



Allied for Accounting and Auditing
Public Accountants and Consultants



BAKER TILLY
Wahid Abdel Ghaffar & Co.
Public Accountants & Consultants

EGYPTIAN GULF BANK (S.A.E)

**Separate Financial Statements
Together With Auditors' Report
For The Year Ended 31 December 2015**



Allied for Accounting & Auditing EY
Public Accountants & Consultants



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AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE EGYPTIAN GULF BANK (S.A.E)

Report on the Financial Statements

We have audited the accompanying separate financial statements of the Egyptian Gulf Bank (S.A.E), represented in the separate balance sheet as of 31 December 2015, and the related separate statements of income, change in equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Bank's management, as management is responsible for the preparation and fair presentation of the financial statements in accordance with the Central Bank of Egypt's rules relating 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 and regulations. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects of the separate balance sheet of the Bank as of 31 December 2015, and of its separate financial performance and its separate cash flows for the year then ended in accordance with the Central Bank of Egypt's rules relating to the preparation and presentation of bank's financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and the related applicable Egyptian laws and regulations relating to the preparation of those financial statements.

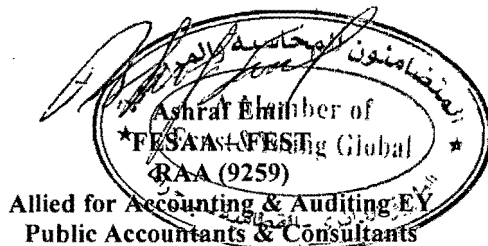
Report on Other Legal and Regulatory Requirements

Nothing came to our attention during the year ended 31 December 2015, that the bank was not in compliance with the laws and regulations of the Central Bank of Egypt, and the Banking and Monetary System no. 88 of 2003.

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

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

Cairo: 29 February 2016



Auditors



EGYPTIAN GULF BANK – (S.A.E)
SEPARATE BALANCESHEET
AS AT 31 DECEMBER 2015

Originally issued in Arabic

	Note	<u>31/12/2015</u> L.E.	<u>31/12/2014</u> L.E.
<u>ASSETS</u>			
Cash and balances with the CBE	(15)	1,703,386,084	802,774,507
Due from banks	(16)	5,023,443,968	155,561,960
Treasury bills and other governmental notes	(17)	2,654,791,716	1,008,443,431
Trading financial assets	(18)	1,846,739	5,423,755
Loans, advances and morabhat for customers	(19)	8,214,852,357	4,228,996,657
Financial investments:			
Available for sale	(20)	4,878,886,822	4,159,115,815
Held to maturity	(20)	12,514,700	12,514,700
Investment in subsidiaries and associates	(21)	220,202,560	220,202,560
Intangible assets	(22)	33,109,249	24,819,094
Other assets	(23)	535,790,152	357,610,285
Deferred taxes asset	(30)	-	9,042,266
Fixed assets	(24)	80,527,623	72,703,209
TOTAL ASSETS		<u>23,359,351,970</u>	<u>11,057,208,239</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>LIABILITIES</u>			
Due to banks	(25)	497,286,975	257,101,753
Customers' deposits	(26)	20,620,299,068	9,042,543,101
Other loans	(27)	18,219,005	4,100,000
Other liabilities	(28)	460,233,615	133,521,637
Other provisions	(29)	47,409,922	80,690,660
TOTAL LIABILITIES		<u>21,643,448,585</u>	<u>9,517,957,151</u>
<u>Shareholders' equity</u>			
Issued and Paid-in capital	(31)	1,279,943,318	1,122,757,295
Reserves	(32)	149,696,815	208,758,454
Retained Earnings	(32)	8,140,586	1,216,104
Net Income		278,122,666	206,519,235
TOTAL SHAREHOLDERS' EQUITY		<u>1,715,903,385</u>	<u>1,539,251,088</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>23,359,351,970</u>	<u>11,057,208,239</u>

Executive Chairman & managing director
Nidal El-Qassem Assar

Chairman
Mohamed Gamal El Din Mohamed Mahmoud

* The accompanying notes from (1) to (37) are an integral part of these Separate financial statements and are to be read therewith.
 * Auditors report attached.

EGYPTIAN GULF BANK – (S.A.E)
SEPARATE STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

Originally issued in Arabic

	<u>Note</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
		<u>L.E.</u>	<u>L.E.</u>
Interest from loan and similar income	(6)	1,591,779,849	896,611,081
Interest on deposits and similar expenses	(6)	(978,612,639)	(488,423,988)
Net interest income		<u>613,167,210</u>	<u>408,187,093</u>
Fees and commissions income	(7)	153,570,551	78,852,626
Fees and commissions expenses	(7)	(5,245,377)	(3,433,710)
Net fees and commission Income		<u>148,325,174</u>	<u>75,418,916</u>
Dividends income	(8)	3,607,321	5,405,386
Net trading income	(9)	34,411,907	5,929,692
Profit from sale of financial investments	(20)	19,588,758	38,650,141
Impairment (charge) for credit losses	(12)	(74,067,502)	(27,888,068)
General and Administrative expenses	(10)	(343,468,383)	(198,364,707)
Other operating income (expenses)	(11)	23,913,276	(7,677,117)
Profits before Income tax		<u>425,477,761</u>	<u>299,661,336</u>
Income tax expenses	(13)	(147,355,095)	(93,142,101)
Net profit of the year		<u>278,122,666</u>	<u>206,519,235</u>
Earnings per share (EGP/ share)	(14)	<u>0.95</u>	<u>0.80</u>

Executive Chairman & Managing Director
Nidal El-Qassem Assar

Chairman
Mohamed Gamal El Din Mohamed Mahmoud

* The accompanying notes from (1) to (37) are an integral part of these Separate financial statements and are to be read therewith.

EGYPTIAN GULF BANK – (S.A.E)
 SEPARATE STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2015

Originally issued in Arabic

	31/12/2015	31/12/2014
	L.E.	L.E.
<u>Cash flows from operating activities</u>		
Net Profits before income tax	425,477,761	299,661,336
<u>Adjustments to reconcile net profit to net cash provided by operating activities</u>		
Depreciation and amortization	12,563,545	11,629,184
Impairment of assets	74,067,502	27,888,068
Other provisions no longer required	(20,783,764)	8,556,213
Revaluation differences for other provision in foreign currencies	(282,132)	(70,161)
Gain from sale of fixed assets	(2,527,570)	-
Dividends paid	(3,607,321)	(5,405,386)
Revaluation differences for trading investments	1,203,932	172,494
Investment available for sale amortization	(80,839,405)	-
Gain from sale of available for sale investment	(13,230,386)	-
Gain from investment in subsidiaries and associates	(6,358,372)	(40,558,232)
<u>Operating profit before changes in assets and liabilities provided from operating activities</u>	<u>385,683,790</u>	<u>301,873,516</u>
<u>Net change in Assets and liabilities</u>		
Due from banks	(991,276,972)	121,963,129
Treasury bills	(1,251,665,800)	793,135,367
Trading financial investments	3,577,016	(4,192,304)
Other assets	(87,452,966)	(29,108,985)
Loans and advances and Morabhat to customers	(4,160,643,649)	(763,155,281)
Due to banks	240,185,222	206,850,477
Customers' deposits	11,577,755,967	836,273,872
Other provision used	(12,779,107)	-
Other liabilities	326,711,978	17,577,166
<u>Net cash flows provided from operating activities (1)</u>	<u>6,030,095,479</u>	<u>1,481,216,957</u>
<u>Cash flows from Investing Activities</u>		
Payments to purchases of fixed assets and branches improvement	(86,271,233)	(98,216,505)
Proceeds from sale of fixed assets	2,970,992	-
Payments for purchase of intangible assets	(12,577,198)	(2,454,491)
Proceeds from sale of financial investments other than trading investment	983,138,320	541,239,315
Payments for purchase of investment other than trading investment	(1,784,126,766)	(1,895,994,123)
Dividends received	3,607,321	5,405,386
<u>Net cash flows (used in) investing activities (2)</u>	<u>(893,258,564)</u>	<u>(1,450,020,418)</u>
<u>Cash flows from Financing Activities</u>		
change in long Term loans	14,119,005	(1,000,000)
Dividends paid	(178,942,828)	(81,400,725)
<u>Net cash flows (used in) Provided from financing activities (3)</u>	<u>(164,823,823)</u>	<u>(82,400,725)</u>
Net change in cash and cash equivalents during the period (1+2+3)	4,972,013,092	(51,204,186)
Cash and cash equivalents at beginning of the year	242,457,057	293,661,243
<u>Cash and cash equivalents at the end of the year</u>	<u>5,214,470,149</u>	<u>242,457,057</u>

* The accompanying notes from (1) to (37) are an integral part of these Separate financial statements and are to be read therewith.

EGYPTIAN GULF BANK – (S.A.E)
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

Originally issued in Arabic

*For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following:

	31/12/2015	31/12/2014
	L.E.	L.E.
Cash and cash equivalents are represented in (note33) :		
Cash and due from Central Bank	1,703,386,084	802,774,507
Due from banks	5,023,443,968	155,561,960
Treasury bills	2,654,791,716	1,043,601,950
Balance with CBE within the limit of statutory reserve	(1,545,057,311)	(715,879,410)
Due from banks with maturities more than 3 months	(556,428,058)	-
Treasury bills maturity more than 3 months	(2,065,666,250)	(1,043,601,950)
Cash and cash equivalents at the end of the year	5,214,470,149	242,457,057

* The accompanying notes from (1) to (37) are an integral part of these Separate financial statements and are to be read therewith..

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

	<u>Note</u>	<u>Capital</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Net Income</u>	<u>Total</u>
		L.E.	L.E.	L.E.	L.E.	L.E.
Balance as of 1/1/2014		1,033,544,304	214,276,134	1,019,675	190,091,560	1,438,931,673
Transferred to retained earnings		-	-	190,091,560	(190,091,560)	-
Shareholders profit share paid for year 2013 (stock dividends and cash)		89,212,991	-	(151,012,991)	-	(61,800,000)
Employees profit share paid for year 2013		-	-	(14,100,725)	-	(14,100,725)
Board of directors remuneration		-	-	(5,500,000)	-	(5,500,000)
Transferred to legal reserves		-	19,009,156	(19,009,156)	-	-
Transferred to other reserves		-	89,109	(89,109)	-	-
Net change in Fair value of available for sale investment		-	(24,799,095)	-	-	(24,799,095)
Transferred to general bank risk reserve from retained earnings		-	183,150	(183,150)	-	-
Net profit for year		-	-	-	206,519,235	206,519,235
Balance as of 31/12/2014		1,122,757,295	208,758,454	1,216,104	206,519,235	1,539,251,088
Balance as of 1/1/2015		1,122,757,295	208,758,454	1,216,104	206,519,235	1,539,251,088
Transferred to retained earnings		-	-	206,519,235	(206,519,235)	-
Shareholders profit share paid for year 2014 (stock dividends and cash)		157,186,023	-	(157,186,023)	-	-
Employees profit share paid for year 2014		-	-	(15,651,806)	-	(15,651,806)
Board of directors remuneration		-	-	(6,105,000)	-	(6,105,000)
Transferred to legal reserves		-	20,651,924	(20,651,924)	-	-
Net change in Fair value of available for sale investment	(32)	-	(79,713,563)	-	-	(79,713,563)
Net profit for the year	(32)	-	-	-	278,122,666	278,122,666
Balance as of 31/12/2015		1,279,943,318	149,696,815	8,140,586	278,122,666	1,715,903,385

* The accompanying notes from (1) to (37) are an integral part of these Separate financial statements and are to be read therewith.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**1. General information**

Egyptian Gulf Bank provides corporate, retail banking and investment banking services in various areas of Egypt through nineteen branches, and employs over 1100 employees as of the balance sheet date.

Egyptian Gulf Bank S.A.E was under the minister decree No, 296 at 14 October 1981 according to the Investment Law No, 43 for 1974, That was replaced by investment law No, 230 for the 1989 that was canceled by law No, 8 for 1997 which is concerned for issuance of warranties and bonus of investment and its executives, The Bank is listed in the Egyptian Stock Exchange.

2. Summary of significant accounting policies

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

2. A Basis of preparation

The separate financial statements have been prepared in accordance with Egyptian Financial Reporting Standards issued in 2006 and its amendments and in accordance with the Central Bank of Egypt regulations approved by the Board of Directors on December 16, 2008.

The separate financial statements have been prepared under the historical cost convention , As modified by the revaluation of financial assets and liabilities classified as trading or held at fair value through profit or loss, available for sale investment and all derivatives contracts.

2. B Subsidiaries and Associates**(B/1) Subsidiaries:**

Subsidiaries are all entities (including Special Purpose Entities / SPEs) over which the Bank has owned directly or indirectly the control to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights, The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity or not.

(B/2) Associates:

Associates are all entities over which the bank has significant influence but do not reach to the extent of control, generally accompanying a shareholding between 20% and 50% of the voting rights.

The acquisition method of accounting is used to account for the purchase of subsidiaries, The cost of an acquisition is measured at the fair value of the assets given, Equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition, The excess of the cost of an acquisition over the bank share of the fair value of the identifiable net assets acquired is recorded as goodwill, A gain on acquisition is recognized in profit or loss if there is an excess of the bank's share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

The cost method is applied to account for investments in subsidiaries and associates, whereby, investments are recorded based on the acquisition cost including any goodwill, deducting any impairment losses, and dividends are recorded in the income statement in the adoption of the distribution of these profit and evidence of the bank right to collect them.

2. C Segment reporting

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

2. D Foreign currency translation**(D/1) Functional and presentation currency:**

The financial statements are presented in Egyptian pound, which is the Bank's functional and presentation currency.

(D/2) Transactions and balances in foreign currencies:

The bank maintains its accounting records in Egyptian pound, Transactions in foreign currencies during the financial year are translated into Egyptian pound using the prevailing exchange rates on the date of the transaction.

2. Summary of significant accounting policies – continued

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the financial year at the prevailing exchange rates, Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items.

- Net trading income from held-for-trading assets and liabilities.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale assets are analyzed into valuation differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value, of the instruments.

Valuation differences resulting from changes in the amortized cost are recognized and reported in the income statement in income from loans and similar revenues' whereas difference resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)', The remaining differences resulting from changes in fair value are deferred in equity and accumulated in the 'Revaluation reserve of available-for-sale investments'.

Valuation differences resulting from the non-monetary items include gains and losses of the change in fair value of such equity instruments held at fair value through profit and loss, as for recognition of the differences of valuation resulting from equity instruments classified as financial investments available for sale within the fair value reserve in equity.

2. E Financial assets

The Bank classifies its financial assets in the following categories:

- Financial assets designated at fair value through profit or loss.
- Loans and receivables.
- Held to maturity investments.
- Available for sale financial investments.
- Management determines the classification of its investments at initial recognition.

(E/1) Financial assets at fair value through profit or loss:

This category has two sub-categories:

- Financial assets held for trading.
- Financial assets designated at fair value through profit and loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit making.

The Bank in all conditions doesn't reclassify any financial instrument moving to programs of financial instruments reclassified with fair value from statement of income or to financial assets program for trading.

(E/2) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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