credit risk in the lending and investment activities which are represented Bank’s assets contain debt instruments. The credit risk is also found in off balance sheet financial instruments, like loan commitment. The managing and monitoring process on credit risk is centralized at credit risk team management at credit risk department that prepare reports to Board of Directors and head of department on regular basis.

A.1 Measurement credit risk

Loans and advances to Banks and customers

In measuring credit risk of loan and advances to Banks and to customers at a counterparty level, the Group takes three components into consideration:

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

The Bank evaluates the customer risk using internal policies for the different customers' categories. These policies are updated taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgment of the credit officer to reach the appropriate grading. The customers are classified into ten grading, which are divided into four ratings.

The rating tools are reviewed and upgraded as necessary. The Group regularly validates the performance of the rating and their anticipated future outcomes with regard to default events.

3. Financial risks management (continued)

A.1 Measurement credit risk (continued)

Loans and advances to Banks and customers (continued)

The Group's internal ratings classification

Rating	Classification
1	Performing loans
2	Regular watch
3	Watch list
4	Non-performing loans

The loans exposed to default depend on the Bank's expectation for the outstanding amounts when default occurs. Loss given default or loss severity represents the Group expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Debt instruments, treasury bills and other notes

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Bank's risk department for managing of the credit risk exposures, and if this rating is not available, then methods similar to those applying to the credit customers are used. The investments in those securities and bills are viewed as a method to obtain a better credit quality mapping and maintaining a readily available source to meet the funding requirement at the same time.

A.2 Limiting and preventing risk policies

The Bank manages limits and controls concentration of credit risk wherever they are identified − in particular, to individual counterparties and banks, and to industries and countries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industrial segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by individual, counterparties, product, and industrial sector and by country are approved quarterly by the Board of Directors.

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

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

3. Financial risks management (continued)

A- Credit risk (continued)

A.2 Limiting and preventing risk policies (continued)

Collateral

The Group employs a range of policies and practices to mitigate credit risk and one of these means is accepting collaterals against loans and advances. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Real estate mortgage.
- Business assets mortgage such as machines and goods
- Financial instruments mortgage such as debt securities and equity instruments.

The Bank is keen to obtain the appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured.

In addition, to minimize the credit loss the Bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

The Bank determine type of collaterals held by the Bank as security for financial assets other than loans and advances according to the nature of the instrument, generally debt securities and treasury bills are fully secured, except for asset-backed securities and similar instruments are secured by a financial instrument portfolio.

Derivatives

The Bank maintains strict control limits over amounts and terms for the net value of opened derivative positions i.e. the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in which the Bank could gain a benefit from it (i.e. assets that have positive fair value), which represent small value of the contract, or the notional value. The Bank manages this credit risk which is considered part of the total customer limit with market changes risk all together. Generally, no collateral obtained for credit risk related to these instruments, except for marginal deposits required by the Bank from other parties.

Settlement risk arises when cash, equity instruments or other financial papers is used in the settlement process, or if there is expectation to receive cash, equity instruments or other financial papers. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily Bank transactions.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties of significant volume of transactions. Generally, no netting between assets and liabilities at the balance sheet date relating to the master netting arrangements, as aggregate settlements are made. However, the credit risk related to contracts to the favour of the Bank is reduced by a master netting arrangement as netting will be made with the counterparty to settle all transactions. The value of the credit risk faced by the Bank changes substantially within a short Year of time, as it is affected by each transaction occurs in the arrangement.

3. Financial risks management (continued)

A- Credit risk (continued)

A. 2 Limiting and preventing risk policies (continued)

Commitments related to credit

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit are of the same credit risks as loans.

Documentary and commercial letters of credit which are issued by the Bank on behalf of customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan.

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

A. 3 Impairment and provisioning policies

The internal rating systems described in n (A -1) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined from the expected loss models used for CBE regulation purposes (A-4 note).

The impairment provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last two ratings. The table below shows the percentage of items in-balance sheet relating to loans and advances and the related impairment provision for each rating:

3. Financial risks management (continued)

A- Credit risk (continued)

A. 3 Impairment and provisioning policies (continued)

	31 December 2014	
Classification	**Loans and advances %**	**Distribution of Impairment losses provision (including CIP) %**
Performing loans	**76.86**	**29.56**
Regular watch	**17.97**	**10.42**
Watch list	**2.39**	**0.49**
Non- performing loans	**2.78**	**59.53**
	100%	**100%**

	31 December 2013	
Classification	Loans and advances %	Distribution of Impairment losses provision (including CIP) %
Performing loans	76.07	35.81
Regular watch	18.31	11.68
Watch list	3.28	-
Non- performing loans	2.34	52.51
	100%	100%

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

- Payment delinquency of debtor or loan beneficiary.
- Breach of loan conditions such as non- payment.
- Initiation of bankruptcy or entering a liquidation or finance restructures.
- Deterioration of the borrower's competitive position.
- For economical or legal reasons, the Bank granted the borrower additional benefits that will not be done in normal circumstances, taking in consideration the Central Bank of Egypt regulations issued on14 April 2012 dealing with retail and corporate loans in the current economical situation.
- Impairment in the value of collateral.
- Deterioration of the credit status.

3. Financial risks management (continued)

A- Credit risk (continued)

A. 3 Impairment and provisions policies (continued)

The Bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual losses. These policies applied on all accounts having specific materiality on individual basis. Valuation usually includes the existing collateral, the related enforcements on these collaterals and the expected collections from those accounts.

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods.

A.4 General module to measure general banking risks

In addition to the four categories of credit rating indicated in note (A/1) the management makes more detailed groups in accordance with the CBE requirements.

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, his activities, financial position and payment schedules.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings and credited to the "general banking risk reserve" under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable, Note (29/a) shows the "general banking risk reserve" movement during the year.

Below is the statement of credit rating as per internal valuation basis compared to Central Bank of Egypt valuation basis and the percentage of provisions required for impairment assets exposed to credit risk:

Classification of the Central Bank of Egypt	Classification	Required provision rate	Internal classification	Internal classification Significance
1	Low risk	Nil	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 watch
7	Watch list	5%	3	Watch list
8	Substandard	20%	4	Non- performing loans
9	Doubtful	50%	4	Non -performing loans
10	Bad debt	100%	4	Non -performing loans

3. Financial risks management (continued)

A- Credit risk (continued)

A.5 Maximum credit risk before collaterals

	31 December 2014 **EGP (000)**	31 December 2013 EGP (000)
In balance sheet items exposed to credit risk		
Treasury bills and other government notes	**3,323,817**	2,590,001
Loans to individuals		
- Overdrafts / personal loans	**401,325**	292,035
- Credit cards	**18,104**	14,897
- Personal loans	**4,108**	1,813
- Mortgage loans	**100,252**	107,712
Corporates:		
- Overdrafts	**403,474**	239,326
- Bank loans	**58**	52
- Direct loans	**7,626,557**	5,348,139
- Syndicated loans	**4,119,285**	3,805,520
Financial investments		
- Debt instruments	**4,497,648**	4,018,931
	20,494,628	16,418,426
Less:		
Loan impairment	**(577,342)**	(387,201)
Interest in suspense	**(11,117)**	(11,097)
Unearned discount interest on commercial papers	**(12,096)**	(23,701)
Total	**19,894,073**	15,996,427
Off-balance sheet items exposed to credit risk		
Letter of credit	**203,626**	294,523
Letter of guarantee	**1,292,076**	1,095,999
Accepted securities for suppliers facilities	**114,278**	65,795
Forward deals	**294,448**	229,653
Total	**1,904,428**	1,685,970

The above table represents the maximum limits for credit risk as of 31 December 2014, without taking into consideration any collateral. As for the balance sheet items, the exposures set out above based on net carrying amounts are as reported in the balance sheet.

3. Financial risks management (continued)

A- Credit risk (continued)

A.5 Maximum credit risk before collaterals (continued)

As shown in the preceding table, 61.8% (against 59.7% as at 31 December 2013) of the total maximum limit exposure to credit risk resulted from loans and advances to banks and customers; 38.2 % as at 31 December 2014 (against 40.3% as at 31 December 2013) represents investments in debt instruments and treasury bills

The management is confident of its ability to maintain control on ongoing basis and maintain the minimum credit risk resulting from loans and advances, and debt instruments as follows:

- 94.8% of the loans and advances portfolio is classified at the highest two rating against 94.4% as at 31 December 2013.

- The Bank has implemented prudent processes when granting loans and advances during the financial Year ended in 31 December 2014.

- More than 99.2% of the investments in debt instruments are placed with governmental instruments.

A.6 Loans and advances

Following is the position of loans and advances balances to the customers and banks in terms of credit solvency:

	31 December 2014		31 December 2013	
	EGP (000)	**EGP (000)**	EGP (000)	EGP (000)
	Loans & advances to customers	**Loans & advances to banks**	Loans & advances to customers	Loans & advances to banks
Neither past due nor subject to impairment	**11,447,209**	**-**	9,227,521	-
Past due but not subject to impairment	**875,104**	**-**	354,177	-
Individually subject to impairment	**350,792**	**58**	227,744	52
Total	**12,673,105**	**58**	9,809,442	52
Less:				
Impairment loss provision	**(577,342)**	**-**	(387,201)	-
Interest in suspense	**(11,117)**	**-**	(11,097)	-
Unearned discount on discounted commercial papers	**(12,096)**	**-**	(23,701)	-
	12,072,550	**58**	9,387,443	52

Provision for impairment losses comprise an amount of EGP 321,983 thousands (31 Dec 2013: EGP 186,896 thousands) towards specific provisions and an amount of EGP 255,359 thousand (31 Dec 2013: EGP 200,305 thousands) on a portfolio basis.

3. Financial risks management (continued)

A- Credit risk (continued)

A.6 Loans and advances (continued)

Net loans and advances to customers and banks on 31 December 2014

The internal valuation method is used by the bank to assess the credit quality of the portfolio of loans and advances which have not defaulted and therefore not subject to impairment.

EGP (000)

Current Year:-

	Individuals				Institutions		Total loans and advances to customers
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Direct loans	Syndication loans	
Performing loans	365,707	-	-	100,252	4,736,768	4,048,399	9,251,126
Regular watch	33,129	16,029	4,071	-	1,941,084	-	1,994,313
Watch list	-	-	-		201,770	-	201,770
	398,836	**16,029**	**4,071**	**100,252**	**6,879,622**	**4,048,399**	**11,447,209**
Less:							
Provision for impairment - portfolio basis							(255,359)
Total							**11,191,850**

* Collateralized loans subject to impairment were not considered as a special watch category taking into consideration the Bank’s ability to realize the collateral.

3- Financial risks management (continued)

B- Credit risk (continued)

A.6 Loans and advances (continued)

Net loans and advances to customers and banks on 31 December 2013

The internal valuation method is used by the bank to assess the credit quality of the portfolio of loans and advances which have not defaulted and therefore not subject to impairment.

EGP (000)

Comparative Year:-

	Individuals				Institutions		Total loans and advances to customers
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Direct loans	Syndication loans	
Performing loans	279,618	-	-	107,712	3,768,493	3,197,189	7,353,012
Regular watch	12,417	12,926	1,587	-	1,550,685	-	1,577,615
Watch list	-	-	-		296,894	-	296,894
	292,035	12,926	1,587	107,712	5,616,072	3,197,189	9,227,521
Less:							
Provision for impairment - portfolio basis							(200,305)
Total							9,027,216

* Collateralized loans subject to impairment were not considered as a special watch category taking into consideration the Bank’s ability to realize the collateral.

3. Financial risks management (continued)

A- Credit risk (continued)

A.6 Loans and advances (continued)

Loans and advances past due but not subject to impairment

Loans and advances having past due until 90 days and not considered subject to impairment, unless there is information to contrary, loans and advances having past due and not subject to impairment are as follows:

EGP (000)

31 Dec.2014	Current accounts	Credit cards	Individuals Personal loans	Real estate loans	Total
Past due up to 30 days	**250**	**1,406**	**17**	-	**1,673**
Past due 30-60 days	-	**354**		-	**354**
Past due 60-90 days	**2,239**	**159**	**11**	-	**2,409**
Total	**2,489**	**1,919**	**28**	-	**4,436**

31 Dec.2013	Current accounts	Credit cards	Individuals Personal loans	Real estate loans	Total
Past due up to 30 days	-	1,376	173	-	1,549
Past due 30-60 days	-	-	-	-	-
Past due 60-90 days	-	-	-	-	-
Total	-	1,376	173	-	1,549

3. Financial risks management (continued)

A- Credit risk (continued)

A.6 Loans and advances (continued)

Loans and advances past due but not subject to impairment (continued)

31-Dec-14 — EGP (000)

	Institutions			
	Current accounts	Direct loans	Syndication loans	Total
Past due up to 30 days	-	325,823	-	**325,823**
Past due 30- 60 days	-	20,677	47,601	**68,278**
Past due 60- 90 days	-	462,994	13,573	**476,567**
Total	-	**809,494**	**61,174**	**870,668**
Fair value of collaterals	-	**3,650,511**	-	**3,650,511**

31-Dec-13 — EGP (000)

	Institutions			
	Current accounts	Direct loans	Syndication loans	Total
Past due up to 30 days	-	74,610	-	74,610
Past due 30- 60 days	-	9,192		9,192
Past due 60- 90 days	-	268,826	-	268,826
Total	--	352,628	-	352,628
Fair value of collaterals	--	2,384,801		2,384,801

In the initial recording of loans and advances, the fair value of guarantees is assessed based on valuation methods commonly used for similar assets. In subsequent years, fair value is updated to reflect its market price or price of similar assets.

3. Financial risks management (continued)

A- Credit risk (continued)

A.6 Loans and advances (continued)

Loans and advances subject to impairment individually

- **Customers loans and advances**

Loans and advances assessed on an individual basis before cash flows from collaterals are amounting to EGP 350,627 thousand for institutions and EGP 165 thousand for individuals.

Following is an analysis of the total value of the loans and advances individually subject to impairment including the fair value of the collaterals that the Bank received in return for such loans:

EGP(000)

	Individuals				Corporate				
	Debit current accounts	Credit cards	Personal loans	Reale sate loans	Debit current accounts	Direct loans	Syndication loans	Other loans	Total
31 December 2014									
Individually impaired loans	-	156	9	-	-	340,914	9,713	-	350,792
Fair value of collateral	-	-	-	-	-	-	-	-	140,534
31 December 2013									
Individually impaired loans	-	595	53	-	-	217,263	9,833	-	227,744
Fair value of collateral	-	-	-	-	-	-	-	-	157,646

Loans and advances restructured

Restructuring activities include extended payment arrangements; execute obligatory management programs, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which in the judgment of local management indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans; in particular customer finance loans renegotiated loans that would otherwise be past due or impaired totalled at the end of the financial Year.

Loans and advances Restructured	**31 December 2014**	31 December 2013
	EGP (000)	EGP (000)
Institutions		
Direct loans	391,263	456,919
	391,263	456,919

3. Financial risks management (continued)

A- Credit risk (continued)

A.7 Debt instruments, treasury bills and other government notes and other investments

The following table represents the analysis of debt instruments, treasury bills and other government securities, according to rating agencies in the last financial Year based on an assessment by (Standard &Poor's) or other leading international rating agency

	Treasury bills , other government notes and governmental treasury bonds	Investments in securities , investments held to maturity	**Total**
BB-	7,332,832	541,336	**7,874,168**
Total	**7,332,832**	**541,336**	**7,874,168**

3- Financial risks management (continued)

A - Credit risk (continued)

A. 8Concentration of risks of financial assets exposed to credit risk (continued)

A/8/1 Geographic sectors

The below table represent the analysis of exposure of credit risk for the Bank with the book value, distributed according to the geographic sector at the end of the Year . In preparing this table the exposure was distributed according to the Bank customers' geographic region.

31 December 2014	Arab Republic of Egypt				Gulf Countries	Other countries	Total
EGP (000)	Greater Cairo	Alexandria, Delta and Sinai	Upper Egypt	Total			
Treasury bills and other government notes	3,323,817	-	-	**3,323,817**	-	-	**3,323,817**
Loans and advances to customers							
Loans to individuals							
Overdrafts/Personal loans	339,236	20,929	41,160	**401,325**			**401,325**
Credit cards	8,881	4,855	3,525	**17,261**	324	519	**18,104**
Personal loans	3,843	7	30	**3,880**	-	228	**4,108**
Mortgage loans	100,252	-	-	**100,252**	-	-	**100,252**
Corporate:							
Overdrafts	210,601	16,440	175,898	**402,939**	422	113	**403,474**
Direct loans	4,249,345	1,283,721	1,979,965	**7,513,031**	102,898	10,628	**7,626,557**
Syndicated loans	4,076,752	10,475	32,058	**4,119,285**	-	-	**4,119,285**
Bank loans	58	-	-	**58**	-	-	**58**
Financial investments							
Debt instruments	4,497,648	-	-	**4,497,648**	-	-	**4,497,648**
Total	**16,810,433**	**1,336,427**	**2,232,636**	**20,379,496**	**103,644**	**11,488**	**20,494,628**
Impairment credit loss provision							(577,342)
Interest in suspense							(11,117)
Unearned discount on commercial papers							(12,096)
Total							**19,894,073**

3-**Financial risks management (continued)**

A - Credit risk (continued)

A. 8 Concentration of risks of financial assets exposed to credit risk (continued)

A/8/2 Geographic sectors (continued)

The below table represent the analysis of exposure of credit risk for the Bank with the book value, distributed according to the geographic sector at the end of the previous Year. In preparing this table the exposure was distributed according to the Bank customers' geographic region.

EGP (000)

31 December 2013	Arab Republic of Egypt: Greater Cairo	Alexandria, Delta and Sinai	Upper Egypt	Total	Gulf Countries	Other countries	Total
Treasury bills and other government notes	2,590,001	-	-	**2,590,001**	-	-	2,590,001
Loans and advances to customers							
Loans to individuals							
- Overdrafts/Personal loans	247,062	15,249	29,724	**292,035**			292,035
- Credit cards	6,898	3,593	3,753	**14,244**	172	481	14,897
- Personal loans	1,580	33	200	**1,813**	-	-	1,813
- Mortgage loans	107,712	-	-	**107,712**	-	-	107,712
Corporate:							
- Overdrafts	110,480	13,338	115,050	**238,868**	451	7	239,326
- Direct loans	3,477,778	561,480	1,197,393	**5,236,651**	111,488	-	5,348,139
- Syndicated loans	3,752,682	20,088	32,750	**3,805,520**	-	-	3,805,520
- Bank loans	52	-	-	**52**	-	-	52
Financial investments							
- Debt instruments	4,018,931	-	-	**4,018,931**	-	-	4,018,931
Total	**14,313,176**	**613,781**	**1,378,870**	**16,305,827**	**112,111**	**488**	16,418,426
Impairment loss provision							(387,201)
Interest in suspense							(11,097)
Unearned discount on commercial papers							(23,701)
Total							15,996,427

3-Financial risks management (continued)

A - Credit risk (continued)

A. 8 Concentration of risks of financial assets exposed to credit risk (continued)

A/8/2 Industrial sectors

EGP (000)

31 December 2014	Financial institutions	Industrial institutions	Real estate activity	Wholesale and retail trade	Government sector	Other activity	Individual	Total
Treasury bills and other government notes	-	-	-	-	3,323,817	-	-	**3,323,817**
Loans and advances to customers								
Loans to individuals								
- Overdrafts/Personal loans	-	-	-	-	-	-	401,325	**401,325**
- Credit cards	10	119	31	80	-	389	17,475	**18,104**
- Personal loans	-	-	-	-	-	-	4,108	**4,108**
- Mortgage loans	-	-	-	-	-	-	100,252	**100,252**
Corporate:	-							
- Overdrafts	25	70,712	11,528	9,634	-	305,512	6,063	**403,474**
- Direct loans	13,394	3,599,730	1,097,714	1,498,170	-	1,339,204	78,345	**7,626,557**
- Syndicated loans	-	2,254,822	423,741	-	-	1,440,722	-	**4,119,285**
- Bank loans	58	-	-	-	-	-	-	**58**
Financial investments								
- Debt instruments	62,056	-	-	-	4,435,592	-	-	**4,497,648**
Total	**75,543**	**5,925,383**	**1,533,014**	**1,507,884**	**7,759,409**	**3,085,827**	**607,568**	**20,494,628**
Loan impairment provision								(577,342)
Interest in suspense								(11,117)
Unearned discount on commercial papers								(12,096)
Total								**19,894,073**

A - Credit risk (continued)

A. 8 Concentration of risks of financial assets exposed to credit risk (continued)

A/8/2 Industrial sectors

EGP (000)

31 December 2013	Financial institutions	Industrial institutions	Real estate activity	Wholesale and retail trade	Government sector	Other activity	Individual	Total
Treasury bills and other government notes	-	-	-	-	2,590,001	-	-	2,590,001
Loans and advances to customers								
Loans to individuals								
- Overdrafts/Personal loans	-	-	-	-	-	-	292,035	292,035
- Credit cards	21	232	48	224	-	503	13,869	14,897
- Personal loans	-	-	-	-	-	-	1,813	1,813
- Mortgage loans	-	-	-	-	-	-	107,712	107,712
Corporate:	-							
- Overdrafts	644	28,986	8,680	4,656	-	191,707	4,653	239,326
- Direct loans	30,346	2,962,182	279,901	686,825	-	1,327,971	60,914	5,348,139
- Syndicated loans	-	2,002,811	401,354	-	-	1,401,355	-	3,805,520
- Bank loans	52	-	-	-	-	-	-	52
Financial investments								
- Debt instruments	139,549	14,488	-	-	3,864,894	-	-	4,018,931
Total	170,612	5,008,699	689,983	691,705	6,454,895	2,921,536	480,996	16,418,426
Loan impairment provision								(387,201)
Interest in suspense								(11,097)
Unearned discount of commercial papers								(23,701)
Total								15,996,427

3. Financial risks management (continued)

B- Market risk

The Bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

The Bank treasury department is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two separate teams. Regular reports are submitted to the Board of Directors and each business department.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate relating to retail transactions. Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

B.1 Market risks measurement techniques

As part of market risk management the Bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option been applied, the major measurement techniques used to measure and control market risk are outlined below:

Value at risk

The Bank applies a "value at risk" methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Bank, trading and non-trading separately, which are monitored on a daily basis by the Bank's treasury department.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount the Bank might lose, but only to a certain levels of confidence (95%, 97.5% and 99%) the validity of the assumptions and parameters/factors used in the VAR calculation. There is therefore a specified statistical probability (5%, 2.5%, and 1%) that actual losses could be greater than the VAR estimate The VAR model assumes a certain "holding Year" until positions can be closed (10 days).

It also assumes that market moves occurring over this holding Year will follow a similar pattern to those that have occurred over 10-day Year in the past. The Bank's assessment of past movements is based on data for the past five years. The Bank applies these historical changes in rates, prices, indices, etc. directly to its current positions − a method known as historical simulation. The actual outcomes are monitored regularly to test the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

3. Financial risks management (continued)

B- Market risk (continued)

B.1 Market risks measurement techniques (continued)

As VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the Board annually for all trading and non-trading portfolio operations and allocated to business units. Actual exposure against limits, together with a consolidated bank-wide VAR, is reviewed daily by the Bank risk treasury department.

Stress testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the Bank treasury. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and Board of directors.

B.2 Summary on the value at risk

Total value at risk by risk type

EGP (000)

	31-Dec-14			31-Dec-13		
	Medium	High	Low	Medium	High	Low
Interest rate risk	82 .7	95 .4	74 .9	96 .4	277 .0	31 .8
Total VAR	82 .7	95 .4	74 .9	96 .4	277 .0	31 .8

3. Financial risks management (continued)

Market risk (continued) B.3Foreign exchange risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis.

The following table summarizes the Bank's exposure to foreign exchange volatility risk at the end of Year. The following table includes the carrying amounts of the assets and liabilities in their currencies:

- **Currency risk concentration**

31 December 2014	Egyptian Pound	US Dollar	Euro	Sterling Pound	Other Currencies	Total
	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Assets:						
Cash and balance with Central Bank	1,230,717	175,406	12,831	1,622	500	**1,421,076**
Due from banks	73,312	2,646,013	147,400	18,564	11,437	**2,896,726**
Treasury bills and government notes	3,323,817	-	-	-	-	**3,323,817**
Trading financial assets	27,329	-	-	-	-	**27,329**
Loans and advances for customers and banks	7,269,121	4,664,182	100,363	38,937	5	**12,072,608**
Financial derivatives for trading	(2)	3,196	-	-	-	**3,194**
Investments:						
Available for sale	4,051,718	-	-	-	-	**4,051,718**
Investment Properties	40,056	-	-	-	-	**40,056**
Held to maturity	498,633	-	-	-	-	**498,633**
Other assets and fixed assets	576,984	71,566	149	1	-	**648,700**
Total assets	**17,091,685**	**7,560,363**	**260,743**	**59,124**	**11,942**	**24,983,857**
liabilities:						
Due to banks	638,750	40,838	1,226	-	18	**680,832**
Customers' deposits	14,837,664	6,289,166	232,046	58,800	10,862	**21,428,538**
Other liabilities and provisions	477,376	269,354	2,121	65	4	**748,920**
Total liabilities	**15,953,790**	**6,599,358**	**235,393**	**58,865**	**10,884**	**22,858,290**
Net financial position as of 31 Dec. 2014	**1,137,895**	**961,005**	**25,350**	**259**	**1,058**	**2,125,567**

3-Financial risks management (continued)

Market risk (continued) B.3Foreign exchange risk

Currency risk concentration

31 December 2013	Egyptian Pound	US Dollar	Euro	Sterling Pound	Other Currencies	Total
	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Assets:						
Cash and balance with Central Bank	1,221,116	103,299	5,827	794	1,191	1,332,227
Due from banks	201,614	1,481,230	156,777	35,072	12,138	1,886,831
Treasury bills and government notes	2,542,951	-	47,050	-	-	2,590,001
Trading financial assets	21,698	-	-	-	-	21,698
Loans and advances for customers and banks	5,089,416	4,208,110	39,549	50,416	4	9,387,495
Investments:						
Available for sale	3,845,925	-	-	-	-	3,845,925
Investment Properties	39,639	-	-	-	-	39,639
Held to maturity	198,082	31,224	-	-	-	229,306
Other assets and fixed assets	592,146	46,744	154	1	-	639,045
Total assets	13,752,587	5,870,607	249,357	86,283	13,333	19,972,167
liabilities:						
Due to banks	520,274	36,780	432	-	404	557,890
Customers' deposits	11,797,656	4,921,875	243,691	57,924	12,253	17,033,399
Financial derivatives for trading	(3)	3,195	-	-	-	3,192
Other liabilities and provisions	266,196	233,219	1,813	68	2	501,298
Total liabilities	12,584,123	5,195,069	245,936	57,992	12,659	18,095,779
Net financial position as of 31December 2013	1,168,464	675,538	3,421	28,291	674	1,876,388

3-Financial risks management (continued)

B- Market risk (continued)

B.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of gaps in interest rates reprising that may be undertaken, which is monitored daily by risk department.

3. Financial risks management (continued)

B- Market risk (continued)

B.4 Interest rate risk (continued)

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

31 December 2014	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Non- interest bearing	Total
	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Financial Assets:							
Cash and balances with Central Bank of Egypt	1,421,076	-	-	-	-	-	**1,421,076**
Due from banks	1,729,639	695,840	471,247	-	-	-	**2,896,726**
Treasury bills and other government notes	971,434	690,522	1,661,861	-	-	-	**3,323,817**
Financial investments hold for trading	27,329	-	-	-	-	-	**27,329**
Loans and advances to customers and banks	4,487,794	711,011	1,310,128	3,469,631	2,094,044	-	**12,072,608**
Financial derivatives for trading	3,194	-	-	-	-	-	**3,194**
Investment properties	-	-	-	-	-	40,056	**40,056**
Financial investments:							
Available for sale	321,383	-	863,358	2,308,691	558,286	-	**4,051,718**
Held to maturity	-	88,048	190,597	150,816	59,172	10,000	**498,633**
Other assets and fixed assets	-	-	-	-	-	648,700	**648,700**
Total financial assets	**8,961,849**	**2,185,421**	**4,497,191**	**5,929,138**	**2,711,502**	**698,756**	**24,983,857**
Financial liabilities							
Due to banks	680,832	-	-	-	-	-	**680,832**
Customers' deposits	4,811,133	3,285,446	5,313,942	5,596,056	2,421,961	-	**21,428,538**
Other liabilities and provisions	-	-	-	-	-	748,920	**748,920**
Total financial liabilities	**5,491,965**	**3,285,446**	**5,313,942**	**5,596,056**	**2,421,961**	**748,920**	**22,858,290**
Interest repricing gap	**3,469,884**	**(1,100,025)**	**(816,751)**	**333,082**	**289,541**	**(50,164)**	**2,125,567**
31 December 2013							
Total financial assets	6,041,198	1,690,113	3,349,898	5,591,373	2,660,540	639,045	19,972,167
Total financial liabilities	4,061,605	3,296,452	3,734,503	5,185,667	1,316,254	501,298	18,095,779
Interest repricing gap	1,979,593	(1,606,339)	(384,605)	405,706	1,344,286	137,747	1,876,388

3-Financial risks management (continued)

C- Liquidity risk management

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn, this may results in failure in fulfilling the Bank obligation to repay to the depositors and fulfilling lending commitments.

Liquidity risk management

The risk management department monitor the Bank's liquidity process in the following ways:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due lending to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.

- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.

- Monitoring liquidity ratios in relation with internal requirements and Central Bank of Egypt requirements.
- Managing loans concentration and dues.

For monitoring and reporting purposes take the form of cash flow measurement and expectations for the next day, week and month respectively, as these are key Years for liquidity management.
The starting point for those expectations is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Credit risk department monitor the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

Funding approach

Sources of liquidity are regularly reviewed by Bank treasury to maintain a wide diversification by currency, geography, source products and terms.

D- Fair value of financial assets of liabilities

D/1 Financial instruments measured at fair value using the valuation methods

No changes in fair value using the valuation methods that occurred during the Year.

Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value.
The expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of similar asset of similar credit risk and due dates.

Loans and advances to banks

Loans and advances to banks represent loans and advances other than deposits at banks. The fair value represents the value expected to be recovered based on present value future cash flow and cash flows are determined using the interest rate.

3. Financial risks management (continued)

D- Fair value of financial assets of liabilities (continued)

D/1 Financial instruments measured at fair value using the valuation methods (continued)

Loans and advances to customers

Loans and advances are net of provisions for impairment losses. Fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

Investments in securities

Financial investments shown in the above schedule includes only held to maturity assets investments; as available for sale investments are measured at fair value except for equity instruments that its market value can’t be reliably determined. Fair value of held-to-maturity investments is based on market prices or broker/ prices. Fair value is estimated using quoted market prices for financial paper with similar credit maturity and yield characteristics where information is not available.

Due to Banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call.

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

E- Capital risk management

The bank’s objectives behind managing capital include elements other than equity shown in the balance sheet are represented in the following:

- Compliance with capital legal requirements in Arab Republic of Egypt and the other countries the Bank is operating in.
- Protecting the bank’s ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth.

Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority’s requirements (Central Bank in Arab Republic of Egypt) by the bank’s management through models based Basel committee for banking control instructions, these data are submitted to Central Bank of Egypt on quarterly basis.

Central Bank of Egypt requires the following from the Bank:

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

Bank's branches which operate outside the Arab Republic of Egypt are subject to the banking business regulators’ supervising rules in countries which they operate.

In accordance with the requirements of Basel II, the numerator in capital adequacy comprises the following 2 tiers:

3. Financial risks management (continued)

E- Capital risk management (continued)

Tier 1:

A. The basic going concern capital which consist of the following:

Issued and paid up capital, the legal reserve, formal reserve, capital reserve, and retained earnings (carried forward losses) excluding the following:

- Treasury stocks.
- Goodwill.
- Bank' investment in financial institutions (banks and companies) and insurance companies (more than 10% of the issued capital of the company)
- The increase of the bank's investment in which each single investment is less than 10% of company's issued capital than 10% of basic going concern capital after regulatory adjustments (basic capital before excluding investments in financial intuitions and insurance companies).

The following elements is not considered:

- Fair value reserve balance of financial investments available for sale (if negative)
- Foreign currency translation differences reserve (if negative).
- Where the above mentioned items deducted from basic capital if the balance is negative, while its negligible If positive

B. Additional basic capital which consists of the following:

- Permanent preferred noncumulative shares, quarterly interim gains (losses), minority interest and the difference between the nominal value and the present value of the subordinate loan /deposit.
- Interim profits is recognized only after being approved by the auditor and the approval of General Assembly of dividends, and the approval of the Central Bank, the interim losses is deducted unconditionally.

Tier 2:

The subordinate capital which consists of the following:

- 45% of the increase in the fair value of the carrying amount for financial investments (fair value reserve if positive, held to maturity investments, and investments in associates and subsidiaries.
- 45% of the special reserve.
- 45% of positive foreign currency translation differences Reserve.
- Hybrid financial instruments.
- Subordinate loans(deposits).
- Loans and facilities and performing contingent liabilities provision for impairment loss (should not exceed 1.25% of total assets and contingent liabilities total risk applying the risk weights.
- Loans, facilities and nonperforming contingent liabilities provision for impairment loss should be adequate to meet the obligations the provision formed for.

Eliminations of 50% of tier 1 and 50% of tier 2:

- Investments in non-financial institutions – each company separately amounted to 15% or more of basic going concern capital of the bank before regulatory amendments.
- Total bank's investments in non-financial institutions – each company separately less than 15% more of basic going concern capital of the bank before regulatory adjustments provided that these investments combined exceed 60% of the basic capital by regulatory amendments.
- Securitization portfolio.
- What belong to the value of assets reverted to the bank as a debt settlement in the general banking risk reserve.
- On calculating the total numerator of capital adequacy it is to be considered that subordinate loans /deposits should not be greater than 50% of basic capital after eliminations.
- Assets and contingent liabilities are weighted by credit risk, market risk, and operational risk.

3. Capital risk management (continued)

	31-Dec-2014	31 December 2013
	EGP (000)	EGP (000)
Tier 1		
Issued and paid-up-capital	1,500,000	1,125,000
Legal Reserves	137,434	123,142
Other Reserves	2,908	2,908
Retained earnings	15,266	150,824
Non- controlling interest	11,645	10,703
50% disposed from acquired assets as a settlement of debts that are included in the bank general risk reserve	(761)	(1,729)
Total Tier 1 after deduction	**1,666,492**	**1,410,848**
Tier 2		
45% of the special reserve	1,389	1,389
45% of the increase in fair value over the book value of financial investment(if positive)	37,326	74,738
Performing Loans and contingent liabilitie,impairment loss	173,615	139,760
50% disposed from aquired assets as a settelment of debts that are included in the bank general risk reserve	(761)	(1,729)
Total Tier 2 after deduction	**211,569**	**214,158**
Total Basic Capital	**1,878,061**	**1,625,006**
Assets and contingent liabilities risk weighted		
Total credit risk	13,889,444	11,180,863
Capital market risk requirments	87,450	69,340
Capital operational risk requirments	1,275,780	950,290
Total weighted risk of contingent assets and liabilities	**15,252,674**	**12,200,493**
Capital Adequacy Ratio	**12.31%**	**13.32%**

The Capical Adequacy Ratio has been calculated according to Basel II Committee’s instruction and the Central Bank instruction dated December 24, 2012.

4. Significant accounting estimates and assumptions

The Bank make subjective estimates and judgments that affect the reported amounts of assets and liabilities with the next financial year ,consistently estimations and judgments are continually evaluated and based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

(a) Impairment losses for loans and advances

The Bank reviews the portfolio of loans and advances at least quarterly. The Bank uses discretionary judgment on determining whether it is necessary to record impairment loss in the income statement. The Bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. This evidence include data indicating negative changes in a borrower's portfolio ability to repay to the Bank or local or economic circumstances related to default. On scheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on experience.

(b) Impairment of available-for-sale equity investments

The Bank recognize impairment loss relating to available for sale equity investments when there is a significant or prolonged decline in the fair value below its cost. A personal judgment is required to determine that the decline is significant or prolonged. In making this judgment the Bank evaluates among other factors the volatility in share price. In addition impairment loss recognized when there is evidence of deterioration in the investee’s financial position or operating /finance cash flow industry and sector performance technology changes.

(c) Held to maturity investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This classification requires high degree of personal judgment; in return the bank tests the intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity except for certain circumstances (selling an insignificant amount of held-to-maturity investments near to maturity date) then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost. In addition the Bank should suspend classifying investments as held to maturity caption.

(d) Income tax

The Bank is subject to income taxes in relation to the operation of its branches abroad. This requires the use of significant estimations in order to determine the total provision for income tax. There are several operations and accounts for which the final tax cannot be determined with certainty. The Bank created provisions for the expected results in relation to the tax inspection that is being conducted and to account for probable additional tax. When there is a difference between the final tax results and the pre-recorded amounts, these differences will be adjusted against the income tax and the deferred income tax provision.

5. Segment analysis

A) Activity segment analysis

The segment activity includes operational processes & assets that are used in providing banking services, manage their risk & linking return to this activity which may differ from those of other activities.

According to banking processes the segment analysis includes the following:

Large, medium & small institutions

It includes activities of current accounts, deposits, debit current accounts, loans, advances & financial derivatives.

Investments:

It includes activities of corporate merge, investment purchase, financing corporate restructuring & financial instruments.

Individuals:

It includes activities of current accounts, saving, deposits, credit cards, personal loans & real-estate loans.

Other activities:

It includes other banking activities such as fund management.

Transactions are applied within segment activities according to the Bank's activity cycle which include assets and liabilities; operational assets and liabilities that are presented in the Bank's balance sheet.

5. Segment analysis(continued)

A) Activity segment analysis (continued)

Current year 31 December 2014	Large institutions	Small & medium institutions	Investments	Retail	Other activities	Total
						EGP (000)
Revenues & expenses according to segment activities						
Segment activity revenues	475,988	24,527	370,259	1,296,439	64,745	**2,231,958**
Segment activity expenses	(392,126)	(16,105)	(65,971)	(1,108,784)	(57,697)	**(1,640,683)**
Activities results by segment	83,862	8,422	304,288	187,655	7,048	**591,275**
Non-controlling interest	--	-	-	-	-	**(1,027)**
Profit before tax	83,862	8,422	304,288	187,655	7,048	**590,248**
Income tax	(16,772)	(1,684)	(167,426)	(37,531)	(1,410)	**(224,823)**
Profit of the year	**67,090**	**6,738**	**136,862**	**150,124**	**5,638**	**365,425**
Assets & liabilities according to segment activities						
Segment activity assets	12,288,507	221,004	11,815,151	544,494	114,701	**24,983,857**
Total assets	12,288,507	221,004	11,815,151	544,494	114,701	**24,983,857**
Segment activity liabilities	3,980,318	186,793	2,616,076	15,413,198	661,905	**22,858,290**
Total liabilities	3,980,318	186,793	2,616,076	15,413,198	661,905	**22,858,290**
Other items for segment activity						
Impairment credit provision	(179,207)	-	(57)	-	-	**(179,264)**
	(179,207)	-	(57)	-	-	**(179,264)**

5. Segment analysis (continued)

A) Activity segment analysis (continued)

Comparative year 31 December 2013 — **EGP (000)**

	Large institutions	Small & meduim institutions	Investments	Retail	Other activities	Total
Revenues & expenses according to segment activities						
Segment activity revenues	401,670	25,760	321,726	938,984	74,558	1,762,698
Segment activity expenses	(372,530)	(18,768)	(89,215)	(835,035)	(28,908)	(1,344,456)
Activities results by segment	29,140	6,992	232,511	103,949	45,650	418,242
Non-controlling interest	-	-	-	-	-	(852)
Profit before tax	29,140	6,992	232,511	103,949	45,650	417,390
Income tax	(5,828)	(1,398)	(94,398)	(20,790)	(9,130)	(131,544)
Profit of the year	**23,312**	**5,594**	**138,113**	**83,159**	**36,520**	285,846
Assets & liabilities according to segment activities						
Segment activity assets	9,732,787	148,989	9,388,812	409,144	292,435	19,972,167
Total assets	9,732,787	148,989	9,388,812	409,144	292,435	19,972,167
Segment activity liabilities	2,221,699	235,014	681,145	12,765,579	2,192,342	18,095,779
Total liabilities	2,221,699	235,014	681,145	12,765,579	2,192,342	18,095,779
Other items for segment activity						
Impairment credit provision	(142,220)	-	-	-	-	(142,220)
	(142,220)	-	-	-	-	(142,220)

5. Segment analysis(continued)

B) Geographical segments analysis

EGP (000)

Current year 31 December 2014

	Arab Republic of Egypt				GCC	Other countries	Total
	Greater Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total			
Revenues & expenses according to geographical segments							
Segment revenues	1,752,563	455,800	23,595	2,231,958	-	-	**2,231,958**
Segment expenses	(1,215,888)	(404,078)	(20,717)	(1,640,683)	-	-	**(1,640,683)**
Activities results by segment	536,675	51,722	2,878	591,275	-	-	**591,275**
Non-controlling interest	(1,027)	-	-	(1,027)	-	-	**(1,027)**
Profit before tax	536,675	51,722	2,878	590,248	-	-	**590,248**
Tax	(213,903)	(10,344)	(576)	(224,823)	-	-	**(224,823)**
Profit for the year	322,772	41,378	2,302	365,425	-	-	**366,452**
Assets & liabilities according to geographical segments							
Geographical segment asstes	23,536,047	1,319,769	12,909	24,868,725	103,644	11,488	**24,983,857**
Total assets	23,536,047	1,319,769	12,909	24,868,725	103,644	11,488	**24,983,857**
Geographical segment liabilities	17,254,145	5,325,775	278,370	22,858,290	-	-	**22,858,290**
Tota liabilities	17,254,145	5,325,775	278,370	22,858,290	-	-	**22,858,290**
Other items for geographical segments							
Impairment	(179,265)	-	-	(179,265)	-	-	**(179,265)**
	(179,265)	-	-	(179,265)	-	-	**(179,265)**

5. Segment analysis(continued)

B) Geographical segments analysis (continued)

EGP (000)

Comparative year 31December 2013

	Arab Republic of Egypt				GCC	Other countries	Total
	Greater Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total			
Revenues & expenses according to geographical segments							
Segment revenues	1,444,092	297,895	20,712	1,762,699			1,762,699
Segment expenses	(1,043,004)	(282,244)	(19,209)	(1,344,457)			(1,344,457)
Activities results by segment	401,088	15,651	1,503	418,242	-	-	418,242
Non-controlling interest	(852)	-	-	(852)	-	-	(852)
Profit before tax	400,236	15,651	1,503	417,390	-	-	417,390
Tax	(128,113)	(3,130)	(301)	(131,544)			(131,544)
Profit for the year	272,123	12,521	1,202	285,846	-	-	285,846
Assets & liabilities according to geographical segments							
Geographical segment assets	19,225,037	624,334	10,197	19,859,568	112,111	488	19,972,167
Total assets	19,225,037	624,334	10,197	19,859,568	112,111	488	19,972,167
Geographical segment liabilities	13,927,785	3,918,779	249,215	18,095,779	-	-	18,095,779
Tota liabilities	13,927,785	3,918,779	249,215	18,095,779	-	-	18,095,779
Other items for geographical segments							
Impairment	(142,220)	-	-	(142,220)	-	-	(142,220)
	(142,220)	-	-	(142,220)	-	-	(142,220)

5. Segment analysis(continued)

B) Geographical segments analysis (continued)

Rules of specifying segments:

Segment activity or geographical activity can be specified as a segment that is required to be reported, if any of the following factors are determined:

- If the segment revenues reached 10% or more of the total revenues according to the Bank's financial statements.
- If activities results by sector reached 10% or more of Bank's activities, whatever the activities results by sector are profit or loss.
- If segment assets reached 10% or more of total Bank's assets.

Two or more segments from activity segments or geographical segments which have been internally reported in one activity or geographic segment can be consolidated if the segments are similar, if any of the following are determined:

- Similarity in financial performance on the long-term from those is profit indicators.
- Or any other similarity in any of the previously indicated factors.

If the segment is less in materiality limits than previously mentioned factors it could be reported in a separate segment, however its size or merge in other segment that has those factors or include its data in the item "other segments" of the segment analysis.

After specifying the segments that are separately reported according to what is presented .total revenues of those segments are compared according to Bank's income statement and revenues shown in this statement , if the indicated total is less than 75% of revenues in the bank's income statement; other segments are added to the segment analysis, even though the previously mentioned factors are absent and that is to reach a separate segment data analysis , which their revenues are not less than those revenues in the Bank's income statement.

6. Net interest income

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Interest received from loans and similar revenues:		
Loans and advances to customers	**936,693**	725,576
Treasury bills and bonds	**971,467**	721,995
Deposits and current accounts	**30,536**	19,161
Total	**1,938,696**	1,466,732
Interest on deposits and similar expenses:		
Deposits and current accounts:		
Banks	**(26,956)**	(48,678)
Customers	**(1,158,526)**	(869,031)
Total	**(1,185,482)**	(917,709)
Net interest income	**753,214**	549,023

7. Net fees and commission income

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Fees & commissions income :		
Fees & commissions related to credit	**236,660**	175,340
Custody fees	**8,913**	6,815
Other fees	**11,323**	8,193
Total	**256,896**	190,348
Fees and commission expense:		
Other fees paid	**(4,567)**	(4,627)
Total	**(4,567)**	(4,627)
Net income from fees and commissions	**252,329**	185,721

8. Net trading income

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Foreign exchange	**26,841**	60,159
Profit (losses) on revaluation of financial derivatives	**3,194**	(3,192)
Revaluation differences of equity instruments for held trading	**2,094**	1,615
Net trading income	**32,129**	58,582

9. Administrative expenses and depreciation

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Staff cost		
Wages and salaries	**94,150**	83,676
Social insurances	**5,887**	4,731
Total staff cost	**100,037**	88,407
Depreciation	**29,882**	28,626
Other administrative expenses	**138,525**	87,196
Total administrative expenses	**268,444**	204,229

- The monthly average of salaries, allowances, stock options, profits and incentives for top twenty staff is EGP 2,289 thousand. (2013: 1,935 thousand)

10. Other operating revenues (expenses)

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Profits on revaluation of non-trading assets and liabilities	**20,453**	43,750
Profits on disposal of repossessed real estate	**4,711**	2,849
Other impairment provisions	**(48,163)**	(87,856)
Other revenues	**20,073**	9,335
Total	**(2,926)**	(31,922)

11. Impairment losses

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Loan loss impairment (Note 16)	**(179,207)**	(142,220)
Total	**(179,207)**	(142,220)

12. Cash and balances with the Central Bank of Egypt

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Cash	**255,612**	174,397
Mandatory reserve with the Central Bank of Egypt	**1,165,464**	1,157,830
Total	**1,421,076**	1,332,227
Non-interest balances	**1,421,076**	1,332,227

13. Due from Banks

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Current accounts	**289,731**	250,723
Deposits	**2,606,995**	1,636,108
Total	**2,896,726**	1,886,831
Consisting of :		
Deposits with Central Bank of Egypt (excluding mandatory reserve)	**911,033**	683,994
Deposits with local Banks	**234,773**	106,300
Deposits with foreign Bank	**1,750,920**	1,096,537
	2,896,726	1,886,831
Distributed to:		
Non-interest balances	**611,036**	250,723
Interest rate balances	**2,285,690**	1,636,108
	2,896,726	1,886,831

14. Treasury bills and other government notes

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
91 Days maturity	**228,725**	373,425
182 Days maturity	**308,750**	363,200
273 Days maturity	**710,450**	788,000
365 Days maturity	**2,215,375**	1,194,143
Total	**3,463,300**	2,718,768
Unearned interest	**(139,483)**	(128,767)
Total	**3,323,817**	2,590,001

15. Financial investments held for trading

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Mutual fund THARWA (note 33A)	**14,995**	10,348
Mutual fund Rakhaa	**6,364**	5,874
Egyptian Arab Land Bank Mutual Fund	**5,970**	5,476
Total	**27,329**	21,698

16. Loans and advances to customers and banks

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Individuals		
Current accounts/Personal loans	**401,325**	292,035
Credit cards	**18,104**	14,897
Personal loans	**4,108**	1,813
Mortgage loans	**100,252**	107,712
Total (1)	**523,789**	416,457
Corporate loans including small loans:		
Current accounts	**403,474**	239,326
Direct loans	**7,626,557**	5,348,139
Syndication loans	**4,119,285**	3,805,520
Total (2)	**12,149,316**	9,392,985
Total loans and advances to customers (1+2)	**12,673,105**	9,809,442
Less: Provision for impairment loss	**(577,342)**	(387,201)
* Less: Interest in suspense	**(11,117)**	(11,097)
Less:Unearned discount on commercial paper	**(12,096)**	(23,701)
Net distributed to:	**12,072,550**	9,387,443
Current balances	**6,268,850**	4,630,781
Non-current balances	**5,803,700**	4,756,662
Net loans and advances to customers	**12,072,550**	9,387,443
Loans and advances to banks	**58**	52

*Represent the remaining balances before the new instructions

16. Loans and advances to customers (continued)

Analysis of provision for impairment loss of loans and facilities to customers

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Balance at the beginning of the year	**387,201**	228,391
Impairment provision for the year (note 11)	**179,207**	142,220
Provision foreign revaluation difference	**4,887**	13,763
Recoveries from written-off debts	**7,188**	3,594
Write-off during the year	**(1,141)**	(767)
Balance at the end of the year	**577,342**	387,201

Analysis of provision for impairment loss of loans and facilities by type:

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Retail		
Balance at beginning of the year	**2,741**	1,757
Impairment provision for the year	**-**	1,289
Recoveries from written-off debts	**357**	422
Provision foreign revaluation difference	**13**	40
Write-off during the year	**(163)**	(767)
Balance at end of the year(1)	**2,948**	2,741

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Corporate	**384,460**	226,634
Impairment provision for the year	**179,207**	140,931
Recoveries from written-off debts	**6,831**	3,172
Exchange related	**4,874**	13,723
Write-off during the year	**(978)**	-
Balance at end of the year (2)	**574,394**	384,460
Total (1) +(2)	**577,342**	387,201

17. Financial derivatives held for trading

31 December 2014	**Contractual value**	**Assets**
	EGP(000)	**EGP(000)**
Financial derivatives for trading		
Forward deals	**294,448**	**3,194**
Total	**294,448**	**3,194**

31 December 2013	Contractual value	Liabilities
	EGP(000)	EGP(000)
Financial derivatives for trading		
Forward deals	229,653	3,192
Total	229,653	3,192

18. Financial investments

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Available for sale investments		
Debt instruments – fair value		
Listed (Treasury Bonds)	**3,709,015**	3,485,136
Listed (Non-government Bonds)	-	14,489
Listed (Government Bonds)	**300,000**	300,000
Equity instruments - fair value		
Listed	**16,718**	16,450
Unlisted	**25,985**	29,850
Total financial investments available for sale	**4,051,718**	3,845,925
Financial investments held to maturity		
Golden pyramids plaza bonds due 2014 (listed)	-	31,223
Contact securitization bonds due 2016 (listed)	**2,884**	108,325
Corplease bonds due 23 Dec. 2018	**59,172**	-
AUBE Mutual Fund THARWA 2037 (note 33A)	**5,000**	5,000
AUBE Mutual Fund ALPHA 2038 (note 33B)	**5,000**	5,000
Zero Coupon Bonds due 2016	**426,577**	79,758
Total financial investments held to maturity	**498,633**	229,306
Total financial investments	**4,550,351**	4,075,231
Current balances	**42,703**	46,300
Non-current balances	**4,507,648**	4,028,931
	4,550,351	4,075,231
Equity instruments	**42,703**	46,300
Fixed interest debt instruments	**4,197,648**	3,687,708
Variable interest debt instruments	**300,000**	331,223
Non-interest instruments	**10,000**	10,000
	4,550,351	4,075,231

18- Financial investments (continued)

	Available for Sale Investments EGP (000)	Held to Maturity EGP (000)	Total EGP (000)
Balance at 1 January 2014	3,845,925	229,306	**4,075,231**
Additions	1,014,147	379,025	**1,393,172**
Disposals	(728,338)	(137,388)	**(865,726)**
Foreign currency translation	-	907	**907**
Impairment losses from available for sale investments	(57)	-	**(57)**
Net fair value adjustments	(83,140)	-	**(83,140)**
Amortization of discount	3,181	26,783	**29,964**
Balance at 31 December 2014	**4,051,718**	**498,633**	**4,550,351**

19. Gain on financial investments

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Profit on sale of treasury bills	**2,836**	2,367
Total	**2,836**	2,367

20. Investment properties

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Net book value as of 1 January	**39,639**	-
Transferred from fixed assets (note 22)	**1,250**	40,396
Depreciation	**(833)**	(757)
Net book value at the end of year	**40,056**	39,639

21. Other assets

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Accrued revenues	**290,844**	281,887
Prepaid expenses	**6,125**	3,555
Advances for purchase of fixed assets	**19,300**	17,573
Assets acquired as settlement of debts	**8,092**	21,452
Deposits held with other and custody	**3,575**	3,408
Other assets	**27,270**	25,645
Total	**355,206**	353,520

22. Fixed assets, net

	Lands and buildings EGP (000)	Leased assets improvements EGP (000)	Equipment and machinery EGP (000)	Other assets EGP (000)	Total EGP (000)
Net book value as of 1 January 2014	174,915	61,918	12,367	36,325	**285,525**
Additions	9,310	4,407	3,302	22,089	**39,108**
Transfer to investment properties	(1,250)	-	-	-	**(1,250)**
Depreciation charge	(4,472)	(5,840)	(2,245)	(17,332)	**(29,889)**
Net book value 31 Dec. 2014	**178,503**	**60,485**	**13,424**	**41,082**	**293,494**
Balance at the end of current year represents in:					
Cost	209,802	104,203	31,602	170,603	**516,210**
Accumulated depreciation	(31,299)	(43,718)	(18,178)	(129,521)	**(222,716)**
Net book value at 31 Dec. 2014	**178,503**	**60,485**	**13,424**	**41,082**	**293,494**
Net book value at 31 December 2013	174,915	61,918	12,367	36,325	**285,525**

- Fixed assets net (after depreciation) at the balance sheet date includes an amount of EGP 13,623 thousands of non-registered assets for which registration procedures are in progress.

23. Due to banks

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Foreign banks	**42,174**	56,602
Local banks	**638,658**	501,288
	680,832	557,890

24. Customers' deposits

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Demand deposits	**5,139,472**	2,534,100
Time deposits	**10,812,261**	9,663,014
Certificates of deposit	**3,564,425**	3,253,304
Savings deposits	**1,649,008**	1,322,648
Other deposits	**263,372**	260,333
	21,428,538	17,033,399
Corporate deposits	**15,346,373**	11,797,577
Individual deposits	**6,082,165**	5,235,822
	21,428,538	17,033,399
Non-interest bearing balances	**5,402,844**	2,794,433
Floating-interest bearing balances	**12,461,269**	10,985,662
Fixed interest bearing balances	**3,564,425**	3,253,304
	21,428,538	17,033,399
Current balances	**17,864,113**	13,780,095
Non-current balances	**3,564,425**	3,253,304
	21,428,538	17,033,399

25. Other liabilities

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Accrued interest	**168,109**	155,410
Clearing operations – CBE	**92,513**	32,843
Margin deposits	**39,851**	31,863
Tax payable	**129,051**	45,909
Unearned revenue	**21,737**	27,899
Accrued expenses	**37,593**	19,991
Dividend payable	**3,764**	3,365
Other credit balances	**52,541**	17,127
Total	**545,159**	334,407

26. Other provisions

	31 December 2014			
	Provision for legal claims	**Contingent claims provision**	**Contingent liabilities**	**Total**
	EGP (000)	**EGP (000)**	**EGP (000)**	**EGP (000)**
Balance at 1 January 2014	22,705	109,810	34,376	166,891
Charged during the year	5,655	42,508	-	48,163
Used during the year	(6,250)	(2,740)	-	(8,990)
Provisions no longer required	-	(3,395)	-	(3,395)
Foreign currency translation	-	549	543	1,092
Balance at 31 Dec. 2014	**22,110**	**146,732**	**34,919**	**203,761**

26. Other provisions (continued)

	31 December 2013			
	Provisions for legal claims	Contingent claims provision	Fixed contingent liabilities	Total
	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Balance at 1 January 2013	18,437	39,564	17,706	75,707
Charged during the year	4,298	68,558	15,000	87,856
Used during the year	(30)	-	-	(30)
Foreign currency translation	-	1,688	1,670	3,358
Balance at 31 December 2013	22,705	109,810	34,376	166,891

27. Deferred tax

	31 December 2014	31 December 2013
	EGP (000)	EGP (000)
Fixed assets	**(13,172)**	(7,862)
Provision	**68,742**	41,823
Net deferred tax	**55,570**	33,961

Deferred tax assets were not recognized as it has not been determined that deferred tax assets would be used in the future.

28. Issued and paid-up-capital

	No of ordinary shares
	000,s
Balance at the beginning of the year	112,500
Bonus shares	37,500
Balance at the end of the year	**150,000**

The authorized capital is 2.5 billion Egyptian pounds and the issued and the paid up capital reached 1,500 billion Egyptian pounds comprising of 150 million shares with nominal value of EGP 10 pounds and all issued shares are paid in full. In accordance with the ordinary general assembly approval on 30 March 2014, bonus shares of 1 share for every 3 shares held amounting to 37.5 million shares EGP 375 million (part of US$ funded paid – in capital were issued).

29. Reserves and Retained Earnings

Reserves

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Special reserve	**3,087**	3,087
General banking risk reserve (29A)	**6,856**	8,792
Legal reserve (29/B)	**137,434**	123,142
Capital reserves	**2,908**	2,908
Fair value reserve- available for sale financial investments (29/C)	**82,946**	166,086
Total reserves at the end of the year	**233,231**	304,015

A. General Banking Risks Reserve*

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Balance at the beginning of the year	**8,792**	8,792
Transferred to Income * *	**(1,936)**	-
Balance at the end of the year	**6,856**	8,792

* As per CBE Regulations, the Bank is required to create a general banking risk reserve for impact arising from any unexpected risks. The Bank will not make any distribution from this reserve without obtaining prior approval of the Central Bank, of Egypt. as per resolution of the Central Bank of Egypt dated 16 December 2008

** Represents the using from the reserve (reverted assets), which was sold during the year

B. Legal Reserve*

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Balance at the beginning of the year	**123,142**	110,767
Transfer from profit of previous year	**14,292**	12,375
Balance at the end of the year	**137,434**	123,142

* According to the Bank's Articles of Association 5% of the year’s net profits are transferred to the legal reserve. The transfer to legal reserve shall be suspended when the balance thereof equivalent to 50% of the total issued capital.

C. Fair value reserve –available for sale financial investments

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Balance at the beginning of the year	**166,086**	55,269
Net fair value movements	**(83,140)**	110,817
Balance at the end of the year	**82,946**	166,086

D. Retained Earnings

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Balance at the beginning of the year	**436,670**	246,957
Transfer to legal reserve	**(14,292)**	(12,375)
Bonus shares (note 28)	**(375,000)**	-
Cash dividends	-	(56,250)
Employees' profit share	**(28,584)**	(24,508)
Directors' remuneration	**(3,528)**	(3,039)
Non-controlling interest	**(1,027)**	(813)
Net profit for the year	**366,452**	286,698
Balance at the end of the year	**380,691**	436,670

30. Cash and cash equivalents

For the reason of cash-flow presentation; cash and cash equivalent include the following balances that have maturity dates not exceeding three months from their acquisition date.

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Cash and due from Central Bank (note 12)	**1,421,076**	1,332,227
Due from banks (note13)	**289,731**	250,723
Treasury bills and other government notes(note 14)	**228,725**	373,425
	1,939,532	1,956,375

31. Contingent liabilities and commitments

Liabilities against letters of credit, documentary credits and other commitments:

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Acceptances	**114,278**	65,795
Letters of guarantee	**1,292,076**	1,095,999
Letters of credit /import	**139,975**	280,039
Letters of credit / export	**63,651**	14,484
Forward exchange contracts	**294,448**	229,653
	1,904,428	1,685,970

32. Related party transactions

The Bank is a subsidiary of Ahli United Bank - Bahrain B.S.C (The Parent) which owns 85.37 % of the ordinary shares and the remaining stake of 14.63 % owned by other shareholders. In addition Bank owns 80.98% of the subsidiary company, AUFC

Following are related party transactions and balances during the financial Year ended and at 31 December 2014 and 31 December 2013:

	31 December 2014 EGP (000)	31 December 2013 EGP (000)
Due from banks	**126,792**	41,247
Due to banks	**31,623**	5,237
Interest Income	**151**	17

33. Mutual Funds

A. Ahli United Bank- Egypt (S.A.E) First Mutual Fund with daily accumulated interest and prizes (THARWA)

The fund is one of the licensed activities for the Bank under the law no: 95 /1992 and it's implementing regulations; the fund is managed by Cairo Fund Management Company.

THARWA has total number of 5,511,550 certificates with total value of EGP 718,659 thousand and AUB acquired 50,000 certificates and classified as held to maturity investments with total face value of EGP 5 million (note 18)

In addition the Bank invested another 115,000 certificates for EGP 14,995 thousand as trading investments in line with related regulation. (note 15)

The unit redemption value of the certificates amounted to EGP 130.3914 as of 31 December 2014 with total number of certificates 5,511,550 as of that day.

According to the Fund management agreement and the prospectus, the Bank receives fees and commission towards supervision of the Fund and related administrative services. The Bank received total commissions of EGP 3,454 thousand for the Year ended at 31 December 2014 and is included in the income statement under fees and commissions.

B. Ahli United Bank- Egypt (S.A.E) First Mutual Fund with daily accumulated interest and prizes (ALPHA):

The fund is one of the licensed activities for the Bank under the law no: 95 /1992 and its implementing regulations; and is managed by Cairo Fund Management Company.

ALPHA has total number of 1,013,814 certificates with total value of EGP 16.177 thousand and AUB acquired 500,000 certificates and classified as held to maturity investments with total face unit of EGP 5 million (Note 18) .

The unit redemption value of the certificates amounted to EGP 16.22594 as of 31 December 2014 with total number of certificates 1,013,814 as of that day.

According to the Fund management agreement and the prospectus, the Bank receives fees and commission towards the supervision of the Fund and related administrative services. The Bank received total commissions of EGP 68. 9 thousand for the Year ended at 31 December 2014 and is included in the income statement under fees and commissions.

34. Tax position

Income Tax

- The Bank calculates and pays the income tax liability on due dates based on the Bank's tax declaration report.
- For the year till 2010, it has been inspected and contested by the Bank. The dispute was transferred to the Internal Committee.
- For the year from 2011 till 2012, it is being inspected
- No tax inspection took place from 2013 and up to date.

Stamp Duty Tax

- From the Bank inception date up to 31 July 2006:
  Some of the Bank's branches were examined till 31July 2006 and settled, other branches are under inspection.
- From 1 August 2006 up to 31 December 2009 was inspected and contested by the Bank. The dispute was transferred to the Internal Committee.
- For the year from 1/1/2010 till 31/12/2011 is being inspected
- No tax inspection took place from 1 January 2012 and up to date.

Salary Tax

- The Bank calculates, deducts and pays the monthly salary tax on a regular basis.
- From the bank inception date till 1996 the Bank's return was inspected and the tax due was settled.
- From 1981 till 1984, the Bank has contested assessments and the cases are pending in the courts.
- From 1997 till 2002 is in the process of settlement with the Tax Authority.
- From 2003 till 2004 was inspected and contested by the Bank. The dispute was transferred to the Internal Committee.
- The tax for 2005 was estimated and contested by the Bank. The dispute was transferred to the Internal Committee.
- No tax inspection took place from 2006 up to 2007
- The tax for 2008 up to 2012 was estimated and contested by the Bank. The dispute was transferred to the Internal Committee

The Bank has taken into consideration the status of the above assessments while estimating the tax liability.

35. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation of financial statements for the Year. Such reclassifications do not affect previously reported net profit or shareholders' equity.