

**Bank of Alexandria**  
**(Egyptian Joint Stock Company)**

**Financial statements**  
**for the year ended 31 December 2014**  
**and**  
**Auditors' Report**

**KPMG Hazem Hassan**  
**Public Accountant & Consultants**

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

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**KPMG Hazem Hassan**  
**Public Accountant & Consultants**

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

Translation of financial statements  
originally issued in Arabic

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bank of Alexandria (S.A.E) which comprise the balance sheet as at 31 December 2014 and the statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E) as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Boards of Directors on 16 December 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

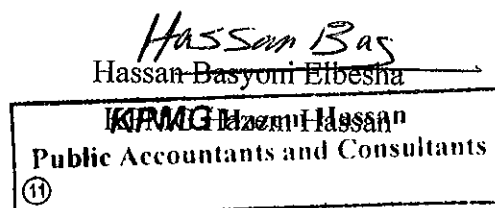
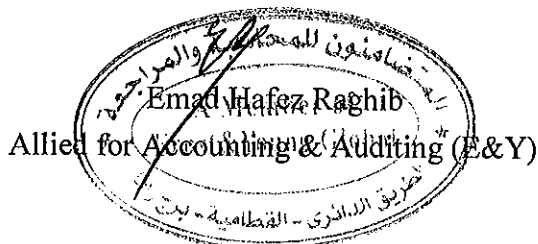
### Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2014 no contravention of the Central Bank, Banking and Monetary Institution law no.88 of 2003.

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

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

Auditors



Cairo, February 8, 2015


**Bank of Alexandria**  
**(Egyptian Joint Stock Company)**

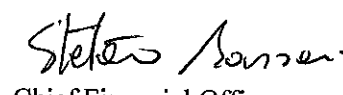
**Balance sheet**  
**as at 31 December 2014**

Assets	Note No.	31/12/2014 EGP 000	31/12/2013 EGP 000
Cash and due from Central Bank of Egypt	(16)	3 267 991	2 653 670
Due from banks	(17)	8 223 797	5 195 171
Treasury bills and other governmental notes	(18)	9 745 022	10 337 126
Loans and advances to banks	(19)	-	500 000
Loans and advances to customers	(20)	21 064 898	19 658 756
Financial assets classified at fair value through profit and loss	(21)	3 707	3 031
<b>Financial investments :</b>			
Available -for- sale	(22)	1 222 677	1 610 243
Held- to- maturity	(22)	49 320	94 501
Investments in associates	(23)	93 148	79 222
Intangible assets	(24)	41 796	25 194
Other assets	(25)	383 950	494 193
Investment property	(26)	51	51
Fixed assets	(27)	345 735	326 401
<b>Total assets</b>		<b><u>44 442 092</u></b>	<b><u>40 977 559</u></b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	(28)	250 412	286 313
Customers' deposits	(29)	36 592 184	33 924 373
Other loans	(30)	134 767	59 402
Other liabilities	(31)	1 483 807	1 017 853
Other provisions	(32)	470 151	478 121
Current income tax liabilities		154 916	87 322
Deferred tax liabilities	(33)	107 977	82 139
Retirement benefits obligations	(34)	563 208	501 857
<b>Total Liabilities</b>		<b><u>39 757 422</u></b>	<b><u>36 437 380</u></b>
<b>Shareholders' equity</b>			
Share capital	(35)	800 000	800 000
Reserves	(36)	1 306 175	1 256 473
Retained earnings	(36)	2 578 495	2 483 706
<b>Total Shareholders' equity</b>		<b><u>4 684 670</u></b>	<b><u>4 540 179</u></b>
<b>Total liabilities and Shareholders' equity</b>		<b><u>44 442 092</u></b>	<b><u>40 977 559</u></b>

The accompanying notes from page (6) to page (85) are an integral part of these financial statements and are to be read therewith.

Auditors' Report "attached"

  
CEO and Managing Director  
Roberto Vercelli

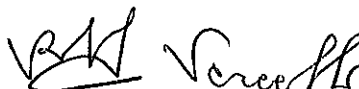
  
Chief Financial Officer  
Stefano Borsari


**Bank of Alexandria**  
**(Egyptian Joint Stock Company)**

**Income statement**  
**for the year ended 31 December 2014**

		<b>For the year ended</b>	
	<b>Note No.</b>	<b>31/12/2014 EGP 000</b>	<b>31/12/2013 EGP 000</b>
Interest and similar income	(6)	4 014 036	3 777 824
Interest and similar expense	(6)	( 1 737 897)	( 1 731 512)
<b>Net interest income</b>		2 276 139	2 046 312
Fee and commission income	(7)	434 670	361 916
Fee and commission expense	(7)	( 21 639)	( 16 995)
<b>Net fee and commission income</b>		413 031	344 921
<b>Net income</b>		<b>2 689 170</b>	<b>2 391 233</b>
Dividend income	(8)	31 503	33 757
Net income from financial assets classified at fair value through profit and loss	(9)	745	1 183
Net trading income	(10)	36 358	72 729
Gain on financial investments	(22)	34 553	9 816
Impairment loss on loans and advances	(13,20)	( 253 817)	( 282 151)
Administrative expenses	(11)	( 1 357 228)	( 1 264 012)
Other operating expenses	(12)	( 107 522)	( 39 074)
Net profit before income tax		1 073 762	923 481
Income tax expense	(14)	( 349 996)	( 262 367)
Net profit for the year		723 766	661 114
Earnings per share (EGP/share) - Basic	(15)	1.63	1.49

The accompanying notes from page (6) to page (85) are an integral part of these financial statements and are to be read therewith.

  
CEO and Managing Director  
Roberto Vercelli

  
Chief Financial Officer  
Stefano Borsari

**Bank of Alexandria**  
**(Egyptian Joint Stock Company)**  
**Statement of changes in shareholders' equity**  
**for the year ended 31 December 2014**

	Note No.	Share capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2012		800 000	1 069 995	2 420 810	4 290 805
Transferred to Legal Reserve		-	30 984	( 30 984)	-
Transferred to Other Reserves		-	5 389	( 5 389)	-
Profit appropriation of year 2012		-	-	( 561 081)	( 561 081)
Bank's share in the Fair Value Reserve of Investments in Associates after acquisition date		-	( 811)	-	( 811)
Net change in fair value of the Available-for-Sale Investments		-	150 152	-	150 152
Net profit for the year ended 31 December 2013		-	-	661 114	661 114
Net change in General Banking Risks Reserve		-	764	( 764)	-
<b>Balance as at 31 December 2013</b>		<b>800 000</b>	<b>1 256 473</b>	<b>2 483 706</b>	<b>4 540 179</b>
Balance as at 31 December 2013		800 000	1 256 473	2 483 706	4 540 179
Transferred to Legal Reserve	(36)	-	32 926	( 32 926)	-
Transferred to Other Reserves	(36)	-	2 604	( 2 604)	-
Profit appropriation of year 2013		-	-	( 593 443)	( 593 443)
Bank's share in the Fair Value Reserve of Investments in Associates after acquisition date		-	12 192	-	12 192
Net change in fair value of the Available-for-Sale Investments	(36)	-	1 976	-	1 976
Net profit for the year ended 31 December 2014		-	-	723 766	723 766
Net change in General Banking Risks Reserve	(36)	-	4	( 4)	-
<b>Balance as at 31 December 2014</b>		<b>800 000</b>	<b>1 306 175</b>	<b>2 578 495</b>	<b>4 684 670</b>

The accompanying notes from page (6) to page (85) are an integral part of these financial statements and are to be read therewith.

  
CEO and Managing Director

Roberto Vercelli

  
Chief Financial Officer

Stefano Borsari

**Bank of Alexandria**  
**(Egyptian Joint Stock Company)**  
**Statement of cash flows**  
**for the year ended 31 December 2014**


	For the year ended	
	31/12/2014 EGP 000	31/12/2013 EGP 000
<b>Cash flows from operating activities</b>		
Net profit before tax	1 073 762	923 481
<b>Adjustments to reconcile net profit to cash flows provided from operating activities</b>		
Depreciation and amortization	66 815	63 271
Impairment loss on loans and advances	253 817	282 151
Other provisions formed	46 855	4 027
Impairment loss on assets	5 283	183
Net income from financial assets classified at fair value through profit and loss	( 745)	( 1 120)
Provisions used (other than loans provision)	( 54 433)	( 10 201)
Proceeds from amounts previously written -off	-	1 821
Foreign currencies revaluation differences of other provisions	( 823)	10 059
Revaluation differences of financial investments (other than financial assets held -for- trading)	( 299)	( 2 523)
Interest income from treasury bills and bonds - impact of the recalculation of bonds by the amortized cost	( 17)	( 57)
Gains from sale of fixed assets	( 471)	( 2 604)
Dividend income	( 31 503)	( 33 757)
Gains from financial investments (other than financial assets held -for- trading)	( 34 553)	( 9 816)
(Gains) losses of financial investments transferred from reserve of fair value account	( 17 916)	111
Operating profits before changes in assets and liabilities used in operating activities	<u>1 305 772</u>	<u>1 225 026</u>
<b>Net decrease (increase) in assets and (decrease) increase in liabilities</b>		
Balance with Central Bank within the mandatory reserve percentage	( 625 295)	321 205
Due from banks	105 628	153 721
Treasury bills and other governmental notes	( 7 695 134)	8 086 565
Loans and advances to banks	500 000	-
Loans and advances to customers	( 1 660 019)	( 558 791)
Other assets	98 634	( 67 862)
Due to banks	( 35 901)	( 176 800)
Customers' deposits	2 667 811	457 625
Other liabilities	316 716	76 769
Retirement benefits obligations	61 351	50 782
Paid taxes	( 274 918)	( 196 108)
<b>Net cash flows (used in) provided from operating activities</b>	<u>( 5 235 355)</u>	<u>9 372 132</u>
<b>Cash flows from investing activities</b>		
Payments to purchase fixed assets and preparation of branches	( 61 746)	( 23 737)
Proceeds from sale of fixed assets	1 891	4 725
Proceeds from sale of financial investments other than financial assets held -for- trading	2 248 847	295 965
Payments to purchase financial investments other than financial assets held -for- trading	( 1 748 022)	( 21 645)
Payments to purchase intangible assets	( 35 668)	( 16 269)
Dividends Received	34 935	37 860
<b>Net cash flows provided from investing activities</b>	<u>440 237</u>	<u>276 899</u>
<b>Cash flows from financing activities</b>		
Proceeds from other loans	71 410	-
Payments of other loans	3 955	( 928 226)
Dividends paid	( 444 205)	( 561 081)
<b>Net cash flows used in financing activities</b>	<u>( 368 840)</u>	<u>( 1 489 307)</u>
<b>Net change in cash and cash equivalents during the year</b>	( 5 163 958)	8 159 724
Cash and cash equivalents at the begin. ng of the year	14 514 765	6 355 041
<b>Cash and cash equivalents at the end of the year</b>	<u>9 350 807</u>	<u>14 514 765</u>
<b>Cash and cash equivalents are represented in the following (note no. 38):</b>		
Cash and due from Central Bank	3 267 991	2 653 670
Due from banks	8 223 797	5 195 171
Treasury bills and other governmental notes	9 745 022	10 337 126
Balances with Central Bank within the mandatory reserve percentage	( 2 350 092)	( 1 724 797)
Deposits with banks with maturity more than three months *	( 107 670)	( 213 298)
Treasury bills and other governmental notes (with maturity more than 3 months)	( 9 428 241)	( 1 733 107)
<b>Cash and cash equivalents</b>	<u>9 350 807</u>	<u>14 514 765</u>

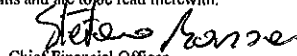
For the purpose of preparing the statement of cash flows the following amounts were eliminated:

EGP 000	6 757	from both payments to purchase fixed assets and the changes in debit balances, which represent the amounts, transferred from assets under constructions.
EGP 000	149 238	from both the retained and the change in credit balances profits - payable dividend distributions in 2013 value.
EGP 000	38 264	from both changes in fair value reserve and financial investments available for sale (investments valuation differences).

\* From the date of acquisition.

The accompanying notes from page (6) to page (85) are an integral part of these financial statements and are to be read therewith.

  
 CEO and Managing Director  
 Roberto Vercelli

  
 Chief Financial Officer  
 Stefano Borsari



**Bank of Alexandria**  
**(Egyptian Joint Stock Company)**  
**Statement of Profit Appropriation (Proposed)**  
**for the year ended 31 December 2014**

	For the year ended	
	31/12/2014	31/12/2013
	EGP 000	EGP 000
Net profit for the year	723 766	661 114
<b>Less:</b>		
Capital gains transferred to reserve according to the law	( 471)	( 2 604)
Banking Risk Reserve	( 4)	( 764)
Net profit available for distribution	723 291	657 746
Retained earnings at the beginning of the year	1 854 732	1 823 355
<b>Total</b>	<b>2 578 023</b>	<b>2 481 101</b>
<b>Appropriation</b>		
Legal reserve	36 165	32 926
Shareholders' dividends	579 013	528 891
Employees' profit share	68 713	62 482
Board of directors' remuneration	2 210	2 070
Retained earnings carried forward	1 891 922	1 854 732
	<b>2 578 023</b>	<b>2 481 101</b>

The accompanying notes from page (6) to page (85) are an integral part of these financial statements and are to be read therewith.

  
 CEO and Managing Director  
 Roberto Vercelli

  
 Chief Financial Officer  
 Stefano Borsari

**Bank of Alexandria**  
**(Egyptian joint stock Company)**  
**Notes to the financial statements**  
**for the year ended 31 December 2014**

**1- General information**

Bank of Alexandria renders retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 210 branches and banking units, and employs 5 152 staff members as of 31 December 2014.

- Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank. On 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued and paid-in capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of SanPaolo I.M.I has been amended to Intesa Sanpaolo S.P.A.
- Bank of Alexandria currently performs its activities under the provisions of the Central Bank, Banking Sector, and Monetary law No. 88/2003.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa Sanpaolo S.P.A capital share decreased to 70.25%.
- The Bank's Board of Directors' have approved the financial statements hereunder for issuance on 5 February 2015.

**2- Summary of accounting policies**

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

**A- Basis of preparation of financial statements**

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

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

## **B- Associates**

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

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

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

## **C- Segment reporting**

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

## **D- Foreign currencies translation**

### **D-1 Functional and presentation currency:**

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

### **D-2 Transactions and balances in foreign currencies**

- The bank holds its accounts in the Egyptian pound. Transactions in foreign currencies during the fiscal year are recorded using the prevailing exchange rates at the date of the transaction. Balances of assets and liabilities with monetary nature in foreign currency are

re-evaluated at the end of the year using the prevailing exchange rates at that date. The gains and losses resulting from settlement of such transactions, as well as the differences resulting from the re-evaluation, are recognized in the income statement among the following items:

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

#### **E- Financial assets**

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

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

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

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

**E-2 Loans and receivables**

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

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

**E-3 Held -to- maturity financial investments**

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

**E-4 Available -for- sale investments**

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

**The following shall be adopted concerning financial assets:**

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

- Financial assets shall be derecognized when the contractual right validity to receive cash flows from the asset expires or when the bank transfers most of risk and returns associated with the ownership to a third party. Financial liabilities are derecognized when they expire by either discharging, cancellation, or the expiration of the contractual period.
- Available –for– sale financial assets and financial assets classified at fair value through profit and loss shall be subsequently measured at fair value. Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost.
- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit and loss shall be recognized in the income statement in the period in which they are made, while the gains and losses arising from changes in the fair value of the available for sale investments shall be directly recognized in shareholders' equity statement, until the asset is derecognized or impaired. In which case, the cumulative profit and losses previously recognized in shareholders' equity statement shall be recognized in the income statement.
- Income calculated at the amortized cost method and gains and losses on foreign currencies related to the assets with monetary nature classified as available-for-sale assets shall be recognized in the income statement. Dividends resulting from equity instruments classified as available for sale shall be recognized in the income statement when the right of the bank to receive payment is established.
- Fair value of the investments quoted in active markets shall be defined pursuant to the current Bid Prices. In case there is no active market for the financial assets or the current Bid Prices are unavailable, the bank shall define the fair value by using one of the valuation methods. This includes either using arm's length transactions, discounted cash flow analysis, options pricing models or other valuation methods commonly used by market traders. In case the bank is unable to estimate the fair value of equity instruments classified as available for sale, their value shall be measured by cost after deducting any impairment in value.

- The bank shall reclassify the financial asset previously classified within the group of financial instruments available for sale and within the definition of loans and receivables (bonds or loans) by transferring the same from the group of available for sale instruments to the group of loans and receivables or to financial assets held-to-maturity as the case may be, when the bank has the intention and the ability to hold and maintain these assets through the near future or until maturity date. The reclassification shall be made at fair value on the date of reclassification. Any gains or losses related to these assets, which previously recognized within shareholders' equity shall be treated as follows:
  - 1- In case of the reclassification of financial assets with fixed maturity date, the gains or losses shall be amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate method. Any value difference based on the amortized cost and the value based on maturity date shall be amortized over the remaining lifetime of the financial asset by using the effective interest rate method. Later, in case of any impairment in the financial asset value, any gains or losses previously recognized directly among shareholders' equity shall be recognized in the profit /loss statement.
  - 2- In case of the financial asset that has an unfixed maturity date, the gains or losses shall remain within shareholders' equity until the asset is sold or disposed, and then be recognized within profit /loss statement. Later, in case of any impairment in the asset's value, any gains or losses previously recognized directly in shareholders' equity shall be recognized in the profits and losses as well.
  
- If the bank adjusts its estimates of payments or receivables, the book value of the financial asset (or the group of financial assets) shall be settled in a way that reflects the actual cash flows and the adjusted estimates, provided that the book value is recalculated by calculating the present value of future cash flows estimated by the actual return rate of the financial instrument. The result of the settlement shall be recognized as revenue or expenses in the profit and loss.



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

**F- Offsetting of financial instruments**

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

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

**G- Financial Derivatives**

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

**H- Interest income and expense**

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

The effective interest rate is the method to calculate the amortized cost of a financial asset or liability and to distribute the interest income or expenses over the related instruments' lifetime. The actual rate of return is the rate used to discount the estimated future cash flows of expected payments or receivables during the expected lifetime of the financial instrument or shorter period of time when appropriate in order to reach accurately the book value of a financial asset or liability. When the effective rate of return is calculated, the bank estimates

cash flows by considering all the contractual terms and conditions of the financial instrument's contract (for example accelerated repayment options) and not to consider the future credit losses. The method of calculation includes all fees paid or received by and between the contract's parties, which are considered part of the effective interest rate. The cost of transaction includes any premiums or discounts.

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

- H-1 As for consumer loans, mortgage loans for personal housing and small loans for economic activities, when the interest income is collected and after arrears are fully recovered.
  
- H-2 As for corporate loans, the cash basis shall be also applied, as the return rose according to loans' rescheduling contract terms until payment of 25% of the rescheduling installments and at a minimum of 1 year of regular payments. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan and included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling, which is not included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

**I- Fee and commission income**

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

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

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

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

**J- Dividend income**

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

**K- Purchase and resale agreements and sale and repurchase agreements**

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

**L- Impairment of financial assets**

**L-1 Financial assets recorded at amortized cost**

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

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

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

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product.

The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

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

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

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

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

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

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

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

## **L-2 Financial investments available-for-sale**

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

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

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

**M- Investments Property**

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

**N- Intangible assets**

**N-1 Computer software**

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

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

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

## **N-2 Other intangible assets**

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

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

## **O- Fixed assets**

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

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

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

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

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

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

**P- Impairment of non-financial assets**

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

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

**Q- Finance Lease**

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

**Q-1 Lease**

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

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



**R- Cash and cash equivalents**

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

**S- Other provisions**

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

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

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

**T- Employees' benefits**

**T-1 Retirement benefits obligations**

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

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

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

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

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

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

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

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

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

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age, and completes

a minimum period of service. The expected costs of these benefits are matured (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the item T-1.

**U- Income tax**

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

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

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

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

**V- Borrowing**

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

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

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

**W- Share capital**

**W-1 Cost of capital**

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

**W-2 Dividends**

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

**X- Custody activities**

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

**Y- Comparative figures**

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

**3- Financial risk management**

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

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.

Risk management is carried out by Risk Management Division in the light of the policies approved by the Board of Directors. Risk division identifies, assesses, and hedges against the financial risk in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole, in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risk, and the use of derivatives and non-derivatives financial instruments. In addition, Risk division is responsible for the periodic review of risk management and control environment independently.

#### **A- Credit risk**

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

##### **A-1 Measurement of credit risk**

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

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

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

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

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

**The bank's internal classification categories:**

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

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

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

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

## **A-2 Risk Mitigation Policies**

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

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

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

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

### **Following are some methods to mitigate risk:**

#### **- Collateral**

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

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

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

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

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

- **Derivatives**

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

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

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

- **Master Netting Arrangements**

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

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



- **Credit related commitments**

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

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

**A-3 Impairment policies and provisions**

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

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

Bank's Assessment	31/12/2014		31/12/2013	
	Loans and advances %	Impairment loss provision %	Loans and advances %	Impairment loss provision %
1-Performing loans	20.43	2.98	16.70	2.68
2-Regular watching	69.56	25.12	68.98	34.18
3-Watch list	3.32	11.57	6.30	7.75
4-Non performing loans	6.69	60.33	8.02	55.39
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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

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

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

#### A-4 The General Model for Measurement of Banking Risk

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

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

Following is an indication of corporate credit worthiness categories according to internal rating principles, compared to the rating principles of the Central Bank of Egypt, and of the required provision percentages for the impairment of assets exposed to credit risk:

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

### A/5 The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the Balance Sheet:

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Treasury bills and other governmental notes	9 745 022	10 337 126
Loans and advances to banks	--	500 000
Loans and advances to customers		
Loans to individuals (Retail):-		
Overdraft accounts	596 353	651 820
Credit cards	51 910	44 786
Personal loans	11 643 038	10 316 133
Mortgage	26 551	32 599
Corporate loans :		
Overdraft accounts	3 464 258	3 746 549
Direct loans	5 526 837	4 709 012
Syndicated loans	2 061 746	2 557 574
Other loans	288	1 303
<b>Financial investments :</b>		
Debt instruments	835 936	933 059
<b>Other assets</b>	129 364	147 535
<b>Total</b>	<b>34 081 303</b>	<b>33 977 496</b>

#### Credit risk exposures of off-balance sheet items:

Financial guarantees	1 531 373	1 270 852
Letters of credit	446 582	563 193
Letters of guarantee (incentive)	1 247 175	1 028 480
<b>Total</b>	<b>3 225 130</b>	<b>2 862 525</b>

- The previous table represents the maximum limit of exposure as at 31 December 2014 and as at 31 December 2013, without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet.

As illustrated in the previous table 68.6 % of the maximum limit exposed to credit risk arises from loans and advances to banks and customers versus 66.4 % as at 31/12/2013 whereas investments in the debt instruments represent 2.5% versus 2.8% as at 31/12/2013.

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

- 5.4 % of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/ average risks) versus 2.3 % as at 31/12/2013 .
- 77.9 % of the loans and advances' portfolio is free from any delays or impairment indicators versus 75.4 % as at 31/12/2013 .
- The mortgages covered by collaterals, represent an important group in the portfolio.
- The loans and advances that have been assessed on an individual basis reach EGP 1 533 851 thousand as at 31/12 /2014 versus EGP 1 724 749 thousand as at 31/12/2013. Formed from it an 83.9% as a provision versus 78.2 % as at 31/12/2013.
- The bank applied more conservative selecting process when extending loans and advances during the year .
- More than 99.2 % as at 31/12/2014 versus 98.4 % as at 31/12/2013 , of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

#### A/6 Loans and advances

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

	31/12/2014		31/12/2013	
	EGP 000		EGP 000	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
With no past dues or impairment	18 201 224	--	16 637 611	500 000
With past dues but not subject to impairment	3 635 906	--	3 697 416	--
Subject to impairment	1 533 851	--	1 724 749	--
<b>Total</b>	<b>23 370 981</b>	<b>--</b>	<b>22 059 776</b>	<b>500 000</b>
<b>Less: Impairment loss provision</b>	<b>( 2 306 083 )</b>	<b>--</b>	<b>( 2 401 020 )</b>	<b>--</b>
<b>Net</b>	<b>21 064 898</b>	<b>--</b>	<b>19 658 756</b>	<b>500 000</b>

- The total impairment loss on loans and advances; reached EGP 2 306 083 thousand as of 31 December 2014 versus EGP 2 401 020 thousand as of 31 December 2013, including EGP 1 287 580 thousand as of 31 December 2014 versus EGP 1 348 804 thousand as of 31 December 2013, of which represents the impairment of individual loans and the remaining amounting to EGP 1 018 503 thousand versus EGP 1 052 216 thousand representing the impairment losses on a group basis of the credit portfolio. (Notes no. 19 and 20) include further information on the impairment losses provision of loans and advances to banks and customers.

### Loans and advances with no past dues or impairment:

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

Assessment	EGP 000									
	31/12/2014									
	Retail				Corporate			Net loans	Net loans	
Debit	Credit	Personal		Debit	Direct	Syndicated	Other	and	and	
Current	Cards	Loans	Mortgage	Current	Loans	Loans	Loans	advances to	advances	
account				account				customers	to Banks	
1- Performing	--	--	--	--	1 562 793	1 896 315	646 648	36	4 105 792	--
2- Regular										
Watching	595 544	36 512	10 670 687	18 780	807 532	1 151 725	311 553	119	13 592 452	--
3- Watch List	--	--	--	--	7 456	4 295	--	--	11 751	--
<b>Total</b>	<b>595 544</b>	<b>36 512</b>	<b>10 670 687</b>	<b>18 780</b>	<b>2 377 781</b>	<b>3 052 335</b>	<b>958 201</b>	<b>155</b>	<b>17 709 995</b>	<b>--</b>

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

EGP 000

Assessment	31/12 /2013									Net loans and advances to Banks
	Retail				Corporate				Net loans and advances to customers	
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Direct Loans	Syndicated Loans	Other Loans		
1- Performing	--	--	--	--	1 187 280	477 497	717 708	80	2 382 565	500 000
2- Regular										
Watching	560 936	29 082	8 139 952	--	1 130 246	973 263	1 381 599	174	12 215 252	--
3- Watch List	--	--	1 888	--	94 327	966 374	69 402	791	1 132 782	--
<b>Total</b>	<b>560 936</b>	<b>29 082</b>	<b>8 141 840</b>	<b>--</b>	<b>2 411 853</b>	<b>2 417 134</b>	<b>2 168 709</b>	<b>1 045</b>	<b>15 730 599</b>	<b>500 000</b>

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

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

EGP 000

	31/12/2014									Net loans and advances to customers
	Retail				Corporate					
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Direct Loans	Syndicated Loans	Other Loans		
Past dues up to 30 days	--	8 134	58 069	--	59 299	1 581 084	347 062	39	2 053 687	
Past dues more than										
30 days to 60 days	--	--	29 351	--	100 843	468 943	--	57	599 194	
Past dues more than										
60 days to 90 days	--	--	21 556	--	63 289	132 338	238 552	16	455 751	
<b>Total</b>	<b>--</b>	<b>8 134</b>	<b>108 976</b>	<b>--</b>	<b>223 431</b>	<b>2 182 365</b>	<b>585 614</b>	<b>112</b>	<b>3 108 632</b>	
The fair value of collaterals	--	--	--	--	38 443	85 189	--	--	123 632	

EGP 000

31/12/2013

	Retail				Corporate				Net loans and advances to customers
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Direct Loans	Syndicated Loans	Other Loans	
Past dues up to 30 days	1 230	5 875	1 116 386	19 049	--	1 673 652	--	--	2 816 192
Past dues more than 30 days to 60 days	40 139	1 949	135 103	1 483	46 602	355 049	--	--	580 325
Past dues more than 60 days to 90 days	29 980	1 122	33 671	4 320	36 714	49 888	--	--	155 695
<b>Total</b>	<b>71 349</b>	<b>8 946</b>	<b>1 285 160</b>	<b>24 852</b>	<b>83 316</b>	<b>2 078 589</b>	<b>--</b>	<b>--</b>	<b>3 552 212</b>
The fair value of collaterals	--	--	--	--	15 095	248 403	--	--	263 498

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

#### Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 1 533 851 thousand as at 31/12/2014 versus EGP 1 724 749 thousand as at 31/12/2013.

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

EGP 000

31/12/2014

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



EGP 000

	31/12/2013						
	Retail				Corporate		Total loans and advances to customers
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Syndicated Loans	
Balance	1 856	5 537	285 961	6 978	1 142 744	281 673	1 724 749
Provision	(1 788)	(1 527)	(188 204)	(4 619)	(946 890)	(205 776)	(1 348 804)
Net	<u>68</u>	<u>4 010</u>	<u>97 757</u>	<u>2 359</u>	<u>195 854</u>	<u>75 897</u>	<u>375 945</u>
The fair value of collaterals	215	--	563	--	64 073	--	64 851

#### Restructured Loans & Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs, amending and postponing repayment. The policies of restructuring application depend on indicators or standards which refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 742 355 thousand as at 31/12/2014 versus EGP 705 845 thousand as at 31/12/2013.

	31/12/2014 EGP 000	31/12/2013 EGP 000
<b>Retail</b>		
- Overdraft account	31 970	17 497
- Direct loans	710 385	687 921
- Other Loans	--	427
	<u>742 355</u>	<u>705 845</u>

#### A/7 Debit instruments, treasury bills and other governmental notes:

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

	EGP 000		
	Treasury bills and other governmental notes	Investments in Securities	Total
AAA	--	35 644	35 644
Less than - A	9 745 022	725 680	10 470 702
Unclassified	--	74 612	74 612
<b>Total</b>	<u>9 745 022</u>	<u>835 936</u>	<u>10 580 958</u>

**A/8 Acquisition of collaterals**

The bank -during the present financial year – did not obtained legal title of assets by acquiring their collateral

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

**Geographical segments**

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment as at 31 December 2014.

	<b>EGP 000</b>			
<b>31/12/2014</b>	<b>Cairo</b>	<b>Alex., Delta and Sinai</b>	<b>Upper Egypt</b>	<b>Total</b>
<b>Treasury bills and other governmental notes</b>	9 745 022	--	--	9 745 022
<b>Loans and advances to customers :</b>				
<b>- Loans to individuals (Retail):</b>				
Overdraft accounts	262 494	212 659	121 200	596 353
Credit cards	48 148	2 644	1 118	51 910
Personal loans	3 694 190	4 609 499	3 339 349	11 643 038
Mortgage	23 281	1 850	1 420	26 551
<b>-Loans to corporate</b>				
Overdraft accounts	1 833 449	1 248 660	382 149	3 464 258
Direct loans	4 821 594	627 912	77 331	5 526 837
Syndicated loans	1 925 617	136 129	--	2 061 746
Other loans	118	115	55	288
<b>Financial Investments</b>				
Debt instruments	835 936	--	--	835 936
<b>Other assets</b>	95 888	25 311	8 165	129 364
<b>Total as at 31/12/2014</b>	<b>23 285 737</b>	<b>6 864 779</b>	<b>3 930 787</b>	<b>34 081 303</b>
<b>Total as at 31/12/2013</b>	<b>24 470 702</b>	<b>6 055 452</b>	<b>3 451 342</b>	<b>33 977 496</b>

## Business Segment

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

31/12/2014							EGP 000	
	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	--	--	--	--	9 745 022	--	--	9 745 022
<b>Loans &amp; advances to customers:</b>								
<b>Loans to individuals (Retail)</b>								
Overdraft accounts	--	--	--	--	--	--	596 353	596 353
Credit cards	--	--	--	--	--	--	51 910	51 910
Personal loans	--	--	--	--	--	--	11 643 038	11 643 038
Mortgage	--	--	--	--	--	--	26 551	26 551
<b>Loans to Corporate</b>								
Overdraft accounts	15 113	638 305	218 033	945 987	78 843	1 567 977	--	3 464 258
Direct loans	7 111	2 764 814	680 135	409 296	744 753	920 728	--	5 526 837
Syndicated loans	--	1 194 546	76 389	43 151	255 132	492 528	--	2 061 746
Other loans	--	144	7	40	--	97	--	288
<b>Financial Investments</b>								
Debt instruments	49 320	--	--	--	767 603	19 013	--	835 936
Other assets	14 111	--	--	--	30 788	40 182	44 283	129 364
<b>Total as at 31/12/2014</b>	<b>85 655</b>	<b>4 597 809</b>	<b>974 564</b>	<b>1 398 474</b>	<b>11 622 141</b>	<b>3 040 525</b>	<b>12 362 135</b>	<b>34 081 303</b>
<b>Total as at 31/12/2013</b>	<b>605 217</b>	<b>4 264 334</b>	<b>1 601 039</b>	<b>1 281 773</b>	<b>11 496 260</b>	<b>3 626 850</b>	<b>11 102 023</b>	<b>33 977 496</b>

## B- Market Risk

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

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

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

## **B-1 Methods of Measuring Market Risk**

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

### **- Value at Risk**

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

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

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk; are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial year ended 31 December 2014 amounted to EGP 9 218 thousand, versus EGP 2 758 thousand during the comparative period.

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

### Stress Testing

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

## B/2 Summary of value at risk

### Total value at risk according to the risk type

	EGP 000			EGP 000		
	31/12/2014			31/12/2013		
	Medium	Higher	Lower	Medium	Higher	Lower
Interest rate risk	9 218	15 464	4 990	2 758	5 089	1 356
<b>Total value at risk</b>	<b>9 218</b>	<b>15 464</b>	<b>4 990</b>	<b>2 758</b>	<b>5 089</b>	<b>1 356</b>

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

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

	EGP 000			EGP 000		
	31/12/2014			31/12/2013		
	Medium	Higher	Lower	Medium	Higher	Lower
Interest rate risk	--	--	--	7 290	13 673	86
<b>Total value at risk</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7 290</b>	<b>13 673</b>	<b>86</b>

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

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

	EGP 000			EGP 000		
	31/12/2014			31/12/2013		
	Medium	Higher	Lower	Medium	Higher	Lower
Interest rate risk	9 218	15 464	4 990	11 214	16 337	7 113
<b>Total value at risk</b>	<b>9 218</b>	<b>15 464</b>	<b>4 990</b>	<b>11 214</b>	<b>16 337</b>	<b>7 113</b>

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

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

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

**B/3 The risk of fluctuations in foreign exchange rates**

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors have set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at 31 December 2014. The following table includes the book value of financial instruments distributed into its component currencies:

### The concentration of currency risk of financial instruments

	EGP 000					
	EGP	USD	Euro	GBP	Other Currencies	Total
<b>As at 31/12/2014</b>						
<b>Financial assets:</b>						
Cash and balances with Central Bank of Egypt	3 150 496	99 620	8 933	2 309	6 633	3 267 991
Due from banks	5 952 421	1 686 880	398 432	120 858	65 206	8 223 797
Treasury bills and other governmental notes	9 745 022	--	--	--	--	9 745 022
Loans and advances to customers	17 975 626	2 924 025	83 405	--	81 842	21 064 898
Financial assets classified at fair value through profit and loss	--	--	3 707	--	--	3 707
<b>Financial Investments:</b>						
- Available -for- sale	1 038 541	183 808	328	--	--	1 222 677
- Held-to-maturity	49 320	--	--	--	--	49 320
<b>Total financial assets</b>	<b>37 911 426</b>	<b>4 894 333</b>	<b>494 805</b>	<b>123 167</b>	<b>153 681</b>	<b>43 577 412</b>
<b>Financial liabilities</b>						
Due to banks	16 800	153 507	4 443	1 148	74 514	250 412
Customers' deposits	31 511 730	4 424 366	458 710	120 496	76 882	36 592 184
Other loans	63 366	71 401	--	--	--	134 767
<b>Total financial liabilities</b>	<b>31 591 896</b>	<b>4 649 274</b>	<b>463 153</b>	<b>121 644</b>	<b>151 396</b>	<b>36 977 363</b>
<b>Net of financial position</b>	<b>6 319 530</b>	<b>245 059</b>	<b>31 652</b>	<b>1 523</b>	<b>2 285</b>	<b>6 600 049</b>
<b>Credit related commitments</b>	<b>1 388 254</b>	<b>801 258</b>	<b>968 189</b>	<b>3 570</b>	<b>63 859</b>	<b>3 225 130</b>
<b>As at 31/12/2013</b>						
<b>Total financial assets</b>	<b>34 112 574</b>	<b>5 159 356</b>	<b>520 327</b>	<b>141 689</b>	<b>118 552</b>	<b>40 052 498</b>
<b>Total financial liabilities</b>	<b>28 576 645</b>	<b>4 949 865</b>	<b>491 130</b>	<b>140 703</b>	<b>111 745</b>	<b>34 270 088</b>
<b>Net of financial position</b>	<b>5 535 929</b>	<b>209 491</b>	<b>29 197</b>	<b>986</b>	<b>6 807</b>	<b>5 782 410</b>
<b>Credit related commitments</b>	<b>1 288 470</b>	<b>603 263</b>	<b>944 613</b>	<b>--</b>	<b>26 179</b>	<b>2 862 525</b>

#### B/4 Interest rate risk

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

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

As at 31/12/2014	EGP 000						Total
	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	
<b>Financial assets:</b>							
Cash and balance with Central Bank of Egypt	--	--	--	--	--	3 267 991	3 267 991
Due from banks	7 692 469	353 484	108 809	--	--	69 035	8 223 797
Treasury bills and other governmental notes	5 994	523 405	9 215 623	--	--	--	9 745 022
Loans and advances to customers	12 224 942	1 889 455	1 689 015	4 219 588	906 836	135 062	21 064 898
Financial assets classified at fair value through profit and loss	3 707	--	--	--	--	--	3 707
<b>Financial Investments:</b>							
- Available for sale	405 472	--	253 315	324 687	239 203	--	1 222 677
- Held-to-maturity	--	--	--	49 320	--	--	49 320
Other financial assets	--	--	--	--	--	138 434	138 434
<b>Total financial assets</b>	<b>20 332 584</b>	<b>2 766 344</b>	<b>11 266 762</b>	<b>4 593 595</b>	<b>1 146 039</b>	<b>3 610 522</b>	<b>43 715 846</b>



As at 31/12/2014	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
<b>Financial liabilities</b>							
Due to banks	96 913	--	457	--	--	153 042	250 412
Customers' deposits	17 732 743	3 345 176	3 414 208	6 458 314	13 339	5 628 404	36 592 184
Other loans	--	--	--	134 267	--	--	134 267
Other financial liabilities	--	--	--	--	--	151 907	151 907
<b>Total financial liabilities</b>	<b>17 829 656</b>	<b>3 345 176</b>	<b>3 414 665</b>	<b>6 592 581</b>	<b>13 339</b>	<b>5 933 353</b>	<b>37 128 770</b>
<b>The interest gap re-pricing</b>	<b>2 502 928</b>	<b>(578 832)</b>	<b>7 852 097</b>	<b>(1 998 986)</b>	<b>1 132 700</b>	<b>(2 322 831)</b>	<b>6 587 076</b>
<b>As at 31/12/2013</b>							
<b>Total financial assets</b>	<b>13 267 042</b>	<b>8 922 542</b>	<b>4 439 227</b>	<b>8 856 465</b>	<b>1 678 074</b>	<b>3 046 435</b>	<b>40 209 785</b>
<b>Total financial liabilities</b>	<b>16 723 281</b>	<b>1 815 825</b>	<b>2 668 740</b>	<b>8 632 028</b>	<b>27 519</b>	<b>4 533 134</b>	<b>34 400 527</b>
<b>Interest gap re-pricing</b>	<b>(3 456 239)</b>	<b>7 106 717</b>	<b>1 770 487</b>	<b>224 437</b>	<b>1 650 555</b>	<b>(1 486 699)</b>	<b>5 809 258</b>

### C- Liquidity risk

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

#### - Liquidity risk management

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

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

- Management of concentration and profile the debt maturities.  
Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively. The starting point for these projections represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.  
Assets and Liabilities management department controls the unmatched medium term assets management, the level and type of the unutilized portion of loans' commitments, the extent of utilizing overdraft accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Financing approach**

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

- **Non derivative cash flows**

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

	EGP 000					
31/12/2014	Up to 1 month	1-3 months	More than 3 months – 1 year	1-5 years	More than 5 years	Total
<b>Financial liabilities (According to original amount + Interest)</b>						
Due to banks	251 001	--	459	--	--	251 460
Customers' deposits	23 235 541	2 800 571	4 135 904	8 322 605	38 580	38 533 201
Other loans	--	--	--	134 868	--	134 868
Other financial liabilities	151 907	--	--	--	--	151 907
<b>Total financial liabilities according to contractual maturity date</b>	<b>23 638 449</b>	<b>2 800 571</b>	<b>4 136 363</b>	<b>8 457 473</b>	<b>38 580</b>	<b>39 071 436</b>
<b>Total financial assets according to contractual maturity date</b>	<b>18 177 813</b>	<b>2 636 376</b>	<b>15 154 847</b>	<b>14 009 184</b>	<b>3 035 099</b>	<b>53 013 319</b>

	EGP 000					
31/12/2013	Up to 1 month	1-3 months	More than 3 months - 1 year	1-5 years	More than 5 years	Total
<b>Financial liabilities (According to original amount + Interest)</b>						
Due to banks	285 895	--	441	--	--	286 336
Customers' deposits	20 489 059	1 851 336	2 927 739	10 484 136	40 915	35 793 185
Other loans	--	--	--	59 402	--	59 402
Other financial liabilities	130 439	--	--	--	--	130 439
<b>Total financial liabilities according to contractual maturity date</b>	<b>20 905 393</b>	<b>1 851 336</b>	<b>2 928 180</b>	<b>10 543 538</b>	<b>40 915</b>	<b>36 269 362</b>
<b>Total financial assets according to contractual maturity date</b>	<b>11 579 838</b>	<b>10 607 713</b>	<b>4 554 479</b>	<b>9 552 543</b>	<b>2 225 036</b>	<b>38 519 609</b>

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

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

The following is according to Note no. (39)

	EGP 000		
31/12/2014	Less than 1 year	1-5 years	Total
Financial guarantees, accepted bills and other financial facilities	3 225 130	--	3 225 130
Commitments on operational leasing contracts	1 791	103	1 894
Capital commitments due to fixed assets' acquisition	8 993	--	8 993
Capital commitments due to holding shares	--	43 518	43 518
<b>Total</b>	<b>3 235 914</b>	<b>43 621</b>	<b>3 279 535</b>

31/12/2013	EGP 000		
	Less than 1 year	1-5 years	Total
Financial guarantees, accepted bills and other financial facilities	2 862 525	--	2 862 525
Commitments on operational leasing contracts	1 827	1 894	3 721
Capital commitments due to fixed assets' acquisition	18 018	--	18 018
Capital commitments due to holding shares	--	42 626	42 626
<b>Total</b>	<b>2 882 370</b>	<b>44 520</b>	<b>2 926 890</b>

**D- The fair value of financial assets and liabilities**

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

The change in estimated fair value by applying valuation methods has reached EGP 10 459 thousand in the financial year ended 31 December 2014 versus EGP 60 233 thousand in the financial year ended 31 December 2013, a decrease of EGP 49 774 thousand during the year.

**Financial instruments not measured at fair value**

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

	31/12/2014		EGP 000 31/12/2013	
	Book value	Fair value	Book value	Fair value
<b>Financial Assets:</b>				
Due from banks	8 223 797	8 223 797	5 195 171	5 195 171
Loans and advances to banks	--	--	500 000	500 000
Loans and advances to customers				
Current balances	10 204 959	10 204 959	9 643 169	9 643 169
Financial investments:				
Held-to-maturity	49 320	61 390	94 501	104 050
<b>Financial liabilities:</b>				
Due to banks	250 412	250 412	286 313	286 313
Customers' deposits				
Current balances	12 438 933	12 438 933	9 950 745	9 950 745
Other loans	134 767	134 767	59 402	59 402

### **Due from banks**

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

- **Loans and advances to banks**

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

- **Loans and advances to customers**

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

- **Investments in financial securities**

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

- **Due to banks**

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

- **Customers' deposits**

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

### **E- Capital Management**

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

- Comply with the legal capital requirements in Arab Republic of Egypt and in countries where the bank's branches operate.

- Protect the bank's ability to continue as going concern and enabling it to continue in generating return to shareholders and other parties that deals with the bank.
- Maintain a strong capital base that supports the growth of business.  
Capital adequacy and capital utilizations according to the regulator requirements (the Central Bank of Egypt in Arab Republic of Egypt); are reviewed and monitored daily by the bank's management through models, which depend on the guidelines of Basel Committee for Banking Supervision. Required information is submitted to the Central Bank of Egypt on a quarterly basis.

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

- Maintain an amount of EGP 500 million as a minimum limit of issued and paid-up-capital.
- Maintain a percentage between capital elements and asset and contingent liabilities elements weighted by risk equals to or exceeds 10%.

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

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

**Tier One:**

**A. Ongoing capital :**

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

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

The following elements are not considered :-

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

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

**B. Additional ongoing capital:**

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

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

**Tier Two:**

Consist of the following:-

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

**Exclusions of 50% of Tire 1 and 50% Tire 2:**

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

When calculating the total numerator of capital adequacy, it should be noted that supplementary loans (deposits) must not exceed 50% of Tier 1 after exclusions.

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

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional capital ratios and capital adequacy according to Basel II requirements at the end of 31/12/2014 , 31/12/2013:-

	<b>Basel II</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
<b>Capital</b>		
<b>Tier one (Ongoing basic capital)</b>		
Share capital	800 000	800 000
General reserve	29 312	29 312
Legal reserve	343 979	311 053
Other reserves	681 883	698 816
Retained profits	1 826 429	1 796 462
<b>Total ongoing basic capital</b>	<b>3 681 603</b>	<b>3 635 643</b>
<b>Tier two (Supplementary basic capital)</b>		
Equivalent to general risks provisions	278 069	283 273
45% of the Special reserve	9 450	---
45% of the increase in the fair value over book value of financial investment without held -for- trading investment	114 270	105 979
<b>Total supplementary basic capital</b>	<b>401 789</b>	<b>389 252</b>
<b>Total capital</b>	<b>4 083 392</b>	<b>4 024 895</b>
<b>Risk weighted assets and contingent liabilities:</b>		
Credit Risk	22 245 540	22 661 803
Market Risk	695 071	23 590
Operation Risk	3 407 312	3 407 320
<b>Total risk weighted assets and contingent liabilities</b>	<b>26 347 923</b>	<b>26 092 713</b>
<b>Capital adequacy ratio (%)</b>	<b>15.50 %</b>	<b>15.43 %</b>



**4- The significant accounting estimates and assumptions**

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

**A) Impairment loss on loans and advances**

The bank reviews the portfolio of loans and advances to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets. Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 49 438 thousand of the formed provisions.

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

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

If the full decline in the fair value below the cost is considered significant or prolonged decline, then the bank will suffer an additional loss of EGP 55 543 thousand , which represents the transfer of the negative balance of fair value reserve to the income statement.

**C) Fair value of derivatives**

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

**D) Financial investments held to maturity**

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

If the classification of investments held to maturity is suspended, then the book value will be adjusted by an increase of EGP 12 070 thousand to reach the fair value through recording a corresponding entry in the fair value reserve within shareholders' equity statement.

**E) Income tax**

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

## 5- Segment analysis

### A - Business segment analysis

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

#### Large, medium and small enterprises (SMEs)

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

#### Investments

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

#### Retail

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

#### Other activities

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

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

31/12/2014	EGP 000					Total
	Corporate	Medium and small enterprises	Investment	Retail	Other activities	
<b>Income and expenses according to segmental business activity</b>						
Business activity income	975 419	377 005	157 117	4 282 046	(1 240 087)	4 551 500
Business activity expenses	(948 143)	(133 314)	(56 982)	(3 342 967)	1 438 016	(3 043 390)
Results of activity business	27 276	243 691	100 135	939 079	197 929	1 508 110
Unclassified expenses	--	--	--	--	(434 348)	(434 348)
Profit before income tax of the year	27 276	243 691	100 135	939 079	(236 419)	1 073 762
Income tax	--	--	--	--	(349 996)	(349 996)
Profit for the year	27 276	243 691	100 135	939 079	(586 415)	723 766

31/12/2014	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
<b>Assets and liabilities according to business activity as at 31/12/2014</b>						
Business activity Assets	8 613 280	860 015	617 873	12 615 120	21 735 804	44 442 092
Business activity liabilities	3 064 827	2 392 507	57 207	30 952 716	7 974 835	44 442 092
<b>Other items of business segment</b>						
Depreciations	--	--	--	--	(66 815)	(66 815)
Impairment and other provisions on income statement	--	--	--	--	(300 672)	(300 672)
31/12/2013	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
<b>Revenue and expenses according to segmental business activity</b>						
Business activity income	907 497	457 407	77 024	3 923 173	(1 099 937)	4 265 164
Business activity expenses	(750 305)	(350 036)	(81 381)	(3 328 908)	1 520 706	(2 989 924)
Results of activity business	157 192	107 371	(4 357)	594 265	420 769	1 275 240
Unclassified expenses	--	--	--	--	(351 759)	(351 759)
Profit before income tax of the year	157 192	107 371	(4 357)	594 265	69 010	923 481
Income tax	--	--	--	--	(262 367)	(262 367)
Profit for the year	<u>157 192</u>	<u>107 371</u>	<u>(4 357)</u>	<u>594 265</u>	<u>(193 357)</u>	<u>661 114</u>
<b>Assets and liabilities according to segmental activity as at 31/12/2013</b>						
Business activity assets	7 997 298	1 505 958	1 036 225	11 084 362	19 353 716	40 977 559
Business activity liabilities	2 225 025	2 498 913	40 580	28 971 318	7 241 723	40 977 559
<b>Other items of business segment</b>						
Depreciations	--	--	--	--	(63 271)	(63 271)
Impairment and other provisions on income statement	--	--	--	--	(286 178)	(286 178)

### b-Geographical Segment Analysis

31/12/2014	Cairo	Alex. , Delta and Sinai	Upper Egypt	EGP 000 Total
<b>Income and expenses according to geographical segment</b>				
Geographical segment Income	3 011 119	973 486	566 895	4 551 500
Geographical segment expense	(1 992 528)	(992 612)	(492 598)	(3 477 738)
Profit before income tax of the year	1 018 591	(19 126)	74 297	1 073 762
Income tax	(349 996)	--	--	(349 996)
Profit for the year	<u>668 595</u>	<u>(19 126)</u>	<u>74 297</u>	<u>723 766</u>
<b>Assets and liabilities according to geographical segment</b>				
Geographical segment assets	34 068 785	6 485 076	3 888 231	44 442 092
Geographical segment liabilities	20 817 724	15 327 479	8 296 889	44 442 092
<b>Other items of geographical segment</b>				
Depreciations	(66 815)	--	--	(66 815)
Impairment and other provisions on income statement	(300 672)	--	--	(300 672)
<b>EGP 000</b>				
31/12/2013	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
<b>Income and expenses according to geographical segment</b>				
Geographical segment income	2 987 956	785 531	491 677	4 265 164
Geographical segment expenses	(1 948 028)	(926 829)	(466 826)	(3 341 683)
Profit before income tax of the year	1 039 928	(141 298)	24 851	923 481
Income tax	(262 367)	--	--	(262 367)
Profit of the year	<u>777 561</u>	<u>(141 298)</u>	<u>24 851</u>	<u>661 114</u>
<b>Assets and liabilities according to geographical segment as at 31/12/2013</b>				
Geographical segment assets	32 014 614	5 494 100	3 468 845	40 977 559
Geographical segment liabilities	19 460 995	13 871 297	7 645 267	40 977 559
<b>Other items of geographical segment</b>				
Depreciations	(63 271)	--	--	(63 271)
Impairment and other provisions on income statement	(286 178)	--	--	(286 178)

**6- Net interest income**

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
<b>Interest income on loans and similar income:</b>		
Loans and advances:		
- Banks	7 529	49 429
- Customers	2 426 962	2 231 946
	<u>2 434 491</u>	<u>2 281 375</u>
Treasury bills and bonds	1 176 866	1 119 060
Current accounts and deposits	395 425	361 108
Investments in debt instruments	7 254	16 281
	<u>4 014 036</u>	<u>3 777 824</u>
<b>Interest expense on deposits and similar charges:</b>		
Current accounts and deposits:		
- Banks	(244)	(280)
- Customers	(1 733 746)	(1 722 699)
	<u>(1 733 990)</u>	<u>(1 722 979)</u>
Other loans	(3 907)	(8 533)
	<u>(1 737 897)</u>	<u>(1 731 512)</u>
<b>Net</b>	<u><b>2 276 139</b></u>	<u><b>2 046 312</b></u>

**7- Net fee and commission income**

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
<b>Fees &amp; commission income:</b>		
Fee and commission related to credit	195 476	153 251
Fee on the financing services (corporate)	199	187
Trust and custody fee	7 555	6 768
Other fees	231 440	201 710
	<u>434 670</u>	<u>361 916</u>
<b>Fee and commission expenses</b>		
Fees paid	(53)	--
Other fees	(21 586)	(16 995)
	<u>(21 639)</u>	<u>(16 995)</u>
<b>Net</b>	<u><b>413 031</b></u>	<u><b>344 921</b></u>

**8- Dividend income**

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
Available-for-sale securities	31 153	33 607
Held-to-maturity securities	350	150
	<u>31 503</u>	<u>33 757</u>

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

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
Net income from :-		
Equity instruments	745	1 183
	<u>745</u>	<u>1 183</u>

**10 - Net trading income**

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
<b>Foreign currency transactions:</b>		
Profits of trading in foreign currencies	28 323	55 527
Profits evaluate currencies swaps	24	--
Profits of trading debt instruments	8 011	17 202
	<u>36 358</u>	<u>72 729</u>

**11- Administrative expenses**

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
<b>Employees cost</b>		
- Wages and salaries	(794 591)	(801 499)
- Social insurance	(40 391)	(38 256)
<b>Pension cost</b>		
- Defined-benefit plans ( Note no.34 )	(87 897)	(72 793)
	<u>(922 879)</u>	<u>(912 548)</u>
<b>Other administrative expenses</b>	(434 349)	(351 464)
	<u>(1 357 228)</u>	<u>(1 264 012)</u>

**12- Other operating expenses**

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
Revaluation losses of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss	(10 769)	(23 736)
Gains on disposal of assets reverted to the bank in settlement of debts	(1 061)	231
Gains on sale of property and equipment	471	2 604
Rents	(23 172)	(17 129)
Operating and finance lease	(2 107)	(2 120)
The cost of restructuring	(24 253)	--
Reversal of other provisions (Note no. 32)	(46 855)	(4 027)
Impairment of the assets reverted to the Bank	(5 283)	(183)
Others	5 507	5 286
	<u>(107 522)</u>	<u>(39 074)</u>



### 13- Impairment loss on loans and advances

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
Loans and advances to customers (Note no. 20 )	(253 877)	(284 058)
Financial investments held to maturity (Note no. 22 )	60	1 907
	<u>(253 817)</u>	<u>(282 151)</u>

### 14- Income tax expenses

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
Current taxes	(342 512)	(260 622)
Deferred income taxes (Note no. 33 )	(7 484)	(1 745)
	<u>(349 996)</u>	<u>(262 367)</u>

Additional information related to deferred income taxes (Note no. 33) has been disclosed, The difference between the taxes on bank's profits and the results from the application of the applicable tax rates are as follows : -

	For the year ended 31/12/2014 EGP 000		For the year ended 31/12/2013 EGP 000	
	Amount	Aggregate	Amount	Aggregate
Accounting profit before tax		<u>1 073 762</u>		<u>923 481</u>
Tax at 25%	268 441		230 870	
Additional tax of 5% to more than EGP one million	<u>53 638</u>		--	
Total tax		322 079		230 870
<u>Add (deduct): -</u>				
Expenses are not deductible	37 629		32 011	
The impact of provisions	17 038		25 863	
Tax exemptions	<u>(34 234)</u>		<u>(28 122)</u>	
		<u>20 433</u>		<u>29 752</u>
Tax according to the tax return		<u>342 512</u>		<u>260 622</u>
The actual tax rate		<u>31.9 %</u>		<u>28.2 %</u>

- On June 4, 2014 a new law no. 44/2014 has imposed a 5% temporary additional annual taxes on amounts exceeding EGP 1 million from the tax base on the income of natural persons or the profits of Corporate Bodies in accordance with income tax laws. This law will be exercised from June 5, 2014 for 3 years period.
- On June 30, 2014 Presidential Decree has been issued with Law no. 53 for the year 2014, this law has amended some articles of the Law on Income Tax. promulgated by Law no. 91 of 2005, the most important of these amended rules are:
  - Tax shall be imposed in dividend payout.
  - Tax shall be imposed on capital gains resulting from the sale of shares and securities.

**15- Basic earnings per share \***

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

	<b>For the year ended 31/12/2014 EGP 000</b>	<b>For the year ended 31/12/2013 EGP 000</b>
Net profit for the year	723 766	661 114
Board members' remuneration	( 2 210 )	( 2 070 )
Employees' profit share (in net profit of the year)	(68 713 )	(62 482 )
Shareholders' share in net profit of the year (1)	<u>652 843</u>	<u>596 562</u>
The weighted average of the ordinary issued shares (2) "shares in thousands"	<u>400 000</u>	<u>400 000</u>
Basic earnings per share (in EGP) (1:2)	<u>1.63</u>	<u>1.49</u>

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

**16- Cash and due from Central Bank of Egypt**

	<b>31/12/2014 EGP 000</b>	<b>31/12/2013 EGP 000</b>
Cash	917 899	928 873
Balances at central bank within the obligatory reserve ratio	2 350 092	1 724 797
	<u>3 267 991</u>	<u>2 653 670</u>
Non- interest bearing balances	<u>3 267 991</u>	<u>2 653 670</u>

**17- Due from Banks**

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Current accounts	130 659	154 436
Deposits	8 093 138	5 040 735
	<u>8 223 797</u>	<u>5 195 171</u>
Central banks other than the obligatory reserve ratio	6 481 003	3 356 112
Local banks	396 605	143 093
Foreign banks	1 346 189	1 695 966
	<u>8 223 797</u>	<u>5 195 171</u>
Balances without interest	69 035	44 390
Balances with fixed return	8 154 762	5 150 781
	<u>8 223 797</u>	<u>5 195 171</u>
Current balances	7 689 339	4 629 918
Non-current balances	534 458	565 253
	<u>8 223 797</u>	<u>5 195 171</u>

**18- Treasury bills and other governmental notes**

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Treasury bills due 91 days	324 275	8 737 225
Treasury bills due 182 days	3 480 200	1 409 000
Treasury bills due 273 days	4 842 350	344 800
Treasury bills due 364 days	1 694 200	7 375
Unearned income	(596 003)	(161 274)
Total	<u>9 745 022</u>	<u>10 337 126</u>

**19- Loans and advances to banks**

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Term loans	--	500 000
current balances	--	<u>500 000</u>

This amount is represented in the loan granted to the Arab African International Bank (AAIB) according to the loan contract dated 5 February 2007. The principal loan will be fully repaid at the end of loan period which is 7 years. The loan is subject to a constant annual interest rate of 9.75% . The loan has been collected in full .

**20- Loans and advances to customers**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
<b>Retail</b>		
– Overdraft accounts	596 353	651 820
– Credit cards	51 910	44 786
– Personal loans	11 643 038	10 316 133
– Mortgage loans	26 551	32 599
<b>Total (1)</b>	<b>12 317 852</b>	<b>11 045 338</b>
<b>Corporate including small loans for economic activities</b>		
– Overdraft accounts	3 464 258	3 746 549
– Direct loans	5 526 837	4 709 012
– Syndicated loans	2 061 746	2 557 574
– Other loans	288	1 303
<b>Total (2)</b>	<b>11 053 129</b>	<b>11 014 438</b>
<b>Total loans and advances to customers (1+2)</b>	<b>23 370 981</b>	<b>22 059 776</b>
Impairment loss provision	(2 306 083)	(2 401 020)
<b>Net</b>	<b>21 064 898</b>	<b>19 658 756</b>
<b>Distributed to:</b>		
– Current balances	10 204 959	9 643 169
– Non-current balances	10 859 939	10 015 587
	<b>21 064 898</b>	<b>19 658 756</b>

### Impairment loss provision

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

	31/12/2014		Retail		Total
	Overdraft accounts EGP 000	Credit Cards EGP 000	Personal Loans EGP 000	Mortgage loans EGP 000	
Balance at the beginning of the year	19 467	2 748	791 376	5 388	818 979
Impairment loss during the year	(18 383)	259	(55 753)	674	(73 203)
Amounts written-off during the year	(276)	(930)	(19 485)	(52)	(20 743)
Amounts recovered during the year *	--	648	844	--	1 492
Differences in revaluation of foreign currencies	1	--	--	--	1
<b>Balance at the year end</b>	<b>809</b>	<b>2 725</b>	<b>716 982</b>	<b>6 010</b>	<b>726 526</b>
	31/12/2014		Corporate		Total
	Overdraft accounts EGP 000	Direct Loans EGP 000	Syndicated Loans EGP 000	Other Loans EGP 000	
Balance at the beginning of the year	1 055 526	213 289	312 968	258	1 582 041
Impairment loss during the year	63 382	78 808	186 499	(1 609)	327 080
Amounts written-off during the year	(345 234)	--	--	--	(345 234)
Amounts recovered during the year *	8 575	--	--	--	8 575
Differences in revaluation of foreign currencies	164	40	5 519	1 372	7 095
<b>Balance at the year end</b>	<b>782 413</b>	<b>292 137</b>	<b>504 986</b>	<b>21</b>	<b>1 579 557</b>
<b>Total provision</b>					<b>2 306 083</b>

\* From amounts that have been previously written off.

31/12/2013	Retail				Total EGP 000
	Overdraft accounts EGP 000	Credit Cards EGP 000	Personal Loans EGP 000	Mortgage loans EGP 000	
	<b>Balance at the beginning of the year</b>	17 347	3 151	652 854	
Impairment loss during the year	2 123	195	145 657	2 162	<b>150 137</b>
Amounts written-off during the year	--	(892)	(7 205)	--	<b>(8 097)</b>
Amounts recovered during the year *	--	294	70	--	<b>364</b>
Differences in revaluation of foreign currencies	(3)	--	--	--	<b>(3)</b>
<b>Balance at the year end</b>	<b>19 467</b>	<b>2 748</b>	<b>791 376</b>	<b>5 388</b>	<b>818 979</b>

31/12/2013	Corporate				Total EGP 000
	Overdraft accounts EGP 000	Direct Loans EGP 000	Syndicated Loans EGP 000	Other Loans EGP 000	
	<b>Balance at the beginning of the year</b>	1 445 820	190 759	240 414	
Impairment loss during the year	65 187	22 286	62 737	(16 289)	<b>133 921</b>
Amounts written-off during the year	(469 662)	--	--	--	<b>(469 662)</b>
Amounts recovered during the year *	5 438	--	--	--	<b>5 438</b>
Differences in revaluation of Foreign currencies	8 743	244	9 817	15 386	<b>34 190</b>
<b>Balance at the year end</b>	<b>1 055 526</b>	<b>213 289</b>	<b>312 968</b>	<b>258</b>	<b>1 582 041</b>
<b>Total Provision</b>					<b>2 401 020</b>

\* From amounts that have been previously written off.

<b>21- Financial assets classified at fair value through profit and loss</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
<b>Equity instruments at fair value:</b>		
- Listed in the market	3 707	3 031
<b>Total Equity instrument at fair value</b>	<b>3 707</b>	<b>3 031</b>
<b>Total Financial assets classified at fair value through profit and loss</b>	<b>3 707</b>	<b>3 031</b>
<b>22- Financial investments</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
<b>Available-for-sale financial investments</b>		
<b>Debt instruments at fair value:</b>		
Listed on the market	761 332	813 274
Unlisted on the market	25 284	25 284
<b>Equity instruments at fair value :</b>		
Unlisted on the market	436 061	771 685
<b>Total available for sale financial investments (1)</b>	<b>1 222 677</b>	<b>1 610 243</b>
<b>Financial investments held to maturity</b>		
<b>Debt instruments:</b>		
Listed on the market	--	40 000
Unlisted on the market	49 320	54 501
<b>Total Financial investments held to maturity (2)</b>	<b>49 320</b>	<b>94 501</b>
<b>Total of Financial investments (1+2)</b>	<b>1 271 997</b>	<b>1 704 744</b>
Current balances	787 549	828 258
Non-current balances	484 448	876 486
	<b>1 271 997</b>	<b>1 704 744</b>
Debt instrument with fixed interest	750 964	816 027
Debt instrument with variable interest	84 972	117 032
	<b>835 936</b>	<b>933 059</b>

	Available- for-sale investments	Held-to- maturity investments	Total
	EGP 000	EGP 000	EGP 000
<b>Balance as at 1/1/2014</b>	<b>1 610 243</b>	<b>94 501</b>	<b>1 704 744</b>
Additions	1 740 567	7 455	1 748 022
Disposals (sale/ redemption)	(2 166 696)	(52 696)	(2 219 392)
Difference in valuation of monetary assets denominated in foreign currencies	299	--	299
Gains from changes in fair value (Note no.36/c)	38 264	--	38 264
Add: Impairment losses provision	--	60	60
<b>Balance as at 31/12/2014</b>	<b>1 222 677</b>	<b>49 320</b>	<b>1 271 997</b>
<b>Balance as at 1/1/2013</b>	<b>1 593 675</b>	<b>212 328</b>	<b>1 806 003</b>
Additions	427	21 218	21 645
Disposals (sale/ redemption)	(151 538)	(140 952)	(292 490)
Difference in valuation of monetary assets dominated in foreign currencies	2 523	--	2 523
Gains from changes in fair value (Note no.36/c)	165 156	--	165 156
Add: Impairment losses provision	--	1 907	1 907
<b>Balance as at 31/12/2013</b>	<b>1 610 243</b>	<b>94 501</b>	<b>1 704 744</b>

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

#### Gains from financial investments

	For the year ended 31/12/2014 EGP 000	For the year ended 31/12/2013 EGP 000
Gain on sale of available-for-sale financial investments	26 743	31
Gain from sale of financial investments held to maturity	2 712	3 444
Gain from financial investments in associates	5 098	6 341
	<b>34 553</b>	<b>9 816</b>

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

	31/12/2014 EGP 000	31/12/2013 EGP 000
Balance at the beginning of the year	(60)	(1 967)
Impairment losses on loans during the year	60	1 907
Balance at the end of the year	--	(60)



### 23- Investments in associates

Banks contribution in associates are as follows:-

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

31/12/2013	Total shareholders' equity EGP 000	Bank's Share Percentage %	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	142 135	27.86	39 593
Misr Alexandria Financial Investment Fund Co.	158 516	25.00	39 629
United Company for Valves - Butterfly	--	25.00	--
	<u>300 651</u>		<u>79 222</u>

The financial data and information of associates is as follows:

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

31/12/2013	** Country of the Head Office Company's	Balance Sheet date	Company's Assets EGP 000	*** Company's Liabilities (without shareholders' equity) EGP 000	Company's Revenues EGP 000	*** Profits (losses) of the company EGP 000	Share Percentage %
Misr International Towers Co.	Egypt	30/9/2013	170 702	28 567	20 320	13 626	27.86
Misr Alexandria Financial Investment Fund Co.	Egypt	30/9/2013	161 409	2 893	12 680	11 102	25.00
United Company for Valves - Butterfly	Egypt	31/12/2007	3 770	16 561	--	(182)	25.00
			<u>335 881</u>	<u>48 021</u>	<u>33 000</u>	<u>24 546</u>	

\*\* Financial data and information for associates including the total amounts of assets, liabilities, revenues and profit or losses are disclosed.

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

**24- Intangible assets**

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

<b>31/12/2013</b>	<b>Computer Software Programs</b>	<b>Benefits of rental contracts</b>	<b>Total</b>
	<b>EGP 000</b>	<b>EGP 000</b>	<b>EGP 000</b>
<b>Cost at the beginning of the year</b>	108 267	655	108 922
Additions	16 269	--	16 269
<b>Total cost</b>	<b>124 536</b>	<b>655</b>	<b>125 191</b>
Amortization at the beginning of the year	(84 884)	(432)	(85 316)
Amortization for the year	(14 654)	(27)	(14 681)
<b>Accumulated amortization</b>	<b>(99 538)</b>	<b>(459)</b>	<b>(99 997)</b>
<b>Net book value at the year end</b>	<b>24 998</b>	<b>196</b>	<b>25 194</b>

**25- Other assets**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Accrued revenues	108 410	139 645
Prepaid expenses	29 010	33 969
Payments under purchase of fixed assets	6 535	2 273
Assets reverted to the Bank in settlement of debts (after deducting impairment)	115 624	150 991
Deposits with others	3 086	2 940
Others	209 187	252 708
	<b>471 852</b>	<b>582 526</b>
Less: Provisions for doubtful amounts	(87 902)	(88 333)
	<b>383 950</b>	<b>494 193</b>

## 26- Investment property

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

31/12/2013	Land	Buildings	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	51	197	248
<b>Total cost</b>	<b>51</b>	<b>197</b>	<b>248</b>
Depreciation at the beginning of the year	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
<b>Net book value at the year end</b>	<b>51</b>	<b>--</b>	<b>51</b>

## 27- Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
<b>Balance as at 1/1/2013</b>					
Costs	263 526	35 936	100 907	315 654	716 023
Accumulated depreciation	(77 412)	(21 829)	(54 306)	(221 105)	(374 652)
	<b>186 114</b>	<b>14 107</b>	<b>46 601</b>	<b>94 549</b>	<b>341 371</b>
Additions	7 616	2 622	7 580	17 923	35 741
Disposals	--	(123)	(24)	(7 911)	(8 058)
Depreciation for the year	(10 858)	(5 167)	(8 992)	(23 573)	(48 590)
Disposals' accumulated depreciation	--	1	6	5 930	5 937
<b>Net Book value as at 31/12/2013</b>	<b>182 872</b>	<b>11 440</b>	<b>45 171</b>	<b>86 918</b>	<b>326 401</b>

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
<b>Balance as at 1/1/2014</b>					
Costs	271 142	38 435	108 463	325 666	743 706
Accumulated depreciation	(88 270)	(26 995)	(63 292)	(238 748)	(417 305)
	<b>182 872</b>	<b>11 440</b>	<b>45 171</b>	<b>86 918</b>	<b>326 401</b>
Additions	5 179	13 277	14 614	35 388	68 458
Disposals	(914)	--	(714)	(9 570)	(11 198)
Depreciation for the year	(10 861)	(4 869)	(8 757)	(23 217)	(47 704)
Disposals' accumulated depreciation	--	--	617	9 161	9 778
<b>Book value as at 31/12/2014</b>	<b>176 276</b>	<b>19 848</b>	<b>50 931</b>	<b>98 680</b>	<b>345 735</b>
<b>Balance as at 31/12/2014</b>					
Costs	275 407	51 712	122 363	351 484	800 966
Accumulated depreciation	(99 131)	(31 864)	(71 432)	(252 804)	(455 231)
<b>Net book value</b>	<b>176 276</b>	<b>19 848</b>	<b>50 931</b>	<b>98 680</b>	<b>345 735</b>

**28- Due to banks**

	31/12/2014 EGP 000	31/12/2013 EGP 000
Current accounts	176 693	152 717
Deposits	73 719	133 596
	<b>250 412</b>	<b>286 313</b>
Local banks	30 376	179 575
Foreign banks	220 036	106 738
	<b>250 412</b>	<b>286 313</b>
Balances without interest	153 042	142 342
Balances with fixed interest	97 370	143 971
	<b>250 412</b>	<b>286 313</b>
Current balances	<b>250 412</b>	<b>286 313</b>

29- Customers' deposits	31/12/2014	31/12/2013
	EGP 000	EGP 000
Demand deposits	6 507 197	4 828 495
Term and notice deposits	3 978 682	3 574 894
Certificates of deposits and savings	11 026 957	10 858 889
Savings deposits	14 655 303	14 343 839
Other deposits	424 045	318 256
	<b>36 592 184</b>	<b>33 924 373</b>
Corporate deposits	5 616 565	4 915 661
Retail deposits	30 975 619	29 008 712
	<b>36 592 184</b>	<b>33 924 373</b>
Balances without interest	5 628 404	4 260 353
Balances with variable interest	26 469 175	25 950 797
Balances with fixed interest	4 494 605	3 713 223
	<b>36 592 184</b>	<b>33 924 373</b>
Current balances	12 438 933	9 950 745
Non-current balances	24 153 251	23 973 628
	<b>36 592 184</b>	<b>33 924 373</b>

Customers' accounts include deposits of EGP 979 364 thousand as at 31/12/2014 versus EGP 896 163 thousand as at 31/12/2013. Deposits represent collateral of customer loans, documentary credits, and letter of guarantees. Deposits' fair value approximately equals the present value of such deposits.

**30- Other loans (long term loans)**

	Interest Rate	31/12/2014	31/12/2013
	%	EGP 000	EGP 000
Loan within the framework of The Agricultural Sector Development Program	3.5: 4.5	63 366	59 402
Loan Sanad Fund for MSME	2.7763	71 401	--
<b>Total long term loans</b>		<b>134 767</b>	<b>59 402</b>
Current balances		50 388	34 109
Non-current balances		84 379	25 293
		<b>134 767</b>	<b>59 402</b>

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

**31- Other liabilities**

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Accrued interest	151 907	130 439
Prepaid revenues	95 350	86 512
Accrued expenses	97 181	96 423
Creditors	133 930	79 950
Remittances of Egyptian workers in Iraq – due to customers	61 608	66 080
Dividend payable	149 238	--
Other credit balances	794 593	558 449
	<b>1 483 807</b>	<b>1 017 853</b>

**32- Other provisions**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Balance at the beginning of the year	478 121	423 516
Differences in valuation of foreign currencies	(823)	10 059
Charged to income statement	46 855	4 027
Amounts redeemed	--	1 821
Amounts used	( 54 433)	( 10 201)
Transfers from provisions for doubtful amounts (other assets)	431	48 899
Balance at the end of the year	<u><u>470 151</u></u>	<u><u>478 121</u></u>

A provision of an amount of EGP 160 110 thousand has been made at 31/12/2014 to meet contingent liabilities and contractual commitments that amount to EGP 3 225 130 thousand, versus to EGP 167 076 thousand as at 31/12/2013 to meet contingent liabilities and contractual commitments that amount to EGP 2 862 525 thousand.

**33- Deferred tax liabilities**

- The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 25% for the present fiscal year, Has been following the work of the application of Law No. 44 of 2014 to impose an extra tax of 5% to become the tax rate calculated on the basis of which 30% \*.
- Deferred tax assets resulting from carried forward tax losses shall not be recognized unless future taxable profits, through which carried forward taxable losses can be utilized, are likely to be proven.
- Deferred tax assets resulting from other provisions shall not be recognized.

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

**A- Recognized deferred tax liabilities**

	<b>Deferred tax liabilities</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Fixed assets (depreciation)	(18 784)	(11 301)
Fair value differences	(89 193)	(70 838)
<b>Total deferred tax liability</b>	<u><u>(107 977)</u></u>	<u><u>(82 139)</u></u>

\* The effective tax rate shall be calculated to reflect the average tax rates applied in Egypt in addition to those applied to profits the banks' foreign branches. Thus, this average shall be a weighted one by each unit's profit of the bank's units.

**The movement of deferred tax liabilities:**

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Balance at the beginning of the year	(82 139)	(65 337)
Additions	(25 838)	(16 802)
<b>Balance at the end of the year</b>	<b>(107 977)</b>	<b>(82 139)</b>

**The deferred tax recorded directly in equity:**

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Fair value differences	(89 193)	(70 838)
	<b>(89 193)</b>	<b>(70 838)</b>

**B- Unrecognized deferred tax assets**

	Deferred tax assets	
	31/12/2014	31/12/2013
	EGP 000	EGP 000
Other provisions (other than impairment loss, provision on customers' loans and income tax provision and performing contingent liabilities provision)	97 215	88 680
	<b>97 215</b>	<b>88 680</b>

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

**34- Retirement benefits obligations**

	31/12/2014	31/12/2013
	EGP 000	EGP 000
<b>Liabilities included in the financial position for:</b>		
Post-retirement Medical benefits	563 208	501 857
	<b>563 208</b>	<b>501 857</b>



<b>Liabilities recognized in the income statement:</b>	<b>For the year ended 31/12/2014 EGP 000</b>	<b>For the year ended 31/12/2013 EGP 000</b>
Post-retirement Medical benefits	87 897	72 793
	<u>87 897</u>	<u>72 793</u>

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

	<b>31/12/2014 EGP 000</b>	<b>31/12/2013 EGP 000</b>
The present value of funded obligations	739 759	644 346
Unrealized actuarial losses *	(176 551)	(142 489)
The liabilities in the balance sheet	<u>563 208</u>	<u>501 857</u>

**The movement in liabilities during the period is represented in the following:**

	<b>31/12/2014 EGP 000</b>	<b>31/12/2013 EGP 000</b>
The balance at the beginning of the year	501 857	451 075
Current service cost	10 347	8 956
Interest cost	70 878	60 386
Actuarial losses	6 672	3 451
Paid benefits	( 26 546)	( 22 011)
<b>Balance at the end of the year</b>	<u>563 208</u>	<u>501 857</u>

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

	<b>For the year ended 31/12/2014 EGP 000</b>	<b>For the year ended 31/12/2013 EGP 000</b>
Current service cost	10 347	8 956
Interest cost	70 878	60 386
Actuarial losses	6 672	3 451
<b>Balance at the end of the year</b>	<u>87 897</u>	<u>72 793</u>

\* Whereas actuarial losses are higher than 10% of the total liabilities, then the amortized amount has been recognized in the income statements.

**The principal actuarial assumptions used are presented as follows:**

	31/12/2014	31/12/2013
Discount rate	%11	%11
Previous service cost inflation rate	% 9	% 9
Future service assumption cost inflation rate	%11	%11
Mortality assumption	90 mortality cases every year	90 mortality cases every year
Employee turnover	%0.5	%0.5

**35- Share capital**

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

- The bank's authorized capital amounts to EGP 1000 million.
- The issued and subscribed capital amounts to EGP 800 million, divided into 400 million shares with a par value of EGP 2 each and it has been fully subscribed and paid.
- On February 23<sup>rd</sup>, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees and the subtraction program is not implemented yet.

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

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

**36- Reserves and retained earnings**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Legal reserve	343 979	311 053
General reserve	29 312	29 312
Special capital reserve	412 912	410 308
Fair value reserve/financial investments available - for- sale	167 486	165 510
Other reserves	289 188	289 188
Bank's contribution in fair value reserve of associates subsequent to acquisition date	40 980	28 788
General Banking Risk Reserve	1 318	1 314
Specific reserve	21 000	21 000
<b>Total reserves</b>	<b><u>1 306 175</u></b>	<b><u>1 256 473</u></b>

**The movement in reserves is as follows:**

**(36/a) Legal reserve**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Balance at the beginning of the year	311 053	280 069
Formed from the financial year's profits 2012,2013	32 926	30 984
<b>Balance at the end of the year</b>	<b><u>343 979</u></b>	<b><u>311 053</u></b>

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

**(36/b) Special capital reserve**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Balance at the beginning of the year	410 308	404 919
Formed from the financial year 's profits 2012, 2013	2 604	5 389
<b>Balance at the end of the year</b>	<b><u>412 912</u></b>	<b><u>410 308</u></b>

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

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

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Balance at the beginning of the year	165 510	15 358
Net gains from change in fair value (Note no.22)	38 264	165 156
Net gains transferred to income statement resulting from disposals	(17 916)	111
The impact on the reserve after calculating the bonds by the amortized cost	(17)	(58)
Deferred tax liability (Note no.33)	( 18 355)	( 15 057)
Balance at the end of the year	<u><u>167 486</u></u>	<u><u>165 510</u></u>

**(36/d) Retained earnings**

<b>The movement in retained earnings</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Balance at the beginning of the year	2 483 706	2 420 810
Change in general banking risk reserve	( 4)	( 764)
Net profits of the current year	723 766	661 114
Profits of employees' share in financial year 2012/2013	( 62 482)	( 58 829)
Board of directors' members remuneration for financial year 2012/2013	( 2 070)	( 2 200)
Transferred to legal reserve	( 32 926)	( 30 984)
Transferred to Special capital reserve	( 2 604)	( 5 389)
Shareholders' dividends in financial year 2012/2013	( 528 891)	( 500 052)
Balance at the end of the year	<u><u>2 578 495</u></u>	<u><u>2 483 706</u></u>

**37- Dividend**

Dividend is not recorded until it is approved by the General Assembly of Shareholders . The Board of Directors in accordance with the Bank's Bylaws proposes to the Assembly scheduled to be held 11 March 2015 a distribution to the Shareholders of an amount of EGP 579 013 thousand ; and the Board of Directors has to distribute an amount of EGP 68 723 thousand for employees as a share in profits and the amount of EGP 2 210 thousand as remuneration for members of the Board of Directors (the actual distributions amounted of EGP 62 482 thousand for employees and the amount of EGP 2 070 thousand as remuneration to the members of the Board of Directors for the previous year) and not recognized in

these presented financial statements resolution. And the dividend recorded for shareholders' and employees' share in profits and Board of Directors members remuneration in equity distribution of retained earnings in the year ended 31 December 2014.

**38- Cash and cash equivalents**

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

	31/12/2014	31/12/2013
	EGP 000	EGP 000
Cash and due from Central Bank of Egypt (Note no.16)	917 899	928 873
Due from banks (Note no. 17)	8 116 127	4 981 873
Treasury bills and other governmental notes (Note no. 18)	316 781	8 604 019
	<u>9 350 807</u>	<u>14 514 765</u>

**39- Contingent liabilities and commitments:**

**a) Legal Claims**

There are a number of cases filed against the bank on 31 December 2014 , and the balance of the claims' provision amounted to EGP 157 431 thousand.

**b) Capital commitments**

**1- Financial investments**

The value of the capital commitments related to financial investments which are not required to be paid until 31 December 2014 amounted to USD 6 095 thousand according to the following:

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

**2- Fixed assets and fittings and fixtures of branches**

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 8 993 thousand on December 31, 2014 , versus EGP 18 018 thousand on December 31, 2013. The Top Management has got sufficient confidence in generating revenues and providing the finance required to cover these commitments.

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

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

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Accepted documentation	90 804	123 501
Letters of guarantee	2 778 548	2 299 332
Letters of credit "import"	285 245	394 022
Letters of credit "export"	70 533	45 670
<b>Total</b>	<b><u>3 225 130</u></b>	<b><u>2 862 525</u></b>

**d) Commitments on operational leasing contracts:**

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

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Not more than one year	1 791	1 827
More than one period but less than five years	103	1 894
<b>Total</b>	<b><u>1 894</u></b>	<b><u>3 721</u></b>

**40- Transactions with related parties**

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

**A) Deposits from related parties:**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
<b>Due to customers</b>		
Deposits at the beginning of the year	19	18
<b>Deposits at the end of the year</b>	<u>19</u>	<u>18</u>

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

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>EGP 000</b>	<b>EGP 000</b>
Due from banks	320 265	547 378
Debit balances and other assets	1 234	2 889
Due to banks	3 173	10
Credit balances and other liabilities	149 455	621
Interest income banks	4 064	8 364
Interest expenses banks	3	33
Expenses Central Depository Shares	1 618	1 664

**C) Board of Directors and the Top Management Benefits**

The monthly average amount of the 20 biggest employees' salaries for the current year is amounted to EGP 2 131 thousand as at 31 December 2014 versus EGP 2 453 thousand as at 31 December 2013.

**41- Mutual funds**

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

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

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

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

The Bank investments in the fund amounted to a number of 136 thousand certificates (including certificates of activity undertaking), with a redeemable value of EGP 31.51 million as at 31 December 2014 .

The redeemable value of the certificate as at 31 December 2014 amounted to EGP 231.24 and the outstanding certificates at that date reached 348 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 2 886 thousand as at 31 December 2014 , which were presented under the item of "Fee and commission income" in the income statement.

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

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

The Bank investments in the fund amounted to a number of 1.99 million certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 42 million as at 31 December 2014 .

The redeemable value of the certificate amounted to EGP 21.1634 as at 31 December 2014, and the outstanding certificates at that date reached 99 283 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 7 697 thousand as at 31 December 2014 , which were presented under the item of "Fee and commission income" in the income statement.

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

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



The Bank investment in the fund amounted to 500 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 7.8 million as at 31 December 2014.

The redeemable value of the certificate amounted to EGP 15.56939 as at 31 December, 2014 and the outstanding certificates at that date reached 6 143 thousand certificates.

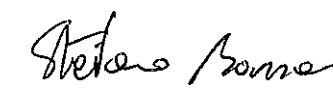
According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 274 thousand as at December 31, 2014 which were presented under the item of "Fee and commission income" in the income statement.

**42- Comparative figures**

The bank has reclassified some comparative figures to conform with changes in presentation in the current year.

  
CEO and Managing Director

Roberto Vercelli

  
Chief Financial Officer

Stefano Borsari