



“ Financial Statements ”

For The Year Ended
31 December 2015

CAE & EHFC Consolidated



CRÉDIT AGRICOLE

More than a Promise... a Commitment

CREDIT AGRICOLE - EGYPT
Egyptian Joint Stock Company
Consolidated Financial Statements
And Auditors' Report
For The Year Ended 31 December 2016

Mansour & Co. PricewaterhouseCoopers
Public Accountants

KPMG Hazem Hassan
Public Accountants & Consultants

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Independent Auditors' Limited Review Report

To : Credit Agricole Egypt (SAE) Board of Directors

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Credit Agricole Egypt (SAE) which comprise the balance sheet as of 31 December 2015 and the statement of income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the rules of preparation and presentation of the Bank's consolidated financial statements issued by the Central Bank of Egypt on 16 December 2008 and with the requirements of applicable Egyptian laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the consolidated 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 separate financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, the financial position of Credit Agricole Egypt (SAE) as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the rules of preparation and presentation of the bank's consolidated financial statements issued by the Central Bank of Egypt on 16 December 2008 and with the requirements of applicable Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

Nothing has come to our attention that indicated that the Bank materially violated any of the provisions of Law No. 88 of 2003 or the articles of association during the year ended 31 December 2015.

The Bank keeps proper financial records, which include all that is required by the law and the Bank statute and the accompanying separate financial statements are in agreement therewith.

The financial information included in the Board of Directors report, prepared according to the provisions of Law No. 159 of 1981 and its executive regulations are in agreement with the Bank's accounting records within the limit that such information is recorded therein.

Auditors

Ahmed Gamal Hamdalla El Atrees
Mansour & Co. PricewaterhouseCoopers
Public Accountants

Salah Eldeen Elmasary
KPMG Hazem Hassan
Public Accountants & Consultants

Cairo 23 February 2016

Consolidated Balance Sheet - At 31 December 2015

(All amounts are in thousand Egyptian pounds)

	Notes	31 December 2015	31 December 2014
<u>Assets</u>			
Cash and due from Central Bank of Egypt	15	2,087,042	2,429,338
Due from banks	16	6,221,728	6,538,714
Treasury bills	17	6,274,074	6,250,288
Held for trading investments	18	60,805	46,399
Loans to banks	19	167,470	40,471
Loans and advances to customers	20	13,776,879	12,398,497
Derivative financial instruments	21	31,601	54,525
<u>Financial Investments</u>			
Available for sale investments	22	2,345,302	2,467,827
Held to maturity investments	22	76,634	76,634
Other assets	23	265,671	367,370
Intangible assets	24	162,58	18,667
Fixed assets (net)	25	563,122	491,973
Deferred Tax		1,262	2,196
Total assets		31,929,752	31,182,899
<u>Liabilities and Owners' Equity</u>			
<u>Liabilities</u>			
Due to banks	26	120,769	106,461
Customers' deposits	27	26,661,787	26,588,253
Derivative financial instruments	21	35,397	57,410
Long term loan	28	28,687	42,598
Other liabilities	29	1,255,546	1,141,767
Current income tax liability		132,898	145,599
Other provisions	30	165,914	153,804
Retirement benefit obligations	31	46,415	40,123
Total liabilities		28,447,413	28,276,015
<u>Owners' Equity</u>			
Paid-in Capital	32	1,243,668	1,148,000
Reserves	33	364,571	344,529
Retained earnings	33	1,874,084	1,414,340
		3,482,323	2,906,869
Minority interest		16	15
Total owners' equity		3,482,339	2,906,884
Total liabilities and owners' equity		31,929,752	31,182,899

Francois E. Drion

Chairman & Managing Director

February 3, 2016

- The accompanying notes are an integral part of these financial statements.
- Auditors' report attached

Consolidated Statement of Income - At 31 December 2015

(All amounts are in thousand Egyptian pounds)

		1/1/2015	1/1/2014
		To	To
	<u>Notes</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
Interest on loans and similar income	6	2,696,168	2,355,583
Interest expenses and similar charges	6	(1,090,635)	(1,109,480)
Net interest income		1,605,533	1,246,103
Fees and commission income	7	624,609	574,516
Fees and commission expense	7	(143,677)	(118,285)
Net fee and commission income		480,932	456,231
Dividend income	8	7,269	7,067
Net trading income	9	159,408	121,040
Gains from financial investments	10	10,156	7,219
Impairment charge for credit losses	11	(117,504)	(111,342)
Administrative expenses	12	(797,277)	(751,938)
Other operating income	13	11,839	6,018
Profit before income tax		1,360,356	980,398
Income tax expense	14	(322,996)	(304,737)
Profit for the year		1,037,360	675,661
Mother company share		1,037,359	675,660
Minority share		1	1
		1,037,360	675,661

The accompanying notes are an integral part of these financial statements

Consolidated statement of changes in owners' equity - At 31 December 2015

(All amounts are in thousand Egyptian pounds)

	Paid in capital	Reserves	Retained earnings	Mother company share	Minority Interest	Total
31 December 2014						
Balance as at 1 January 2014 as previously issued	1,148,000	337,756	1,283,925	2,769,681	14	2,769,695
Dividends relating to 2013	-	-	(512,721)	(512,721)	1	(512,720)
Transfer to reserves		32,525	(32,525)	-	-	-
Balance as at 1 January 2014	1,148,000	370,281	738,679	2,256,960	15	2,256,975
Net change in fair value of available for sale investments, net of tax	-	(25,752)	-	(25,752)	-	(25,752)
Net profit for the year	-	-	675,661	675,661	-	675,661
Balance as at 31 December 2014	1,148,000	344,529	1,414,340	2,906,869	15	2,906,884
31 December 2015						
Balance as at 1 January 2015 as previously issued	1,148,000	344,529	1,414,340	2,906,869	15	2,906,884
Dividends relating to 2014	-	-	(471,868)	(471,868)	1	(471,867)
Transfer to Capital reserves		4,703	(4,703)	-	-	-
Transfer to Legal reserves		34,302	(34,302)	-	-	-
Balance as at 1 January 2015 after dividends	1,148,000	383,534	903,467	2,435,001	16	2,435,017
Net change in fair value of available for sale investments, net of tax	-	9,682	-	9,682	-	9,682
Capital increase	95,668	(28,925)	(66,743)	-	-	-
General risk reserve	-	280	-	280	-	280
Net profit for the year	-	-	1,037,360	1,037,360	-	1,037,360
Balance as at 31 December 2015	1,243,668	364,571	1,874,084	3,482,323	16	3,482,339

- The accompanying notes are an integral part of these financial statements

Consolidated Statement of Cash Flows - At 31 December 2015

(All amounts are in thousand Egyptian pounds)

	31 December 2015	31 December 2014
<u>Cash flows from operating activities</u>		
Net profit before tax	<u>1,360,356</u>	<u>980,398</u>
Adjustments to reconcile net profit to cash flow from operating activities:		
Depreciation and amortization	61,282	49,291
Impairment charge for assets	117,504	111,342
Other provision charges	15,004	5,082
Used provision - other than loans provision	(3,568)	(855)
Amortization of Discount on available for sale investments	5,734	5,725
Foreign currencies revaluation of provisions rather than LLP	4,781	1,679
Foreign currencies revaluation of Investments rather than TRD	1,255	3,925
Losses on sale of AFS investments	315	-
Losses on assets acquired in settlement of debit	280	-
(Profit) on sale of fixed assets	(21,875)	(4,703)
Goodwill depreciation	-	8,113
Operating profit before changes in operating assets & liabilities	<u>1,541,068</u>	<u>1,159,997</u>
<u>Net decrease (increase) in assets and liabilities</u>		
Due from central bank of Egypt	50,969	(192,764)
Due from banks	57,480	10,993
Treasury bills	324,723	(1,133,227)
Held for trading investments	(14,406)	42,473
Loans and advances to customers & banks	(1,626,992)	(509,602)
Derivative financial instruments (net)	911	(7,340)
Other assets	21,019	32,309
Due to banks	14,308	64,234
Customers' deposits	73,534	2,145,616
Other liabilities	113,779	176,435
Retirement benefit obligations	6,292	3,222
Income taxes paid	(335,697)	(213,382)
Net cash from operating activities	<u>226,988</u>	<u>1,578,964</u>
<u>Cash flows from investing activities</u>		
Purchase of fixed assets and branches leasehold improvements	(93,627)	(150,790)
Proceeds from sale of fixed assets	24,257	5,420
Proceeds from sale / redemption of securities other investments	1,226,872	704,592
Purchases of securities other than trading other investments	(1,101,969)	(602,106)
Net cash from investing activities	<u>55,533</u>	<u>(42,884)</u>
<u>Cash flows from financing activities</u>		
Long term loans	(13,920)	8,903
Dividends paid	(471,868)	(512,721)
Net cash from financing activities	<u>(485,788)</u>	<u>(503,818)</u>

Net cash and cash equivalents during the year	(203,267)	1,032,262
Cash and cash equivalents at beginning of the year	7,813,949	6,781,687
Cash and cash equivalents at end of the year	7,610,682	7,813,949
<u>Cash and cash equivalents are represented in :</u>		
Cash and due from Central Bank of Egypt	2,087,042	2,429,338
Due from banks	6,221,728	6,538,714
Treasury bills	6,274,074	6,250,288
Balances with Central Bank of Egypt (Reserve ratio)	(1,361,031)	(1,412,000)
Deposits with banks (Maturity more than three months)	(825,304)	(883,052)
Treasury bills (Maturity more than three months)	(4,785,827)	(5,109,339)
Cash and cash equivalents at end of the year	7,610,682	7,813,949

- The accompanying notes are an integral part of these financial statements.

1. General Information

Credit Agricole - Egypt Bank (S.A.E.) provides corporate banking, retail, and investment banking services in the Arab Republic of Egypt and foreign countries through its head office at 5th Settlement and 79 branches, that employs over 2031 people at the balance sheet date.

The bank is an Egyptian Joint Stock Company and is incorporated in accordance with law 159 of 1981 in the Arab Republic of Egypt. The head office of the bank is at the Touristic Area, land piece (9/10/11/12/13), 5th Settlement, Cairo Governance, Egypt. The bank is listed in Cairo and Alexandria Stock Exchanges.

The EHFC (SAE) was founded in accordance with the provisions of Law No. 159 of 1981 and its Regulations, as amended by Law No. 3 of 1998, taking into account the provisions of Law No. 95 of 1992 and its executive regulations and the law of the Mortgage Finance No. 148 of 2001 and its executive regulations and the company specialized in the activity of real estate finance.

The Bank has a number of 9,999,000 shares by ownership of 99.99% of the total capital of the company, The Consolidated Financial Statements in the financial statements of the Bank and its subsidiaries (and called together the group).

Financial statements approved on board dated February 3, 2015

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 the years presented unless otherwise stated.

- **Basis of preparation**

The consolidated financial statements have been prepared in accordance with the rules of preparation and presentation of the Group's financial statements issued by the Central Bank of Egypt on 16 December 2008, under the historical cost convention, as modified by the revaluation of , available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivatives contracts.

The consolidated financial statements are prepared in accordance with the requirements of related applicable Egyptian laws and regulations. The group has prepared also consolidated Financial statements for the group and its subsidiaries in accordance with the Egyptian accounting standards, which are companies in which the group owns, directly or indirectly, more than half the voting rights, or has the ability to control the financial and operating policies regardless of the type of activity. The consolidated financial statements can be obtained from the group management. Investments in subsidiaries and associates are presented in the separate financial statements along with their accounting treatment with cost less impairment loss.

- **Subsidiaries and associates**

- **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has owned directly or indirectly the power 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 Group controls another entity.

When consolidating, transactions and balances and unrealized profits arising from transactions between group companies are excluded, as well as unrealized losses unless they provide evidence of the existence of the erosion in the value of the parent adapter. accounting policies of subsidiaries are changed whenever necessary to ensure the application of the uniform policy was for the group

The company's are as follows:

Company Name :	Egyptian Housing Finance Company (EHFC)
Legal Status :	An Egyptian Joint Stock Company
Nationality :	Egyptian
Date of Acquisition:	December 21, 2009
Activity :	Housing Finance
Contribution ratio :	%99.99

○ **Transactions with minority rights holders**

The group transactions with minority rights holders as transactions with parties outside the group. And the recognition of gains and losses resulting from the sale of minority rights in the income statement. And result in purchases of minority rights as glory represents the difference between the return paid for shares acquired and the book value of the net assets of the subsidiary.

○ **Associates**

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

Purchase method of accounting has been applied to all the acquisition operations. The cost of acquisition is measured by fair value or the assets offered/ issued equity securities / liabilities incurred/ liabilities accepted in behalf of the acquired company, at the date of the exchange, plus costs directly attributed to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognized directly in the income statement into other operating income (expenses).

Investments in subsidiaries and associates are accounted for using the cost method. According to this method, investments are recognized by the acquisition cost including goodwill and deducting any impairment losses. Dividends are recognized in the income statement when they are declared and the group's right to receive payment is established.

● **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

● **Foreign currency translation**

○ **Functional and presentation currency**

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

○ **Transactions and balances in foreign currency**

The Group maintains its accounts in Egyptian Pound. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities balances in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the following items in the income statement:-

- Net trading income or net income from financial instruments designated at fair value through profit or loss for trading assets.

Changes in the fair value of monetary financial instruments in foreign currency classified as available for sale debt instruments are analyzed whether revaluation differences from changes in amortized costs of the instrument, differences from changes in the prevailing exchange rates, or differences from changes in the fair value of the instrument. Revaluation differences related to changes in the amortized cost are recognized into interest income from loans and similar revenues, and those related to the changes in the exchange rates in other operating income, in the income statement. Differences from changes in the fair value are recognized among owners' equity (Fair value reserve/ Available for sale financial investments).

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

• **Financial assets**

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

○ **Financial assets at fair value through profit or loss**

This category includes: financial assets held for trading, and those designated at fair value through profit or 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 near 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-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets are designated at fair value through profit or loss when:

- Doing so reduces measurement inconsistencies that would arise if the related derivative were treated as held for trading and the underlying financial instruments were carried at amortized cost for such as loans and advances to banks and clients, and debt securities in issue;
- Certain investments, such as equity investments that are managed and evaluated on a fair value in accordance with a documented risk management or investment strategy, and reported to key management personnel on that basis are designated at fair value through profit and loss.
- Financial instruments, such as debt instruments held, containing one or more embedded derivatives, significantly modify the cash flows are designated at fair value through profit and loss

○ **Loans and receivables**

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

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

○ **Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount except for specific situations, the entire category would be reclassified as available for sale .

○ **Available-for-sale financial assets**

Available-for-sale investments are non-derivative financial assets 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 is followed for financial assets:

- Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.
- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement in net trading income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.
- Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost.
- Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the year in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in income statement.
- Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available for sale equity instruments are recognized in the income statement when the entity's right to receive payment is 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, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market

participants, and if the Group could not assess the fair value of the equity instruments classified as available for sale, these instruments measured at at cost less impairment .

- The group may choose to reclassify the available for sale financial assets where the definition of loans and receivables (bonds and loans) is applicable from Available for sale to Loans and receivables or Held to maturity financial assets as the group has an intent to held them for the perspective future or to the date of maturity. Reclassifications are made at fair value as of the reclassification date and any profits or losses related to these assets to be recognized in the owners' equity as follows:
- In case of the financial asset which has fixed maturity date, profits and losses are amortized over the remaining period of the for the held to maturity investments using the Effective interest rate. Any difference between the value using amortized cost and the value based on the maturity date to be amortized over the financial asset remaining period using the effective interest rate method.
- In case of the financial asset which does not have fixed maturity date, profits and losses remain in the owners' equity till the selling or disposing the financial asset. At that time they will be recognized the profits and losses. In case of the subsequently impairment of the financial asset value , any previously recognized profits or losses in owners' equity will be recognized in profits and losses .
- If the group modified its estimations for the receivables and the payables then the book value of the financial asset (or group of financial assets) will be adjusted to reflect the effective cash flows and the modified assessments to recalculate the book value through calculation the present value for the estimated future cash flows using the effective interest rate of the financial asset and the adjustment will be recognized I as a revenue or expense in the profits and losses.
- In all cases if the group reclassified a financial asset as mentioned before and the group subsequently increased the estimated future cash inflows as a result of the increase of what will be collected from these receivables, This increase is to be recognized as an adjustment of the effective interest rate starting from the change in estimation date and not an adjustment of the book value in the change in estimation date.

- **Offsetting financial instruments**

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

Treasury bills sold subject to repurchase agreements ('repos') in the balance sheet under "Due to Banks" and purchased under agreements to resell ('reverse repos') in the balance sheet under "Due from Banks".

- **Derivative financial instruments and hedge accounting**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (or including recent market transactions, and valuation techniques for example including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a purchased convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract

is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognized in the income statement into net trading income unless the group chooses to designate the hybrid contracts at fair value through profit or loss.

○ **Recognition of deferred day one profit and loss**

The best evidence of fair value at initial recognition is the transaction price (the fair value of the consideration given or received), unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instruments or based on valuation technique. When the group has entered into transactions that come due after the lapse of a long period of time, fair value is determined using valuation models whose inputs do not necessarily come from quoted prices or market rates. These financial instruments are initially recognized at the transaction price, which represents the best index to fair value, despite the value obtained from a valuation model may be different. The difference between the transaction price and the model value is not immediately recognized, commonly referred to as “day one gains or losses”. It is included in other assets in case of loss, and other liabilities in case of gain.

● **Interest income and expense**

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within ‘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 a financial liability and of allocating the interest income or interest expense over the relevant period. 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 group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been classified as nonperforming or impaired, related interest income is not recognized and is recorded in marginal records apart from the financial statements, and is recognized as revenues according to cash basis as follows:

- When they are collected, after receiving all pas due installments for consumption loans, mortgage loans, and small business loans.
 - For corporate loans, cash basis is also applied, where the return subsequently calculated is raised in accordance with the loan rescheduling contract, until 25% of the rescheduling installments are repaid, with a minimum of one year of regular repayment scheme. In case the counterparty persists to regularly pay, the return calculated on the loan outstanding is recognized in interest income. (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.
- **Fees and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

- **Dividend income**

Dividends are recognized in the income statement when the group's right to receive payment is established.

- **Purchase and sale agreements and sale and repurchase agreements**

Securities sold subject to repurchase agreements are presented in Due to Banks the balance sheet. Securities purchased under agreements to resell are presented added to Due from Banks in the balance sheet, and presented on net basis, the difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

- **Impairment of financial assets**

- **Financial assets carried at amortized cost**

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

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

- Significant financial difficulties of the issuer or obligor;
- Breach of contract such as default in interest or principal payment;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Deterioration of the borrower's competitive position;
- The group, for economic or legal reasons relating to the borrower's financial difficulties, granting to the borrower a concession that the group would not otherwise consider;
- Deterioration in the value of collateral; and
- Downgrading the credit status.

The existence of clear data that indicates measurable decrease in estimated future cash flows from a group of financial assets are considered as objective evidence of impairment for that group, irrespective of the ability of identifying that reduction for each individual asset.e.g, the increase in number of repayment defaults for a particular banking product.

The estimated period between a losses occurring and its identification is determined by the Group for each identified portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and twelve months.

The Group 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 the following is considered:

- If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment using historical probabilities of default.
- Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment, Otherwise it will added to the group of the financial assets.

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. As a practical expedient, the group 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 a collateralized financial asset reflects the cash flow that may result from foreseeable less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers 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.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the 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 reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

The group assess the collective impairment for group of financial assets with similar credit risk characteristics and collectively assesses them for impairment using historical probabilities of default, and individually for the impaired loans using discounted cash flows, and compared to the obligor risk rating. Differences between the two methods are transferred from retained earnings to general banking reserve , if the obligor risk rating requires more impairment.

○ **Available for sale financial assets**

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as available for sale or held to maturity is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline

in the fair value of the security below its cost is considered in determining whether the assets are impaired.

- **Intangible Assets**

- **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment where goodwill is amortized by a 20% or with the impairment recognized whichever is greater. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

- **Computer programs:**

Computers' software related development and maintenance expenses are recognized in the income statement when incurred Intangible asset is recognized for specific direct costs of computer programs under the group's control and where a probable economic benefit is expected to be generated for more than one year. Direct costs include program development staff costs, and appropriate allocation of the overhead costs.

Development costs are recognized as computer program in which lead to an increase or expansion in the performance of computer programs.

These costs are amortized on the basis of the expected useful lives, and not more than five years.

- **Property, plant and equipment**

Land and building comprise mainly head office, branches and offices. All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed asset items.

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

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

○ Buildings	20:30 years
○ Fixtures	5 years
○ Furniture	10 years
○ Machinery and equipment	8 years
○ Vehicles	5 years
○ Computers	5 years
○ Others	10 years

- **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization-except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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 and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

- **Lease**

Finance lease are accounted for according to Law No. 95 of 1995 if the contract gives the right to the lessee to purchase the assets on a specified date and with specified amount where the contract's period represents at least 75% of the expected useful life of the asset or the present value of total lease payments represents at least 90% of the asset's value. Other lease contracts are considered operating leases.

- **The Group as a lessee**

For finance lease contracts, lease expenses including leased asset maintenance when incurred. If the Group decides to use the purchase option, cost of the option is capitalized and depreciated over the remaining useful life of the asset using methods applied for similar assets.

Lease payments less any discounts under operating lease are charged as an expense in the income statement on a straight-line basis over the period of the lease.

- **The Group as a Lease lord**

Rent for leased assets operating rent appear under fixed assets in the budget and destroy over the useful life of the asset's expected by the same method applied to similar assets, and rental income minus any discounts granted to the lessee by the straight-line method over the period of the contract.

- **Cash and cash equivalents**

For the purpose of the cash flows statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances due from Central Banks other than for mandatory reserve, current accounts with banks, and treasury bills and other eligible securities.

- **Other provisions**

Provisions for restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Reversals of provisions no longer required are presented in other operating income and (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. If the settlement is within one year or less, provisions will be measured by the contractual value if there is no material variance otherwise, it will be measured at present value.

- **Employee benefits**

- **Pension Liability**

The group applies various retirement benefit plans which are financed through contributions defined on periodical actuarial calculations and paid to Social Insurance Authority or a private insurance fund. The Bank has Defined-Benefit Plans and Defined-Contribution Plans.

Defined-Benefit Plans: They are retirement plans where employee benefits are sorted out based on a formula using factors such as age, duration of employment and salary history.

The liability recognized in the balance sheet, with regard to the defined-benefit plans, is the present value of the defined-benefit obligation at the date of the balance sheet less the fair value of the plan assets, together with the adjustments for unrecognized actuarial gains (losses) and past service costs.

The defined-benefit obligation is calculated annually (estimated future cash outflows) by an independent actuary using the Projected Unit Credit Method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of treasury bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

The gains (losses) arising from adjustments and changes in actuarial assumptions are charged (or credited) to income if they are within 10% of the plan assets or 10% of the defined-benefit obligation, whichever is higher. In case the gains (losses) are higher than this percentage, the increase shall be charged (credited) to the income over the employees' average remaining working periods.

The past service costs are directly recognized in the income statement under administrative expenses, unless the changes made to the pension regulations are subject to the employees staying in service for a defined period of time (Vesting Period). In this case, the past service period shall be depreciated using the straight-line method over the vesting period.

Defined Contribution Plans: They are retirement plans in which the Bank pays certain contributions to Social Insurance Authority, and the Bank shall not be subject to any legal or constructive obligation to contribute further amounts.

The contributions are recognized as employee-benefit expenses when they are due. The prepaid contributions are recognized as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

- **Other Post-Employment Benefit Obligations**

The Bank provides health-care benefits for retired employees (Ex EAB Staff). To be eligible for such benefits, the employee shall have to remain employed until the retirement age and fulfill a minimum limit of an employment period. The estimated costs of such benefits are depreciated over the employment period using an accounting method similar to that used in the defined-benefit plans.

- **Social Insurance**

The Group pays contributions to Social Insurance Authority and the Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due.

- **Employee profit share**

The Group pays a percentage of the cash dividends as employee profit share; the employee profit share is recognized as part of dividends in the equity and as a liability when it is approved by the

group's general assembly, no obligation is recognized for the employees share in unappropriated profits.

- **Income tax**

The income tax on the Group's year profits or losses includes both current tax, and deferred tax. Income tax is recognized in the income statement, except when it relates to items directly recognized into equity, in which case the tax is also recognized directly in equity. Income tax is calculated on the taxable profits using the prevailing tax rates as of balance sheet date in addition to tax adjustments for previous years.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing as of the balance sheet date.

Deferred tax assets are recognized when it is probable that the future taxable profit will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Reversal is subsequently permitted when there is a probable from its economic benefit limited to the extent reduced.

- **Borrowings**

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

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Preferred shares that carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholders are classified as liability and are presented in Other loans.

The dividends on these preference shares are recognized in the income statement as interest expenses in an amortized cost basis using the effective interest method.

- **Share capital**

- **Share issue costs**

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

- **Dividends**

Dividends are recognized in equity in the period in which they are approved by the Group's general assembly. These dividends include the employee share and board of director's bonus as stipulated by the article of incorporation and law.

- **Treasury stocks**

In case the Group buy capital stock, the purchase amount is deducted from the total cost of ownership rights as represented by Treasury shares to be cancelled, and in case of sale of those shares or reissued later in all collections are added to property rights.

- **Fiduciary activities**

The Group acts as trustees and in other fiduciary capacities those results in the holding or managing of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

- **Comparatives**

Whenever necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Financial Risk management

The group's activities expose it to a variety of 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 group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the group's financial performance.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The group'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 system. The group regularly reviews its risk management policies and systems to reflect changes in markets, products, and emerging best practice.

Risk management is carried out by a risk department under policies approved by the Board of Directors. Financial risks in close co-operation with the Group are 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, internal audit is responsible for the independent review of risk management and the control environment.

A. Credit risk

The group is exposed to credit risk, which is the risk of suffering financial loss, should any of the group's customers, clients or market counterparties fail to fulfill their contractual obligations to the group. Credit risk is the most important risk for the group's business. Management therefore carefully manages its exposure to credit risk. Credit risk arises mainly from lending activities which resulted in loans, facilities and investment activities which result in including the financial assets in group's assets. Credit risk is available in the off-balance sheet financial assets such lending commitment. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

A.1 Credit risk measurement

- **Loans and advances to banks and customers**

In measuring credit risk of loans and advances to banks and customers, the group reflects three components:

- Probability of default - by the client or counterparty on its contractual obligations.
- (Current exposures to the counterparty and its likely future developments, from which the group derive the exposure at default.

□ Loss given default

Daily management group activities involve these measurements of credit risk which reflect the expected loss (The expected loss model) and are required by the Basel committee on banking supervision. The Operational measurements can be contrasted with impairment allowances required under Egyptian Accounting Standard 26 which are based on losses that have been incurred at of the balance sheet date (the incurred loss model) rather than expected losses (Note 3/A).

The group assesses the probability of default of individual customers using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. clients of the group are segmented into four rating classes. The rating scale which is as shown below reflects the range of default probabilities- defined for each rating class. This means that in principal , exposures might migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The group regularly validate the performance of the rating and their predictive power with regard to default cases.

CBE Rating	Internal Rating	Provision Percentage
Good loans	A+	0%
Good loans	A	1%
Good loans	B+	1%
Good loans	B	1%
Good loans	B-	1%
Good loans	C+	1%
Good loans	C	1%
Good loans	C-	1%
Good loans	D+	2%
Good loans	D	2%
Good loans	D-	2%
Standard monitoring	E+	3%
Standard monitoring	E	5%
Special monitoring	PE-	20%
non-performing	NPE-	DCF
non-performing	F	DCF
non-performing	Z	DCF

The above ratings are reviewed and approved by the Central Bank of Egypt.

Exposure at default is based on the amounts the group expects to be outstanding at the time of default. For example, for a loan this is the face value. For a commitment, the group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

Loss given default or loss severity represents the group's expectation of the extent of loss on a claim should default occur. It is expressed as a percentage of 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 securities and other bills**

For debt securities, and other bills external rating such as (Standard & Poor's) rating or their equivalents are used by the group for managing of the credit risk exposures. In case such ratings are unavailable, internal rating methods are used that are similar to those used for credit customers. The investment 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 requirements at the same time .

A.2 Risk limit control and mitigation policies

The group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties, groups and to industries and countries.

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved periodically 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 the borrowers and potential borrowers to meet interest and capital repayment obligation and by changing these lending limits when appropriate.

Some other specific control and mitigation measures are outlined below:

□ Collateral

The group employs 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 group 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.
- Charges over business assets such as premises, inventory.
- Charges over 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 group will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-Backed Securities and similar instruments, which are secured by portfolios of financial instruments.

□ Derivatives

The group maintains strict control limits on net open derivative positions (ie., the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties

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

□ **Master netting arrangements**

The group 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 assets and liabilities shown in the balance sheet, as transactions are either usually settled on a 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 group's 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 group on behalf of a customer authorizing a third party to draw drafts on the group up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the group 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 group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

A.3 Impairment and provisioning policies

The internal systems for rating previously mentioned is focus more on credit quality mapping from the inception of the lending and investment activities. In contrast impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and Central Bank of Egypt regulations purposes.

The impairment allowance shown in the balance sheet date at year end is derived from each of the four internal rating grades. However, the largest majority of the impairment allowance comes from the lowest grading.

The table below shows the percentage of the groups on balance sheet items, relating to loans and advances and the associated impairment allowance for each of the group internal rating categories:

Group's Rating	31 December 2015		31 December 2014	
	Loans and facilities	Loan loss provision	Loans and facilities	Loan loss provision
	%	%	%	%
1- Good loans	47.8%	1%	54.2%	1%

2- Standard monitoring	36.5%	3%	34.3%	3%
3- Special monitoring	12.7%	7%	8.0%	5%
4- Nonperforming loans	3.0%	61%	3.5%	54%
	100.0%		100.0%	

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

- Significant financial difficulties facing the counterparty;
- Breach of loan covenants as in case of default;
- Expecting the bankruptcy of the counterparty, liquidation, lawsuit, or finance rescheduling;
- Deterioration of the borrower's competitive position;
- Offering exceptions or surrenders due to economic and legal reasons related to financial difficulties encountered by the counterparty not provided by the group in ordinary conditions;
- Deterioration in the value of collateral; and
- Downgrading below good loans grade.

The group policies require the review of individual financial assets that are above materiality threshold at least annually, or more regularly when individual circumstances require. Impairment allowance on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on case-by-case basis. and are applied to all individually significant accounts. The assessment normally encompasses collateral hold including re-confirmation of its enforceability and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets using the available historical experience, experience judgment and statistical techniques

A.4 General Bank Risk Measurement Model

In addition to the four credit rating levels, management classifies categories that are more detailed so as to agree with the requirements of the Central Bank of Egypt (CBE). Assets subject to credit risk are classified in these categories in accordance with regulations and detailed conditions that largely depend on information related to the client, his/her activity, financial position, and regularity of repayment.

The group calculates the required provisions for the impairment of the assets subject to credit risk, including commitments related to credit, on the basis of ratios specified by the Central Bank of Egypt. In case the impairment loss provision required by the Central Bank of Egypt exceeds that required for the purpose of financial statement preparation in accordance with the Egyptian accounting standards, retained earnings is decreased to support the General Bank risk reserve with the amount of the increase. This reserve is periodically revised by increase and decrease to reflect the amount of increase between the two provisions. This reserve is not subject to distribution. Note number (33/A) shows the movement in the Group Risk Reserve during the financial year.

Following is a table of the worthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt assessment bases and the provision ratios required for the impairment of the assets exposed to credit risk.

CBE Rating Categorization	Rating Description	Provision %	CAE rating	CAE Description
1	Low Risk	0%	1	Good
2	Average Risk	1%	1	Good
3	Satisfactory Risk	1%	1	Good
4	Reasonable Risk	2%	1	Good
5	Acceptable Risk	2%	1	Good

6	Marginally Acceptable Risk	3%	2	Standard monitoring
7	Watch List	5%	3	Special monitoring
8	Substandard	20%	4	non-performing
9	Doubtful	50%	4	non-performing
10	Bad Debt	100%	4	non-performing

A.5 Credit risk exposure before guarantees

(All amounts are in thousand Egyptian pounds)

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Credit risk exposures relating to on-balance sheet items :		
Cash and balances with central bank	1,361,031	1,412,000
Due from Banks	6,221,728	6,538,714
Treasury Bills	6,274,074	6,250,288
Debt instruments held for trading	57,420	43,008
Loans to banks	167,470	40,471
<u>Loans to customers</u>		
Loans to Individuals:		
- Overdrafts	76,360	192,674
- Credit cards	759,356	585,179
- Personal Loans	3,871,227	3,087,318
- Real estate Loans	239,993	302,643
Loans To corporate entities:		
- Overdrafts	5,298,841	4,867,083
- Direct Loans	799,316	655,461
- Syndicated loans	1,424,277	969,236
- Other Loans	2,162,206	2,464,975
Derivative financial instruments	31,601	54,525
<u>Investment securities</u>		
Available for sale	2,323,616	2,448,442
Other Assets	170,114	162,065
Total	<u>31,238,630</u>	<u>30,074,082</u>
	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Credit risk exposures relating to off-balance sheet items:		
Customer Liabilities Under Acceptance	256,371	235,375
Commitments (Loans and liabilities – irrevocable)	1,840,616	1,544,067
Letter of credit	728,972	818,446
Letters of guarantee	3,844,875	5,309,974
Total	<u>6,670,834</u>	<u>7,907,862</u>

The above table represents a worse-case scenario of credit risk exposure to the group at 31 December 2015 and 31 December 2014, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts presented on the Balance Sheet.

As shown above, 47% of the total maximum exposure is derived from loans and facilities to customers versus 44% in the end of comparative year 2014, where investments in debt securities represent 28% versus 29% in the end of comparative year 2014.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from both its loan and advances portfolio and debt securities based on the following:

- 84% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2014: 89%);
- 89% of the loans and advances portfolio are considered to be neither past due nor impaired (2014: 89%);
- Loans and advances individually assessed amount 448,592 Egyptian pounds. (2014: 463,000 Egyptian pounds).

A.6 Loans and Advances

Loans and advances balances in terms of the credit worthiness:

(All amounts are in thousand Egyptian pounds)

	31 December 2015	31 December 2014
Loans & Advances to customers		
Neither past due nor impaired	13,031,099	11,702,743
Past due but not impaired	1,151,885	958,826
Subject to impairment	448,592	463,000
Total	14,631,576	13,124,569
Less: unearned income	(7)	(677)
Less: Interest in suspense	(25,777)	(27,497)
Less: allowance for Impairment	(828,913)	(697,898)
Total	13,776,879	12,398,497

Total impairment loss for loans and advances has amounted to (117,504) thousands of which (54,940) thousand represents impairment on to individual loans, and the remaining (62,564) thousand represents impairment based on group basis of the credit. Note 20 provides additional information on the provision of impairment loss on loans and advances to banks and customers.

The group portfolio of loans and advances has increased by 12.4% within the financial year as a result of expanding the credit activities in the Arab Republic of Egypt. The group concentrates on dealing with large institutions, banks, and individuals with strong financial credit solvency.

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the group.

Loans that are backed by collateral are not considered impaired for the nonperforming category, taking into consideration the collectability of the collateral.

(All amounts are in thousand Egyptian pounds)

31 December 2015

Grades	<u>Retail</u>				<u>Corporate entities</u>				Total
	Overdrafts	Credit cards	Personal loans	Real estate loans	Overdrafts	Syndicated loans	Direct loans	other loans	
1.Good	76,162	-	-	-	4,364,447	336,989	485,875	1,647,866	6,911,339
2.Standard monitoring	-	560,213	3,466,845	231,149	118,620	365,924	10,474	37,813	4,791,038
3.Special monitoring	-	-	-	-	325,428	676,727	283,660	42,907	1,328,722
Total	76,162	560,213	3,466,845	231,149	4,808,495	1,379,640	780,009	1,728,586	13,031,099

31 December 2014

Grades	<u>Retail</u>				<u>Corporate entities</u>				Total
	Overdrafts	Credit cards	Personal loans	Real estate loans	Overdrafts	Syndicated loans	Direct loans	Other loans	
1.Good	189,998	-	-	-	3,990,375	282,085	530,971	2,094,254	7,087,683
2.Standard monitoring	-	444,778	2,858,079	259,780	101,249	209,888	27,520	257	3,901,551
3.Special monitoring	-	-	-	-	182,448	432,626	96,488	1,947	713,509
Total	189,998	444,778	2,858,079	259,780	4,274,072	924,599	654,979	2,096,458	11,702,743

Loans and advances past due but not impaired

These are loans and advance that are past due for less than 90 days, but not impaired unless the group is otherwise informed. Loans and advance past due but not impaired are as follows:

At initial recognition of the loans and advances, fair value of collaterals is valuated based on the same valuation methods used for similar assets. In subsequent periods, fair value is updated to reflect the market prices or the prices of similar assets.

31 December 2015

<u>Retail</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal Loans</u>	<u>Real estate loans</u>	<u>Total</u>
Past due up to 30 days	1	145,194	280,233	286	425,714
Past due 30-60 days	197	33,106	81,970	296	115,569
Past due 60-90 days	-	10,274	22,982	2,848	36,104
Total	198	188,574	385,185	3,430	577,387

<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
Past due up to 30 days	60,663	940	-	117,747	179,350
Past due 30-60 days	18,259	-	-	150,203	168,462
Past due over 60 days	42,649	18,367	-	165,670	226,686
Total	121,571	19,307	-	433,620	574,498

31 December 2014

(All amounts are in thousand Egyptian pounds)

<u>Retail</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal Loans</u>	<u>Real estate loans</u>	<u>Total</u>
Past due up to 30 days	30	105,336	170,870	6,990	283,226
Past due 30-60 days	277	21,072	57,138	1,031	79,518
Past due 60-90 days	1,328	5,886	16,288	2,818	26,320
Total	1,635	132,294	244,296	10,839	389,064

<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
Past due up to 30 days	51,139	478	-	280,427	332,044
Past due 30-60 days	21,166	1	-	64,801	85,968
Past due over 60 days	128,689	3	-	23,058	151,750
Total	200,994	482	-	368,286	569,762

Loans and advances individually impaired

-Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is 448,592 thousand (2014: 463,000 thousand).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

(All amounts are in thousand Egyptian pounds)

31 December 2015	<u>Retail</u>				<u>Corporate</u>				<u>Total</u>
	Overdrafts	Credit cards	Personal Loans	Real estate loans	Overdrafts	Direct loans	Syndicated loans	Other loans	
Individually impaired loans	-	10,569	19,197	5,414	368,775	-	44,637	-	448,592
Fair value of collateral	-	545	2,484	-	-	-	-	-	3,029

(All amounts are in thousand Egyptian pounds)

31 December 2014	<u>Retail</u>				<u>Corporate</u>				<u>Total</u>
	Overdrafts	Credit cards	Personal Loans	Real estate loans	Overdrafts	Direct loans	Syndicated loans	Other loans	
Individually impaired loans	1,041	8,107	11,203	5,764	392,017	-	44,637	231	463,000
Fair value of collateral	-	312	379	-	-	-	-	-	691

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loan

(All amounts are in thousand Egyptian pounds)

	31 December 2015	31 December 2014
Corporate entities		
Overdrafts	30,611	7,803
Direct Loans	17,424	2,882
	48,035	10,685
Retail		
Personal loans	91,470	55,725
	91,470	55,725
Total	139,505	66,410

A.7 Debt securities and treasury bills

The table below presents an analysis of debt securities according to the rating agencies at year end based on Moody's assessment of the countries issuing the investments:

	<u>Treasury Bills</u>	<u>Trading securities</u>	<u>Securities available for sale</u>	<u>Total</u>
AA- to AA+	-	-	11,969	11,969
<u>BB-</u>	<u>6,274,074</u>	<u>57,420</u>	<u>2,311,647</u>	<u>8,643,141</u>
Total	6,274,074	57,420	2,323,616	8,655,110

A.8 Repossessed collateral

During 2015, the bank did not obtain assets by taking possession of collateral held as security

A.9 Concentration of risks of financial assets with credit risk exposure

□ *Geographical sectors*

The following table breaks down the group's credit exposure at their carrying amounts as categorised by geographical region. For this table, the group has allocated exposures to regions based on the country of domicile of its clients.

31 December 2015

	<i>Cairo</i>	<i>Alex., Delta & Sinai</i>	<i>Upper Egypt</i>	Total	Other countries	Total
Balances with CBE	1,361,031	-	-	1,361,031	-	1,361,031
Due from banks	4,721,267	-	-	4,721,267	1,500,461	6,221,728
Treasury bills	6,274,074	-	-	6,274,074	-	6,274,074
Debt instruments held for trading	57,420	-	-	57,420	-	57,420
Loans to banks	-	-	-	-	167,470	167,470
Loans to customers:	-	-	-	-	-	-
- Overdrafts	4,244,641	1,072,891	57,669	5,375,201	-	5,375,201
- Credit cards	759,356	-	-	759,356	-	759,356
- Personal Loans	2,208,237	1,121,845	541,145	3,871,227	-	3,871,227
- Real Estate Loans	193,143	46,456	394	239,993	-	239,993
- Term Loans	2,050,091	173,502	-	2,223,593	-	2,223,593
- Other Loans	1,987,726	163,877	10,603	2,162,206	-	2,162,206
Derivatives	31,601	-	-	31,601	-	31,601
Investment securities available for sale	2,311,647	-	-	2,311,647	11,969	2,323,616
Other Assets	142,680	19,984	7,450	170,114	-	170,114
As at 31 December 2015	26,342,914	2,598,555	617,261	29,558,730	1,679,900	31,238,630

As at 31 December 2014	24,687,055	1,759,669	434,442	26,881,166	3,192,916	30,074,082
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□ *Industry sectors*

The following table breaks down the group's credit exposure at carrying categorized by the industry sectors of the Group's clients.

31 December 2015	Financial institutions	Manufacturing	Commercial	Governmental	Other industries	Individuals	Total
Balances with CBE	-	-	-	1,361,031	-	-	1,361,031
Due from banks	2,056,759	-	-	4,164,969	-	-	6,221,728
Treasury bills	-	-	-	6,274,074	-	-	6,274,074
Debt instruments held for trading	-	-	-	57,420	-	-	57,420
Loans to Banks	167,470	-	-	-	-	-	167,470
<u>Loans to customers:</u>							
Individuals:	-	-	-	-	-	76,360	76,360
- Overdrafts	-	-	-	-	-	759,356	759,356
- Credit cards	-	-	-	-	-	3,871,227	3,871,227
- Personal Loans	-	-	-	-	-	239,993	239,993
- Real Estate Loans	9,411	3,098,773	1,098,672	212,216	879,769	-	5,298,841
Corporate entities:							
- Overdrafts	112,975	568,160	28,497	-	89,684	-	799,316
- Direct Loans	-	176,338	309,204	86,397	852,338	-	1,424,277
- Syndicated Loans	-	1,163,755	752,498	38,261	207,692	-	2,162,206
- Other loans	15,235	8,479	-	-	7,887	-	31,601
Financial instruments derivatives	11,969	-	-	2,311,647	-	-	2,323,616
Available for sale investment	12,998	27,462	11,985	79,427	11,156	27,086	170,114
HTM investment securities	-	-	-	1,361,031	-	-	1,361,031
Other Assets	2,056,759	-	-	4,164,969	-	-	6,221,728
As at 31 December 2015	2,386,817	5,042,967	2,200,856	14,585,442	2,048,526	4,974,022	31,238,630
As at 31 December 2014	3,741,080	4,315,083	2,227,491	13,452,445	2,126,109	4,211,874	30,074,082

B. Market risk

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products all of which to expect are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads foreign exchange rates and equity prices The group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in group treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit regularly.

Trading portfolios include those positions arising from market-making transactions where the group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the group's held-to-maturity and available-for-sale investments.

B.1 Market risk measurement techniques

As part of the management of market risk, The group enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below.

Value at risk

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

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the group might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10-day periods in the past. The group's assessment of past movements is based on data for the past five years. The group applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements

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

The quality of the VAR model is continuously monitored by back-testing the VAR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated, and all back-testing results are reported to the Board of Directors.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by group treasury include: risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and adhoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

B.2 Summary of value at risk

VAR for trading portfolio as per the risk type

(All amounts are in thousand Egyptian pounds)

	12 months till			12 months till		
	31 December 2015			31 December 2014		
	Average	High	Low	Average	High	Low
Foreign exchange risk	(2,392)	(3,074)	(1,842)	(519)	(1,401)	(16)
Interest rate risk	<u>(1,329)</u>	<u>(2,373)</u>	<u>(957)</u>	<u>(2,589)</u>	<u>(5,114)</u>	<u>(948)</u>
VAR	(2,423)	(2,969)	(2,044)	(6,533)	(8,308)	(4,628)

The increase in the VAR especially in interest rate risk is correlated with the sensitivity in international financial market interest rate.

The three above results are calculated independently of the intended positions and the historical market movements. The gross VAR of the trading and the non-trading does not represents the exposed value of the group risk due to the correlation between the risk types, portfolio types and whatever the effect following it .

B.3 Foreign exchange risk

The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by level of currency and in aggregate for both overnight and intra-day positions which are monitored daily. The table below summarises the group's exposure to foreign currency exchange rate risk at.

Included in the table are the group's financial instruments at carrying amounts, categorised by currency:

Foreign currency risk concentration on financial instruments

As at 31 December 2015	EGP	USD	EUR	GBP	CHF	Other	Total in EGP
Assets							
Cash and balances with central banks	1,870,603	143,391	48,501	11,271	1,153	12,123	2,087,042
Due from banks	2,950,225	2,689,773	333,453	174,846	18,540	54,891	6,221,728
Treasury bills	6,274,074	-	-	-	-	-	6,274,074
Debt instruments held for trading	60,805	-	-	-	-	-	60,805
Loans to banks	-	165,035	67	2,368	-	-	167,470
Loans and advances to customers	9,479,889	3,223,680	945,803	22,620	3,523	101,364	13,776,879
Financial derivatives	10,263	15,619	5,558	57	-	104	31,601
Available for sale	2,323,561	9,772	11,969	-	-	-	2,345,302
Other Assets	161,313	6,842	1,686	39	-	234	170,114
Total financial assets	23,130,733	6,254,112	1,347,037	211,201	23,216	168,716	31,135,015
Financial liabilities							
Due to banks	116,077	4,532	160	-	-	-	120,769
Customers deposits	18,845,669	6,368,946	1,149,906	208,160	23,215	65,891	26,661,787
Financial derivatives	12,252	19,501	3,537	107	-	-	35,397
Long-term loans	28,687	-	-	-	-	-	28,687
Other Liabilities	152,203	1,571	72	76	-	4	153,926
Total financial liabilities	19,154,888	6,394,550	1,153,675	208,343	23,215	65,895	27,000,566
Net on balance sheet financial position	3,975,845	(140,438)	193,362	2,858	1	102,821	4,134,449
Credit commitments	2,872,934	1,746,467	1,455,109	27,037	1,949	567,338	6,670,834

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the assets and liabilities management department with assistance of the group treasury department.

The tables below summaries the group's exposure to the interest rate fluctuations risk which include carrying value of the financial instruments categorized based on the repricing dates or the maturity date – whichever is earlier.

EGP in thousands

<u>As at</u> <u>31 December.</u> <u>2015</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-</u> <u>interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	1,870,603	1,870,603
Due from banks	2,905,000	-	-	-	-	45,225	2,950,225
Treasury bills	4,105,330	1,608,951	559,793	-	-	-	6,274,074
Debt instruments held for trading	57,420	-	-	-	-	3,385	60,805
Loans to customers	3,274,789	865,242	2,251,049	2,947,858	140,951	-	9,479,889
Available for sale	10,000	3,457	498,845	1,799,344	-	11,915	2,323,561
Held to maturity	417	833	3,750	-	-	71,634	76,634
Other assets	-	-	-	-	-	171,250	171,250
Total assets	10,352,956	2,478,483	3,313,437	4,747,202	140,951	2,174,012	23,207,041
Liabilities							
Due to banks	-	-	-	-	-	116,077	116,077
Customers deposits	6,284,939	1,485,286	1,815,743	3,546,406	13,944	5,699,351	18,845,669
Long-term loans	1,287	1,000	9,197	17,202	-	-	28,687
Other Liabilities	-	-	-	-	-	152,203	152,203
Total liabilities	6,286,226	1,486,286	1,824,940	3,563,608	13,944	5,967,631	19,142,636
Total interest repricing gap	4,066,730	992,197	1,488,497	1,183,594	127,007	(3,793,619)	4,064,405

<u>As at</u> <u>31 December 2014</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-</u> <u>interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	1,927,137	1,927,137
Due from banks	2,522,000	-	-	-	-	25,762	2,547,762
Treasury bills	2,720,945	1,102,002	2,427,341	-	-	-	6,250,288
Debt instruments held for trading	43,008	-	-	-	-	3,391	46,399
Loans to customers	4,584,775	405,743	1,038,030	2,091,102	97,455	-	8,217,105
Available for sale	3,466	282,740	867,518	1,251,496	-	10,359	2,415,579
Held to maturity	-	-	-	-	-	76,634	76,634
Other assets	-	-	-	-	-	152,074	152,074
Total assets	9,874,194	1,790,485	4,332,889	3,342,598	97,455	2,195,357	21,632,978
liabilities							
Due to banks	-	-	-	-	-	17,116	17,116
Customers deposits	5,327,038	1,549,924	2,249,353	3,650,417	12,767	5,299,333	18,088,832
Long-term loans	1,531	2,125	13,115	25,827	-	-	42,598
Other Liabilities	-	-	-	-	-	148,409	148,409
Total liabilities	5,328,569	1,552,049	2,262,468	3,676,244	12,767	5,464,858	18,296,955
Total interest repricing gap	4,545,625	238,436	2,070,421	(333,646)	84,688	(3,269,501)	3,336,023

USD in thousands

<u>As at 31 December.</u> <u>2015</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	18,550	18,550
Due from banks	103,445	164,765	79,751	-	-	-	347,961
Loans to banks	2,483	6,887	11,980	-	-	-	21,350
Loans to customers	413,367	2,157	1,506	-	-	-	417,030
Available for sale	-	-	-	-	-	1,264	1,264
Other assets	-	-	-	-	-	885	885
Total assets	519,295	173,809	93,237	-	-	20,699	807,040
Liabilities							
Due to banks	586	-	-	-	-	-	586
Customers deposits	303,893	247,682	30,735	3,000	-	238,605	823,915
Other Liabilities	-	-	-	-	-	203	203
Total liabilities	304,479	247,682	30,735	3,000	-	238,808	824,704
Total interest repricing gap	214,816	(73,873)	62,502	(3,000)	-	(218,109)	(17,664)

<u>As at 31 December</u> <u>2014</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	61,167	61,167
Due from banks	74,906	366,675	-	-	-	13,110	454,691
Loans to banks	-	5,668	-	-	-	-	5,668
Loans to customers	344,236	62,867	61,443	-	-	-	468,546
Available for sale	-	100	-	-	-	1,264	1,364
Other assets	-	-	-	-	-	1,178	1,178
Total assets	419,142	435,310	61,443	-	-	76,719	992,614
Liabilities							
Due to banks	-	-	1,200	-	-	10,943	12,143
Customers deposits	315,795	386,969	16,619	-	5	212,249	931,637
Other liabilities	-	-	-	-	-	150	150
Total liabilities	315,795	386,969	17,819	-	5	223,342	943,930
Total interest repricing gap	103,347	48,341	43,624	-	(5)	(146,623)	48,684

EUR in thousands

<u>As at 31 December</u> <u>2015</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5years	Non- interest bearing	Total
Assets							
Cash and balances with central bank	-	-	-	-	-	5,760	5,760
Due from banks	36,000	-	-	-	-	3,601	39,601
Loans to customers	112,106	-	217	-	-	-	112,323
Available for sale	-	-	-	1,421	-	-	1,421
Other assets	-	-	-	-	-	200	200
Total assets	148,106	-	217	1,421	-	9,561	159,305
Liabilities							
Due to banks	-	-	-	-	-	19	19
Customers deposits	59,782	12,543	5,545	1,270	-	57,422	136,562
Other Liabilities	-	-	-	-	-	9	9
Total liabilities	59,782	12,543	5,545	1,270	-	57,450	136,590
Total interest repricing gap	88,324	(12,543)	(5,328)	151	-	(47,889)	22,715

<u>As at 31 December</u> <u>2014</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5years	Non- interest bearing	Total
Assets							
Cash and balances with central bank	-	-	-	-	-	6,180	6,180
Due from banks	39,000	25,000	-	-	-	2,849	66,849
Loans to customers	67,250	4,164	8	-	-	-	71,422
Available for sale	-	653	2,816	-	1,452	-	4,921
Other assets	-	-	-	-	-	146	146
Total assets	106,250	29,817	2,824	-	1,452	9,175	149,518
Liabilities							
Due to banks	-	-	-	-	-	305	305
Customers deposits	70,299	13,012	6,382	1,270	-	74,067	165,030
Long-term Loans	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	22	22
Total liabilities	70,299	13,012	6,382	1,270	-	74,394	165,357
Total interest repricing gap	35,951	16,805	(3,558)	(1,270)	1,452	(65,219)	(15,839)

C. Liquidity risk

Liquidity risk is the risk that the group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments.

Liquidity risk management process

The group liquidity management process, as carried out within the group and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers. The group maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.
- Managing the concentration and profile of debt maturities.

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

With the cooperation with group's Treasury, Assets and Liability management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

Sources of liquidity are regularly reviewed by a separate team in group's Treasury to maintain a wide diversification by currency, geography, provider, product and term.

Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the group under non-derivative financial liabilities for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position.

The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the group manages the liquidity risk based on the undiscounted expected cash flows and not the contractual cash flows.

EGP in thousands

<u>As at 31 December 2015</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	116,077	-	-	-	-	116,077
Customers deposits	8,339,268	1,802,226	3,241,974	5,448,257	13,944	18,845,669
Long-term Loans	1,287	1,000	9,197	17,202	-	28,687
Total liabilities (contractual maturity dates)	8,456,632	1,803,226	3,251,171	5,465,459	13,944	18,990,433
Assets held for managing liquidity risk (contractual maturity dates)	9,459,995	2,686,072	3,954,334	6,566,440	368,950	23,035,791
<u>As at 31 December 2014</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	17,116	-	-	-	-	17,116
Customers deposits	7,749,093	1,826,448	3,515,645	5,406,019	27,218	18,524,423
Long-term Loans	1,531	2,125	13,115	25,827	-	42,598
Total liabilities (contractual maturity dates)	7,767,740	1,828,573	3,528,760	5,431,846	27,218	18,584,137
Assets held for managing liquidity risk (contractual maturity dates)	7,579,884	2,720,174	6,293,177	4,708,617	179,052	21,480,904

USD in thousands

<u>As at 31 December 2015</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	586	-	-	-	-	586
Customers deposits	298,600	261,047	131,661	132,607	0	823,915
Total liabilities (contractual maturity dates)	299,186	261,047	131,661	132,607	0	824,501
Assets held for managing liquidity risk (contractual maturity dates)	196,804	245,986	218,651	140,052	4,662	806,155
<u>As at 31 December 2014</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	10,943	-	1,200	-	-	12,143
Customers deposits	290,235	392,544	121,874	128,508	-	933,161
Total liabilities (contractual maturity dates)	301,178	392,544	123,074	128,508	-	945,304
Assets held for managing liquidity risk (contractual maturity dates)	209,612	512,326	170,208	86,180	13,110	991,436

EUR in thousands

<u>As at 31 December 2015</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	19	-	-	-	-	19
Customers deposits	58,921	16,611	29,522	31,508	-	136,562
Long-term Loans	-	-	-	-	-	-
Total liabilities (contractual maturity dates)	58,940	16,611	29,522	31,508	-	136,581
Assets held for managing liquidity risk (contractual maturity dates)	89,523	28,317	38,016	3,249	-	159,105

<u>As at 31 December 2014</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	305	-	-	-	-	305
Customers deposits	78,887	17,702	33,507	35,100	48	165,244
Long-term Loans	-	-	-	-	-	-
Total liabilities (contractual maturity dates)	79,192	17,702	33,507	35,100	48	165,549
Assets held for managing liquidity risk (contractual maturity dates)	58,248	41,596	43,289	6,239	-	149,372

The group has divided the financial assets and liabilities as per the contractual maturity to the periods mentioned above through the main automated system of group, Expected returns on those financial assets and liabilities were calculated and divided on the same basis as the above mentioned basis. When calculating, the expected returns non-renewal of those assets and liabilities at maturity has been assumed. Available assets used to meet all the liabilities and to cover all the commitments related to loans include cash, balances with central banks and sue from banks, treasury bills and other governmental securities, and loans and advances to banks and customers.

Proportion of loans to clients maturity has been extended which are due within a year and during the normal activity of the group. In addition, there are some pledged debt instruments, treasury bills and government securities to guarantee the liabilities. The Group has the ability to meet the unexpected net cash flows through the sale of securities and to find other sources of funding.

Derivatives

a) *Derivatives settled on a net basis*

The Group's derivatives that will be settled on a net basis include:

- Foreign exchange derivatives : over-the-counter (OTC) currency options, currency futures, exchange traded currency options; and
- Interest rate derivatives: interest rate swaps for which net cash flows are exchanged, forward rate agreements, OTC interest rate options, exchange traded interest rate futures, exchange traded interest rate options and other interest rate contracts.

The table below analyses the group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>As at 31 December</u> <u>2015</u>	<u>Up to</u> <u>1month</u>	<u>1-3</u> <u>months</u>	<u>3-12</u> <u>months</u>	<u>1-5</u> <u>years</u>	<u>Over 5</u> <u>years</u>	<u>Total</u>
Derivatives held for trading: Interest rate derivatives	-	-	-	-	(2,475)	(2,475)
Total	-	-	-	-	(2,475)	(2,475)
<u>As at 31 December</u> <u>2014</u>	<u>Up to</u> <u>1month</u>	<u>1-3</u> <u>months</u>	<u>3-12</u> <u>months</u>	<u>1-5</u> <u>years</u>	<u>Over 5</u> <u>years</u>	<u>Total</u>
Derivatives held for trading: Interest rate derivatives	-	-	-	-	(5,629)	(5,629)
Total	-	-	-	-	(5,629)	(5,629)

b) *Derivatives settled on a gross basis*

The group's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forward, currency swaps; and
- Interest rate derivatives: interest rate swaps for which cash flows are exchanged on a gross basis, cross currency interest rate swaps

The table below analyses the group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>As at 31 December 2015</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	990,159	199,428	393,065	12,367	-	1,595,019
– Inflow	<u>989,811</u>	<u>198,315</u>	<u>392,724</u>	<u>9,418</u>	-	<u>1,590,268</u>
Total outflow	990,159	199,428	393,065	12,367	-	1,595,019
Total inflow	989,811	198,315	392,724	9,418	-	1,590,268

<u>As at 31 December 2014</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	476,075	39,231	12,519	34,650	-	562,475
– Inflow	<u>476,588</u>	<u>41,412</u>	<u>12,530</u>	<u>29,021</u>	-	<u>559,551</u>
Total outflow	476,075	39,231	12,519	34,650	-	562,475
Total inflow	476,588	41,412	12,530	29,021	-	559,551

Off-balance sheet items

<u>As at 31 December 2015</u>	1 year	1-5 years	Over 5 years	Total
Loan commitments.	1,706,002	134,614	-	1,840,616
Acceptances and other financial facilities	4,292,137	502,217	35,864	4,830,218
Operating lease commitments	-	-	-	-
Capital commitments	31,874	-	-	31,874
Total	6,030,013	636,831	35,864	6,702,708

D. Fair value of financial assets and liabilities

D.1 Financial instruments measured at fair value using valuation techniques

The change in the assessed fair value using the valuation techniques through the financial year is 7,806 thousand (2014 7,516 thousand).

D.2 Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value:

	Book Value		Value Fair	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<u>Financial Assets</u>				
Due from banks	6,221,728	6,538,686	6,221,728	6,538,686
Current Loans	8,624,195	8,632,606	8,624,195	8,632,606
held to maturity	76,634	76,634	92,378	107,790
	14,922,557	15,247,926	14,938,301	15,279,082
<u>Financial liabilities</u>				
Due to banks	120,769	106,461	120,769	106,461
Current deposits	19,636,464	18,728,599	19,636,464	18,728,599
	19,757,233	18,835,060	19,757,233	18,835,060

Due from Banks

The fair value of due from banks represents the book value, where all balances are current balances matured during the year.

Loans and advances to customers

Loans and advances are net of charges for impairment loan losses. Loans and advances to customers divided into current and noncurrent balances the book value of the current balances is considered the fair value , and the non current balances cannot be determined their fair value.

Investment securities

Investment securities disclosed in the table above comprise only those financial assets classified as held to maturity.

The fair value for loans and receivables and held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Due to Banks

The fair value of due to banks represents the book value, where all balances are current balances matured during the year

Deposits due to customers:

The customer deposits are divided in to current and non current balances. The book value of the current balances is considered the fair value, while the non current balances cannot be determined as a fair value

E. Capital management

The group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by Arab Republic of Egypt.
- To safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the group's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Central Bank of Egypt (CBE) for supervisory purposes, the required information is filed with the Authority on a quarterly basis.

The CBE requires the group to:

- 1) Retain the amount of 500 million EGP as minimum for the issued share capital and paid-up
- 2) The group maintains a ratio of 10% or more of total regulatory capital to its risk-weighted assets and liabilities.

The capital adequacy ratio numerator comprises two tiers:

Tier 1 capital:

Consists of two parts, Going concern capital and additional going concern

Tier 2 capital:

Gone concern capital, qualifying subordinated loan capital, consists of :

- 45% of the value of foreign currency translation differences reserve .
- 45% of the value of the special reserve.
- 45% of the increase in fair value the carrying value of financial investments (if positive).
- 45% of reserve fair value of available-for-sale financial investments.
- 45% of the increase in fair value the carrying value of financial investments held to maturity.
- 45% of the increase in the fair value of the book value of financial investments in subsidiaries and affiliates.
- Other financial convoluted instruments.
- Subordinated loans.
- Loan loss provision "General" by not more than 1.25% of total assets and contingent liabilities weighted risk weights.

Type of Risk :

- Credit Risk.
- Market Risk.
- Operations Risk.

The risk weighted assets are between zero and 100% classified according to the nature of the debit party for each assets which reflect the assets related credit risk taking into consideration the cash guarantees. The same treatment is used for the off balance sheet amounts after performing the adjustments to reflect the contingent nature and the expected losses for these amounts.

The bank complied with local capital requirements and with the countries requirements where outside branches (based on Basel II) were operating in the last two years.

	<u>31 December 2015</u>	<u>31 December 2014</u>
	<u>LE,000</u>	<u>LE,000</u>
Going Concern Capital	2,352,631	2,174,322
Gone Concern Capital	217,139	209,661
Total Capital	<u>2,569,770</u>	<u>2,383,983</u>
Credit Risk	14,855,976	14,051,460
Market Risk	92,958	108,827
Operation Risk	2,907,561	2,504,264
Total Risks	<u>17,856,494</u>	<u>16,664,551</u>
Capital Adequacy Ratio %	<u>%14.39</u>	<u>%14.31</u>

Leverage Ratio:

	<u>31 December 2015</u>	<u>31 December 2014</u>
	<u>LE,000</u>	<u>LE,000</u>
Going Concern Capital	<u>2,352,631</u>	<u>2,174,322</u>
On Balance Sheet Risk	33,780,831	31,428,880
Derivatives Risk	43,771	60,981
Off Balance Sheet Risk	3,438,457	4,118,734
Total Risks	<u>37,263,059</u>	<u>35,608,595</u>
Leverage Ratio %	<u>%6.31</u>	<u>%6.11</u>

4. Critical accounting estimates and judgments

The group makes estimates and assumptions that affect the presented amounts of assets and liabilities within the next financial year. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events which believed to be reasonable during the current conditions and available information.

A. Impairment losses on loans and advances

The group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the group makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

B. Impairment of available-for-sale equity investments

The group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the group evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had all the declines in fair value below cost been considered significant or prolonged, the group would have recognized an additional loss presented in the transfer from the fair value reserve to the in the income statement.

C. Fair value of Derivatives

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

D. Held-to-maturity investments

The group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the group is

required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortized cost, in addition to hanging the classification of any investments in this category.

E. Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period where the differences exist.

5. Segment analysis

Segment activity involves operating activities, assets used in providing banking services, and risk and return management associated with this activity, which might differ from other activities. Segment analysis for the banking operations involves the following:

Large, medium, and small enterprises:

Including current account, deposit, overdraft account, loan, credit facilities, and financial derivative activities.

Investment:

Encompasses money management activities.

Retail:

Encompasses current account, saving account, deposit, credit card, personal loans, and real estate loans activities,

Asset and liability management:

Encompasses other banking operations, such as asset and liability management. It also encompasses administrative expenses that can hardly be classified with other sectors.

Transactions among segments are performed according to the group's operating cycle, and include operating assets and liabilities as presented in the group's statement of financial position.

a. Segment reporting analysis

<u>At 31 December 2015</u>	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
<u>Revenues and expenses according to the sector activity</u>						
Revenues of the sector activity	579,608	376,137	161,287	752,487	405,618	2,275,137
Expenses of the sector	<u>(231,481)</u>	<u>(194,951)</u>	<u>(32,258)</u>	<u>(456,091)</u>	-	<u>(914,781)</u>
Result of the sector operations	348,127	181,186	129,029	296,396	405,618	1,360,356
Profit before tax	348,127	181,186	129,029	296,396	405,618	1,360,356
Taxes	<u>(84,881)</u>	<u>(50,218)</u>	<u>(31,132)</u>	<u>(64,885)</u>	<u>(91,880)</u>	<u>(322,996)</u>
Net profit	263,246	130,968	97,897	231,511	313,738	1,037,360
<u>Assets and Liabilities according to the sector activity</u>						
Assets of the sector activity	<u>6,467,790</u>	<u>2,689,949</u>	<u>8,815,691</u>	<u>4,826,704</u>	<u>9,129,618</u>	<u>31,929,752</u>
Total assets	6,467,790	2,689,949	8,815,691	4,826,704	9,129,618	31,929,752
Liabilities of the sector activity	<u>5,019,537</u>	<u>3,354,058</u>	<u>3,893,250</u>	<u>13,650,590</u>	<u>2,529,978</u>	<u>28,447,413</u>
Total Liabilities	5,019,537	3,354,058	3,893,250	13,650,590	2,529,978	28,447,413
<u>At 31 December 2014</u>	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
<u>Revenues and expenses according to the sector activity</u>						
Revenues of the sector activity	491,043	338,223	103,646	605,262	305,504	1,843,678
Expenses of the sector	<u>(145,027)</u>	<u>(297,024)</u>	<u>(13,435)</u>	<u>(407,794)</u>	-	<u>(863,280)</u>
Result of the sector operations	346,016	41,199	90,211	197,468	305,504	980,398
Profit before tax	346,016	41,199	90,211	197,468	305,504	980,398
Taxes	<u>(103,805)</u>	<u>(12,360)</u>	<u>(27,063)</u>	<u>(59,240)</u>	<u>(102,269)</u>	<u>(304,737)</u>
Net profit	242,211	28,839	63,148	138,228	203,235	675,661
<u>Assets and Liabilities according to the sector activity</u>						
Assets of the sector activity	<u>5,936,641</u>	<u>2,578,665</u>	<u>10,996,303</u>	<u>3,790,809</u>	<u>7,876,038</u>	<u>31,178,457</u>
Total assets	5,936,641	2,578,665	10,996,303	3,790,809	7,876,038	31,178,457
Liabilities of the sector activity	<u>4,873,355</u>	<u>3,234,330</u>	<u>4,314,364</u>	<u>14,355,034</u>	<u>1,469,796</u>	<u>28,246,879</u>
Total Liabilities	4,873,355	3,234,330	4,314,364	14,355,034	1,469,796	28,246,879

b. Geographical sector analysis

At 31 December 2015	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	2,724,870	591,337	193,242	3,509,449
Expenses of the Geographical sectors	<u>(1,574,162)</u>	<u>(433,032)</u>	<u>(141,899)</u>	<u>(2,149,093)</u>
Result of sector operations	1,150,708	158,305	51,343	1,360,356
Profit before tax	1,150,708	158,305	51,343	1,360,356
Tax	<u>(275,825)</u>	<u>(35,619)</u>	<u>(11,552)</u>	<u>(322,996)</u>
Profit of the year	874,883	122,686	39,791	1,037,360

At 31 December 2014	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	2,425,404	425,793	220,246	3,071,443
Expenses of the Geographical sectors	<u>(1,920,880)</u>	<u>(169,579)</u>	<u>(586)</u>	<u>(2,091,045)</u>
Result of sector operations	504,524	256,214	219,660	980,398
Profit before tax	504,524	256,214	219,660	980,398
Tax	<u>(161,975)</u>	<u>(76,864)</u>	<u>(65,898)</u>	<u>(304,737)</u>
Profit of the year	342,549	179,350	153,762	675,661

6. <u>Net interest income</u>	31 December 2015 LE,000	31 December 2014 LE,000
Interest on loans and similar income		
To banks	269,761	175,108
To customers	1,411,545	1,307,621
	<u>1,681,306</u>	<u>1,482,729</u>
Treasury bills	695,024	558,830
Investments in held to maturity and available for sale debt instruments	319,838	327,463
	<u>2,696,168</u>	<u>2,369,022</u>
Interest expenses and similar charges		
Deposits and current accounts:		
- To banks	(11,116)	(4,449)
- To customers	(1,074,800)	(1,112,622)
- Others	(4,719)	(5,848)
	<u>(1,090,635)</u>	<u>(1,122,919)</u>
Net interest income	<u>1,605,533</u>	<u>1,246,103</u>

7. <u>Net fee and commission income</u>	31 December 2015 LE,000	31 December 2014 LE,000
Fee and Commission income :		
Credit related fees and commissions	518,278	477,182
Trust and other fiduciary fees	8,182	8,048
Other fees	98,149	89,286
Total	<u>624,609</u>	<u>574,516</u>
Fee and Commission expense :		
Other fees and commissions paid	(143,677)	(118,285)
	<u>(143,677)</u>	<u>(118,285)</u>
Net fee and Commission	<u>480,932</u>	<u>456,231</u>

8. <u>Dividend Income</u>	30 December 2015 LE,000	31 December 2014 LE,000
Available for Sale	3,133	2,026
H.T.M	4,136	5,041
	<u>7,269</u>	<u>7,067</u>

	31 December 2015 LE,000	31 December 2014 LE,000
9. <u>Net trading income</u>		
Foreign exchange:		
Gains from foreign currencies transactions	120,872	66,510
Gain on revaluation of forward rate contracts	555	422
(Loss) Gain on revaluation of currency swap contracts	76	1,985
Gain on revaluation of option deals	6,149	15,584
Debt trading instruments	31,754	36,538
Equity trading instruments	2	1
	159,408	121,040
10. <u>Gains from financial investments</u>		
Losses on sale of AFS	(315)	-
Gain on sale of Treasury Bills	10,471	7,219
	10,156	7,219
11. <u>Impairment charge for credit losses</u>		
Loans and advances to customers	(117,504)	(111,342)
	(117,504)	(111,342)
12. <u>Administrative expenses</u>		
Staff costs		
Wages and salaries	(338,552)	(310,663)
Social insurance costs	(44,916)	(43,199)
	(383,468)	(353,862)
Other Administrative expenses	(346,836)	(345,677)
Stamp Duty on Loans	(66,973)	(52,399)
	(797,277)	(751,938)

13. <u>Other operating income</u>	31 December 2015 LE,000	31 December 2014 LE,000
Other provisions	(15,004)	(5,082)
Impairment of assets acquired in settl. Of debits	(280)	(196)
Sale of assets acquired in settl. Of debits	59	1,488
Sale on Fixed Assets	21,875	4,703
Others	5,189	5,705
	11,839	6,618

14. <u>Income tax expense</u>	31 December 2015 LE,000	31 December 2014 LE,000
Profit before tax	1,037,004	983,164
Tax calculated at a tax rate of 30%	-	(294,949)
Tax calculated at a tax rate of 22.5%	(306,080)	
Expenses not deductible for tax purposes	(23,058)	(29,238)
Income not subject to tax	32,220	25,866
Tax exemption	43,433	65,985
Provisions effect	(51,550)	(68,477)
Prior year settlement	(17,961)	-
Income tax expense	(322,996)	(300,813)

15. <u>Cash and due Central Bank of Egypt</u>	31 December 2015 LE,000	31 December 2014 LE,000
Cash in hand	726,011	1,017,338
Balances with the Central Bank of Egypt limited to the reserve ratio	1,361,031	1,412,000
	2,087,042	2,429,338
Non-interest bearing balances	2,087,042	2,429,338
	2,087,042	2,429,338

	31 December 2015 LE,000	31 December 2014 LE,000
16. <u>Due from banks</u>		
Current accounts	383,376	191,836
Placements with other banks	5,838,352	6,346,878
	6,221,728	6,538,714
Central banks	3,867,427	3,075,656
Local banks	753,840	399,598
Foreign banks	1,600,461	3,063,460
	6,221,728	6,538,714
Non-interest bearing balances	383,376	191,836
Fixed interest bearing balances	5,838,352	6,346,878
	6,221,728	6,538,714
17. <u>Treasury bills</u>	31 December 2015 LE,000	31 December 2014 LE,000
Treasury bills represent the following according to maturities:		
Treasury bills, maturity 91 days	1,500,475	1,162,800
Treasury bills, maturity 182 days	1,388,475	865,875
Treasury bills, maturity 273 days	1,525,800	2,063,200
Treasury bills, maturity 364 days	1,957,200	2,410,450
Unearned interest	(97,876)	(252,037)
	6,274,074	6,250,288
18. <u>Held for trading investments</u>	31 December 2015 LE,000	31 December 2014 LE,000
Debt securities held for trading		
Government bonds	57,420	43,008
	57,420	43,008
Equity securities:		
Mutual funds certificates	3,385	3,391
	3,385	3,391
Total	60,805	46,399

19. <u>Loans to banks</u>	31 December 2015 LE,000	31 December 2014 LE,000
Other loans	167,470	40,471
Total	167,470	40,471
20. <u>Loans and advances to customers (net)</u>	31 December 2015 LE,000	31 December 2014 LE,000
Individual		
Overdrafts	76,360	192,674
Credit cards	759,356	585,179
Personal Loans	3,871,227	3,113,578
Mortgages	239,993	276,383
Total (1)	4,946,936	4,167,814
Corporate entities		
Overdrafts	5,298,841	4,867,083
Direct Loans	799,316	655,461
Syndicated loans	1,424,277	969,236
Other Loans	2,162,206	2,464,975
Total (2)	9,684,640	8,956,755
Total Loans and advances (1+2)	14,631,576	13,124,569
Less : Unearned income	(7)	(677)
Less : suspense interest	(25,777)	(27,497)
Less: allowance for impairment	(828,913)	(697,898)
Net	13,776,879	12,398,497
Current Balances	8,624,195	8,169,681
Non-Current Balances	6,007,381	4,954,888
	14,631,576	13,124,569

Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

31 December 2015

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at the beginning of the year	283	22,580	81,777	-	104,640
Impairment charges	605	10,039	32,509	-	43,153
Loans written off during the year	(598)	(7,046)	(25,841)	-	(33,485)
Amount recoveries during the year	-	4,591	22,653	-	27,244
Balance at the year end	290	30,164	111,098	-	141,552

Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at the beginning of the year	378,964	87,630	96,741	29,923	593,258
Impairment charges	(54,718)	102,442	13,522	13,105	74,351
Loans written off during the year	(10,692)	-	-	-	(10,692)
Amount recoveries during the year	7,623	-	-	-	7,623
Transfers	4,107	-	-	-	4,107
Exchange differences	11,875	2,862	3,037	940	18,714
Balance at the year end	337,159	192,934	113,300	43,968	687,361
Total					828,913

31 December 2014

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at the beginning of the year	13	19,317	67,487	4,753	91,570
Impairment charges	404	5,220	3,822	-	9,446
Loans written off during the year	(134)	(6,776)	(24,022)	-	(30,932)
Amount recoveries during the year	-	4,819	28,919	818	34,556
Balance at the year end	283	22,580	76,270	5,507	104,640

Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at the beginning of the year	270,550	98,723	124,255	20,199	513,727
Impairment charges	133,957	(12,410)	(29,115)	9,464	101,896
Loans written off during the year	(31,087)	-	-	-	(31,087)
Amount recoveries during the year	1,390	-	-	-	1,390
Transfers	(33)	-	-	-	(33)
Exchange differences	4,187	1,317	1,601	260	7,365
Balance at the year end	378,964	87,630	96,741	29,923	593,258
Total					697,898

21. Derivatives financial instruments

The Bank uses the following derivative instruments for both hedging and non-hedging purposes.

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.
- Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.
- Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps.
- The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, and a proportion of the notional amount of the contracts. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.
- Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set year, a specific amount of a foreign currency or a financial instrument at a pre determined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Bank and a customer (OTC). The Bank is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.
- The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks.
- The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

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Derivatives:

31 December 2015	Contractual amount	Assets	Liabilities
Derivatives held for trading			
Currency forwards	495,871	3,479	6,979
Currency swaps	1,093,574	14,407	12,228
OTC currency options	353,491	1,068	1,068
	1,942,936	18,954	20,275
Interest rate derivatives			
Interest rate swaps	1,352,618	12,647	15,122
	1,352,618	12,647	15,122
Total derivatives held for trading	3,295,554	31,601	35,397

31 December 2014	Contractual amount	Assets	Liabilities
Derivatives held for trading			
Currency forwards	54,770	5	147
Currency swaps	457,189	4,832	1,946
OTC currency options	1,924,508	20,667	20,667
	2,436,467	25,504	22,760
Interest rate derivatives			
Interest rate swaps	962,234	29,021	34,650
	962,234	29,021	34,650
Total derivatives held for trading	3,398,701	54,525	57,410

22. <u>Financial Investments</u>	31 December 2015 LE,000	31 December 2014 LE,000
Available for sale investments		
Listed debt securities - at fair value	2,311,647	2,405,220
Unlisted debt securities - at fair value	11,969	43,222
Unlisted Equity securities – at Cost	21,686	19,385
Total available for sale Investments	2,345,302	2,467,827
Held to maturity investment		
Mutual fund Certificates - according to law requirements	76,634	76,634
Total held to maturity investments	76,634	76,634
Total Financial investments	2,421,936	2,544,461
Current Balances	518,161	1,170,892
Non-current balances	1,903,775	1,373,569
	2,421,936	2,542,461

Debt instruments with fixed interest rates	2,311,647	2,367,185
Debt instruments with variable interest rates	11,969	81,257
	2,323,616	2,448,442

The movement in financial investments during the year may be summarized as follows:

31 December 2015	Available for sale	Held to maturity	Total
Balance at 1 January 2015	2,467,827	76,634	2,544,461
Additions	1,101,969	-	1,101,969
Disposals (sale / redemption)	(1,227,187)	-	(1,227,187)
Premium / discount amortization	(5,734)	-	(5,734)
Exchange difference on monetary assets	(1,255)	-	(1,255)
Changes in fair value	9,682	-	9,682
Balance at 31 December 2015	2,345,302	76,634	2,421,936

31 December 2014	Available for sale	Held to maturity	Total
Balance at 1 January 2014	2,605,715	76,634	2,682,349
Additions	602,106	-	602,106
Disposals (sale / redemption)	(704,592)	-	(704,592)
Exchange difference on monetary assets	(5,725)	-	(5,725)
Changes in fair value	(3,925)	-	(3,925)
Gains / losses on sale	(25,752)	-	(25,752)
Balance at 31 December 2014	2,467,827	76,634	2,544,461

23. Other assets	31 December 2015	31 December 2014
	LE,000	LE,000
Accrued revenues	170,114	162,065
Prepaid expenses	39,554	49,098
Advance payments for purchase of fixed assets	16,859	97,539
Assets reverted to the Bank in settlement of debts	7,243	19,012
Deposits with others and imprest fund	11,547	10,280
Other	20,354	29,376
Total	265,671	367,370

24. <u>Intangible assets</u>	31 December 2015 LE,000	31 December 2014 LE,000
A. Software		
Balance at beginning of comparative year		
Cost	122,558	121,137
Accumulated amortization	(103,891)	(90,821)
Net book value	18,667	30,316
Balance for the current year		
Net Book value at the beginning of the year	18,667	30,316
Additions	50,369	1,421
Amortization expense	(10,874)	(13,070)
Net Book Value at the end of the current year	58,162	18,667
Balance at the end of the current year		
Cost	172,927	122,558
Accumulated amortization	(114,765)	(103,891)
Net book value	58,162	18,667

25. Fixed Assets

	Land	Buildings	Computer systems	Vehicles	Fixtures	Machinery and equipment	Furniture	Other	Total
Balance as of previous year									
Cost	108,729	119,167	148,353	12,681	139,506	29,050	14,000	30,578	602,064
Accumulated Depreciation	-	(69,296)	(129,234)	(7,612)	(110,783)	(20,946)	(10,096)	(16,357)	(364,324)
Net book value as of previous year	108,729	49,871	19,119	5,069	28,723	8,104	3,904	14,221	237,740
Additions	-	-	2,973	986	1,246	135	155	467	5,962
Disposals	-	-	(3)	-	-	(7)	-	(26)	(36)
Depreciation expense	-	(3,664)	(5,893)	(1,375)	(9,813)	(1,549)	(582)	(1,798)	(24,674)
Net book value as of 31 Dec. 2014	108,729	46,207	16,196	4,680	20,156	6,683	3,477	12,864	218,992
Balance as of beginning of current year									
Cost	108,729	348,972	149,543	13,546	186,941	32,067	12,653	30,168	882,619
Accumulated Depreciation	-	(74,323)	(134,219)	(9,313)	(124,991)	(21,010)	(9,236)	(17,554)	(390,646)
Net Book value	108,729	274,649	15,324	4,233	61,950	11,057	3,417	12,614	491,973
Additions	-	38,807	25,348	990	8,972	4,899	20,728	24,194	123,938
Disposals	-	(1,965)	(10)	-	(108)	(184)	(71)	(43)	(2,381)
Depreciation expense	-	(12,684)	(8,308)	(1,432)	(18,268)	(2,975)	(2,887)	(3,854)	(50,408)
Net book value as of 31 December 2015	108,729	298,807	32,354	3,791	52,546	12,797	21,187	32,911	563,122
Cost	108,729	381,686	170,521	13,954	195,079	33,855	31,389	53,470	988,683
Accumulated Depreciation	-	(82,879)	(138,167)	(10,163)	(142,533)	(21,058)	(10,202)	(20,559)	(425,561)
Net book value	108,729	298,807	32,354	3,791	52,546	12,797	21,187	32,911	563,122

28. <u>Long-term Loans</u>	Loan interest rate	31 December 2015 LE,000	31 December 2014 LE,000
Egyptian Co. for Housing Refinance	11.00%	28,678	42,598
		28,678	42,598

29. <u>Other Liabilities</u>	31 December 2015 LE,000	31 December 2014 LE,000
Accrued interest	153,926	149,742
Unearned revenue	19,458	38,800
Accrued expenses	469,371	419,290
Other credit balances	612,791	533,935
	1,255,546	1,141,767

30. <u>Other provisions</u>	31 December 2015 LE,000	31 December 2014 LE,000
At 1 January	153,804	147,866
Exchange differences	4,781	1,679
Charged to the income statement	15,004	5,082
Transfer	(4,107)	32
Utilized during year	(3,568)	(855)
	165,914	153,804

Other provisions represent the following:

Provision for contingent claims	47,339	44,816
Provision for contingent liabilities	118,575	108,988
Balance	165,914	153,804

31. Retirement benefit obligations	31 December 2015 LE,000	31 December 2014 LE,000
Balance sheet obligations for:		
Post-employment medical benefits	46,415	40,123
	46,415	40,123

- There is a liability on the Bank towards the Post-Employment Medical Benefits Fund for the payment of medical insurance premiums for the ex-employees of ex-EAB who reach the retirement age or resign from ex-EAB before its merger with Calyon Bank – Egypt in September 2006.
- The Bank is obligated to pay these premiums for providing medical care for the retired employees' spouses and children till death, or reach 21 years of age in respect of children.
- The Bank entrusted an actuary with determining the net present value of all future medical insurance premiums required to be paid by the Bank until the death of retirees & their spouses, and their children until reaching 21 years of age.
- The most important assumptions used by the actuary are as follows:

Interest rate used as a discount basis	15%
Inflation Rate of medical care costs	10%
- The assumption of death rates were made according to the British Mortality Table no. A49/52.
- The Bank entrusted the actuary to determine the net present value of the obligation resulting from retirement benefits that the employee will receive upon retirement.
- The most important assumptions used by the actuary are as follows:

Interest rate used as a discount basis	14%
Rates of salary increases	10%
- The assumption of death rates were made according to the British Mortality Table no. (A49/52).
- The Bank considers the present value of the obligation is not substantially different from the fair value of the net assets of the Fund, and therefore there is no obligation on the Bank arising from the obligations of specific benefits (severance pay severance) to fund insurance for employees of Credit Agricole Egypt who reached retirement age, or disability or death or resignation.

32. Share capital and reserves

a. Share capital

- The bank authorized share capital with LE 3,500,000,000. The issued and paid up capital is LE 1,148,000,000 divided into 287,000,000 ordinary shares with par value LE 4 each and there is no treasury stock. The following is a list of the shareholders of the bank:

Shareholder	No. of shares	% of ownership	Amount 000'EGP
Credit Agricole SA	147,329,416	47.39%	589,318
Credit Agricole Corporate and Investment	40,625,052	13.07%	162,500
Almansour and Almaghraby for development and investment	26,939,979	8.66%	107,760
International Company for Trading and Agencies International	4,531,134	1.46%	18,125
Others	91,491,419	29.43%	365,966
Total	310,917,000	100.00%	1,243,668

b. Reserves

According to the bank's statutes a sum equal to **5%** of the annual net profit is appropriated to a legal reserve. This will cease when the legal reserve balance reaches **20%** of the issued capital. In compliance with the Central Bank of Egypt guidelines, the balance of the special reserve is not to be disposed off without recourse to the Central bank of Egypt.

The General Assembly approval obtained to increase the issued capital of 1,148,000,000 Egyptian pounds to 1,243,668,000 pounds, an increase of 95,668,000 pounds and by issuing one share for every 12 shares, distributed over 23,917,000 shares. That increase is funded from the general reserve in the amount of EGP 28,925,000 and part of the retained earnings of 66,743,000 Egyptian pounds.

33. Reserves and retained earning

	31 December 2015 LE,000	31 December 2014 LE,000
A. Reserves		
General risk reserve	280	-
Legal reserve	229,841	195,539
Special reserve	103,732	103,732
General reserve	-	28,925
Capital reserve	14,634	9,931
Fair value reserve – available for sale investments	16,084	6,402
Total reserves	364,571	344,529
Movements in reserves were as follows:		
a. General risk reserve		
Balance at the beginning of the year	-	-
Transferred	280	-
Balance	280	-
b. Legal reserve		
Balance at the beginning of the year	195,539	163,014
Transferred from the Net profit	34,302	32,525
Balance	229,841	195,539
c. Special reserve		
Balance at the beginning of the year	103,732	103,732
Balance	103,732	103,732
d. General reserve		
Balance at the beginning of the year	28,925	28,925
Capital increase	(28,925)	-
Balance	-	28,925
e. Capital Reserve		
Balance at the beginning of the year	9,931	9,931
Transferred from the Net profit	4703	-
Balance	14,634	9,931
f. Fair value reserve – available for sale investments		
Balance at the beginning of the year	6,402	32,154
Revaluation differences in investments during the year	9,682	(25,752)
Balance	16,084	6,402

	31 December 2015 LE,000	31 December 2014 LE,000
B. Retained earnings		
Balance at the beginning of the year	1,440,325	1,301,741
Dividend income	(471,917)	(511,637)
Transferred to legal reserve	(33,883)	(32,130)
Transferred to capital reserve	(4,703)	-
Transferred to capital increase	(66,743)	-
Profit of the year	1,035,632	682,351
Balance	1,898,711	1,440,325

34. Contingent liabilities and commitments

	31 December 2015 LE,000	31 December 2014 LE,000
A. Loans, advances and Guarantees Commitments		
Letters of guarantee	3,844,875	5,309,974
Commercial letters of credit (import and export)	728,972	818,446
Acceptances	256,371	235,375
Other contingent liability	1,840,616	1,544,067
Total	6,670,834	7,907,862

B. Operating Lease Commitments

Non

C. Legal Claims

There were a number of legal proceedings outstanding against the bank with provision amounted 7,153 thousand Egyptian pounds.

D. Capital Commitments

The bank had capital commitments of 32 million Egyptian pounds in respect of fixed assets purchases and branches fixtures and have not been implemented yet till the balance sheet date.

35. Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	31 December 2015 LE,000	31 December 2014 LE,000
Cash and balances with central banks	726,011	1,017,338
Due from banks	5,396,128	5,655,634
Treasury bills	1,481,992	1,140,949
	7,604,131	7,813,921

36. Mutual funds

Credit Agricole Bank mutual fund no. (1)

The fund is one of the banking activities licensed by the capital law no. 95 for 1992 and its executive rules. The number of investment certificates in the fund have reached 3,000,000 certificates and their value 300,000,000 EGP. The bank owned 150 000 investment certificates (par value 15,000,000 EGP) Credit Agricole 1st fund managed by EFG Hermes, The redeemable price per IC amounted to LE 210.59 at balance sheet date and the total value is 31,587,822 EGP.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 454,646 EGP as of 31 Dec. 2015 that was classified as fees and commission in the income statement.

Credit Agricole Bank mutual fund no. (2)

The mutual fund owns about 3,000,000 certificates (amounted 300,000,000 EGP) of which The bank owns 150,000 certificates (par value 15,000,000) for managing the mutual fund activity, their redemption value at the balance sheet date is 14,729,310 EGP with a redeemable price of 98.20 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 331,557 EGP as of 31 Dec. 2015 that was classified as fees and commission income in the income statement.

Credit Agricole Bank mutual fund no. (3)

The mutual fund owns about 4,000,000 certificates (amounted 4,000,000,000 EGP) of which The bank owns 39 000 Certificates (par value 39,000,000 EGP) for managing the mutual fund activity, their redemption value at the balance sheet date is 39,000,000 EGP and a redeemable price of 1000.00EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 3,548,153 EGP as of 31 Dec. 2015 that was classified as fees and commission income n in the income statement.

Credit Agricole Bank mutual fund no. (4)

The mutual fund owns about 1,000,000 certificates (amounted 10,000,000 EGP) of which The bank owns 50,000 certificates (par value 5,000,000) for managing the mutual fund activity, their redemption value at the balance sheet date is 7,060,786 EGP with a redeemable price of 141.22 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 1,213,772 EGP as of 31 Dec. 2015 that was classified as fees and commission income in the income statement.

37. Related party transactions

The Bank's parent company is Credit Agricole (France) which holds 47.39% of the common stock and the remaining portion of 52.61% is held by other shareholders presented in the capital disclosure.

The Bank had transactions with its related parties on an arm's length basis. The nature of such transactions and related balances as presented at the balance sheet date are as follows:

	Credit Agricole Group	
	31 December 2015 LE,000	31 December 2014 LE,000
Due from banks	8,610	41,577
Available for sale investments	11,969	43,222
Due to banks	107,295	1,381
Other Liabilities	15,460	14,280
General and Administrative expenses	17,593	23,089
Letters of Guarantee issued by the Bank	1,173,274	1,233,898

38. Short term wages and benefits

The monthly average of net total annual income of the banks' twenty employees with the largest wages and salaries collectively during the year amounted to 2,568 thousands EGP compared to 2,499 for the previous year

39. Deferred tax assets not recognized

	31 December 2015 LE,000	31 December 2014 LE,000
Other Provision	30,375	37,767
	30,375	37,767

No recognition of deferred tax assets related to items previously mentioned, due to the unavailability of reasonably sure to take advantage of the possibility or appropriate degree to make sure that there is sufficient future taxable profits from which to take advantage of these assets.

40. Tax position

1- Corporate Tax

First: ex-Calyon (currently Credit Agricole Egypt)

Period from Start-up date to 31 Dec. 2012

Tax examination, internal committees & challenge committees tasks were conducted and the due tax was paid.

Period from 1 Jan. 2013 to 31 Dec. 2013

Tax examination was done until 31 Dec. 2013.

The internal committee's task for 2005 was conducted and resulted in nil.

Period from 1 Jan. 2006 to 31 Dec. 2007

Tax inspection was done for the above period, the internal committee's task was conducted.

Period from 1 Jan. 2014 to 31 Dec. 2014

Under tax examination.

Second: ex-Credit Lyonnais (CL) – Egypt

Period from Start-up date to 31 Dec. 2003

Tax examination was done together with internal committees & tax challenge committees, dispute was settled and due tax was paid until 2003.

Third: ex-Egyptian American Bank (EAB)

Period from Start-up date to 31 Aug. 2006 “Date of Merger”

Tax examination was done together with internal committees & tax challenge committees, dispute was settled and due tax was paid.

Fourth: ex-American Express (AMEX)

Period from Start-up date to 30 June 2005

Tax examination was done together with internal committees & tax challenge committees, dispute was settled and due tax was paid.

2- Income Tax

First: ex-Calyon (currently Credit Agricole Egypt)

Period from Start-up date to 31 Dec. 2013

Tax examination was done until 31 Dec. 2013 and resulted in tax adjustments that have been settled.

Period from 1 Jan. 2014 to 31 Dec. 2014

Under preparation .

Second: ex-EAB

Period from Start-up date to 31 Aug. 2006 (Merger Date)

Tax examination was done, dispute settled and due tax paid until 31 Aug. 2006.

Third: ex-AMEX

Period from Start-up date to 30 June 2005

Tax examination was done together with internal committees & tax challenge committees, dispute was settled and due tax was paid.

3- Stamp Duty

Stamp Duty under Law no. 111/1980

First: ex-Calyon, ex-EAB and ex-CL

All branches were examined until 31 July 2006 except for Maadi, Sharm El-Sheikh and Coral Bay Branches of ex-EAB for the period from 1 Jan. 2006 to 31 July 2006.

Under Law no. 143/2006

Under examination till 30 Sep. 2015

Second: ex-AMEX Branches

Head Office

The Head Office was examined in terms of the financial and administrative aspects until 30 June 2005.

Mohandiseen Branch

Tax examination was done until 30 June 2005 and the dispute was settled according to the Tax Challenge Committee's decision. There is a dispute in the Tax Challenge Committee for the years 1999/2002 that is being discussed. Some items for the years 1995/2003 have been brought to the court.

Heliopolis Branch

Tax examination was made until 31 July 2006 and some disputed items have been referred to the court for the years from 1 July 1994 to 2003.

Giza Branch

The Branch was examined until 30 June 2005. There is a dispute in the Tax Challenge Committee over the year 1999/2002 which is being discussed.

As for the years from 1993 to 2002, the dispute was settled as decided by the Tax Challenge Committee whereas some items have been referred to the competent court.

Alexandria Branch

Examination was done until 30 June 2005 and the dispute was settled according to the Tax Challenge Committee's decision. Some disputed items for the years from 1995 to 1997 have been brought to the competent court. For information, the settlement of the file is until 30 June 2005.

Port Said Branch

The file was examined from the start-up date to 30 June 2005 and the file has been settled until 30 June 2005.

Gezeira Branch

The tax was examined until 31 July 2006. There are some disputed items for the years 2001/2002 that have been referred to the Tax Challenge Committee (under discussion).

On 4 June 2014 Law No. 44 for 2014 issued for tax additional on temporary for 3 years from the current tax period with (5%) on more than one million pounds on natural persons or companies' profits in accordance with the income tax Law and to be connected and collected in accordance with those laws, the law applied on 5 June 2014.

On 30 June 2014 Presidential Decree No. 53 of 2014 issued and has included some amendments on some articles of the income tax law issued by law 91 of 2005 of which the most important are:-

- New tax on dividends.
- New tax on capital gains resulting from the sale of quotas and stock.

On 6 April ٢٠١٥ issued ministerial resolution No. 172 of the year ٢٠١٥ to amend the regulations under the income tax law issued by the financial Minister no. 991 for the year 2005.

On 20 February 2015, the President of the Republic issued Decree Law No. (96) 2015 amending some the income tax law No. 91 for the year 2005 and decision No. 44 for the year 2014 additional temporary tax on income, that this decision with effect from the day following the publication, the following are the major changes contained in the resolution:

- Income tax rate cut to become 22.5% of net annual profits.

- Modify the duration of the temporary tax of 5%.
- Modify the tax on dividends.
- The suspension of a tax on capital output deal in securities listed in the stock exchange for a period of two years commencing from 17 June 2015.

41. Translation

These financial statements are a translation into English from the original Arabic statements. The original Arabic statements are the official financial statements.
