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

Translation of Auditors' report
Originally issued in Arabic

EY
Allied for Accounting & Auditing EY
Public Accountants & Consultants

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

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

Ashraf Elmi
FESAA - FEST
RAA (9259)
Allied for Accounting & Auditing EY
Public Accountants & Consultants

BAKER TILLY
WAHID ABDEL GHAFFAR & CO.
PUBLIC ACCOUNTANTS & CONSULTANTS

Elsayed Mahmoud Ahmed Salem
FESAA – FEST
RAA (7110)
Wahid Abdel Ghaffar & CO BT
Public Accountants & Consultants

SEPARATE BALANCESHEET
AS AT 31 DECEMBER 2015

	Note	31/12/2015 L.E.	31/12/2014 L.E.
ASSETS			
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 morabahat 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		**23,359,351,970**	11,057,208,239
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
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		**21,643,448,585**	9,517,957,151
Shareholders' equity			
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		**1,715,903,385**	1,539,251,088
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**23,359,351,970**	11,057,208,239

Executive Chairman & managing director	Chairman
Nidal El-Qassem Assar	**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.

SEPARATE STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31/12/2015 L.E.	31/12/2014 L.E.
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		**613,167,210**	408,187,093
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		**148,325,174**	75,418,916
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		**425,477,761**	299,661,336
Income tax expenses	(13)	**(147,355,095)**	(93,142,101)
Net profit of the year		**278,122,666**	206,519,235
Earnings per share (EGP/ share)	(14)	**0.95**	0.80

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.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

		31/12/2015 L.E.	31/12/2014 L.E.
Cash flows from operating activities			
Net Profits before income tax		425,477,761	299,661,336
Adjustments to reconcile net profit to net cash provided by operating activities			
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)
Operating profit before changes in assets and liabilities provided from operating activities		385,683,790	301,873,516
Net change in Assets and liabilities			
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 Morabahat 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
Net cash flows provided from operating activities	(1)	6,030,095,479	1,481,216,957
Cash flows from Investing Activities			
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
Net cash flows (used in) investing activities	(2)	(893,258,564)	(1,450,020,418)
Cash flows from Financing Activities			
change in long Term loans		14,119,005	(1,000,000)
Dividends paid		(178,942,828)	(81,400,725)
Net cash flows (used in) Provided from financing activities	(3)	(164,823,823)	(82,400,725)
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
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 CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

*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

	Note	Capital	Reserves	Retained Earnings	Net Income	Total
		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.

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 it 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.

2. **Summary of significant accounting policies – continued**

(E/3) Held to maturity financial investments:
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold till maturity, If the Bank has to sell other than an insignificant amount of held- to-maturity assets, the entire category would be reclassified as available for sale unless in necessary cases subject to regulatory approval.

(E/4) Available for sale financial investments:
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following are applied in respect to all financial assets:

Debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value, are classified as available-for-sale or held-to-maturity, Financial investments are recognized on trade date, when the group enters into contractual arrangements with counterparties to purchase securities.

Financial assets are initially recognized at fair value plus transaction cost for all financial assets not carried at fair value through profit and loss, Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the Financial assets have expired or when the Bank transfer substantially all risks and rewards of the ownership, Financial liabilities are derecognized when they are extinguished, that is, when the obligation is discharged or cancelled or expired.

Available- for- sale, held-for-trading and financial assets designated at fair value through profit and loss are subsequently measured at fair value, Loans, receivable and held-to-maturity investments are subsequently measured amortized cost.

Gains and losses arising from changes in the fair value of the 'financial assets designated at fair value through profit or loss are recognized in the income statement in 'net income from financial instrument designated at fair value 'gains and losses arising from changes in the fair value of available for sale investments are recognized directly in equity, until the financial assets are either sold or become impaired, When available-for-sale financial assets are sold, the cumulative gain or loss previously recognized in equity is recognized in profit or loss

Interest income is recognized on available for sale debt securities using the effective interest method, calculated over the asset's expected life, Premiums and discounts arising on the purchases are included in the calculation of effective interest rates, Dividends are recognized in the income statement when the right to receive payment has been established .

The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, or no current demand prices available, the Bank measures fair value using valuation models, These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation models commonly used by market participants, if the Bank has not been able to estimate the fair value of equity instruments classified available for sale, value is measured at cost less any impairment in value.

Available for sale investments that would have met the definition of loans and receivable at initial recognition may be reclassified out to loans and advances or financial assets held to maturity, in all cases, when the bank has the intent and ability to hold these financial assets in the foreseeable future or till maturity , The financial assets in reclassified at its fair value on the date of reclassification, and any profits or losses that have been recognized previously in equity, are treated based on the following:

- If the Financial asset has fixed maturity, gains or losses are amortized over the remaining life of the investment using the effective interest rate method, In case of subsequent impairment of the financial asset, the previously recognized unrealized gains or losses in equity are recognized directly in the profits and losses.

2. Summary of significant accounting policies – continued

- In the case of financial asset which has infinite life, any previously recognized profit and loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.

- If the bank adjusts its estimates of payments or receipts of a financial asset that in return adjust the carrying amount of the asset [or group of financial assets] to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the difference are recognized in Profit and loss.

- In all cases, if the bank re-classified financial assets in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, this increase adjusts the effective interest rate of this asset only without affecting the investment book value.

2. F Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to be settled on a net basis, or realize the asset and settle the liability simultaneously.

2. G Interest income and expense

Interest income and expense for all financial instruments except for those classified as held-for-trading or designated at fair value are recognized in "Interest income" and "Interest expense" in the income statement using the effective interest method.

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

Once loans or debts are classified as non-performing or impaired, the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis according to the following:

- When all arrears are collected for consumer loans, personal mortgage and micro-finance loans.

- When calculated interest For corporate are capitalized according to the rescheduling agreement condition until paying 25 % from rescheduled payments for a minimum performing period of one year, if the customer continues to perform, the calculated interest will be recognized in interest income [interest on the performing rescheduling agreement balance] without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

2. H Fees and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided fees and commissions on non-performing or impaired loans or receivable cease to be recognized as income and are rather recorded off balance sheet, These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that present an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of the financial asset.

2. Summary of significant accounting policies – continued

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loans drawn, Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the Commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the bank are recognized when the syndication has been completed and the bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.

Commission and fees arising from negotiation, or participating in the negotiation of a transaction for a third party such asthe arrangement of the acquisition of shares of other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the income statement.

Other management advisory and service fees are recognized based on the applicable service contracts, usually on accrual basis, Financial planning fees related to investment funds are recognized steadily over the period in which the service is provided the same principle is applied for wealth management; financial planning and custody services that are provided on the long term are recognized on the accrual basis also.

2. I Dividend income

Dividends are recognized in the income statement when the right to collect it is declared.

2. J sale and repurchase agreements

Securities may be lent or sold according to commitment to repurchase (repos) are reclassified in the financial statement and deducted from Treasury Bills balance, Securities borrowed or purchased according to a commitment to resell them (reverse repos) are reclassified in the financial statement and added to treasury bills balance, The difference between sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest rate method.

2. K Impairment of financial assets

(K/1) Financial assets carried at amortized cost:

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

The criteria that the bank uses to determine that there is objective evidence of an impairment loss include:

- Great financial troubles facing the borrower or debtor.
- Violation of the conditions of the loan agreement such as non-payment.
- Initial bankruptcy proceeding.
- Deterioration of the borrower's competitive position.
- The bank for reasons of economic or legal financial difficult of the borrower by Granting concessions may not agree with the bank granted in normal circumstance.
- Impairment of guarantee.
- Deterioration of credit worthiness.

The objective evidence of impairment loss for group of financial assets is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, for instance an increase in the default rates for a particular banking product.

The bank estimates the period between a losses occurring and its identification for each specific portfolio, In general, the periods used vary between three months to twelve months.

2. Summary of significant accounting policies – continued

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant and in this field the following are considered:

- If the bank determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, It includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment according to historical default ratios.
- If the bank determines that an objective evidence of financial assets impairment exists that is individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.
- If the result of a previous test did not recognize impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement, If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract when there is objective evidence for asset impairment, As a practical expedient, the bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of collateralized financial asset reflect the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics(i.e., on the basis of the group's grading process that consider asset type, industry, geographical location, collateral type, past-due status and other relevant factors), Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

Estimates of changes in future cash flows for groups of assets should be reflected together with changes in related observable data from period to period (e.g., changes in unemployment rates, property prices, payment status, or other indicative factors of changes in the probability of losses in the bank and their magnitude),the methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank.

(K/2) Available for sale investments:

The bank assesses on each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired, In the case of equity investments classified as available for sale, a significant or a prolonged decline in the fair value of the security below its cost is considered in determining

whether the assets are impaired, During periods start from first of January 2009, the decrease consider significant when it became 10% from the book value of the financial instrument and the decrease consider to be extended if it continues for period more than 9 months, and if the mentioned evidence become available then any cumulative gains or losses previously recognized in equity are recognized in the income statement, in respect of available for sale equity securities, impairment losses previously recognized in profit and loss are not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement to the extent of previously recognized impairment charge from equity to income statement.

2. Summary of significant accounting policies – continued

2. L Intangible assets:

(L/1) Software (computer programs)

Expenditures related to the development or maintenance of computer programs, are to be charged on income statement, as incurred, Expenditures connected directly with specific software and which are subject to the Bank's control and expected to produce future economic benefits exceeding their cost for more than one year, are to be recognized as an intangible asset, The expenses include staff cost of the team involved in software upgrading, in addition to a portion of overhead expenses.

The expenditures that lead to the development of computer software beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The computer software cost is recognized as an asset that is amortized over the expected useful life time not exceeding four years, except for the main software for the bank that is amortized over 10 years.

2. M Other assets:

Non-current Assets held for Sale

Non-current assets are classified as non-current assets held for sale if it is expected to recover their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This includes assets bought for loans settlement, fixed assets which the bank suspends their use to sell it, and the subsidiaries and associates companies which the bank buy for the purpose of selling them.

The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

The asset (or disposal group) that is classified as assets held for sale based on the book value in the classification date, or the fair value deducting the sale costs whichever is less.

If the bank changes the sale plan, the book value of the asset will be modified to the amount by which the asset would have been measured in case it was not classified as an asset held for sale taking into consideration any value decline.
As for assets gained against loans settlement, if the bank fails to sell them within the legally set period, the bank should form 10% from the asset value annually as a general bank risk reserve

The changes in the value of non-current assets held for sale, the profit and loss of sale shall be acknowledged in the item other operating revenues (expenses).

2. N Fixed assets:

Land and buildings comprise mainly branches and offices, all property, plant and equipment are stated at historical cost less depreciation and impairment losses, Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the bank and the cost of the item can be measured reliably, All other repairs and Maintenance are charged to other operating expenses during the financial period in which they are incurred.

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

Buildings	40 years
Safes	40 years
Office Furniture	10 years
Typewriters calculators And air conditions	8 years
Computers and core systems	5 years
Fixtures and fitting	5 years
Transportation	4 years
Computer software's	4 years

2. Summary of significant accounting policies – continued

The assets residual values and useful lives are reviewed, and adjusted if appropriate, On each balance sheet date, Depreciable Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered, An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount, The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the selling proceeds with asset carrying amount and charge to other operating expenses in the income statement.

2. O Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized-expect goodwill- and are tested annually for impairment, Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use, Assets are tested for impairment with reference to the lowest level of cash generating unit(s), a previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstance leads to a change in the estimates used to determine the fixed asset's recoverable amount, The carrying amount of the fixed asset will only be increased up to the amount that the original impairment not been recognized.

2. P Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2. Q Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has present legal or constructive obligation as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group, The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expense),

Provisions for obligations, order than those for credit risk or employee benefits, due within more than 12 month from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation on the balance sheet date, An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions, For obligations due within less than twelve months from the balance sheet date, provision are calculated based on undiscounted expected cash outflows unless the time value of money has significant impact on the amount of provision, then it is measured at the present value.

2. R Employee's benefits

(R/1) Social insurance

The bank contributes to the social insurance scheme related to the Social Insurance Authority for the benefit of its employees; the income statement is charged with these contributions on an accrual basis and is included in the employee's benefit account.

(R/2) Profit share

The Bank pay a percentage of the cash profits expected to be distributed as employee's profit share through item "dividends declared" in the owners' equity, and as liability when the its approved by the shareholders general assembly, There is no recorded liability for the employees share in the unpaid dividends portion.

2. Summary of significant accounting policies – continued

(R/3) Other retirement liability

The bank provides healthcare benefits to retirees and usually the benefits are granted under the condition that the retiree has reached the retirement age when employed by the bank and completes the minimum required service period, the expected costs are accrued during the period of services rendered by the employee under the defined benefit plans accounting method.

2. S Income tax

Income tax on the profit and loss for the year and deferred tax are recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

The income tax is recognized based on net taxable profit using the tax rates applicable on the date of the balance sheet in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundation of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable on the date of the balance sheet.

Deferred taxes assets of the bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, And is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years that in the case of expected high benefit tax, Deferred tax assets will increase within the limits of the above reduced.

2. T Capital

(T/1) Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval, Profit sharing include the employee' Profit share and the board of director' remuneration as prescribed by the bank's articles of incorporation and the corporate law.

3. Financial risk management

The bank's activities expose it to variety financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks, Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business, The bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effect on the Bank's financial performance, The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks, Also market risk includes exchange rate risk, rate of return risk and other prices risks.

The bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems, The bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by risk department under policies approved by the Board of Directors; Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the bank's operating units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non–derivative financial instruments; In addition, credit risk management is responsible for the independent review of risk management and control environment.

3. Financial risk management - continued

3. A Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the bank by failing to discharge an obligation, Management therefore carefully manages its exposure to credit risk, Credit exposures arise principally in loans and advances, dept., securities and other bills, There is also credit risk in off-balance sheet financial arrangement such as loan commitments, The credit risk management and control are centralized in a credit risk Management team in bank treasury and reported to the Board of Directors and Heads of each business unit regular.

(A/1) Credit risk measurement

Loans and advances to banks and customers

In measuring credit risk of Loans and facilities to banks and customers at counterparty level, the bank reflect three components.

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

These credit risk measurements, which reflect expected loss (the 'expected loss model') are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the bank's daily operational management, The operational measurements can be contrasted with impairment allowance required under EAS 26, which are based on losses that have been incurred on the balance sheet data (the 'incurred loss model') rather than expected losses (note 3.A)

The bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty, They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, Clients of the bank are segmented into four rating classes, The bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class, This means that; in principle, exposures migrate between classes as the assessment of their probability of default changes, The rating tools are kept under review and upgraded as necessary, The bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale

Description of the grade	Bank's rating
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

The amount of default represent the outstanding balances at the time when a late settlement occurred for example the loans expected amount of default represent its book value, For commitments the default amount represents all actual withdrawals in addition to any withdrawals that occurred till the date of the late payment if any.

Loss given default or loss severity represents the bank expectation of the extent of loss on a claim should default occur, It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Debt instruments, treasury bills and other bills:

For Debt instruments and bills external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses, The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3. Financial risk management - continued

(A/2) Risk Limit and mitigation policies

The Bank manages, Limit and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments, Such risks are monitored on revolving basis and subject to an annual or more frequent review, when considered necessary, Limits on the level of credit risk by individual, counterparties, product, and industry sector and by country are approved quarterly by the board of directors

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

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below:

Collaterals:

The Bank sets a range of policies and practices to mitigate credit risk, The most traditional of these is the taking of security for funds advances, which is common practice, The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation, The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Mortgages Business assets such as machines and inventory.
- Mortgages financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured, In addition, in order to minimize the credit loss the bank will seek additional collaterals from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances are determined by the nature of the instrument, debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions, Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on gross basis, However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis, The bank overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required, Guarantees and standby letters of credit carry the same credit risk as loans, Documentary and commercial letters of credit - which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and condition – are collateralized by underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

3. Financial risk management - continued

(A/3) Impairment and provisioning policies

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

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

Bank's rating	**31 December 2015**		31 December 2014	
	Loans and advances	**Impairment provision**	Loans and advances	Impairment provision
	%	%	%	%
Performing loans	**52.64%**	**6.58%**	42.34%	5.58%
Regular watching	**35.25%**	**12.43%**	38.76%	17.42%
Watch list	**6.78%**	**12.81%**	12.24%	5.79%
Non – performing loans	**5.33%**	**68.18%**	6.66%	71.21%
	100%	**100%**	100%	100%

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

- Cash flow difficulties experienced by the borrower or debtor
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position.
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower.
- Deterioration of the collateral value.
- Deterioration of the credit situation.

The Bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require, impairment provision on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date, and are applied to all significant accounts individually, The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account, Collective Impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment and statistical techniques.

(A/4) Pattern of measure the general banking risk

In addition to the four categories of the bank's internal credit rating indicated in note (A/1) management classifies loans and advances based on more detailed subgroups in accordance with the CBE regulations, Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record, The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE, In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provision by the application used in balance sheet preparation in accordance with Egyptian Accounting Standards, that excess shall be debited to retained earnings and carried to the "general banking risk reserve" in the equity section, Such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions, Such reserve is not available for distribution.

3. Financial risk management – continued

CBE rating	Categorization	Provision %	Internal rating	Categorization
1	Low risk	0	1	Performing loans
2	Average risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Reasonable risk	2	1	Regular watching
5	Acceptable risk	2	1	Regular watching
6	Marginally Acceptable risk	3	2	Watch list
7	Watch list	5	3	Watch list
8	Substandard	20	4	Non – performing loans
9	Doubtful	50	4	Non – performing loans
10	Bad debts	100	4	Non – performing loans

(A/5) Maximum exposure to credit risk before collateral held

	31/12/2015 L.E	31/12/2014 L.E.
In balance sheet items exposed to credit risk		
Treasury bills and other government notes	**2,654,791,716**	1,008,443,431
Due from banks	**5,023,443,968**	155,561,960
Loans and advances :		
Credit cards	**14,517,000**	11,122,702
Personal loans	**1,141,907,000**	488,720,521
Mortgage loans	**41,967,000**	24,646,782
Corporate loans	**7,016,461,357**	3,704,506,652
Financial investments:		
Debt instruments	**4,829,660,164**	4,081,793,111
Other assets	**522,320,106**	341,081,684
Total	**21,245,068,311**	9,815,876,843
Off-balance sheet items exposed to credit risk		
Letters of credit	**221,476,000**	255,327,000
Letters of guarantee	**957,493,000**	639,218,000
Total	**1,178,969,000**	894,545,000

The above table represents the maximum limit for credit risk as of 31 December 2015and 31 December 2014, without taking into considerations any collateral, for on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.
As shown in the preceding table 38.67 % of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 43.08% as at 31 December 2014; while 22.73% represents investments in debt instruments against41.58% as at 31 December 2014 and the management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loans and advances, and debt instruments as follows:

- 78.89% of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 81,10% as at 31 December 2014
- 93.04% of the loans and advances portfolio have no past due or impairment indicators against 92,36% as at 31 December 2014
- The Bank has applied a more conservative selection plan for the granted loans during the year ended 31 December 2015
- Investments in debt instruments and treasury bills contain more than 98.84% against 94.94% as at 31 December 2014 due from the Egyptian government.

3. Financial risk management – continued

(A/6) Loans and advances

	31/12/2015	31/12/2014
	L.E.	L.E.
	Loans and advances to customers	Loans and advance to customers
Neither past due nor impaired	**8,064,587,236**	4,249,919,794
past due but not impaired	**138,977,741**	44,450,538
individually impaired	**461,494,000**	306,944,000
Gross	**8,665,058,977**	4,601,314,332
less: impairment losses , advances and restricted interests	**(450,206,620)**	(372,317,675)
Net	**8,214,852,357**	4,228,996,657

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has increased 88.40 % as of 31 December 2015 compared to its balance at31 December 2014.
- Note (19) includes additional information regarding impairment loss on loans and advancesto customers.
- The credit quality of the loans and advancesportfolio that neither has past due nor subject to impairment is determined by the internal rating of the bank.

Net Loans and advances to customers and banks

31/12/2015					**EGP**
	Individual			**Corporate**	
Grades	**Credit cards**	**Personal loans**	**Mortgage**	**Loans and advances to customers**	**Total**
Performing	**-**	**-**	**-**	**4,520,112,357**	**4,520,112,357**
Regular follow up	**13,421,000**	**1,129,239,000**	**41,870,000**	**1,816,903,000**	**3,001,433,000**
Watch list	**-**	**-**	**-**	**533,810,000**	**533,810,000**
Non- performing	**1,096,000**	**12,668,000**	**97,000**	**145,636,000**	**159,497,000**
Total	**14,517,000**	**1,141,907,000**	**41,967,000**	**7,016,461,357**	**8,214,852,357**

- According to the Bank's internal rating scale, the loans granted to retail customers are considered regular follow up.

31/12/2014					EGP
	Individual			Corporate	
Grades	Credit cards	Personal loans	Mortgage loans	Loans and advances to customers	Total
Performing	-	-	-	1,915,497,842	1,915,497,842
Regular follow up	10,645,752	468,813,000	24,635,782	1,220,120,000	1,724,214,534
Watch list	-	-	-	543,451,910	543,451,910
Non-performing	476,950	19,907,521	11,000	25,436,900	45,832,371
Total	11,122,702	488,720,521	24,646,782	3,704,506,652	4,228,996,657

3. Financial risk management – continued

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless there is an objective evidence of impairment:

31/12/2015	**EGP**	
	Retail	
	Credit cards	**Total**
Past due up to 30 days	**3,024,536**	**3,024,536**
Past due more than30 - 60 days	**741,284**	**741,284**
Past due more than 60 - 90 days	**258,783**	**258,783**
Total	**4,024,603**	**4,024,603**

31/12/2015	**EGP**		
	Corporate		
	Current account	**Direct loans**	**Total**
Past due up to 30 days	**8,566,184**	**49,635,688**	**58,201,872**
Past due more than 30 - 60 days	-	**17,730,875**	**17,730,875**
Past due more than 60 - 90 days	**3,016,131**	**56,004,260**	**59,020,391**
Total	**11,582,315**	**123,370,823**	**134,953,138**

31/12/2014	EGP	
	Retail	
	Credit cards	Total
Past due up to 30 days	2,250,617	2,250,617
Past due more than30 - 60 days	608,610	608,610
Past due more than 60 - 90 days	383,907	383,907
Total	3,243,134	3,243,134

31/12/2014	EGP		
	Corporate		
	Current account	Direct loans	Total
Past due up to 30 days	-	19,029,756	19,029,756
Past due more than 30 - 60 days	10,863,487	3,449,186	14,312,673
Past due more than 60 - 90 days	1,740,975	6,124,000	7,864,975
Total	12,604,462	28,602,942	41,207,404

Individually impaired loans

- **Loans and advances to customers**

  Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees amounted to EGP 461,494,000 against EGP 306,944,000as at 31 December 2014.

  The breakdown of the total loans and advances subject to individual impairment including fair value of collateral obtained by the Bank against these loans is as follows:

EGP

	Credit cards	**Individual Personal**	**Mortgage loans**	**Corporate Direct Loans**	**Total**
31/12/2015					
Individually impaired loans	**2,763,000**	**39,428,000**	**338,000**	**418,965,000**	**461,494,000**
31/12/2014					
Individually impaired loans	1,555,000	55,068,000	237,000	250,084,000	306,944,000

3. Financial risk management – continued

Loans and advances Restructured

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting ,postponing repayment terms, Renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability, These policies are subject to regular review, Long-term loans, especially loans to customers are usually subject to renegotiation, Total renegotiated loans reached LE 227,313 thousand against LE326,659 at 31 December 2014.

	31/12/2015 000 LE	31/12/2014 000 LE
Loans and advances to corporate		
Current accounts	5,652	21,720
Direct loans	221,661	304,939
Total	227,313	326,659

(A/7) Debt instruments, treasury bills and other governmental notes

The table below shows an analysis of debt instruments, treasury bills and other governmental notes by rating agency designation at end of financial year, based on standard & Poor's and their equivalent.

	Treasury bills LE	Investments securities LE	Total LE
AAA	-	5,793,021	5,793,021
AA- to AA+	-	81,968,836	81,968,836
B	2,767,726,950	-	2,767,726,950
-B	4,741,883,607	-	4,741,883,607
Total	7,509,610,557	87,761,857	7,597,372,414

3. B Market risk

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

Bank treasury is responsible for managing the market risks arising from trading and non-trading activities which are monitored by two separate teams, Regular reports are submitted to the Board of Directors and each business unit head, Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing prices assets and liabilities interest rate relating to retail transactions, Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments.

(B/1) Market risk measurement techniques

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

Stress Testing

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

3. Financial risk management – continued

(B/2) Foreign exchange volatility risk

The Bank is exposed to foreign exchange volatility risk in terms of the financial position and cash flows, The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis, The following table summarizes the Bank' exposure to foreign exchange volatility risk at the end of the financial year and includes the carrying amounts of the financial instruments in currencies:

Amount to the nearest EGB equivalent

	EGP	USD	GBP	EURO	Other currencies	Total
Financial assets as of 31/12/2015						
Cash and balances with the CBE	1,197,157,455	495,826,655	752,217	8,009,810	1,639,947	1,703,386,084
Due from Banks	3,236,149,638	1,683,483,118	39,152,057	55,007,063	9,652,092	5,023,443,968
Treasury bills	2,265,275,000	143,002,300	-	359,449,650	-	2,767,726,950
Trading Financial assets	1,846,739	-	-		-	1,846,739
Loans and advances to customers	5,788,121,111	2,836,356,243	-	40,581,623	-	8,665,058,977
Financial investments						
Available for sale	4,258,913,822	619,973,000	-	-	-	4,878,886,822
Held to maturity	12,514,700	-	-	-	-	12,514,700
Total financial Assets	16,759,978,465	5,778,641,316	39,904,274	463,048,146	11,292,039	23,052,864,240
Financial liabilities 31/12/2015						
Due to banks	-	**496,505,193**	-	**549,563**	**232,219**	**497,286,975**
Customer deposits	**14,995,177,459**	**5,326,337,266**	**40,134,906**	**246,575,082**	**12,074,355**	**20,620,299,068**
Other loans	**18,219,005**	-	-	-	-	**18,219,005**
Total financial liabilities	**15,013,396,464**	**5,822,842,459**	**40,134,906**	**247,124,645**	**12,306,574**	**21,135,805,048**
Net on-balance sheet financial position	**1,746,582,001**	**(44,201,143)**	**(230,632)**	**215,923,501**	**(1,014,535)**	**1,917,059,192**
Financial assets as of 31/12/2014						
Total financial Assets	8,397,307,295	2,160,280,670	19,038,625	199,792,798	3,887,631	10,780,307,019
Total financial Liabilities	7,039,063,631	2,053,675,150	19,009,824	188,473,628	3,522,621	9,303,744,854
Net on-balance sheet financial position	1,358,243,664	106,605,520	28,801	11,319,170	365,010	1,476,562,165

1. Financial risk management – continued

(B/3) Interest rate risk

The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Cash flow interest rate risk is the risk of fluctuation in future cash flows of a financial instrument due to changes in market interest rates. Fair value interest rate risk is the risk whereby the value of a financial instrument fluctuates because of changes in market interest rates, Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken and is monitored daily by Bank Treasury.

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

Amount to the nearest EGB

	Up to one Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets as of 31/12/2015							
Cash and balances with the CBE	-	434,733,094	-	-	-	1,268,652,990	1,703,386,084
Due from Banks	4,254,952,630	14,907,880	556,428,058	-	-	197,155,400	5,023,443,968
Treasury bills	20,700,000	681,360,700	2,065,666,250	-	-		2,767,726,950
Trading financial assets	-	-	-	-	-	1,846,739	1,846,739
Loans and advances to customers	7,593,051,027	27,389,098	90,848,080	361,002,741	592,768,031	-	8,665,058,977
Financial investments							
Available for sale	196,698,296	40,122,823	471,080,339	2,004,249,416	1,500,872,627	665,863,321	4,878,886,822
Held to maturity	-	-	12,514,700	-	-	-	12,514,700
Other financial assets	-	-	-	-	-	96,228,685	96,228,685
Total financial assets	**12,065,401,953**	**1,198,513,595**	**3,196,537,427**	**2,365,252,157**	**2,093,640,658**	**2,229,747,135**	**23,149,092,925**
Financial liabilities31/12/2015							
Due to banks	68,411,482	136,822,963	291,270,748	-	-	781,782	497,286,975
Customer deposits	6,329,652,178	2,576,992,881	4,607,276,893	3,566,637,174	694,966,411	2,844,773,531	20,620,299,068
Other loans	-	-	360,000	17,859,005	-	-	18,219,005
Other financial liability	-	-	-	-	-	345,433,507	345,433,507
Total financial liabilities	**6,398,063,660**	**2,713,815,844**	**4,898,907,641**	**3,584,496,179**	**694,966,411**	**3,190,988,820**	**21,481,238,555**
Total interest re-pricing gap	**5,667,338,293**	**(1,515,302,249)**	**(1,702,370,214)**	**(1,219,244,022)**	**1,398,674,247**	**(961,241,685)**	**1,667,854,370**
				31/12/2014			
Financial Assets as of 31/12/2014							
Total financial Assets	4,435,200,512	401,791,212	1,562,031,615	2,214,959,182	1,144,462,730	1,129,633,493	10,888,078,744
Total financial Liabilities	3,962,947,572	985,471,471	813,478,046	1,440,794,915	357,361,000	1,861,449,364	9,421,502,368
Total interest re-pricing gap	472,252,940	(583,680,259)	748,553,569	774,164,267	787,101,730	(731,815,871)	1,466,576,376

3. Financial risk management – continued

Assets available to meet all liabilities and cover loan commitments include cash, balances with Central Banks, balances due from Banks, treasury bills and other governmental notes, and Loans and credit facilities to Banks and clients. Maturity term of percentage of loans to clients that are maturing within a year is extended in the normal course of the bank's business. Moreover, some debt instruments, treasury bills and other governmental notes are pledged to cover liabilities. The Bank has the ability to meet unexpected net cash flows through selling securities, and finding other financing sources.

3. C Liquidity risk

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

Liquidity risk management

The Bank's liquidity management process carried out by the Bank Treasury includes:

- Daily funding is managed by monitoring future cash flows to ensure that all requirements can be met, This includes availability of liquidity when due or borrowed by customers, To ensure that the Bank reaches its objective it maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable that ,are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow
- Monitoring liquidity ratios are according to internal requirements and Central Bank of Egypt requirements,
- Managing loans concentration and dues.

For monitoring and reporting purposes, the Bank calculates the expected cash flow and liquidity are expected and monitored on the next day, week and month basis, which are the main times to manage liquidity The starting point to calculate these expectations is through analyzing the financial liabilities dues and expected financial assets collections.

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

Funding approach

Sources of liquidity are regularly reviewed by separate team in the bank to maintain a wide diversification according to currency.
Geographic, sources, products and terms.

31/12/2015			**Amount in EGP**			
	Up to one Month	**1-3 Months**	**3-12 Months**	**1-5 years**	**Over 5 year**	**Total**
Financial liabilities						
Due to banks	**69,193,264**	**136,822,963**	**291,270,748**	**-**	**-**	**497,286,975**
Customer deposits	**9,174,425,709**	**2,576,992,881**	**4,607,276,893**	**3,566,637,174**	**694,966,411**	**20,620,299,068**
Other loans	**-**	**-**	**360,000**	**17,859,005**	**-**	**18,219,005**
Total financial liabilities	**9,243,618,973**	**2,713,815,844**	**4,898,907,641**	**3,584,496,179**	**694,966,411**	**21,135,805,048**
Total financial assets	**6,376,295,526**	**1,748,540,773**	**4,864,194,076**	**5,354,367,433**	**4,709,466,431**	**23,052,864,239**

31/12/2014			Amount in EGP			
	Up to one Month	1-3 Months	3-12 Months	1-5 years	Over 5 year	Total
Financial liabilities						
Due to banks	257,101,753	-	-	-	-	257,101,753
Customer deposits	5,445,437,669	985,471,471	813,478,046	1,440,794,915	357,361,000	9,042,543,101
Other loans	-	950,000	750,000	2,400,000	-	4,100,000
Total financial liabilities	5,702,539,422	986,421,471	814,228,046	1,443,194,915	357,361,000	9,303,744,854
Total financial assets	1,278,253,124	1,278,449,601	3,029,805,970	4,045,088,337	1,148,212,730	10,779,809,762

3. Financial risk management – continued

3. D Fair value of financial assets and liabilities

(D/1) Financial instruments not measured at fair value,

The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Book value		*FMV	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	EGP	EGP	**EGP**	EGP
Financial assets:				
Due from banks	**5,023,443,968**	155,561,960	**5,023,443,968**	155,561,960
Loans and advances to customers:				
Retail	**1,198,391,000**	524,490,005	*	*
Corporate	**7,016,461,357**	3,704,506,652	*	*
Financial investments:				
Equity instruments available for sale - fair value	**7,758,139**	30,703,018	**7,758,139**	30,703,018
Debt instruments available for sale – in cost	**10,624,401**	10,399,701	*	*
Held to maturity	**12,514,700**	12,514,700	**15,983,196**	17,315,057
Financial liabilities:				
Due to banks	**497,286,975**	257,101,753	**497,286,975**	257,101,753
Customers deposits	**20,620,299,068**	9,042,543,101	*	*

* Some assets and liabilities were not measured at their FMV

Due from banks

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

Loans and advances to banks

Loans and advances to banks are represented in loans other than deposits hold in banks, Fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine the fair value.

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Financial investments

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

Due to banks and customers

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

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

Issued debt instrument

Total Fair value is calculated based on current financial markets' rates. As for securities that have no active market, discounted cash flows model is used in the first time according to the current rate applicable to the remaining period till maturity date.

3. Financial risk management – continued

Capital management

For capital management purpose, the bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital; the bank manages its capital to ensure that the following objectives are achieved:

- Compliance with the legally imposed capital requirement in Egypt.
- Protecting the bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the bank's operations.

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the bank's management. Employing techniques based on the guidelines developed by the Basel committee as implemented by the banking supervision unit in the central bank of Egypt on a quarterly basis.
The CBE requires the bank to comply with the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-up capital.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk weighted average of the bank's assets and contingent liabilities.

According to new instructions issued in 18 December 2012:
The numerator of the capital adequacy ratio consists of the following two tiers:
Tier One: consist of two parts which are continuous basic paid in capital and additional basic paid in capital.

Tier Two: is the supported paid in capital and consist of:

- 45% from positive foreign currencies translation reserve.
- 45% from special reserve.
- 45% from fair value increment over the book value for financial investments. (Positive portion only)
- 45% from fair value reserve balance for financial investment available for sale.
- 45% from fair value increment over the book value for financial investments held for maturity.
- 45% from fair value increment over the book value for financial investments in associates and affiliates.
- Financial instruments with embedded derivative.
- Loans (Supportive deposits with 20% amortization from its value each year from the last five years from its maturity).
- Impairment loss provision for loans, advances and performing contingent liabilities with maximum 1.25% from total weighted assets and weighted contingent liabilities.
- 50% disposals from tier 1 and 2.
- Assets reverted to the bank value in general banking risk reserve.

* For denominator of capital adequacy ratio consist of:

- Credit risk.
- Market risk.
- Operational risk

3. Financial risk management - continued

	31/12/2015 In thousand EGP	31/12/2014 In thousand EGP
Tier 1 capital		
Issued and paid up capital	**1,279,943**	1,122,757
Legal reserve	**114,306**	93,654
Other reserves	**22,857**	22,857
Retained earnings(losses)	**8,141**	1,216
Total deductions from tier 1 capital common equity	**(140,421)**	(9,071)
Total qualifying tier 1 capital	**1,284,826**	1,231,413
Tier 2 capital		
45% differences from foreign balances translation	**1,208**	1,208
45% of Special Reserve	**3,664**	3,664
45% of the increase in fair value than the book value for A,F,S	**1,561**	35,195
Impairment provision for loans and regular contingent liabilities	**147,120**	75,206
TOTAL (going – concern capital)	**-**	(275)
Total qualifying tier 2 capital	**153,553**	**114,998**
Total capital 1+2	**1,438,379**	1,346,411
Risk weighted assets and contingent liabilities		
Total Credit risk	**11,769,611**	6,016,510
Total Market risk	**-**	-
Total Operation risk	**888,330**	651,570
Total risk weighted assets and contingent liabilities	**12,657,941**	6,668,080
Capital adequacy ratio (%)	**11.36%**	20.19%

- To be review of the standard capital adequacy was audited according to instructions of auditors of the Basel 2

3. E Leverage Financial Ratio:

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

-Guidance ratio starting from reporting period September 2015 till December 2017.

-Obligatory ratio started from year 2018.

This ratio will be included in Basel requirement tier 1 in order to maintain the Egyptian Banking System strong and safe, as long to keep up with the best international regulatory treatments.

Leverage financial ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

3. Financial risk management – continued

Ratio Elements:

1-The numerator elements:

The numerator consists of tier 1 for capital that is used in capital adequacy ratio (After Exclusions) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

2-The denominator elements:

The denominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called "Bank exposure" which include total the following:

a-On the balance sheet exposure items after deducting some of tier 1 exclusions for capital base.

b-Derivatives contracts exposures.

c-Financing financial papers operations exposures.

a- Off-balance sheet items (weighted by credit conversion factor).

The tables below summarize the leverage financial ratio:

	31 December 2015 EGP '000
Tier 1 capital after exclusions	**1,284,826**
Cash and due from Central Bank of Egypt (CBE) (1)	1,268,653
Banks current accounts and deposits	5,458,177
Treasury bills	2,654,792
Financial investments held for trading	1,847
Financial investments available-for-sale	4,878,887
Financial investments held to maturity	12,515
Investments in subsidiaries and associates	220,203
Loans and credit facilities to customers	8,348,710
Fixed assets (Net of Accumulated depreciation & Credit loss Provisions)	80,528
Other assets	586,668
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	(133,796)
Total on-balance sheet exposures, Derivatives contracts and financing	**23,377,184**
Import L/Cs	39,305
L/Gs	478,747
L/Gs according to foreign banks	15,318
Bank acceptance	24,953
Total contingent liabilities	**558,323**
Capital commitments	**47,988**
Loan commitments to clients /banks (unutilized part) original maturity period:	
Revocable without any conditions at any time by the bank and without past notifications, or include conditions for self-revocable because of downgrading credit risk rating for clients	271,448
Irrevocable to cancelation year to less	**140,827**
Total commitments	**460,263**
Total exposures off-balance sheet	**1,018,586**
Total exposures on-balance sheet and off-balance sheet (2)	**24,395,770**
Leverage financial ratio (1/2)	**5.27%**

4. Significant accounting estimates and assumptions

The Bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities for the following financial year Consistent estimations and judgments are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

4. A Impairment losses for loans and advances

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

4. B Impairment of available for sale equity investments

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

Unrealized gains for available for sale investment amounted to 79,713,563 as a result of reevaluating prices declared in capital markets on 31 December 2015.

4 .C Held-to-maturity investments

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

If classification of investments as held to maturity is suspended the carrying amount shall increase by EGP 3,468,496 to reach its fair value by increasing the valuation reserve available for sale within the equity caption.

4 .D Income tax

The Bank is subject to income tax which requires the use of important estimates to calculate the income tax provision, There are a number of complicated processes and calculations to determine the final income tax, The Bank records a liability related to the tax inspection estimated results, According to estimates of probabilities of extra taxes ,when there is a difference between the final result of the actual tax inspection and the amounts previously recorded by the Bank such, differences affect the income and deferred tax provision at the year which the differences were noted.

5. By activity segment

Activity segment include operations and assets used in providing banking services and managing related risks and yields which may differ from other activities, the segmentation analyses of operations according to the Banking activities are as follows:

- **Large enterprises medium and small ones**
  Activities include current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.
- **Investments**
  Include merging of companies, purchase of investments, financing company's restructure and financial instruments.
- **Individuals**
  Activities include current accounts, savings, deposits, credit cards, personal loans and mortgage loans.
- **Other activities**
  Include other banking activities such as fund management.

6. Net interest income

	31/12/2015 L.E.	31/12/2014 L.E.
Interest income from loans and similar revenues		
Loans and advances to customers	**622,994,739**	386,274,605
Treasury bills and treasury bonds	**731,032,210**	490,562,233
Deposits and current accounts	**222,087,340**	9,448,440
Investments in debt instruments (available for sale)	**15,665,560**	10,325,803
	1,591,779,849	896,611,081
Deposits and current accounts		
Banks	**(97,784,468)**	(13,948,289)
Customers	**(880,310,694)**	(474,475,699)
REPOS	**(517,477)**	-
	(978,612,639)	(488,423,988)
Net interest income	**613,167,210**	408,187,093

7. Net fees and commission income

	31/12/2015 L.E.	31/12/2014 L.E.
Fees and commission income		
Fees and commissions related to credit Banking services	**148,360,095**	75,824,631
Custody fees	**765,431**	722,960
Other fees	**4,445,025**	2,305,035
	153,570,551	78,852,626
Fees and commission expenses		
Brokerage fees paid	**(24,684)**	(27,247)
Other fees paid	**(5,220,693)**	(3,406,463)
	(5,245,377)	(3,433,710)
Net fees and commission income	**148,325,174**	75,418,916

8. Dividends income

	31/12/2015 L.E.	31/12/2014 L.E.
Trading securities	**23,396**	64,310
Available for sale securities	**1,797,453**	3,427,099
Held to maturity	**486,667**	386,667
subsidiaries and associates	**1,299,805**	1,527,310
	3,607,321	5,405,386

9. Net trading income

	31/12/2015 L.E.	31/12/2014 L.E.
Profit from foreign exchange	**34,829,792**	4,766,194
(Losses) from revaluations of investment held for trading	**(1,203,932)**	(172,494)
Profit from selling trading equity instruments	**786,047**	1,335,992
	34,411,907	5,929,692

10. Administrative expenses

	31/12/2015 L.E.	31/12/2014 L.E.
Staff costs		
Wages and salaries	(120,673,034)	(78,327,451)
Social insurance	(6,557,576)	(4,662,011)
Other	(49,581,533)	(37,845,110)
Pension cost		
Retirement benefits	(1,320,888)	(952,927)
	(178,133,031)	(121,787,499)
Other administrative expenses	(165,335,352)	(76,577,208)
	(343,468,383)	(198,364,707)

11. Other operating (expenses) income

	31/12/2015 L.E.	31/12/2014 L.E.
Profit from selling property and equipment	2,527,570	-
Gain (losses) of other provision	20,783,764	(8,556,213)
Others	601,942	879,096
	23,913,276	(7,677,117)

12. Impairment losses

	31/12/2015 L.E.	31/12/2014 L.E.
Loans and advances to customers (note 19)	(74,067,502)	(27,888,068)
	(74,067,502)	(27,888,068)

13. Income tax expenses

	31/12/2015 L.E.	31/12/2014 L.E.
Current taxes	(138,312,829)	(101,744,261)
Deferred tax (Note 30)	(9,042,266)	8,602,160
	(147,355,095)	(93,142,101)

	31/12/2015 L.E.	31/12/2014 L.E.
Profit before tax	425,477,761	299,661,336
Tax rate	95,732,496	89,848,401
Exemptions Revenues	(11,341,829)	(18,136,721)
Tax exemptions (nondeductible)	10,246,268	7,260,658
Provisions	(2,298,530)	4,416,269
Depreciation	(2,014,147)	(1,561,748)
Income tax	90,324,258	81,826,859
Tax rat difference on Egyptian Treasury Bills and Treasury bonds.	47,750,020	19,917,402
Deferred tax (assets) Liabilities	9,042,266	(8,602,160)
Others	238,551	-
Current taxes	147,355,095	93,142,101

(Note 30) shows additional information about deferred income tax.

14. Earnings Per Share

	31/12/2015 L.E.	31/12/2014 L.E.
Profits available for distribution for the year after tax	**278,122,666**	206,519,235
Less:		
Staff profit sharing	**(27,812,266)**	(15,651,805)
Board member bonus	**(8,500,000)**	(6,105,000)
Profits shareholders stake	**241,810,400**	184,762,430
Number of share	**255,575,035**	233,560,494
Basic Earnings per share (EGP/ share)	**0.95**	0.80

15. Cash and due from Central Bank of Egypt CBE

	31/12/2015 L.E.	31/12/2014 L.E.
Cash	**158,328,773**	86,895,097
Due from the CBE (within the required reserve percentage)	**1,545,057,311**	715,879,410
	1,703,386,084	802,774,507
Non-interest bearing balances	**1,268,652,990**	603,787,060
Interest bearing balances	**434,733,094**	198,987,447
	1,703,386,084	802,774,507

16. Due from banks

	31/12/2015 L.E.	31/12/2014 L.E.
Current accounts	**197,155,400**	24,595,675
Deposits	**4,826,288,568**	130,966,285
Total	**5,023,443,968**	155,561,960
Local banks	**4,952,116,380**	121,373,960
Foreign banks	**71,327,588**	34,188,000
	5,023,443,968	155,561,960
Non-interest bearing balances	**197,155,400**	60,595,674
Interest bearing balances	**4,826,288,568**	94,966,286
	5,023,443,968	155,561,960
Current balance	**5,023,443,968**	155,561,960

17. Treasury bills and other governmental notes

	31/12/2015 L.E.	31/12/2014 L.E.
Treasury bills are as follows		
Treasury bills with original maturity of 182 days	**117, 600,000**	10,000,000
Treasury bills with original maturity of 266 days	**260,900,000**	-
Treasury bills with original maturity of 273days	**280,600,000**	187,000,000
Treasury bills with original maturity of 352 days	**40,000,000**	-
Treasury bills with original maturity of 357 days	**961,625,000**	-
Treasury bills with original maturity of 364 days	**1,107,001,950**	846,601,950
	2,767,726,950	1,043,601,950
Unearned interest	**(112,935,234)**	(35,158,519)
Net treasury bills and other governmental notes	**2,654,791,716**	1,008,443,431

Treasury bills include EGB 359,449,650 (equivalent to USD 46.5 million) as in Dollar Treasury bills and EGB 143,002,300 (equivalent to EUR 17 million) as in EUR Treasury bills.

18. Financial assets held for trading

	31/12/2015 L.E.	31/12/2014 L.E.
Equity instruments listed in the stock market		
Listed local company's shares	**1,846,739**	5,423,755
	1,846,739	5,423,755

19. Loans, advances and morabahat to customers

	31/12/2015 L.E.	31/12/2014 L.E.
Retail:		
Credit cards	**16,267,011**	13,628,800
Personal loans	**1,178,794,021**	557,750,700
Mortgage loans	**43,258,007**	26,761,500
Total (1)	**1,238,319,039**	598,141,000
Corporate :		
Corporate loans including small loans for economic activities	**7,426,739,938**	4,003,173,332
Total (2)	**7,426,739,938**	4,003,173,332
Total loans and advance to customers (1+2)	**8,665,058,977**	4,601,314,332
Less:		
Unearned interest in advance	**(14,351,945)**	(15,645,182)
Provision for impairment losses	**(420,732,241)**	(338,624,154)
Interest in suspense	**(15,122,434)**	(18,048,339)
Net loans, advances and morabahat to customers	**8,214,852,357**	4,228,996,657

Provision for impairment losses:

The Provision for impairment losses analysis for loans and advances to customers' are classified according to its type as follows:

31/12/2015

	Retail			
	Credit cards	**Personal loans**	**Mortgage loans**	**Total**
Beginning Balance	2,303,926	69,030,177	2,114,551	73,448,654
Impairment revenue	(717,000)	(34,014,000)	(824,000)	(35,555,000)
Proceeds from bad debts	159,000	-	-	159,000
Bad debts	(4,000)	-	-	(4,000)
Ending Balance	1,741,926	35,016,177	1,290,551	38,048,654

	Corporate	
	Direct loans and advances	**Total**
Beginning Balance	265,175,500	265,175,500
Impairment losses	109,622,502	109,622,502
Proceeds from bad debts	597,000	597,000
Provision forex revaluation	7,288,585	7,288,585
Ending Balance	382,683,587	382,683,587

31/12/2014

	Retail			
	Credit cards	Personal loans	Mortgage loans	Total
Beginning Balance	3,080,735	72,698,177	2,143,551	77,922,463
Impairment losses	(1,100,000)	(3,668,000)	(29,000)	(4,797,000)
Proceeds from bad debts	323,191	-	-	323,191
Ending Balance	2,303,926	69,030,177	2,114,551	73,448,654

	Corporate	
	Direct loans and advances	Total
Beginning Balance	230,229,076	230,229,076
Impairment losses	32,685,068	32,685,068
Proceeds from bad debts	620,000	620,000
Provision forex revaluation	1,641,356	1,641,356
Ending Balance	265,175,500	265,175,500

20. Financial investments

	31/12/2015 L.E.	31/12/2014 L.E.
Available for sale financial investments		
Debt instruments at FMV (listed)	**4,829,645,464**	4,081,778,411
Equity instruments at FMV (listed)	**7,758,139**	12,972,601
Equity instruments at FMV (unlisted)	**-**	17,730,417
Equity instruments at cost (unlisted)	**10,624,401**	10,399,701
Investment management by other	**30,858,818**	36,234,685
Total available for sale investments (1)	**4,878,886,822**	4,159,115,815
Held to maturity financial investments		
Debt instruments (listed)	**14,700**	14,700
Egyptian Gulf Bank Mutual fund's CDs	**5,000,000**	5,000,000
Egyptian Gulf Bank Tharaa fund (money market)	**7,500,000**	7,500,000
Total held to maturity financial investments (2)	**12,514,700**	12,514,700
Total financial investments (1 + 2)	**4,891,401,522**	4,171,630,515

31/12/2015

	Available for sale L.E.	**Held to maturity L.E.**	**Total L.E.**
Beginning of the year	**4,159,115,813**	**12,514,700**	**4,171,630,513**
Additions	**1,784,126,766**	**-**	**1,784,126,766**
Disposals (Sale / Redemption)	**(1,063,977,725)**	**-**	**(1,063,977,725)**
Monetary assets forex differences	**38,546,134**	**-**	**38,546,134**
Gain/(Loss) from change in FMV	**(81,217,437)**	**-**	**(81,217,437)**
Amortized cost	**42,293,271**	**-**	**42,293,271**
Ending Balance	**4,878,886,822**	**12,514,700**	**4,891,401,522**

31/12/2014

	Available for sale L.E.	Held to maturity L.E.	Total L.E.
Beginning of the year	2,697,246,505	12,514,700	2,709,761,205
Additions	1,895,994,123	-	1,895,994,123
Disposals (Sale / Redemption)	(435,691,289)	-	(435,691,289)
Monetary assets foreign currency differences	10,015,344	-	10,015,344
Gain/(Loss) from change in FMV	(28,706,250)	-	(28,706,250)
Amortized cost	20,257,382	-	20,257,382
Ending Balance	4,159,115,815	12,514,700	4,171,630,515

Profit (losses) from sale of financial investments:

	31/12/2015 L.E.	31/12/2014 L.E.
Impairment (losses) of financial investments available for sale	**(5,664,377)**	(1,908,091)
Subsidiary and associates impairment reverse	**-**	11,999,999
Gain from sale of financial assets available for sale	**18,894,763**	-
Profit from sale of shares in a subsidiary and associates	**6,358,372**	28,558,233
	19,588,758	38,650,141

21. Investment in subsidiaries and associates

The banks share of investment in subsidiaries and associates is as follows:

31/12/2015

	Country	Company's assets	Company's liabilities less owners' equity	Company's revenues	Company's profits / (losses)	Book value	Share %
Subsidiaries:							
Egyptian gulf holding	Egypt	203,223,515	1,608,156	2,532,934	975,323	199,970,000	99%
Associates :							
Alex fish	Egypt	89,362,609	52,877,556	13,135	(562,142)	3,286,430	20%
Alex for nutrition production	Egypt	126,055,050	110,787,426	19,296,321	(3,726,238)	7,138,215	20%
Tanmeya for SMEs projects	Egypt	121,648,221	77,098,962	64,994,936	15,247,054	9,799,815	17%
First Gas	Egypt	62,879,079	31,184,935	97,058,997	3,862,008	5,000	-
Prime holding for financial investments	Egypt	397,667,798	2,832,982	40,360,273	15,898,468	3,100	-
Total		1,000,836,272	276,390,017	224,256,596	31,694,473	220,202,560	

31/12/2014

	Country	Company's assets	Company's liabilities less owners' equity	Company's revenues	Company's profits / (losses)	Book value	Share %
Subsidiaries:							
Egyptian gulf holding	Egypt	203,236,709	1,270,704	2,212,512	1,325,969	199,970,000	99.99%
Associates :							
Alex fish	Egypt	93,224,279	56,177,084	775,642	(5,063)	3,286,430	20%
Alex for nutrition production	Egypt	129,991,654	110,997,792	17,043,333	(5,132,689)	7,138,215	20%
Tanmeya for SMEs projects	Egypt	61,554,982	64,815,652	66,633,036	5,046,534	9,799,815	17%
First Gas	Egypt	63,832,521	33,096,556	99,634,063	3,056,767	5,000	-
Prime holding for financial investments	Egypt	406,618,165	32,519,081	36,606,369	5,093,469	3,100	-
Total		958,458,310	298,876,869	222,904,955	9,384,987	220,202,560	

Financial statements for the period from 31/12/2014 to 30/06/2015 have been inspected and proved to be true.
Tanmeya for SMEs projects will now be classified as a sister company rather than a subsidiary even though the bank owns 17%, This is due to a board member related to the bank who can exert significant influence on Tanmeya for SMEs projects.

22. Intangible assets

	31/12/2015 L.E.	31/12/2014 L.E.
Computer software		
Net book value at the beginning of the financial year	**24,819,094**	26,214,388
Additions during the year	**12,577,205**	2,454,491
Amortization during the year	**(4,287,050)**	(3,849,785)
Net book value at the end of the financial year	**33,109,249**	24,819,094

23. Other assets

	31/12/2015 L.E.	31/12/2014 L.E.
Unearned revenues	**202,759,347**	164,773,435
Prepaid expenses	**13,470,046**	16,528,601
Advances to purchase fixed assets	**152,875,344**	83,148,442
Assets reverted to bank (after deducting the impairment)	**22,831,502**	1,831,503
Impress & Guarantee	**2,267,652**	1,014,172
Assets held for sale - investments reverted to the bank*	**29,123,967**	28,664,427
Others	**112,462,294**	61,649,705
	535,790,152	357,610,285

* Investments reverted to the bank represented in "Misr America" amounted to LE 16,931,467 and "Hamenz Co" amounted to LE 12,000,000.

After the CBE board assembly on 8th of September, 2009 the following was stated:
"In the event that a bank that owns more than 40% of a non-financial company, said bank must dispose of any extra ownership within a year of acquiring the shares, Impairment loss of the shares accumulated will then be calculated according to accounting principles so as not to understate the value of these losses relative to any marginal increase above the 40%, Losses should then be reflected in the bank's income statement under investment losses, or as other expenses depending on the circumstances in exchange for a decrease in the book value of share price by the same amount, The CBE has opened an impairment account to each of the following: Misr America for medical supplies, and Hamenz."

24. Fixed Assets

	Land & buildings L.E.	Office Furniture L.E.	Equipment & Machinery L.E.	Computers L.E.	Furniture L.E.	Vehicles L.E.	Other L.E.	Total L.E.
Balance as at the beginning of 1/1/2014								
Cost	60,803,074	29,824,498	4,988,961	10,820,876	4,694,049	8,111,800	19,244,394	138,487,652
Accumulated depreciation	(17,291,781)	(23,945,324)	(2,331,471)	(8,501,340)	(3,170,803)	(7,189,420)	(15,280,816)	(77,710,955)
Net book value as at prior year	43,511,293	5,879,174	2,657,490	2,319,536	1,523,246	922,380	3,963,578	60,776,697
Net Book value at the beginning of year	43,511,293	5,879,174	2,657,490	2,319,536	1,523,246	922,380	3,963,578	60,776,697
Additions	10,300,000	4,371,624	946,466	1,651,423	360,540	14,800	2,061,058	19,705,911
Disposals	-	-	-	-	-	(12,645)	-	(12,645)
Depreciation for the year	(1,467,087)	(3,115,127)	(552,292)	(710,490)	(327,056)	(509,691)	(1,097,656)	(7,779,399)
Accumulated depreciation of disposal assets	-	-	-	-	-	12,645	-	12,645
Net book value as at 31/12/2014	52,344,206	7,135,671	3,051,664	3,260,469	1,556,730	427,489	4,926,980	72,703,209
Balance as at 1/1/2015								
Cost	**71,103,074**	**34,196,122**	**5,935,427**	**12,472,299**	**5,054,589**	**8,113,955**	**21,305,452**	**158,180,918**
Accumulated depreciation	**(18,758,868)**	**(27,060,451)**	**(2,883,763)**	**(9,211,830)**	**(3,497,859)**	**(7,686,466)**	**(16,378,472)**	**(85,477,709)**
Net book value	**52,344,206**	**7,135,671**	**3,051,664**	**3,260,469**	**1,556,730**	**427,489**	**4,926,980**	**72,703,209**
Net Book value at the beginning of year	**52,344,206**	**7,135,671**	**3,051,664**	**3,260,469**	**1,556,730**	**427,489**	**4,926,980**	**72,703,209**
Additions	-	**2,067,382**	**1,651,921**	**463,665**	**1,237,905**	**3,064,200**	**8,059,258**	**16,544,331**
Disposals	**(95,847)**	-	**(42)**	**(25)**	**(166)**	**(3,901,142)**	**(55)**	**(3,997,277)**
Depreciation cost	**(1,704,476)**	**(2,422,825)**	**(699,721)**	**(971,592)**	**(385,666)**	**(576,166)**	**(1,516,049)**	**(8,276,495)**
Accumulated depreciation of disposal assets	-	-	-	-	-	**3,553,855**	-	**3,553,855**
Net book value as at 31/12/2015	**50,543,883**	**6,780,228**	**4,003,822**	**2,752,517**	**2,408,803**	**2,568,236**	**11,470,134**	**80,527,623**
Balance at 31/12/ 2015								
Cost	**71,007,227**	**36,263,504**	**7,587,306**	**12,935,939**	**6,292,328**	**7,277,013**	**29,364,655**	**170,727,972**
Accumulated depreciation	**(20,463,344)**	**(29,483,276)**	**(3,583,484)**	**10,183,422)**	**(3,883,525)**	**(4,708,777)**	**(17,894,521)**	**(90,200,349)**
Net book value	**50,543,883**	**6,780,228**	**4,003,822**	**2,752,517**	**2,408,803**	**2,568,236**	**11,470,134**	**80,527,623**

25. Due to banks:

	31/12/2015 L.E.	31/12/2014 L.E.
Current accounts	**781,782**	10,768,303
Deposits	**496,505,193**	246,333,450
	497,286,975	257,101,753
Local banks	**496,505,193**	71,401,450
Foreign banks	**781,782**	185,700,303
	497,286,975	257,101,753
Non-interest bearing balances	**781,782**	10,768,303
Interest bearing balances	**496,505,193**	246,333,450
	497,286,975	257,101,753
Current Balances	**497,286,975**	257,101,753

26. Customers' deposits

	31/12/2015 L.E.	31/12/2014 L.E.
Demand deposits	**3,817,823,260**	1,614,247,478
Time and call deposits	**12,706,143,699**	4,067,953,367
Certificates of deposits	**2,764,000,261**	2,252,221,730
Saving deposits	**1,128,342,397**	910,252,147
Other deposits	**203,989,451**	197,868,379
	20,620,299,068	9,042,543,101
Non-interest bearing balances	**2,844,773,531**	1,728,823,547
Variable interest bearing balances	**15,033,424,276**	5,090,351,824
Fixed interest bearing balances	**2,742,101,261**	2,223,367,730
	20,620,299,068	9,042,543,101

27. Other loans

	31/12/2015 L.E.	31/12/2014 L.E.
Commercial International Bank	**2,200,000**	4,100,000
Central bank of Egypt	**16,019,005**	-
	18,219,005	4,100,000

28. Other liabilities

	31/12/2015 L.E.	31/12/2014 L.E.
Accrued interest	**155,520,117**	80,638,504
Unearned revenue	**6,268,315**	2,304,000
Accrued expenses	**85,481,022**	5,424,268
Creditors	**100,180,344**	37,505,492
Other credit balances	**112,783,817**	7,649,373
	460,233,615	133,521,637

29. Other Provisions

	31/12/2015 L.E.	31/12/2014 L.E.
Balance at the beginning of the year	**80,690,660**	72,064,286
Foreign currencies revaluation	**282,133**	70,161
Charged during the year to statement of income	**(20,783,764)**	8,556,213
Used during the year	**(12,779,107)**	-
Balance at the end of the year	**47,409,922**	80,690,660

30. Deferred income tax

	Deferred tax asset (liability)	
	31/12/2015 L.E.	31/12/2014 L.E.
Fixed assets	**(6,318,526)**	(4,150,756)
Provision (other than loan impairment loss)	**6,318,526**	13,193,022
Net deferred tax	**-**	9,042,266

The movement of deferred tax assets and liabilities is as follows:

Deferred tax assets and liabilities movements;	31/12/2015 L.E. Liability	31/12/2014 L.E. Asset
Balance at the beginning of the year	**9,042,266**	440,106
Additions	**-**	9,903,625
Disposals	**(9,042,266)**	(1,301,465)
Total	**-**	9,042,266

31. Capital

Authorized capital
The authorized capital amounted to USD 500 million or its equivalent in EGP.

Issued and paid up capital
The issued and paid up capital amounted to USD 255,575,035 (equivalent to EGP 1,279,943,318 represented in 255575035 share at par value of USD 1 each.

Reserved under Retained for capital increase account "Free Shares"
According to the general assembly meeting held on 10 may, 2015, The Bank decided to increase the capital through the distribution of 9,4 free shares for each 100 shares. The increase is funded by the profits distribution appeared in the financial statements for the year ended 31/12/2014. Accordingly the issued and paid up capital have risen from USD 233,560,494 (equivalent to EGP 1,122,757,295) to USD 255,575,035 (equivalent to EGP 1,279,943,318).

32. Reserves and retained earnings

1- Reserves during the year as follows:

	31/12/2015 L.E.	31/12/2014 L.E.
Reserves		
Legal reserve	**114,306,170**	93,654,246
Differences from foreign balances translation	**2,684,997**	2,684,997
Fair value reserve-investments available for sale	**(6,660,837)**	73,052,726
General reserve	**17,529,143**	17,529,143
Special Reserve	**8,143,329**	8,143,329
General bank risk reserve	**8,366,300**	8,366,300
Capital reserve	**5,327,713**	5,327,713
Reserves at the end of the year	**149,696,815**	208,758,454

	31/12/2015 L.E.	31/12/2014 L.E.
A- General bank risk reserve		
Balance at the beginning of the year	**8,366,300**	8,183,150
Transferred from retained earnings	**-**	183,150
Balance at the end of the year	**8,366,300**	8,366,300

In accordance with the Central Bank of Egypt instructions general bank risk reserve is formed to meet unexpected risks; and this reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt.

	31/12/2015 L.E.	31/12/2014 L.E.
B- Legal reserve		
Balance at the beginning of the year	**93,654,246**	74,645,090
Transferred from retained earnings 2014	**20,651,924**	19,009,156
Balance at the end of the year	**114,306,170**	93,654,246

In accordance with local laws, 10%of the net year's profit is transferred to reserve not available for distribution until this reserve reaches 100% of the capital

	31/12/2015 L.E.	31/12/2014 L.E.
C- Fair value reserve-investments available for sale		
Balance at the beginning of the year	**73,052,726**	97,851,821
Net (losses) gains from changes in FMV (note 20)	**(81,217,437)**	(28,706,250)
Net losses transferred to the statement of income resulted from disposal	**(4,831,636)**	1,525,668
Transferred to other debit balances	**576,883**	473,396
Net losses transferred to the statement of income resulted from the impairment	**5,758,627**	1,908,091
Ending Balance	**(6,660,837)**	73,052,726

D- Special reserve
Special reserve was formed in accordance with Central Bank of Egypt instruction issued on 16 December 2008 and can't be used but with the approval of Central Bank of Egypt.

2- **Retained earnings**

	31/12/2015 L.E.	31/12/2014 L.E.
Retained earnings movement		
Balance at the beginning of the year	**1,216,104**	1,019,675
Transferred to retained earnings	**206,519,235**	190,091,560
Dividends declared prior year	**(157,186,023)**	(151,012,991)
Employees profit share	**(15,651,806)**	(14,100,725)
Board of directors remuneration	**(6,105,000)**	(5,500,000)
Transferred to general banking risk reserve	-	(183,150)
Transferred to legal reserve	**(20,651,924)**	(19,009,156)
Transferred to other reserve	-	(89,109)
Ending Balance	**8,140,586**	1,216,104

33. Cash and cash equivalents

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balance of maturity dates within less than three months from the date of acquisition:

	31/12/2015 L.E.	31/12/2014 L.E.
Cash and due from CBE	**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)
	5,214,470,149	242,457,057

34. Commitment and contingent liabilities

A. Capital Commitment

The Bank's total capital commitments related to building and completing new branches and purchase of assets and equipment amounted to EGP 47,988,181 which has not been finished as at 31 December 2015.

B. Commitments for loans, guarantees and facilities

Bank commitments for loans guarantees and facilities are represented as follows:

	31/12/2015 L.E.	31/12/2014 L.E.
Letter of credit (import &export)	**221,476,000**	255,327,000
Letter of guarantee	**957,493,000**	639,218,000
	1,178,969,000	894,545,000

35. Salaries & Bonus of top management

	31/12/2015 L.E.	31/12/2014 L.E.
Short term salaries & bonuses	**21,919,403**	16,376,595
	21,919,403	16,376,595

The top twenty salaries and Bonuses in the bank reached LE 21,919,403 yearly and the monthly average is LE 1,826,617 for the year ended 31 December 2015.

36. Related parties transactions

Number of transactions with related parties has been conducted in the normal course of the business including loans and deposits.
Related parties transactions and balances at the end of the financial year are as follows:

A. Loans and advances to related parties

	Top Management		Subsidiaries and associates	
	31/12/2015 L.E.	31/12/2014 L.E.	31/12/2015 L.E.	31/12/2014 L.E.
Existing loans at the beginning of the year	**9,647,814**	8,100,396	**51,603,979**	53,313,000
Loans issued during the year	**26,867,931**	3,678,562	**1,923,000**	374,000
Loans collected	**(4,121,129)**	(2,131,144)	**(10,898,900)**	(2,083,021)
Existing loans at the year end	**32,394,616**	9,647,814	**42,628,079**	51,603,979

B. Deposits from related parties

	Top Management	
	31/12/2015 L.E.	31/12/2014 L.E.
Deposits at the beginning of the year	**23,246,647**	21,375,037
Deposit received during the year	**7,168,749**	19,471,815
Deposit redeemed during the year	**(14,554,980)**	(17,600,205)
Existing deposits at year end	**15,860,416**	23,246,647

	Top Management	
	31/12/2015 L.E.	31/12/2014 L.E.
Call deposits	**4,356,416**	4,577,103
Saving accounts	**10,260,000**	10,067,851
Saving and deposit certificates	**504,000**	8,336,537
Time & call deposits	**740,000**	266,156
	15,860,416	23,246,647

C. Sale of financial investments to Egyptian Gulf Holding Co. (Subsidiary) :

Company	No. of Shares	Fair Value per share L.E.	Selling Price L.E.
El Shaba Egyptian CO.	208446	124	25,847,304

37. Mutual Funds

A. Mutual fund established by the bank – Egyptian Gulf Bank

Fund is a licensed financial service conducted by the bank –according to the articles of Capital market law No,95 for 1992 and its bi-law, The fund is managed by Hermes Company for investment fund management, The number of certificates at the initial offering was one million certificates with a total amount of LE 100 million of which 50,000 certificates (amounting to LE 5 million) were designated to the Fund operation

The number of certificates outstanding as of the balance sheet date was 215984 certificates at a redeemable value of LE 134.56 on 31 December 2015.

B. The Thraa Fund cash

Fund is a licensed financial service conducted by the bank –according to the articles of Capital market law no,95 for 1992 and its bi-law and the fund is managed by Prime Company for mutual fund management, The number of certificates at the initial offering was 34944491 million certificates with a total amount of LE 375 million of which 713359 certificates (amounting to LE 7,5million) were designated to the fund operation

The number of certificates outstanding as of the balance sheet date was 12377078 certificates at a redeemable value of LE 12.9535 on 31 December 2015.

3. Financial risk management – continued

CBE rating	Categorization	Provision %	Internal rating	Categorization
1	Low risk	0	1	Performing loans
2	Average risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Reasonable risk	2	1	Regular watching
5	Acceptable risk	2	1	Regular watching
6	Marginally Acceptable risk	3	2	Watch list
7	Watch list	5	3	Watch list
8	Substandard	20	4	Non – performing loans
9	Doubtful	50	4	Non – performing loans
10	Bad debts	100	4	Non – performing loans

(A/5) Maximum exposure to credit risk before collateral held

	31/12/2015 L.E	31/12/2014 L.E.
In balance sheet items exposed to credit risk		
Treasury bills and other government notes	**2,654,791,716**	1,008,443,431
Due from banks	**5,023,443,968**	155,561,960
Loans and advances :		
Credit cards	**14,517,000**	11,122,702
Personal loans	**1,141,907,000**	488,720,521
Mortgage loans	**41,967,000**	24,646,782
Corporate loans	**7,016,461,357**	3,704,506,652
Financial investments:		
Debt instruments	**4,829,660,164**	4,081,793,111
Other assets	**522,320,106**	341,081,684
Total	**21,245,068,311**	9,815,876,843
Off-balance sheet items exposed to credit risk		
Letters of credit	**221,476,000**	255,327,000
Letters of guarantee	**957,493,000**	639,218,000
Total	**1,178,969,000**	894,545,000

The above table represents the maximum limit for credit risk as of 31 December 2015and 31 December 2014, without taking into considerations any collateral, for on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.
As shown in the preceding table 38.67 % of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 43.08% as at 31 December 2014; while 22.73% represents investments in debt instruments against41.58% as at 31 December 2014 and the management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loans and advances, and debt instruments as follows:

- 78.89% of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 81,10% as at 31 December 2014
- 93.04% of the loans and advances portfolio have no past due or impairment indicators against 92,36% as at 31 December 2014
- The Bank has applied a more conservative selection plan for the granted loans during the year ended 31 December 2015
- Investments in debt instruments and treasury bills contain more than 98.84% against 94.94% as at 31 December 2014 due from the Egyptian government.