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

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

TOGETHER WITH AUDIT REPORT

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 Separate Financial Statements

We have audited the accompanying separate financial statements of **AHLI UNITED BANK (S.A.E),** represented in the separate balance sheet as of 31 December 2015, and the related separate 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 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 separate 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 Separate financial statements.

Translation of Auditor's report
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Opinion

In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects, of the separate financial position of **AHLI UNITED BANK (S.A.E)**, as of 31 December 2015, and of its financial performance and its separate 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 Separate financial statements.

Report on Other Legal and Regulatory Requirements

Nothing has come to our attention that causes us to believe that the Bank violated any of the provisions of the Central Bank of Egypt, Banking and Monetary System Law No. 88 of 2003 for the year ended 31 December 2015.

The Bank maintains proper accounting records that comply with the laws and the Bank's articles of association and the financial statements agree with the Bank's records.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Bank insofar as such information is recorded therein.

MOORE STEPHENS
MOORE STEPHENS EGYPT
Public Accountants & Consultants

Auditors

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

A Member of Ernst & Young Global

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

Cairo: 31 January 2016

AHLI UNITED BANK- EGYPT S.A.E

SEPARATE BALANCE SHEET
As at 31 DECEMBER 2015

	Note No.	31 December 2015 EGP (000)	31 December 2014 EGP (000)
ASSETS			
Cash and balances with Central Bank of Egypt	(13)	1,972,234	1,421,076
Due from banks	(14)	5,246,483	2,896,726
Treasury bills and other governmental notes	(15)	4,524,871	3,323,817
Financial investment held for trading	(16)	29,808	27,329
Loans and advances to customers & banks	(17)	14,886,753	12,011,673
Financial derivatives for trading	(18)	-	3,194
Financial Investments			
- Available for sale	(19)	2,558,969	4,051,718
- Held to maturity	(19)	584,025	498,633
Financial Investments in Subsidiaries	(21)	40,490	40,490
Investment properties(net)	(22)	39,223	40,056
Other assets	(23)	367,916	354,375
Fixed assets(net)	(24)	330,448	293,417
TOTAL ASSETS		30,581,220	24,962,504
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(25)	325,139	680,832
Financial derivatives for trading	(18)	73	-
Customers' deposits	(26)	26,451,960	21,431,987
Other liabilities	(27)	584,078	541,289
Other provisions	(28)	339,980	203,561
TOTAL LIABILITIES		27,701,230	22,857,669
EQUITY			
Issued and paid-up-capital	(30)	2,000,000	1,500,000
Reserves	(31)	245,670	232,969
Retained earnings	(31/d)	634,320	371,866
TOTAL SHAREHOLDERS'EQUITY		2,879,990	2,104,835
TOTAL LIABILITIES AND EQUITY		30,581,220	24,962,504
Contingent liabilities and Commitments			
Letter of guarantee, documentary credit and other commitments	(33)	2,557,541	1,904,428

- The accompanying notes, from (1) to (37) form an integral part of the separate financial statements and to be read therewith.
- Audit report attached

Nevine El Messeery
CEO and Managing Director

Sherin Mourad Noureldin — **Auditors** — **Sherif Fathi El Kelany**

SEPARATE INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes No.	31-Dec-15 EGP (000)	31-Dec-14 EGP (000)
Interest from loans and similar income	(6)	2,233,936	1,929,033
Interest on deposits and similar expense	(6)	(1,343,247)	(1,185,663)
Net interest income	(6)	890,689	743,370
Fees and commissions revenue	(7)	247,461	255,896
Fees and commissions expense	(7)	(4,942)	(4,567)
Net fees and commission income	(7)	242,519	251,329
Dividend income		1,849	1,402
Net trading income	(8)	73,764	32,129
Profits from financial investments	(20)	7,932	2,836
Impairment losses from available for sale investments		-	(57)
Credit impairment losses	(11)	(251,992)	(179,820)
General administrative and depreciation expenses	(9)	(274,044)	(267,028)
Other operating (expenses) revenues	(10)	(32,636)	(608)
Net profit before income tax		658,081	583,553
Income tax expense	(29)	(186,955)	(222,498)
Net profit for the period		471,126	361,055
Earnings per share	(12)	2.54	2.14

- The accompanying notes, from (1) to (37) form an integral part of the separate financial statements and are to be read therewith.

AHLI UNITED BANK- EGYPT S.A.E

SEPARATE STATEMENT OF CHANGES EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	EGP (000)								
	Paid-in-capital	Legal reserves	Reserve of General Bank Risk	Retained earnings	Capital reserve	Fair value reserve for AFS	Special reserve	Net profit for the year/period	Total
Balances at the beginning of the year	1,125,000	123,061	8,792	149,451	2,908	166,086	3,087	282,221	1,860,606
Capital increase (note 30)	375,000	-	-	(138,640)	-	-	-	(236,360)	-
Transferred to reserves	-	14,111	-	-	-	-	-	(14,111)	-
Dividends paid	-	-	-	-	-	-	-	(31,750)	(31,750)
Revaluation differences in fair value of available-for-sale investments	-	-	-	-	-	(83,140)	-	-	(83,140)
Used from general risk reserve	-	-	(1,936)	-	-	-	-	-	(1,936)
Net profit for the year	-	-	-	-	-	-	-	361,055	361,055
Balances at 31 December 2014	1,500,000	137,172	6,856	10,811	2,908	82,946	3,087	361,055	2,104,835
Balance at beginning of the period	**1,500,000**	**137,172**	**6,856**	**10,811**	**2,908**	**82,946**	**3,087**	**361,055**	**2,104,835**
Capital increase in progress	**500,000**	-	-	-	-	-	-	-	**500,000**
Transferred to reserves	-	**18,053**	-	-	-	-	-	**(18,053)**	-
Employees profit paid	-	-	-	-	-	-	-	**(150,000)**	**(150,000)**
Directors' remuneration	-	-	-	-	-	-	-	**(4,514)**	**(4,514)**
Dividend to shareholder	-	-	-	-	-	-	-	**(36,105)**	**(36,105)**
Transferred to retained earnings	-	-	-	**152,383**	-	-	-	**(152,383)**	-
Revaluation differences in fair value of available-for-sale investments	-	-	-	-	-	**(5,352)**	-	-	**(5,352)**
Net profit for the period	-	-	-	-	-	-	-	**471,126**	**471,126**
Balances as at 31 December 2015	**2,000,000**	**155,225**	**6,856**	**163,194**	**2,908**	**77,594**	**3,087**	**471,126**	**2,879,990**

- The accompanying notes, from (1) to (37) form an integral part of the separate financial statements and are to be read therewith.

AHLI UNITED BANK- EGYPT S.A.E

SEPARATE STATEMENT OF PROPOSED DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes No.	31-Dec-15 EGP (000)	31-Dec-14 EGP (000)
Cach Flows From Operating activities			
Profit before tax		**658,081**	583,553
Adjustments:			
Depreciation	**(22,24)**	**26,652**	30,696
Credit impairment losses	**(11)**	**251,992**	179,820
Other provisions-charged during the period	**(28)**	**134,129**	47,963
Revaluation differences of loans loss provisions in foregin currencies	**(17)**	**13,411**	4,888
Revaluation differences of other provisions	**(28)**	**2,977**	1,092
Provision no longer required		**--**	(3,395)
Amortization of discount - Investment HTM	**(19)**	**(52,564)**	(26,783)
Amortization of discount - Investment AFS	**(19)**	**1,506**	(3,181)
Revaluation differences of financial investments in foregin currencies	**(19)**	**(4)**	(907)
Revaluation differences of financial investments-for trading	**(8)**	**(2,479)**	(2,095)
Impairment losses from available for sale investments		**--**	57
Revaluation difference of financial derivatives held for trading	**(18)**	**73**	(3,194)
Operating income before changes in operating assets and liabilities		**1,033,774**	808,514
Net decrease (increase) in assets and liabilities			
Due from banks(deposits)		**(2,079,566)**	(970,887)
Treasury bills and other government notes (more than 3 months)		**(1,004,229)**	(878,516)
Financial investments for held trading		**-**	(3,536)
financial derivatives for held trading		**3,194**	(3,192)
Loans and advances to customers and banks		**(3,140,483)**	(2,864,341)
Other assets		**29,507**	(476)
Due to banks	**(25)**	**(355,693)**	122,942
Customers' deposits		**5,019,973**	4,389,831
Other liabilities		**41,006**	132,982
Utilizatioon of other provision	**(28)**	**(687)**	(8,990)
Income tax paid		**(186,476)**	(141,682)
Net cash flows (used in) from operating activities		**(639,680)**	582,649
Cash flows from investing activities			
Payments to purchase of fixed assets & branches istablishment	**(23,24)**	**(105,898)**	(40,047)
Payments to/ from purchase /sale investment held AFS	**(19)**	**1,868,134**	865,725
(Sale of) purchase investment HTM	**(19)**	**(415,067)**	(1,393,172)
Net cash flows from (used in) investing activities		**1,347,169**	(567,494)
Cash flows from Financing activities			
Capital increase in progress	**(30)**	**500,000**	--
Dividends paid		**(189,315)**	(31,998)
Net cash flows from (used in) financing activities		**310,685**	(31,998)
Increase in cash and cash equivalents during the period		**1,018,174**	(16,843)
Cash and cash equivalent at the beginning of the period		**1,939,532**	1,956,375
Cash and cash equivalents at the end of the period		**2,957,706**	1,939,532

	Notes	31 December 2015	31 December 2014
Cash and cash equivalents are represented as follows:	**No.**	**EGP (000)**	EGP (000)
Cash and balances with Central Bank of Egypt	**(13)**	**1,972,234**	1,421,076
Balances with banks	**(14)**	**5,246,483**	2,896,726
Treasury bills and other governmental notes	**(15)**	**4,524,871**	3,323,817
Deposits with banks	**(14)**	**(4,686,561)**	(2,606,995)
Treasury bills and other government notes with maturities more than 3 months		**(4,099,321)**	(3,095,092)
Cash and cash equivalents at the end of the period	**(32)**	**2,957,706**	1,939,532

- The accompanying notes, from (1) to (37) form an integral part of the separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF PROPOSED DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Net proffit for the year	471,126	361,055
Distribuatable profits	471,126	361,055
Retained earnings	163,194	10,811
Total	634,320	371,866
Ddistibuted as follows		
Legal reserve 5%	23,556	18,053
Dividens to shareholder	-	150,000
Bonus share*	500,000	-
Staff profit share 10%	47,113	36,105
Board of directors' remuneration	-	4,514
Retained earnings	63,651	163,194
Total	634,320	371,866

*** One Bonus share for every four original shares at par value of EGP 10**

1. General information

The Bank and its subsidiaries (together "the Group") provide institutional, Retail Banking and Investment Banking Services within the Arab Republic of Egypt through head office and 35 branches with 872 employees at 30 Sep 2015.

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 19 November 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 separate 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 separate 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 Bank has prepared the separate 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, and investments in subsidiary are presented in cost less impairment loss.

The standalone financial statements of bank should be read with its consolidated financial statements for the year ended 31st December 2013 to get complete information on bank's financial position, results of operation, cash flows and changes in ownership rights.

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

The Bank'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 Bank, 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.

2. Summary of the significant accounting policies (continued)

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

- The Bank 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 valuable changes in the financial statements.

- 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 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- Subsidiaries

Subsidiaries are all companies (including special purpose entities) over which the Bank 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.

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 separate financial statements are presented in thousand Egyptian Pounds, which is the functional and presentation currency of the Bank.

2. Summary of the significant accounting policies (continued)

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 separate 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.

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 classified at fair value through profit or loss at inception.

A 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 of the 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 is 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.

2. Summary of the significant accounting policies (continued)

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

- 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.

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 is classified as available for sale.

- Those for which the Bank 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 held 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 and liabilities

- 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.

Summary of the significant accounting policies (continued)

E- Financial assets (continued)

E. 4 Financial Investments available for sale (continued)

- 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 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 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 income statement.

- 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.

2. Summary of the significant accounting policies (continued)

E- Financial assets (continued)

E. 4 Financial Investments available for sale (continued)

II. Profits and losses related to the financial assets without fixed or determinable maturity are recorded in 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.

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- Derivative financial 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 don't 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 income statement as "net income from financial instrument at fair value through profits and losses".

G/2-Fair Value Hedge

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

2. Summary of the significant accounting policies (continued)

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 income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial 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.

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 commissions 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 period without issuing the loan by the Bank, the fees are recognized as revenues at the expiry of the commitment period.

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.

2. Summary of the significant accounting policies (continued)

I- Fees and commissions income (continued)

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 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 period in which the service is provided.

J- Dividend income

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

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 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 Bank 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 consideration the instructions by the Central Bank of Egypt dated 14 April 2011 specifically detailing the treatment of retail and corporate loans during the financial crisis.
- Impairment of collateral value.
- Deterioration of credit worthiness.

2. Summary of the significant accounting policies (continued)

L- Impairment of financial assets (continued)

L.1 Financial assets at amortized cost (continued)

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.

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 Bank 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

L- Impairment of financial assets (continued)

L. 1 Financial assets at amortized cost (continued)

evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the 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.

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

L. 2 Financial investments 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 statement of changes in equity are transferred to income statement, Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the 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 income statement, the impairment loss is reversed through the income statement.

M- Investments Property

Investment property represents land and buildings owned by the bank and used to earn rental income or a capital appreciation. Investment property doesn’t include properties used by the bank during its normal course of operation or these assets reverted to the bank in settlement of debts. The accounting policy for investment property is the same as for fixed assets.

N- Fixed assets

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

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.

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.

Profits and (losses) 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 cost

Borrowing costs are recorded in the 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.

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.

Summary of the significant accounting policies (continued)

R- Income taxes (continued)

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 income statement over the period 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 as a result of activities it exercises is exposed to various financial risks .Since the basis of financial activity is to accept risks, some risks or group of risks are analysed, 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 analyse 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.

3. Financial risks management (continued)

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 units 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 Bank 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 Bank regularly validates the performance of the rating and their anticipated future outcomes with regard to default events.

The Bank's internal ratings classification

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

3. Financial risks management (continued)

A- Credit risk (continued)

A.1 Measurement credit risk (continued)

Loans and advances to banks and customers (continued)

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 Bank's 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 Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and 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.

Collateral

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

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

3. Financial risks management (continued)

A- Credit risk (continued)

A.2 Limiting and preventing risk policies (continued)

Collateral (continued)

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 counter party 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 period of time, as it is affected by each transaction occurs in the arrangement.

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.

Financial risks management (continued)

A- Credit risk (continued)

A.2 Limiting and preventing risk policies (continued)

Commitments related to credit (continued)

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 provisions policies

The internal rating systems described in Note (1-A) 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 (4-A 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:

	31 December 2015	
Categories	**Loans and advances %**	**Distribution of impairment losses provision (including CIP) %**
Performing loans	**75.76**	**31.99**
Regular watch	**18.59**	**9.29**
Watch list	**2.83**	**3.58**
Non- performing loans	**2.82**	**55.14**
	100%	**100%**

3. Financial risks management (continued)

A- Credit risk (continued)

A. 3 Impairment and provisions policies (continued)

	31 December 2014	
Categories	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%

The Bank's internal rating assists 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 2011 concerning dealing with retail and corporate loans in the current economic situation.
- Impairment in the value of collateral.
- Deterioration of the credit status.

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 banking general 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.

3. Financial risks management (continued)

A- Credit risk (continued)

A. 4 General module to measure banking general risks (continued)

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 (31/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 Significance	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 2015	31 December 2014
	EGP (000)	EGP (000)
Balance sheet items exposed to credit risk		
Treasury bills and other governmental notes	**4,524,871**	3,323,817
Loans to individuals		
- Overdrafts / personal loans	**629,007**	401,325
- credit cards	**23,278**	18,104
- personal loans	**24,245**	4,108
Corporate:		
- Overdrafts	**434,458**	403,474
- Bank loans	**69**	58
- Direct loans	**9,814,899**	7,654,324
- Syndicated loans	**4,780,272**	4,119,285
Financial investments		
- Debt instruments	**3,093,201**	4,497,648
	23,324,300	20,422,143
Less:		
Loan impairment	**(800,474)**	(576,340)
Interest in suspense	**(11,178)**	(11,117)
Unearned discount interest on commercial papers	**(7,823)**	(1,548)
Total	**22,504,825**	19,833,138
Off-balance sheet items exposed to credit risk		
Letter of credit	**54,712**	203,626
Letter of guarantee	**2,414,135**	1,292,076
Accepted securities for suppliers facilities	**50,628**	114,278
Forward deals	**38,066**	294,448
Total	**2,557,541**	1,904,428

The above table represents the maximum limits for credit risk as of 31 December 2015, 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.

As shown in the preceding table, 67.3% (against 61.7% as at 31 December 2014) of the total maximum limit exposure to credit risk resulted from loans and advances to banks and customers; 32.6 % (against 38.3% as at 31 December 2014) represents investments in debt Instruments.

3. Financial risks management (continued)

A- Credit risk (continued)

A. 5 Maximum credit risk before collaterals (continued)

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:

- 94.35 % of the loans and advances portfolio is classified at the highest two rating (as at 31 December 2014:94.82%).

- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended in 31 December 2015.

- More than 97.8 % of the investments in debt Instruments are represented in 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 2015		31 December 2014	
	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 dues nor subject to impairment	**14,032,480**	**-**	11,374,724	-
Past due but not subject to impairment	**1,230,047**	**-**	875,104	-
Individually subject to impairment	**443,632**	**69**	350,792	58
Total	**15,706,159**	**69**	12,600,620	58
Less:				
Impairment loss provision	**(800,474)**	**-**	(576,340)	-
Interest in suspense	**(11,178)**	**-**	(11,117)	-
Interest on advance commercial papers	**(7,823)**	**-**	(1,548)	-
	14,886,684	**69**	12,011,615	58

Provision for impairment losses comprise an amount of EGP 391,691 thousands (31 Dec 2014: EGP 321,983 thousands) towards specific provisions and an amount of EGP 408,783 thousand (31 Dec 2014: EGP 254,357 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 at 31 December 2015

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.

Current period EGP (000)

	Individuals				Institutions			
Evaluation	**Overdrafts/Personal loans**	**Credit cards**	**Personal loans**	**Mortgage loans**	**Direct loans**	**Syndication loans**	**Other loans**	**Total loans and advances to customers**
Performing loans	586,904	-	24,245	-	6,657,380	4,373,647	-	11,642,176
Regular watch	39,789	20,727	-	-	2,096,390	222,224	-	2,379,130
Watch list	-	-	-	-	11,174	0	-	11,174
	626,693	**20,727**	**24,245**	**-**	**8,764,944**	**4,595,871**	**0**	**14,032,480**
Less:			-24 245					
Impairment losses			0					(370,240)
Total								**13,662,240**

* 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)

Net loans and advances to customers at 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.

Comparative year EGP (000)

	Individuals				Institutions			
Evaluation	Overdrafts/ Personal loans	Credit cards	Personal loans	Mortgage loans	Direct loans	Syndication loans	Other loans	Total loans and advances to customers
Performing loans	365,707	-	-	-	4,764,535	4,048,399	-	9,178,641
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	-	6,907,389	4,048,399	-	11,374,724
Less:								
Impairment losses								(231,251)
Total								11,143,473

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)

December 31, 2015	Individuals				
	Current accounts /Personal loans	Credit cards	Personal loans	Realestate loans	Total
Past due up to 30 days	2,253	1,890	13	-	4,156
Past due 30- 60 days	-	287	4	-	291
Past due 60- 90 days	-	44	-	-	44
Total	**2,253**	**2,221**	**17**	**-**	**4,491**

EGP (000)

December 31, 2014	Individuals				
	Current accounts /Personal loans	Credit cards	Personal loans	Realestate 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
Fair value of collaterals	**-**	**-**	**-**	**-**	**0**

3. Financial risks management (continued)

A- Credit risk (continued)

December 31, 2015 — EGP (000)

	Institutions		
	Direct loans	**Syndication loans**	**Total**
Past due up to 30 days	151,140	29,595	**180,735**
Past due 30- 60 days	27,144	-	**27,144**
Past due 60- 90 days	944,559	73,118	**1,017,677**
Total	**1,122,843**	**102,713**	**1,225,556**
Fair value of collaterals	**1,730,761**	**-**	**1,730,761**

December 31, 2014 — EGP (000)

	Institutions		
	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

3. Financial risks management (continued)

B- Credit risk (continued)

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.

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 443,298 thousand for institution and EGP 334 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		
	Credit cards	Personal loans	Direct loans	Syndication loans	Total
31-Dec-15					
Individually impaired loans	**330**	**4**	**433,585**	**9,713**	**443,632**
Fair value of collateral	**-**	**-**	**-**	**-**	**371,014**
31-Dec-14					
Individually impaired loans	156	9	340,914	9,713	350,792
Fair value of collateral	-	-	-	-	140,534

3. Financial risks management (continued)

A- Credit risk (continued)

A.6 Loans and advances (continued)

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 2015	31 December 2014
	EGP (000)	EGP (000)
Institutions		
Direct loans	**925,334**	391,263
Total	**925,334**	391,263

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 voting agency

EGP(000)

	Treasury bills , other governmental notes and governmental treasury bonds	Investments in securities , investment in subsidiaries and held to maturity	Total
B-	7,044,047	694,115	**7,738,162**
Total	**7,044,047**	**694,115**	**7,738,162**

3. Financial risks management (continued)

A - Credit risk (continued)

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

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 current period. In preparing this table the exposure was distributed according to the Bank customers‘geographic region.

EGP (000)

	Arab Republic of Egypt				Gulf countries	Other countries	Total
	Greater Cairo	Alexandria, Delta and Sinai	Upper Egypt	Total			
Treasury bills and other government notes	4,524,871	-	-	**4,524,871**	-	-	**4,524,871**
Loans and advances to customers							
Loans to individuals							
- Overdrafts/Personal loans	356,691	102,653	156,181	**615,525**	5,929	7,553	**629,007**
- Credit Cards	11,457	5,515	5,003	**21,975**	842	461	**23,278**
- Personal loans	2,782	4,628	16,648	**24,058**	-	187	**24,245**
Corporate:							
- Overdrafts	177,152	25,753	231,511	**434,416**	37	5	**434,458**
- Direct loans	5,801,612	1,726,910	2,174,743	**9,703,265**	72,896	38,738	**9,814,899**
- Syndicated loans	4,759,737	-	20,535	**4,780,272**	-	-	**4,780,272**
- Bank loans	69	-	-	**69**	-	-	**69**
Financial investments							
- Debt instruments	3,093,201	-	-	**3,093,201**	-	-	**3,093,201**
Total	**18,727,572**	**1,865,459**	**2,604,621**	**23,197,652**	**79,704**	**46,944**	**23,324,300**
Impairment loss provision							(800,474)
Interest in suspense							(11,178)
Unearned discount of discounted commercial papers							(7,823)
Total							**22,504,825**

Financial risks management (continued)

A - Credit risk (continued)

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

A/8/2 Industrial sectors

The below table represent the analysis of exposure of credit risk for The Bank with the book value, distributed according to the Bank customers' industrial sector.

EGP (000)

	Financial institutions	Industrial institutions	Real estate activity	Wholesale and retail trade	Government sector	Other activity	Individual	Total
Treasury bills and other governmental notes	-	-	-	-	4,524,871	-	-	**4,524,871**
Loans and advances to customers								
Loans to individuals								
Overdrafts/Personal loans	-	-	-	-	-	-	629,007	**629,007**
Credit cards	5	165	51	182	-	431	22,444	**23,278**
Personal loans	-	-	-	-	-	-	24,245	**24,245**
Corporate:								
Overdrafts	32	109,957	15,617	11,997	-	283,279	13,576	**434,458**
Direct loans	11,463	4,555,076	1,644,390	1,625,179	-	1,798,030	180,761	**9,814,899**
Syndicated loans	-	2,751,977	587,476	-	-	1,440,819	-	**4,780,272**
Bank loans	69	-	-	-	-	-	-	**69**
Financial investments								
Debt instruments	120,226	-	-	-	2,972,975	-	-	**3,093,201**
Total	**131,795**	**7,417,175**	**2,247,534**	**1,637,358**	**7,497,846**	**3,522,559**	**870,033**	**23,324,300**
Credit impairment loss								(800,474)
Interest in suspense								(11,178)
Unearned discount of discounted commercial papers								(7,823)
Total								**22,504,825**

A - Credit risk (continued)

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.

Bank treasury 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 unit head.

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

	31-Dec-15			31-Dec-14		
	Medium	**High**	**Low**	Medium	High	Low
Interest rate risk	41.8	44.9	37.6	82 .7	95 .4	74 .9
Total VAR	**41.8**	**44.9**	**37.6**	82 .7	95 .4	74 .9

3. Financial risks management (continued)

B- Market risk (continued)

B.3 Foreign 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 the fiscal year. The following table includes the carrying amounts of the assets and liabilities in their currencies:

- **Currency risk concentration on the financial instruments**

31 December 2015	Egyptian Pound EGP (000)	US Dollar EGP (000)	Euro EGP (000)	Sterling Pound EGP (000)	Other Currencies EGP (000)	Total EGP (000)
Assets:						
Cash and balance with Central Bank	1,940,871	25,214	3,917	1,784	448	**1,972,234**
Due from banks	1,568,765	3,380,013	234,665	25,606	37,434	**5,246,483**
Treasury bills and government notes	4,524,871	-	-	-	-	**4,524,871**
Financial investments held for trading	29,808	-	-	-	-	**29,808**
Loans and advances for customers and banks	10,082,515	4,692,814	86,359	25,060	5	**14,886,753**
Investments:						
Available for sale	2,558,709	-	260	-	-	**2,558,969**
Investment Propertes	39,223	-	-	-	-	**39,223**
Held to maturity	584,025	-	-	-	-	**584,025**
Subsidiaries	40,490	-	-	-	-	**40,490**
Other assets and fixed assets	599,151	99,060	126	27	-	**698,364**
Total assets	**21,968,428**	**8,197,101**	**325,327**	**52,477**	**37,887**	**30,581,220**
liabilities:						
Due to banks	262,266	61,745	1,098	-	30	**325,139**
Financial derivatives for trading	36	37				**73**
Customers' deposits	19,851,099	6,184,849	329,254	52,411	34,347	**26,451,960**
Other liabilities and provisions	451,518	466,943	2,238	79	3,280	**924,058**
Total liabilities	**20,564,919**	**6,713,574**	**332,590**	**52,490**	**37,657**	**27,701,230**
Net balance sheet as of 31 December 2015	**1,403,509**	**1,483,527**	**(7,263)**	**(13)**	**230**	**2,879,990**

B.3 Foreign exchange risk (Compared)

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 the fiscal year. The following table includes the carrying amounts of the assets and liabilities in their currencies:

- **Currency risk concentration on the financial instruments**

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
Financial investments held for trading	27,329	-	-	-	-	27,329
Loans and advances for customers and banks	7,208,186	4,664,182	100,363	38,937	5	12,011,673
Financial derivatives for trading	(2)	3,196				3,194
Investments:						
Available for sale	4,051,718	-	-	-	-	4,051,718
Investment Propertes	40,056	-	-	-	-	40,056
Held to maturity	498,633	-	-	-	-	498,633
Subsidiaries	40,490	-	-	-	-	40,490
Other assets and fixed assets	576,076	71,566	149	1	-	647,792
Total assets	17,070,332	7,560,363	260,743	59,124	11,942	24,962,504
liabilities:						
Due to banks	638,750	40,838	1,226	-	18	680,832
Customers' deposits	14,841,113	6,289,166	232,046	58,800	10,862	21,431,987
Other liabilities and provisions	473,306	269,354	2,121	65	4	744,850
Total liabilities	15,953,169	6,599,358	235,393	58,865	10,884	22,857,669
Net balance sheet as of 31 December 2014	1,117,163	961,005	25,350	259	1,058	2,104,835

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 2015	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	1,972,234	-	-	-	-	-	**1,972,234**
Due from banks	4,335,731	663,822.00	246,930	-	-	-	**5,246,483**
Treasury bills and other government notes	102,757	3,512,344	909,770	-	-	-	**4,524,871**
Financial investments held for trading	29,808	-	-	-	-	-	**29,808**
Loans and advances to customers and banks	14,298,091	445,472	143,190	-	-	-	**14,886,753**
Investments Property						39,223	**39,223**
Financial investments:							
Available for sale	134,974	-	716,379	1,298,416	369,407	39,793	**2,558,969**
Held to maturity	-	-	419,830	154,195	-	10,000	**584,025**
Subsidiaries	-	-	-	-	-	40,490	**40,490**
Other assets and fixed assets	-	-	-	-	-	698,364.00	**698,364**
Total financial assets	**20,873,595**	**4,621,638**	**2,436,099**	**1,452,611**	**369,407**	**827,870**	**30,581,220**
Financial liabilities							
Due to banks	325,139	-	-	-	-	-	**325,139**
Financial derivatives for trading	73	-	-	-	-	-	**73**
Customers' deposits	11,464,440	4,367,340	4,091,447	6,061,558	467,175.00	-	**26,451,960**
Other liabilities and provisions						924,058	**924,058**
Total financial liabilities	**11,789,652**	**4,367,340**	**4,091,447**	**6,061,558**	**467,175**	**924,058**	**27,701,230**
Interest repricing gap	**9,083,943**	**254,298**	**(1,655,348)**	**(4,608,947)**	**(97,768)**	**(96,188)**	**2,879,990**
31 December 2014							
Total financial assets	8,961,849	2,185,421	4,497,191	5,868,203	2,711,502	738,338	24,962,504
Total financial liabilities	5,495,414	3,285,446	5,313,942	5,596,056	2,421,961	744,850	22,857,669
Interest repricing gap	**3,466,435**	**(1,100,025)**	**(816,751)**	**272,147**	**289,541**	**(6,512)**	**2,104,835**

B- Market risk (continued)

B.4 Interest rate risk (continued) (Compared)

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	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 held for trading	27,329	-	-	-	-	-	**27,329**
Loans and advances to customers and banks	4,487,794	711,011	1,310,128	3,408,696	2,094,044	-	**12,011,673**
Financial derivatives for trading	3,194	-	-	-	-	-	**3,194**
Investments Property	-	-	-	-	-	40,056	**40,056**
Financial investments:							
Available for sale	321,383	-	863,358	2,308,691	558,286	-	**4,051,718**
Held to maturity	-	88,048.00	190,597	150,816	59,172	10,000	**498,633**
Subsidiaries	-	-	-	-	-	40,490	**40,490**
Other assets and fixed assets	-	-	-	-	-	647,792	**647,792**
Total financial assets	**8,961,849**	**2,185,421**	**4,497,191**	**5,868,203**	**2,711,502**	**738,338**	**24,962,504**
Financial liabilities							
Due to banks	680,832	-	-	-	-	-	**680,832**
Customers' deposits	4,814,582	3,285,446	5,313,942	5,596,056	2,421,961	-	**21,431,987**
Other liabilities and provisions	-	-	-	-	-	744,850	**744,850**
Total financial liabilities	**5,495,414**	**3,285,446**	**5,313,942**	**5,596,056**	**2,421,961**	**744,850**	**22,857,669**
Interest repricing gap	**3,466,435**	**(1,100,025)**	**(816,751)**	**272,147**	**289,541**	**(6,512)**	**2,104,835**
31 December 2013							
Total financial assets	6,116,296	1,643,980	3,349,898	5,508,890	2,660,540	678,870	19,958,474
Total financial liabilities	4,070,362	3,296,452	3,734,503	5,185,667	1,316,254	494,630	18,097,868
Interest repricing gap	**2,045,934**	**(1,652,472)**	**(384,605)**	**323,223**	**1,344,286**	**184,240**	**1,860,606**

3. Financial risks management (continued)

C- Liquidity risk

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 periods 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 are 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 2, the numerator in capital adequacy comprises the following 2 tiers:

3. Financial risks management (continued)

E- Capital risk management (continued)

Tier 1:

A- Bank' investment in financial institutions (banks and companies) and insurance 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 are 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 it's 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.

3. Financial risks management (continued)

E- Capital risk management (continued)

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. **CONSOLIDATED**

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Tier 1		
Issued and paid-up-capital	2,000,000	1,500,000
Legal Reserves	155,705	137,434
Capital Reserves	2,908	2,908
Retained earnings	171,365	15,266
Non-controlling interest	12,623	11,645
50% disposed from aquired assets as a settelment of debts that are included in the bank general risk reserve	--	(761)
Total Tier 1 after disposal	**2,342,601**	1,666,492
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)	36,376	37,326
Performing Loans and contingent liability,impairment loss	235,737	173,615
50% disposed from aquired assets as a settelment of debts that are included in the bank general risk reserve	--	(761)
Total Tier 2 after disposal	**273,502**	211,569
Total Capital Base	**2,616,103**	1,878,061
Assets and contingent liabilities risk weighted		
Total credit risk	18,858,985	13,889,444
Capital market risk requirments	95,390	87,450
Capital operational risk requirments	1,623,650	1,275,780
Total weighted risk of contingent assets and liabilities	**20,578,025**	15,252,674
Capital Adequacy Ratio	**12.71%**	12.31%

3. Capital risk management (continued)

F- Financial leverage risk management

As part of the Central Bank of Egypt's keenness to implement the latest international practices, the banking sector of Egypt and in order to enhance its competitiveness, and protect it from potential financial crises, and keep up with what done by the Basel Committee on Banking Supervision in January 2014 to update the previously issued with respect to increased leverage as proposed the leverage degree is not based on risk directly, and to represent a measure complementary and simple to capital adequacy standard but according to risk weights are not calculated, and to reflect the relationship between the tier one of capital used in the capital adequacy ratio (after exclusions), and Bank assets non-weighted risk where it should not be less than 3%, according to refund later.

3. Capital risk management (continued)

Financial leverage risk management

Item	Total
1) Tier 1 of the capital adequacy ratio after disposals	**2,342,601**
2) Total exposures in & off Balance Sheet	**31,883,309**
Total exposures within B/S and operations of financial derivatives and securities	**30,614,671**
Exposures items within the balance sheet after deducting Disposals tier 1	
Cash and balances with the Central Bank	**1,972,234**
Due to banks :	**5,246,621**
Current accounts and deposits	5,246,552
Loans and credit facilities for Banks	69
Treasury bills and other government securities	**4,524,871**
Financial investments held for trading	**29,808**
Financial investments available for sale	**2,558,969**
Investments held to maturity	**584,025**
Total Loans and advances to customers & banks	**14,959,405**
Loans and credit facilities	15,773,339
(-)Provision impairment losses	802,756
(-)Accrued interest	11,178
Fixed assets (net)	**369,741**
Other assets	**369,066**

Off balance sheet Exposures	Amount	Conversion factor %	
Total contingent liabilities :			
Letter of credits - import 20%	4,317	20%	
Letter of credits - export 20%	50,395	20%	
Letters of guarantee 50%	2,325,525	50%	
Letters of guarantee at the request of foreign banks 50%	88,610	50%	
Bills accepted	50,628	100%	
Leverage ratio%			**7.35%**

4. Significant accounting estimates and assumptions

The Bank make subjective estimates and judgments that affect the reported amounts of assets and liabilities with the following fiscal 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 (continued)

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 like 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 period 31 December 2015

EGP (000)

	Large institutions	Small & meduim institutions	Investments	Retail	Other activities	Total
Revenues & expenses according to segment						
Segment activity revenues	600,292	15,934	344,468	1,460,537	143,711	2,564,942
Segment activity expenses	(565,989)	(13,789)	(71,782)	(1,204,680)	(50,621)	(1,906,861)
Activities results by segment	**34,303**	**2,145**	**272,686**	**255,857**	**93,090**	**658,081**
Profit before tax	**34,303**	**2,145**	**272,686**	**255,857**	**93,090**	**658,081**
Income tax	(7,718)	(483)	(100,242)	(57,567)	(20,945)	**(186,955)**
Profit of the period	**26,585**	**1,662**	**172,444**	**198,290**	**72,145**	**471,126**
Assets & liabilities according to segment activities						
Segment activity assets	14,127,526	78,606	14,758,495	878,322	738,271	**30,581,220**
Total assets	**14,127,526**	**78,606**	**14,758,495**	**878,322**	**738,271**	**30,581,220**
Segment activity liabilities	5,095,546	190,693	2,667,863	18,305,650	1,441,478	**27,701,230**
Total liabilities	**5,095,546**	**190,693**	**2,667,863**	**18,305,650**	**1,441,478**	**27,701,230**
Other items for segment activity						
Impairment	(251,992)	**-**	**-**	**-**	**-**	**(251,992)**
	(251,992)	**-**	**-**	**-**	**-**	**(251,992)**

5. Segment analysis(continued)

A) Activity segment analysis (continued)

Comparative period 31 December 2014

EGP (000)

	Large institutions	Small & meduim institutions	Investments	Retail	Other activities	Total
Revenues & expenses according to segment activities						
Segment activity revenues	465,326	24,527	370,259	1,296,439	64,745	2,221,296
Segment activity expenses	(389,186)	(16,105)	(65,971)	(1,108,784)	(57,697)	(1,637,743)
Activities results by segment	76,140	8,422	304,288	187,655	7,048	583,553
Profit before tax	76,140	8,422	304,288	187,655	7,048	583,553
Income tax	(15,228)	(1,684)	(166,645)	(37,531)	(1,410)	(222,498)
Profit of the year	60,912	6,738	137,643	150,124	5,638	361,055
Assets & liabilities according to segment activities						
Segment activity assets	12,267,154	221,004	11,815,151	544,494	114,701	24,962,504
Total assets	12,267,154	221,004	11,815,151	544,494	114,701	24,962,504
Segment activity liabilities	3,979,697	186,793	2,616,076	15,413,198	661,905	22,857,669
Total liabilities	3,979,697	186,793	2,616,076	15,413,198	661,905	22,857,669
Other items for segment activity						
Impairment	(179,820)	--	(57)	--	--	(179,877)
	(179,820)	--	(57)	--	--	(179,877)

6. Segment analysis(continued)

B) Geographical segments analysis

EGP (000)

Current period 31 December 2015	Arab Republic of Egypt				Gulf counties	Other countries	Total
	Greater Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total			
Revenues & expeses according to geographical sgments							
Geographical segment revenues	1,959,613	571,222	29,065	**2,559,900**	3,163	1,879	**2,564,942**
Geographical segment expenses	(1,414,532)	(465,838)	(25,100)	**(1,905,470)**	(922)	(469)	**(1,906,861)**
Activities level by sector	545,081	105,384	3,965	**654,430**	2,241	1,410	**658,081**
Profit before tax	545,081	105,384	3,965	**654,430**	2,241	1,410	**658,081**
Tax	(186,141)	-	-	**(186,141)**	(504)	(310)	**(186,955)**
Profit for the period	**358,940**	**105,384**	**3,965**	**468,289**	**1,737**	**1,100**	**471,126**
Assets & liabilities according to geographical segments							
Geographical segment asstes	28,971,877	1,461,392	21,303	**30,454,572**	79,704	46,944	**30,581,220**
Total assets	28,971,877	1,461,392	21,303	**30,454,572**	79,704	46,944	**30,581,220**
Geographical segment liabilities	19,650,562	7,719,136	331,532	**27,701,230**	-	-	**27,701,230**
Tota liabilities	19,650,562	7,719,136	331,532	**27,701,230**	-	-	**27,701,230**
Other items for geographical segments							
Impairment	(251,992)	-	-	**(251,992)**	-	-	**(251,992)**
	(251,992)	-	-	**(251,992)**	-	-	**(251,992)**

5. Segment analysis(continued)

B) Geographical segments analysis (continued)

EGP (000)

Current period 31 December 2014	Arab Republic of Egypt				Gulf counties	Other	Total
	Greater Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total			
Revenues & expeses according to geographical sgments							
Geographical segment revenues	1,741,901	455,800	23,595	2,221,296	-	-	2,221,296
Geographical segment expenses	(1,212,948)	(404,078)	(20,717)	(1,637,743)	-	-	(1,637,743)
Activities level by sector	528,953	51,722	2,878	583,553	-	-	583,553
Profit before tax	528,953	51,722	2,878	583,553	-	-	583,553
Tax	(222,498)	-	-	(222,498)	-	-	(222,498)
Profit for the year	306,455	51,722	2,878	361,055	-	-	361,055
Assets & liabilities according to geographical segments							
Geographical segment asstes	23,629,826	1,319,769	12,909	24,962,504	-	-	24,962,504
Total assets	23,629,826	1,319,769	12,909	24,962,504	-	-	24,962,504
Geographical segment liabilities	17,253,524	5,325,775	278,370	22,857,669	-	-	22,857,669
Tota liabilities	17,253,524	5,325,775	278,370	22,857,669	-	-	22,857,669
Other items for geographical segments							
*Impairment	(179,877)	-	-	(179,877)	-	-	(179,877)
	(179,877)	-	-	(179,877)	-	-	(179,877)

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 2015 EGP (000)	31 December 2014 EGP (000)
Interest received from loans and similar items:		
Loans and advances to customers	**1,227,653**	927,030
Treasury bills and bonds	**848,081**	971,467
Deposits and current accounts	**158,202**	30,536
Total	**2,233,936**	1,929,033
Interest on Deposits and similar Expenses:		
Deposits and current accounts:		
Banks	**(22,118)**	(27,136)
Customers	**(1,321,129)**	(1,158,527)
Total	**(1,343,247)**	(1,185,663)
Net interest income	**890,689**	743,370

7. Net fees & commissions income

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Fees & commissions income :		
Fees & commissions related to credit	**227,623**	242,774
Custody fees	**6,764**	8,913
Other fees	**13,074**	4,209
Total	**247,461**	255,896
Fees and commission expenses:		
Other paid fees	**(4,942)**	(4,567)
Total	**(4,942)**	(4,567)
Net income from fees and commissions	**242,519**	251,329

8. Net trading income

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Forex profit	**71,358**	26,840
Profit (Loss) on revaluation of finacial derivatives	**(73)**	3,194
Profit on revaluation of finacial investments held for trading	**2,479**	2,095
Net trading income	**73,764**	32,129

9. Administrative and depreciation expenses

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Staff cost		
Wages and salaries	**110,472**	93,935
Social insurances	**7,418**	5,887
Total staff cost	**117,890**	99,822
Depreciation	**26,652**	29,863
Other administrative expenses	**129,502**	137,343
Total administrative expenses	**274,044**	267,028

- The monthly average of salaries, allowances, stock options, profits and incentives for top twenty staff is EGP 2,537 thousand. (2014: 2,289 thousand)

10. Other operating (expenses) revenues

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Profits on revaluation of non-trading assets and liabilitie	**79,499**	20,453
Profits from disposal of repossessed real state	**316**	4,711
Other provisions	**(134,129)**	(47,963)
Other revenues	**21,678**	22,191
Total	**(32,636)**	(608)

11. Credit impairment losses

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Loan loss impairment (Note 17)	**(251,992)**	(179,820)
Total	**(251,992)**	(179,820)

12. Earnings per share

Earnings per share are calculated by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of shares outstanding during the year.

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Net profit	**471,126**	361,055
Less:		
Employees' profit share (estimated)	**(47,113)**	(40,619)
Net profit for the period available for distribution	**424,013**	320,436
Weighted average number of shares	**166,667**	150,000
Basic earnings per share	**2.54**	2.14

13. Cash and balances with Central Bank of Egypt

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Cash	**97,650**	255,612
Mandatory reserve deposits with the Central Bank of Egypt	**1,874,584**	1,165,464
Total	**1,972,234**	1,421,076
Non-interest balances	**1,972,234**	1,421,076

14. Due from Banks

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Current accounts	**559,922**	289,731
Deposits	**4,686,561**	2,606,995
Total	**5,246,483**	2,896,726
Consisting of :		
Deposits with Central Bank of Egypt excluding mandatory reserve	**2,163,420**	911,034
Deposits with local Banks	**186,994**	234,773
Deposits with foreign Bank	**2,896,069**	1,750,919
	5,246,483	2,896,726
Distributed to:		
Non-interest balances	**559,922**	611,036
Interest rate balances	**4,686,561**	2,285,690
	5,246,483	2,896,726

15. Treasury bills and other governmental notes

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
91 Days maturity	**425,550**	228,725
182 Days maturity	**1,171,500**	308,750
273 Days maturity	**1,626,975**	710,450
365 Days maturity	**1,398,725**	2,215,375
Total	**4,622,750**	3,463,300
Unearned interest	**(97,879)**	(139,483)
Total	**4,524,871**	3,323,817

16. Financial investments held for trading

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Mutual fund THARWA (Note 35A)	**16,280**	14,995
Mutual fund Rakhaa	**6,905**	6,364
Egyptian Arab Land Bank Mutual Fund	**6,623**	5,970
Total	**29,808**	**27,329**

17. Loans and advances to customers and banks

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Individuals		
Current accounts/Personal loans	**629 007**	401 325
Credit cards	**23,278**	18,104
Personal loans	**24,245**	4,108
Total (1)	**676,530**	423,537
Corporate loans including small loans:		
Current accounts	**434,458**	403,474
Direct loans	**9,814,899**	7,654,324
Syndication loans	**4,780,272**	4,119,285
Total (2)	**15,029,629**	12,177,083
Total loans and advances to customers (1+2)	**15,706,159**	12,600,620
Less: provision for impairment loss	**(800,474)**	(576,340)
Less: Interest in suspense *	**(11,178)**	(11,117)
Less: Discounting interest on advance commercial paper	**(7,823)**	(1,548)
Net distributed to:	**14,886,684**	12,011,615
Current balances	**8,143,396**	6,268,850
Non-current balances	**6,743,288**	5,742,765
Net loans and advances to customers	**14,886,684**	12,011,615
Loans and advances to banks	**69**	58

*Balance remaining before the start of new regulations.

Analysis of credit impairment loss of loans and facilities to customers

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Balance at the beginning of the year	**576,340**	385,585
Impairment provision for the year (Note 10)	**251,992**	179,820
Provision foreign revaluation difference	**13,411**	4,888
Recoveries from written-off debts	**4,582**	7,187
Write-off during the year	**(45,851)**	(1,140)
Balance at the end of the year	**800,474**	576,340

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

Retail

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Balance at beginning of the year	**1,333**	1,126
Recoveries from written-off debts	**125**	356
Exchange related	**39**	13
Write-off during the year	**-**	(162)
Impairment provision for the year (1)	**1,497**	1,333

Corporate

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Balance at beginning of the year	**575,007**	384,459
Impairment provision for the year	**251,992**	179,820
Recoveries from written-off debts	**4,457**	6,831
Exchange related	**13,372**	4,875
Write-off during the year	**(45,851)**	(978)
Balance at end of the year (2)	**798,977**	575,007
Total (1) + (2)	**800,474**	576,340

18. Financial derivatives for trading

31 December 2015	**Contractual value EGP(000)**	**Liabilities EGP(000)**
Financial derivatives for trading		
Forward deals	**38,066**	**73**
Total	**38,066**	**73**

31 December 2014	Contractual value EGP(000)	Assets EGP(000)
Financial derivatives for trading		
Forward deals - Maturity during 2015	294,448	3,194
Total	294,448	3,194

19. Financial investments

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Available for sale investments		
Debt instruments – fair value		
Listed (Treasury Bonds)	**2,519,176**	3,709,015
Listed (Government Bonds)	**-**	300,000
Equity instruments - fair value		
Listed	**14,085**	16,718
Unlisted	**25,708**	25,985
Total financial investments available for sale	**2,558,969**	4,051,718
Financial investments held to maturity		
Contact securitization bonds due 2015 (listed)	**-**	2,884
Corplease bonds due 23 December 2018	**59,113**	59,172
Zero Coupon Bonds due 2016	**453,799**	426,577
Contact securitization SARWA due December 2016	**18,008**	-
Contact securitization SARWA due December 2018	**30,073**	-
Contact securitization SARWA due October 2020	**13,032**	-
AUBE Mutual Fund THARWA (2037) (listed) (Note 35A)	**5,000**	5,000
AUBE Mutual Fund ALPHA (2038) (listed) (Note 35B)	**5,000**	5,000
Total financial investments held to maturity	**584,025**	498,633
Total financial investments	**3,142,994**	4,550,351
Current balances	**39,793**	42,703
Non- current balances	**3,103,201**	4,507,648
	3,142,994	4,550,351
Equity instruments	**39,793**	42,703
Fixed interest debt instruments	**3,093,201**	4,197,648
Variable interest debt instruments	**-**	300,000
Non-interest debt instruments	**10,000**	10,000
Total	**3,142,994**	4,550,351

19. Financial investments (continued)

31 December 2015	Available for Sale	Held to Maturity	Total
	EGP (000)	EGP (000)	EGP (000)
Balance at 1 January 2015	4,051,718	498,633	**4,550,351**
Additions	89,345	325,722	**415,067**
Disposals	(1,575,240)	(292,894)	**(1,868,134)**
Net fair value adjustments	(5,352)	-	**(5,352)**
Foreign currency translation	4	-	**4**
Amortization of discount	(1,506)	52,564	**51,058**
Balance at 31 December 2015	**2,558,969**	**584,025**	**3,142,994**

31-Dec-2014	Available for Sale Investments	Held to Maturity	Total
	EGP (000)	EGP (000)	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 investmen	(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

20. Gain on financial investment

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Profit on sale of treasury bills	**3,015**	2,836
Profit on sale of available for sale investments	**4,917**	-
Total	**7,932**	2,836

21. Investments in subsidiaries

	Contribution ratio	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Contributions to the capital of subsidiary companies			
Ahli united Finance company-(AUFC) (unlisted)	**% 80.98**	**40,490**	40,490

22. Investment properties (Net)

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Balance at 1 January 2015	**41,646**	40,396
Transfered from fixed assets	**-**	1,250
Accumulated depreciation	**(1,590)**	(757)
Depreciation	**(833)**	(833)
Balance at 31 December 2015	**39,223**	40,056

23. Other assets

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Accrued revenue	**233,304**	290,844
Prepaid expenses	**5,587**	6,125
Prepayments to purchase of fixed assets	**61,575**	18,527
Assets acquired as settlement of debts	**8,092**	8,092
Deposits held with others and custody	**6,179**	3,528
Other assets	**53,179**	27,259
Total	**367,916**	354,375

24. Fixed assets (Net)

	Lands and buildings	Leased assets improvements	Equipment and Machinery	Other assets	Total
	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Net book value as of 1 January 2015	178,503	60,484	13,425	41,005	**293,417**
Additions	16,650	17,900	5,367	22,933	**62,850**
Depreciation cost	(4,394)	(7,324)	(2,642)	(11,459)	**(25,819)**
Net book value 31 December 2015	**190,759**	**71,060**	**16,150**	**52,479**	**330,448**
Balance at the end of the year represents in:					
Cost	226,452	119,747	34,968	177,454	**558,621**
Accumulated depreciation	(35,693)	(48,687)	(18,818)	(124,975)	**(228,173)**
Net book value at 31 December 2015	**190,759**	**71,060**	**16,150**	**52,479**	**330,448**
Net book value at 31 December 2014	178,503	60,484	13,425	41,005	293,417

- Fixed assets net (after depreciation) at the balance sheet date includes an amount of EGP 29,799 thousand in of registered assets for which registration procedures are in progress.

25. Due to banks

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Foreign banks	**64,599**	42,174
Local banks	**260,540**	638,658
Total	**325,139**	680,832

26. Customers' deposits

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Demand deposits	**6,264,777**	5,142,921
Time deposits	**13,903,308**	10,812,261
Certificates of deposit	**3,978,334**	3,564,425
Saving deposits	**1,920,869**	1,649,008
Other deposits	**384,672**	263,372
Total	**26,451,960**	21,431,987
Corporate deposits	**19,858,886**	15,349,822
Individual deposits	**6,593,074**	6,082,165
Total	**26,451,960**	21,431,987
Non-interest bearing balances	**6,649,449**	5,406,293
Floating-interest bearing balances	**15,824,177**	12,461,269
Fixed interest bearing balances	**3,978,334**	3,564,425
Total	**26,451,960**	21,431,987
Current balances	**22,473,626**	17,867,562
Non-current balances	**3,978,334**	3,564,425
Total	**26,451,960**	21,431,987

27. Other liabilities

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Accrued interest	**188,393**	168,109
Clearing operations – CBE	**66,782**	92,513
Transmission deposits (Margin Deposits)	**43,862**	39,851
Accrued Taxes	**127,204**	126,725
Unearned revenue	**35,117**	21,310
Accrued expenses	**42,080**	37,375
Dividents payable	**4,421**	3,117
Other credit balances	**76,219**	52,289
Total	**584,078**	541,289

28. Other provisions

	31 December 2015			
	Provisions for legal claims	**Contingent claims provisions**	**provision for contingent liabilities**	**Total**
	EGP (000)	**EGP (000)**	**EGP (000)**	**EGP (000)**
Balance at beginning of the year	22,110	146,532	34,919	**203,561**
Charged during the year	6,000	128,129	-	**134,129**
Used during the year	(687)	-	-	**(687)**
Foreign currency translation	-	1,386	1,591	**2,977**
Balance at end of the year	**27,423**	**276,047**	**36,510**	**339,980**

	31 December 2014			
	Provisions for legal claims	Contingent claims provision	provision for contingent liabilities	Total
	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Balance at beginning of year	22,705	109,810	34,376	166,891
Charged during the year	5,655	42,308	-	47,963
Used during the year	(6,250)	(2,740)	-	(8,990)
Provision no longer required	-	(3,395)	-	(3,395)
Foreign currency translation	-	549	543	1,092
Balance at end of year	22,110	146,532	34,919	203,561

29. Income tax expense & Deferred tax

29/1 Income tax expense

		31 December 2015 EGP (000)		31 December 2014 EGP (000)
Net profit before tax		**658,081**		583,553
Income tax	**22.50%**	**148,068**	25.00%	145,888
Additional tax	**0.00%**	-	5.00%	29,128
Tax effect on :				
Income not subject to tax		(2,245)		(5,369)
Provision		43,476		26,318
Depreciation differences		(2,839)		(1,477)
Others		495		28,010
Income tax expense		**186,955**		222,498

29/2 Deferred tax

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Fixed assets	**(7,616)**	(6,107)
Provision	**90,844**	68,742
Net deferred tax	**83,228**	62,635

Deferred tax assets were not recognized due to the uncertainty of using it in the future.

30. Capital

	No of ordinary shares (000)
Balance at the beginning of the year	150,000
Capital Increase	50,000
Balance at the end of the year	**200,000**

On March 26, 2015 the Ex- ordinary general assembly approved the increase of the bank authorized capital from 2.5 billion to 4.0 billion and according to the board of directors decision on December 25, 2014 the issued and paid – in capital was increased by LE 500 million distributed over 50 million shares at a par value of LE 10 per share payable in USD. Central Bank of Egypt provided its approval on June 16, 2015.

31. Reserves and Retained Earnings

Reserves	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Special reserve	**3,087**	3,087
General Bank risk reserves (31/a)	**6,856**	6,856
Legal reserve(31/b)	**155,225**	137,172
Capital reserves	**2,908**	2,908
Fair value reserve- available for sale financial investments(31/c)	**77,594**	82,946
Total reserves at the end of the year	**245,670**	232,969

A. General Banking Risks Reserve*

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Balance at the beginning of the year*	**6,856**	8,792
Transferred to Income**	**-**	(1,936)
Balance at the end of the year	**6,856**	6,856

* 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 period/ year

31. Reserves and Retained Earnings (continued)

B. Legal reserve*

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Balance at the beginning of the year	**137,172**	123,061
Transfer from profit of previous year to legal reserve	**18,053**	14,111
Balance at the end of the year	**155,225**	137,172

* 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 2015 EGP (000)	31 December 2014 EGP (000)
Balance at the beginning of the year	**82,946**	166,086
Fair value revaluation differences	**(5,352)**	(83,140)
Balance at the end of the year	**77,594**	82,946

D. Retained Earnings

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Balance at the beginning of the year	**371,866**	431,672
Transfer to legal reserve	**(18,053)**	(14,111)
Bonus shares	**-**	(375,000)
Cash dividends	**(150,000)**	-
Directors' remuneration	**(4,514)**	(3,528)
Employees' profit share	**(36,105)**	(28,222)
Net profit for the year	**471,126**	361,055
Employees' profit share	**634,320**	371,866

32. 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 of their acquisition.

		31 December 2015 EGP (000)	31 December 2014 EGP (000)
Cash and due from Central Bank	(13)	**1,972,234**	1,421,076
Due from banks	(14)	**5,246,483**	2,896,726
Treasury bills and other governmental notes	(15)	**4,524,871**	3,323,817
Deposits with banks	(14)	**(4,686,561)**	(2,606,995)
Treasury bills and other government notes with maturities more than 3 months		**(4,099,321)**	(3,095,092)
		2,957,706	1,939,532

33. Contingent liabilities commitment letter of guarantee, documentary credit and other commitments

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Acceptances	**50,628**	114,278
Letters of guarantee	**2,414,135**	1,292,076
Letter of credit /import	**4,317**	139,975
Letter of credit / export	**50,395**	63,651
Forward exchange contracts	**38,066**	294,448
	2,557,541	1,904,428

34. Related party transactions

The Bank is controlled by 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.

Following are related party transactions and balances during the financial Period/year ended at 31 December 2015 and 31 December 2014:

	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Due from banks	**237,343**	126,792
Due to banks	**14,158**	31,623
Customer deposits	**870**	3,449
Loans and advances to customers	**135,343**	27,767

35. 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 5,717,914 certificates with total value of EGP 809,465 thousand and AUB acquired 50,000 certificates and classified as held to maturity investments with total face value of EGP 5 million (Note 19)

In addition the Bank invested another 115,000 certificates for EGP 16,280 thousand as trading investments in line with related regulation. (Note 16)

The redemption value of the certificates amounted to EGP 141.5665 as of 31 December 2015 with total number of certificates 5,717,914 as of that day.

According to the Fund management agreement and the prospectus, the Bank receives fees and commission against the supervision of the Fund and the offered administrative services. The Bank received total commissions of EGP 2,830 thousand for the period ended at 31 December 2015 and included in 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 it's implementing regulations; the fund is managed by Cairo Fund Management Company.

ALPHA has total number of 750,480 certificates with total value of EGP 9,249 thousand and AUB acquired 500,000 certificates and classified as held to maturity investments with total face value of EGP 5 million (Note 19) .

According to the Fund management agreement and the prospectus, the Bank receives fees and commission against the supervision of the Fund and the offered administrative services. The Bank received total commissions of EGP 91 thousand for the period ended at 31 December 2015 and included in income statement under fees and commissions.

36. Tax position

Income Tax

- The Bank calculates and pays the income tax liability in due date based on the bank's tax declaration report.
- For the year till 2012, it has been inspected and the bank paid the tax due.
- 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 branches were examined till 31July 2006 and settled, other branches are under inspection.
- From 1August 2006 up to 31December 2009 was inspected, and the bank dispute was transferred to the Internal Committee.
- For the year from 1/1/2010 till 31/12/2011 has been inspected and bank objected.
- The period from 1/1/2012 to 31/3/2013 has been inspected and bank objected.
- No tax inspection took place from 1/4/ 2013 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 1980 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 1985 till 1996 was inspected and the tax due was settled.
- From 1997 till 2002 is in the process of settlement with the Tax Authority.
- From 2003 till 2004 was inspected and the bank 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.

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37. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation of financial statements for the Period.