MAZARS Mostafa Shawki
Accountants & Auditors

WAHID ABDEL GHAFFAR & CO.
Accountants & Consultants

SOCIETE ARABE INTERNATIONALE DE BANQUE (SAIB) (S.A.E.)

FINANCIAL STATEMENTS TOGETHER WITH AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2015

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TRANSLATION OF AUDITORS' REPORT
ORIGINALLY ISSUED IN ARABIC

AUDITORS' REPORT

To the Shareholders of Societe Arabe Internationale de Banque (SAIB) - S.A.E.

Report on the Financial Statements

We have audited the accompanying financial statements of **Societe Arabe Internationale de Banque (SAIB) S.A.E.** compromised of the balance sheet as of December 31, 2015 and the statements of income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit process involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate with circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, the audit process also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

MAZARS Mostafa Shawki
Accountants & Auditors

WAHID ABDEL GHAFFAR & CO.
Accountants & Consultants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Societe Arabe Internationale de Banque (SAIB) - S.A.E.** as of December 31, 2015 and of its financial performance, and its cash flows for the year then ended in accordance with Central Bank of Egypt's rules , according to the rules of the preparation and presentation of the financial statements and measurement and recognition bases approved by its boards of directors on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements .

Report on Legal and other Regulatory Requirements

The bank maintains proper books of account, which includes all that is required by Law and the Statutes of the bank, the financial statements are in agreement thereto.

According to the information and explanations given to us during the financial year ended December 31, 2015 no contravention of the Central Bank, Banking and Monetary Institution Law No.88 of 2003.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Bank`s books of account.

Cairo: February 3,2016

AUDITORS

Tarek Elmenshawy

MAZARS MOSTAFA SHAWKI
Accountants & Auditors

MOHAMED MAHMOUD EL SAYED

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

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

BALANCE SHEET AS OF DECEMBER 31, 2015

(All Amounts are Expressed in US Dollars)

	Note No.	2015/12/31	2014/12/31
ASSETS			
Cash and due from Central Bank of Egypt	(15)	257 106 264	163 926 878
Due from banks	(16)	369 329 603	161 205 778
Treasury bills	(17)	781 689 833	646 483 864
Loans and credit facilities to customers	(18)	1 592 130 327	1 178 724 871
Financial Investments:			
-Available for sale	(19)	3 056 456 124	2 340 715 831
-Held to maturity	(19)	39 501 833	43 162 341
Investments in associated companies	(20)	413 838	753 681
Intangible assets	(21)	66 153	78 570
Other assets	(22)	149 178 503	100 724 070
Fixed assets	(23)	27 127 989	19 699 085
Total Assets		**6 273 000 467**	**4 655 474 969**
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES			
Due to banks	(24)	223 444 275	220 693 018
Customers' deposits	(25)	5 470 981 852	3 980 761 920
Other loans	(26)	114 440 073	66 950 832
Other liabilities	(27)	150 632 808	96 912 165
Other provisions	(28)	14 407 148	5 778 539
Deferred tax liability	(29)	351 940	548 216
Total Liabilities		**5 974 258 096**	**4 371 644 690**
SHAREHOLDERS EQUITY			
Paid-up capital	(30)	150 000 000	150 000 000
Reserves	(31)	100 945 987	94 598 142
Retained earnings	(31)	47 796 384	39 232 137
Total Shareholders' Equity		**298 742 371**	**283 830 279**
Total Liabilities and Shareholders' Equity		**6 273 000 467**	**4 655 474 969**

- Auditors' Report attached.
- The accompanying notes from (1) to (37) are an integral part of these financial statements.

AUDITORS		Chief Financial Officer	Vice Chairman And Managing Director	Chairman And Managing Director
Tarek El Menshawy MAZARS MOSTAFA SHAWKI	Mohamed Mahmoud El Sayed Baker Tilly Wahid Abdel Ghaffar & Co.	Hamdy Ghazy Ibrahim	Hassan Abdel Meguid	Mohammed Naguib Ibrahim

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015
(All Amounts are Expressed in US Dollars)

	Note No.	31/12/2015	31/12/2014
Loans interest and similar income	(6)	526 712 013	329 695 661
Cost of deposits and similar expenses	(6)	(386 104 565)	(237 949 137)
Net interest income		**140 607 448**	**91 746 524**
Fees and commissions income	(7)	29 965 796	23 925 897
Fees and commissions expenses	(7)	(1 270 299)	(1 516 836)
Net Fees and Commissions Income		**28 695 497**	**22 409 061**
Dividends income	(8)	2 128 750	1 771 614
Net trading income	(9)	3 984 547	1 836 106
Gain from Financial Investments	(19)	9 067 368	14 850 172
Impairment (expenses) from credit losses	(12)	(836 241)	(4 255 582)
Administrative expenses	(10)	(57 673 310)	(54 929 931)
Other operating (expenses)	(11)	(10 237 066)	(922 423)
Income from Investments in associate companies	(20)	(265 800)	41 781
Profit before income taxes		**115 471 193**	**72 547 322**
Income taxes (expenses)	(13)	(72 479 752)	(37 901 644)
Net profit for the year		**42 991 441**	**34 645 678**
Earnings per basic share (US Dollar/Share)	(14)	**2,05**	**1,65**

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Chief Financial Officer	Vice Chairman And Managing Director	Chairman And Managing Director
Hamdy Ghazy Ibrahim	**Hassan Abdel Meguid**	**Mohammed Naguib Ibrahim**

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

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

(All amounts expressed in US Dollars)

	Note No.	31/12/2015	31/12/2014
Cash Flows from Operating Activities			
Profit before income tax		115 471 193	72 547 322
Adjustments to Reconcile Net Profit to Net Cash Flows from Operating Activities			
Depreciation and amortization	(10)	2 584 939	2 646 286
Impairment expenses of assets	(12)	836 241	4 255 582
Impairment expenses of other provisions	(11)	9 623 281	185 887
(Used) from provisions other than loan provision	(28)	(620 464)	(697 827)
Dividends income	(8)	(2 128 750)	(1 771 614)
Premium of held to maturity bonds	(19)	2 221 866	2 992 463
Discount of held to maturity bonds	(19)	(2 795 267)	(1 007 007)
(Profits) from sale of financial investments	(19)	(9 067 368)	(14 850 172)
Income From investments in associates companies	(20)	265 800	(41 781)
(Gains) from sale of fixed assets	(11)	(156 068)	(146 973)
Operating profit before changes in assets and liabilities provided from operating activities		**116 235 403**	**64 112 166**
Net Decrease (Increase) in Assets & Liabilities:			
Due from banks		(188 972 222)	(25 254 193)
Treasury bills		(135 205 969)	281 809 815
Loans and credit facilities for customers		(412 517 564)	(448 198 019)
Other assets		(39 088 034)	(46 745 731)
Due to banks		2 751 257	(16 126 660)
Customers' deposits		1 490 219 932	1 255 574 517
Other liabilities		40 305 639	(87 308 804)
Paid income tax		(59 254 296)	(33 733 493)
Translation differences		222 381 615	30 687 543
Net cash flows Provided From operating activities		**1 036 855 761**	**974 817 141**
Cash Flows from Investing Activities:			
(Payments) for purchase of fixed assets and branches preparation		(20 747 573)	(6 389 660)
Proceeds from sale of fixed assets		185 094	147 588
Proceeds from sale of financial investments other than financial assets held for trading investments		348 697 919	523 152 029
Purchase of financial investments other than financial assets held for trading investments		(1 227 677 493)	(1 453 436 684)
Dividends income received		2 143 056	1 771 614
Net Cash Flows (used in) investing activities		**(897 398 997)**	**(934 755 113)**

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All Amounts are Expressed in US Dollars)

	Note No.	31/12/2015	31/12/2014
Cash Flows from Financing Activities:			
Collected from other loans		5 085 922	11 048 844
Payments for from other loans		(6 311 697)	(3 042 475)
Dividends paid		(25 900 000)	(24 251 415)
Net cash flows provided from (used in) financing activities		**(27 125 775)**	**(16 245 046)**
Net increase in cash and cash equivalents during the year		112 330 989	23 816 982
Cash and cash equivalents at the beginning of the year		**145 805 097**	**121 988 115**
Cash and cash equivalents at the end of the year		**258 136 086**	**145 805 097**
Cash and Cash Equivalents at Year-End are Represented as follows :			
Cash and due from Central Bank of Egypt	(15)	257 106 264	163 926 878
Due from banks	(16)	369 329 603	161 205 778
Treasury bills	(17)	781 689 833	646 483 864
Balances with Central Bank of Egypt (mandatory reserve)	(15)	(233 426 781)	(129 327 559)
Balances due from banks maturing more than three months		(134 873 000)	(50 000 000)
Treasury bills maturing more than three months	(17)	(781 689 833)	(646 483 864)
Cash and cash equivalents at year-end	(33)	**258 136 086**	**145 805 097**

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Chief Financial Officer	Vice Chairman And Managing Director	Chairman And Managing Director
Hamdy Ghazy Ibrahim	**Hassan Abdel Meguid**	**Mohammed Naguib Ibrahim**

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(All Amounts Expressed in US Dollars)

31/12/2014	Paid up Capital	Legal Reserve	General Banking Risk Reserve	Special Reserve	General Reserve	Capital Reserve	Fair Value Reserve - available for sale financial investments	Retained Earnings	Total
Balance as of 1/1/2014	**150 000 000**	**52 365 714**	**3 793 456**	**3 337 162**	**11 291 493**	**713 920**	**5 256 227**	**35 324 204**	**262 082 176**
Transferred to banking risk reserve (Note 31/a)	--	--	1 662 149	--	--	--	--	(1 662 149)	--
Transferred to general legal reserves (Note 31/b)	--	3 057 182	--	--	--	--	--	(3 057 182)	--
Transferred to general reserve (Note 31/e)	--	--	--	--	1 500 000	--	--	(1 500 000)	--
Transferred to capital reserve (Note 31/e)	--	--	--	--	--	266 999	--	(266 999)	--
Dividends paid for year 2013	--	--	--	--	--	--	--	(23 690 000)	(23 690 000)
Slums development project donations (Note 31/e)	--	--	--	--	--	--	--	(561 415)	(561 415)
Net change in financial investments available for sale (Note 31/c)	--	--	--	--	--	--	11 470 151	--	11 470 151
Translation differences (Note 31/c)	--	--	--	--	--	--	(116 311)	--	(116 311)
Net profit for the year 2014	--	--	--	--	--	--	--	34 645 678	34 645 678
Balance as of 31/12/2014	**150 000 000**	**55 422 896**	**5 455 605**	**3 337 162**	**12 791 493**	**980 919**	**16 610 067**	**39 232 137**	**283 830 279**

TRANSLATION OF FINANCIAL STATEMENTS

ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(All Amounts are Expressed in US Dollars)

31/12/2015	Paid up Capital	Legal Reserve	General Banking Risk Reserve	Special Reserve	General Reserve	Capital Reserve	Fair Value Reserve - available for sale financial investments	Retained Earnings	Total
Balance as of 1/1/2015	**150 000 000**	**55 422 896**	**5 455 605**	**3 337 162**	**12 791 493**	**980 919**	**16 610 067**	**39 232 137**	**283 830 279**
Transferred to banking risk reserve (Note 31/a)	--	--	3 430 350	--	--	--	--	(3 430 350)	--
Transferred to legal reserves (Note 31/b)	--	3 449 871	--	--	--	--	--	(3 449 871)	--
Transferred to general reserve (Note 31/e)	--	--	--	--	1 500 000	--	--	(1 500 000)	--
Transferred to capital reserve (Note 31/e)	--	--	--	--	--	146 973	--	(146 973)	--
Dividends paid for year 2014	--	--	--	--	--	--	--	(25 900 000)	(25 900 000)
Slums development project donations (Note 31/e)	--	--	--	--	--	--	--	--	--
Net change in financial investments available for sale (Note 31/c)	--	--	--	--	--	--	(1 263 291)	--	(1 263 291)
Translation differences (Note 31/c)	--	--	--	--	--	--	(916 058)	--	(916 058)
Net profit for the year 2015	--	--	--	--	--	--	--	42 991 441	42 991 441
Balance as of 31/12/2015	**150 000 000**	**58 872 767**	**8 885 955**	**3 337 162**	**14 291 493**	**1 127 892**	**14 430 718**	**47 796 384**	**298 742 371**

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Chief Financial Officer	Vice Chairman And Managing Director	Chairman And Managing Director
Hamdy Ghazy Ibrahim	**Hassan Abdel Meguid**	**Mohammed Naguib Ibrahim**

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

PROPOSED STATEMENT OF PROFIT APPROPRIATION
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts expressed in US Dollars)

	31/12/2015	**31/12/2014**
Net profit for the year	42 991 441	34 645 678
Less:		
Gain from sale of fixed assets transferred to capital reserve according to the law	(156 068)	(146 973)
General Banking Risk Reserve	(1 496 269)	(3 430 350)
Net profit for the year available for appropriation	**41 339 104**	**31 068 355**
Add:		
Retained earnings at beginning of the year	4 804 943	4 586 459
Total	**46 144 047**	**35 654 814**
Appropriated as follows:		
Legal reserve	4 283 537	3 449 871
General reserve	2 000 000	1 500 000
Shareholders' dividends	20 000 000	16 000 000
Employees' profit share	10 188 000	8 460 000
Board of Directors' remuneration	2 000 000	1 440 000
Retained earnings at end of the year	7 672 510	4 804 943
Total	**46 144 047**	**35 654 814**

Vice Chairman
And Managing Director

Hassan Abdel Meguid

Chairman
And Managing Director

Mohammed Naguib Ibrahim

TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN ARABIC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. GENERAL INFORMATION

Societe Arabe Internationale de Banque (**SAIB**) provides retail, corporate banking and investment banking services in Egypt through 28 branches; the bank employs 1,073 people as at the balance sheet date.

The bank was established in accordance with Law No. 43 for 1974. The Head office is located in 56 Gamaet El Dewal El Arabeya St, Giza. The Bank is listing on the Cairo & Alex Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

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

a. Basis for Preparation of Financial Statements

The financial statements were prepared in accordance with the Egyptian Accounting Standards issued in 2006 and its amendments in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors as of December 16, 2008 consistent with the standards referred to, and on the basis of historical cost as modified by the revaluation of financial assets and liabilities held for trading and the financial assets and liabilities at fair value through profit or loss and the financial investments available for sale.

b. Associates companies

Associates are all entities over which the Bank has direct or indirect significant influence but no control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

The purchase method is used for the accounting of the acquisitions of the companies by the Bank. The acquisition cost is measured at fair value, or the assets offered by the bank as return for purchase and/or the tools of property rights issued and/or obligations incurred by the Bank and/or the obligations accepted on behalf of the company acquired at the date of exchange, plus any costs directly attributable to the acquisition process. The net assets are measured, including contingent liabilities identifiable acquired by fair value at the date of acquisition.

The investments are evaluated in the associates company, by the financial statements of the bank according to the equity method under which the investment in any company is proven initially in any associates company by the cost then the balance of the investment increases or decreases to prove the Bank's share of profits or losses of the company invested in after the acquisition company. That share is proven under the note "Profit or loss of investments in associates companies" in the income statement during the preparation of the financial statements. The balance of the investment is decreased by the value of dividends gained from the company invested in.

c. Segment reporting

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

d. Foreign currency translation

d-1 Functional and presentation foreign currency

Transactions are recorded during the year in their original currency. For reporting the financial statements of the bank in US Dollars, at the end of each fiscal period, all assets, liabilities, shareholders' equity and expenses and revenues recorded in a currency other than the US Dollar (except those recorded in Egyptian pounds), are translated to US Dollars using stated exchange rates at that date. Balances shown in Egyptian pounds are translated to US Dollars using the official exchange rates of the central bank of Egypt. This translation has no effect on the income statement.

e. Financial assets

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

e-1 Financial assets at fair value through profit or loss

- This category has two sub-categories: 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.
- Financial assets are classified at fair value through profit or loss when:
- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and debt securities in issue.

- Certain investments, such as equity investments, are managed and evaluated on a fair value basis 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 securities held, containing one or more embedded derivatives significantly modify the cash flows, and they are designated at fair value through profit and loss.
- Profits and losses arising from changes in fair value of financial derivatives, which are managed in conjunction with the assets or financial liabilities classified at fair value through profit and loss and that in the income statement "item Net income from financial instruments classified at fair value when recognition through profit and loss ".
- Any financial derivative of a valued financial instruments at fair value is not reclassified Through profit and loss during the retention period . It also does not re-classify any financial instrument, quoting from a range of financial instruments at fair value Through profit and loss if this tool has been customized by the bank at initial recognition As assessed at fair value through profit and loss.
- According to the financial assets which are reclassified in the periods that begin form first of January 2009 it is reclassified according to the fair value in the date of reclassification.
- Bank in all conditions does not reclassify any financial instrument moving to groups of financial instruments reclassified with fair value from profit and loss or to financial assets groups for trading.

e-2 <u>Loans and advances</u>

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

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

e-3 <u>Held to maturity financial assets</u>

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

e-4 Available for sale financial assets

Available-for-sale investments are those 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 are applied in respect of all 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 Bank 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 and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank 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 advances 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 period 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 profit or loss.

- Interest is 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 bank'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 or bid prices is unavailable, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If the bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost and will be subjected to impairment test.

- The Bank reclassified the financial asset tabbed within the range of financial instruments available for sale, which left the definition of loans and debts (bonds or loans), quoting a set of tools available for sale to the group of loans and advances or financial assets held to maturity – all as the case - when available Bank has the intent and ability to hold these financial assets in the foreseeable future or until maturity and are re-tab at fair value in the history of re-tab, and not process any profits or losses on those assets that have been recognized previously in equity and in the following manner:

  1- In case a financial asset is reclassified, having a fixed maturity is gains or losses are amortized over the remaining life of the investment retained until the maturity date in a manner effective yield is consumed by any difference between the value on the basis of amortized cost and value on an accrual basis over the remaining life of the financial asset using the effective yield method, and in the case of the decay of the value of the financial asset is a later recognition of any gain or loss previously recognized directly in equity in the profits and losses.

  2- In the case a financial asset has no fixed maturity but will continue to realize a profit or loss in equity until the sale of the asset or disposal, then be recognized in the profit and loss In the case of erosion of the value of the financial asset is a later recognition of any gain or loss previously recognized directly within equity in the profits and losses.

- If the Bank adjusts its estimates of actual payments or receipts and amended estimates of the financial asset (or group of financial assets) to reflect the actual cash inflows and the adjusted estimates to be recalculated book value and then calculates the present value of estimated future cash flows at the effective yield of the financial instrument then it is recognized as income or expense in the profit and loss.

- In all cases, if the bank re-Tabs financial asset in accordance with what is referred to The Bank at a later date to increase its estimate of the proceeds of future cash result of the increase will be recovered from the cash receipts, is the recognition of the impact of this increase in settlement of the interest rate effective from the date of change in the estimate and not in settlement of the balance of the original notebook in the history of change in the estimate.

f. **<u>Offsetting financial instruments</u>**

- Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

- The agreements to buy treasury bills with a commitment to re-sale and agreements to sale treasury bills with a commitment to re-purchase on a net basis within the balance sheet included in treasury bills and other eligible bills.

g. 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 recognized 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 Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When loans or debts are classified as non-performing or impaired ,related interest income are not recognized but rather ,are carried off balance sheet in statistical records and are recognized under revenues according to cash basis as per the following:

1- When collected after redeeming all due from consumer loans and personnel mortgages also small loans for economic activities

2- For loans given to institutions related to the monetary base also, it raises the return after that, according to rescheduling conditions on the loan till paying 25% from rescheduling payments with a minimum one year without being late, if the customer is always paying at his due dates the interest calculated is added to the loan balance which makes revenues (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.

h. Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) where it is recorded in the records of marginal outside the financial statements, And are recognized as income in accordance with cash basis Income is recognized when revenue for fees note no (2-g) that represent an integral part of the effective yield of the financial asset are generally treated as an amendment to the actual rate of return.

And postponement of fees is the link between the loans if there is a possibility that he will likely be the withdrawal of such loans and the fees on the grounds that the link obtained by the Bank are considered compensation for the constant intervention for the acquisition of a financial instrument, Then to be recognized by the amend the effective interest rate on the loan In the case of the end of the link without issuing bank for the loan fees are recognized as income at the end of the period of validity of the link.

Fees are recognized on the debt instruments that are measured at fair value within the income on initial recognition. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank 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 wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

i. Dividend income

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

j. Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)

Financial instruments are sold under agreements to repurchase it within the assets added to the balances of the Treasury bills and other governmental papers in the balance sheet. The liability is displayed (purchase agreements and resale) deducted from the balances of the Treasury bills and other governmental papers in the balance sheet. The difference between the sale price and the repurchase price is recognized as income to be accrued throughout the duration of the agreements by using the actual rate of return method.

k. Impairment of financial assets

k-1 Financial assets carried at amortized cost

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

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

- Great financial troubles facing the borrower or debtor.
- Breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.

- Granting privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial conditions, which are not granted by the bank in the normal course of business.
- Impairment of guarantee
- Deterioration of creditworthiness.

- A substantive evidence for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset.

- The bank estimates the period between the loss event and identifying thereof for each specific portfolio. In general, the period used vary between three months and 12 months.

- The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Taking into account the following:

- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment based on historical loss rates.

- Assets that are individually assessed for impairment and for which an impairment loss continues to be recognized are not included in a collective assessment of impairment.

- If the previous assessment resulted in the absence of impairment loss then the assets is included into the group.

- 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 Bank may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that 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 Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current 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 Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

k-2 Available for sale financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets 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.

During the period starting from January 1, 2009 for listed equity instruments the need to book impairment is analyzed as soon as a significant and prolonged decline on their price below their acquisition cost is observed. The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extended for a period of more than 9 months. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

l. Intangible assets

l-1 Goodwill

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the acquisition date. The extent of goodwill impairment is to be annually checked, while goodwill amortization of 20% or impairment amount, whichever is bigger, is to be charged to income. Goodwill relevant to either subsidiary or sister companies is to be considered in determining profit / loss on the sale of such companies (note 2/b).
Goodwill is to be distributed over monetary generating funds' units for impairment test purposes; such units represent the main bank's segments (note 2/c).

l-2 Software (computer programs)

Expenses, related to upgrading or maintenance of computer programs, are recognized as expenses in income statement, when incurred. These expenses related directly to a specific software, which are subjected to the bank's control and expected to produce economic benefits exceeding their cost for more than one year, are recognized as an intangible asset. The direct expenses include cost of staff for the software upgrading, in addition to a suitable portion of respective overhead expenses.
The expenses which lead to an increase or expansion of computer software beyond their original specification are recognized as an upgrading cost and are added to the original software cost.

The computer software cost recognized, as an asset shall be amortized over the period expected useful life not more than 3 years.

l-3 Other intangible assets

Intangible assets, other than goodwill and computer programs (for example, trademarks, licenses, benefits of rental contracts) are classified as other intangible assets which are stated at the cost of acquisition and depreciated on a straight-line method or on the basis of the economic benefits expected from it, and that over the estimated useful lives, and for assets that do not have a specific useful life, it is not depreciated, it is tested every year for any impairment (if any) it will be recognized on the income statement.

m. Fixed Assets

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

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

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

Buildings	20 years
Computers and Core Systems	5 years
Vehicles	5 years
Fixtures and fittings	5 years
Equipment	5 years
Furniture	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses / income in the income statement.

n. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization (except for 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each financial statement's reporting date.

o. Leases

The accounting treatment for the finance lease in accordance with Law 95 of 1995, if the contract entitles the lessee to purchase the asset at a specified date and the value selected, or the current value of the total lease payments representing at least 90% of the value of the asset. Other lease contracts are considered operating leases contracts.

o-1 The lessee

Finance leasing contracts recognizes the lease cost, including the cost of maintenance of the leased assets, within the expenses in the income statement for the period in which they occurred. If the bank decided to exercise the rights to purchase the leased assets, the cost of the right to purchase it as an asset are capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Recognition of payments under the operating lease expense minus any discounts obtained from the lesser under expenses in the income statement on a straight-line basis over the term of the contract

p. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills.

q. Other provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events, and the probable outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow 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.

Provisions which negate the purpose of wholly or partly repaid is allocated in the item of other operating income (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 reflect current market assessment of the time value of money and the risks specific to the obligation . the increase in the provision due to passage of time is recognized as expenses.

r. Financial guarantees

The financial collateral contracts are contracts issued by the bank as security for loans or debit current accounts due from its clients to other entities which require the bank to make certain payments for compensating the beneficiary for a loss incurred due to default :on the part of the debtor on maturity date, in accordance with conditions of the debt instruments. These financial guarantees are presented to the banks, corporation and other entities on behalf of the bank's clients.

The fair value shall be recognized initially in the financial statements , on date of granting the security. This fair value shall reflect the fee for this security. Consequently, the bank's obligation shall be measured by virtue of the guarantee contract on the basis of the first measurement amount less amortization calculated for recognition of security fees in the income statement, according to the straight line method over the guarantee life term, or based on the best estimate for payments required for settlement of any financial obligation resulting from the financial guarantee on date of balance sheet. Whichever is higher. Such estimates are made based on experience in similar transactions and the historical losses as confirmed by management judgment.

Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) item.

s. Income tax

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

Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the budget in addition to tax adjustments for previous years.

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

Deferred tax assets of the Bank are recognized when there is a reliable probability to realize a profit subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

t. Borrowing

Loans, received by the bank, are recognized first with these fair value less the cost of obtaining the loan. The loan is later measured by the amortized cost, and the income statement is charged with the difference between the net proceeds and the value that will be met over the period of borrowing using the actual return.

u. Capital

u-1 Capital issuance cost

Expenses directly attributed to the issuance of the new shares. And the issuance of shares by way of acquisition, or the issuance of shares options are charged to equity net of tax.

u-2 Dividends

Dividends deducted from equity for the period in which the General Assembly of the shareholders acknowledges these distributions. And the distribution includes the share of employees in the profits and remuneration of the Board of Directors as prescribed in the articles of association and by Law.

u-3 Treasury shares

In case the bank purchases capital shares, the amount is deducted from the total equity as it represents the cost of treasury shares until these are canceled, And in the case of sale those shares or re-released in a subsequent period all collections are added to the equity.

v. Fiduciary activities

The bank practices fiduciary activities that result in ownerships or management of assets on behalf of individuals, trust, and retirement benefit plans and other institution. These assets and income arising thereon are excluded from the bank's financial statements, as they are not assets of the bank.

w. Comparative figures

The comparative figures shall be re-classified, when necessary, to be in conformity with the changes to presentation used in the current year.

3. Financial risk management

The Bank'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 Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

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

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

a. Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank Treasury and reported to the Board of Directors and 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 customers and to banks at a counterparty level, the Bank reflects three components

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

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

Bank's internal ratings categories

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

The credit center exposed to failure depends on the amounts which the bank expect to be stand upon the delay, for example, the loans this center is nominal value, for other links, the bank include all the withdrawn amounts in addition to the other amounts that are expected to be drawn till the date of delay. If happened.

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

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

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by bank Treasury for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

a-2 Risk limit control and mitigation policies

The bank manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and banks, and to industries and countries.

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

The exposure to any borrower including banks 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 and compared daily.

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

Some other specific control and mitigation measures are outlined below.

- **Collateral**

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

- Mortgaged over residential properties.
- Mortgaged business assets such as inventory and equipments.
- Mortgaged financial instruments such as debt securities and equities.

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

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

- **Credit-related commitments**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and 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 Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

a-3 Impairment and provisioning policies

The internal system described in (Note1/a) focus as more on credit-quality mapping from the inception of the lending and investment activities. In contrast impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.
The impairment provision shown in the balance sheet at year-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom two grading. The table below shows the percentage of the Bank's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	31/12/2015		31/12/2014	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
1-Performing loans	78.28	38.63	72.15	30.85
2-Regular watch	19.42	6.04	25.24	9.69
3-Watch list	0.86	0.51	0.34	0.14
4-Non performing loans	1.44	54.82	2.27	59.32
	100	**100**	**100**	**100**

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 Bank:

- Insignificant financial troubles facing the borrower or debtor.
- Breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted.
- Deterioration in the competitive position of borrower.
- Grant privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial troubles, which are not granted by the bank in the normal course of business.
- Impairment of guarantee
- Deterioration of creditworthiness.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (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 by using the available historical experience, experienced judgment and statistical techniques.

a-4 Pattern of measuring the general banking risk

In addition to the four categories of the Bank's credit ratings indicated in note (a/1), the management makes small groups more detailed according to the CBE rules, assets facing credit risk are classified to detailed conditions relying greatly on customer's information, activities, financial position and his regular payments to his debts.

The bank calculates the provisions needed for assets facing credit risk impairment in addition to credit regulations according to special percentages .From CBE , in the case of increase of impairment loss provision needed according to CBE than that for purposes of making the financial statements according to the Egyptian accounting standards ,the risk of general banking reserve is included in owners equity deducted from the retained earning with this increase , this reserve is modified with periodic basis with the increase and decrease , which equals the increase in provisions and this reserve is not distributed , discloser no.(31/a) present the movement on the reserve account during the fiscal year.

And this is categories of institutional worthiness according to internal ratings according to CBE rules and rates of provisions needed for assets impairment related to credit risk:

CBE Rating	Categorization	Provision %	Internal Rating	Internal Categorization
1	Low Risk	0	1	Performing loans
2	Moderate Risk	1%	1	Performing loans
3	Satisfactory Risk	1%	1	Performing loans
4	Reasonable Risk	2%	1	Performing loans
5	Acceptable Risk	2%	1	Performing loans
6	Marginally Acceptable Risk	3%	2	Regular watch
7	Watch list	5%	3	Watch list
8	Substandard debt	20%	4	Non Performing loans
9	Doubtful debt	50%	4	Non Performing loans
10	Bad Debt	100%	4	Non Performing loans

a-5 Maximum exposure to credit risk before collateral

Balance sheet items exposed to credit risks:	31/12/2015 US Dollar	31/12/2014 US Dollar
Treasury bills	781 689 833	646 483 864
Loans and credit facilities to customers:		
Individuals:		
-Debit current accounts	114 800 108	61 649 013
-Credit cards	6 718 048	5 271 447
-Personal loans	66 117 367	34 071 639
-Real estate loans	3 375 723	710 631
Corporate:		
-Debit current accounts	406 416 872	418 740 433
-Direct loans	300 146 136	193 261 944
-Syndicated loans	690 510 815	460 289 157
-Other loans	4 045 258	4 730 607
Financial investments		
-Debt instrument	3 078 014 103	2 365 256 058
Other assets	149 178 503	100 724 070
Total	**5 601 012 766**	**4 291 188 863**

Off Balance sheet items exposed to credit risk:		
Commitments For Loans and Other Obligations Which irrevocable related to Credit.	66 101 845	61 193 558
Letter of Credit	37 247 911	59 896 518
Letter of guarantee	103 037 764	121 262 449
Total	**206 387 520**	**242 352 525**

The above table represents the worst-case scenario of credit risk exposure to the Bank at 31 December 2015 and at 31 December 2014, without taking in consideration any guarantee for balance sheet items, amounts stated depend on the net carrying amounts shown in the balance sheet.

- As shown above, 28.43 % of the maximum limit exposed to credit risk results from loans and credit facilities to customers at 31 December 2015 against 27.47% at 31 December 2014 while investments in debt instruments represent 54.95% at 31 December 2015 against 55.12% at 31 December 2014.

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

- 97.80% of the loans and advances portfolio is categorized in the top two grades of the internal rating system against 97.39% at 31 December 2014.

- 97.37% of the loans and advances portfolio are considered neither past due nor impaired against 96.16% at 31 December 2014.

- The bank has introduced a more stringent selection process up to grant loans and advances during the financial year ended at 31 December 2015.

- More than 99.37% as at 31 December 2015 against 97.63% as at 31 December 2014 from investments in debt instruments and treasury bills represent debt instruments on the Egyptian Government.

a-6 Loans and credit facilities to customers

The status of balances of loans and credit facilities to customers in terms of credit ratings as follow:

	31/12/2015 US Dollar	31/12/2014 US Dollar
Loans and credit facilities		
Neither past due nor impaired	1 599 769 927	1 172 688 833
Past due but not impaired	12 419 907	19 146 444
Individually impaired	23 593 931	27 659 577
Gross	**1 635 783 765**	**1 219 494 854**
Less:		
Provision for Impairment losses	(39 169 725)	(38 598 199)
Reserved interest	(3 365 006)	(4 971 193)
Advanced interest	(12 718 903)	(7 345 107)
Net	**1 580 530 131**	**1 168 580 355**

- Total impairment expenses for loans and credit facilities to customers amounted to US Dollar 27 569 529 at 31 December 2015 against US Dollar 28 453 683 at 31 December 2014. Note (18) include additional information on the provision for impairment losses for loans and credit facilities to customers.

Loans and credit facilities neither past due nor impaired

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

Loans and credit facilities to customers
31/12/2015
(US Dollar)

	Individual				Corporate				
Evaluation	**Debit current accounts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Debit current accounts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total Loans and facilities to customers**
1-Performing loans	--	--	--	2 118 753	341 168 989	281 572 038	650 612 344	450 738	1 275 922 862
2-Regular watch	114 422 090	6 396 797	68 557 502	2 750 852	59 474 707	13 192 047	41 529 072	3 892 985	310 216 052
3-Watch list	--	--	--	--	2 401 271	11 229 742	--	--	13 631 013
	114 422 090	6 396 797	68 557 502	4 869 605	403 044 967	305 993 827	692 141 416	4 343 723	1 599 769 927

– Guaranteed loans are not considered subject to impairment for non-performing category after taking into consideration the collectability of the guarantee.

31/12/2014
(US Dollar)

	Individual				Corporate				
Evaluation	**Debit current accounts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Debit current accounts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total Loans and facilities to customers**
1-Performing loans	7 927 777	--	--	808 796	323 393 814	133 512 768	412 784 533	926 362	879 354 050
2-Regular watch	53 561 194	5 121 665	38 352 963	--	98 914 179	46 101 946	42 988 048	4 172 795	289 212 790
3-Watch list	--	--	--	--	94 349	--	4 011 568	16 076	4 121 993
	61 488 971	5 121 665	38 352 963	808 796	422 402 342	179 614 714	459 784 149	5 115 233	1 172 688 833

Loans and credit facilities past due but not impaired

- These are loans and credit facilities less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Loans and credit facilities to customers which past due but are not subject to impairment are as follows:

		31/12/2015 (US Dollar) Individual			
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
Past due up to 30 days	--	325 478	3 820 260	91 244	4 236 982
Past due 30- 60 days	--	--	332 731	--	332 731
Past due 60-90 days	--	--	13 304	23 659	36 963
Past due 120-150 days			43 054	--	43 054
Total	--	325 478	4 209 349	114 903	4 649 730

		Corporate			
	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	7 075 266	694 911	--	--	7 770 177
Total	7 075 266	694 911	--	--	7 770 177

On initial recognition of loans and credit facilities .the fair value of guarantees is assessed based on valuation methods used for similar assets. In subsequent period, fair value is updated to reflect market price or prices of similar assets

		31/12/2014 (US Dollar) Individual			
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
Past due up to 30 days	83 277	186 153	1 812 986	83 258	2 165 674
Past due 30- 60 days	--	--	162 385	6 309	168 694
Past due 60-90 days	--	--	19 070	--	19 070
Total	83 277	186 153	1 994 441	89 567	2 353 438

		Corporate			
	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	1 223	16 791 783	--	--	16 793 006
Total	1 223	16 791 783	--	--	16 793 006

Loans and credit facilities individually impaired

- Balance of loans and credit facilities subject to individual impairment before taking into consideration cash flow from guarantees amounted to US Dollar 23 593 931 at 31 December 2015 against US Dollar 27 659 577 at 31 December 2014.

- Below is a breakdown in total value of the loans and credit facilities subject to individual impairment :

31/12/2015 (US Dollar)

	Individual				Corporate				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
Individually impaired loans and credit facilities	588 669	870 714	4 969 713	--	405 879	124 073	4 351 185	12 283 698	23 593 931

31/12/2014 (US Dollar)

	Individual				Corporate				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
Individually impaired loans and credit facilities	101 407	621 449	5 109 386	60 807	472 079	67 316	8 159 927	13 067 206	27 659 577

a-7 Debt instruments and treasury bills

The table below presents an analysis of debt securities and other governmental securities by rating agency designation at the end of the year, based on Standard & Poor's ratings or their equivalent:

	Treasury bills US Dollar	Investment securities US Dollar	Total US Dollar
AA- to AA+	**--**	**20 979 701**	**20 979 701**
A- to A+	**--**	**3 492 839**	**3 492 839**
Lower than A-	**781 689 833**	**3 053 541 563**	**3 835 231 396**
Total	781 689 833	3 078 014 103	3 859 703 936

a-8 Concentration of risks of financial assets with credit risk exposure

- Geographical sectors

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorized by geographical sector as of 31 December 2015. When this table was prepared, the risk was distributed on the geographical sectors according to the areas related to the bank's clients.

(US Dollar)

	Greater Cairo	Alex, Delta & Sinai	Upper Egypt	Others	Total
Treasury bills	781 689 833	--	--	--	**781 689 833**
Loans and facilities to customers:					
Individuals:					
-Debit current accounts	81 920 462	32 931 474	154 344	4 479	**115 010 759**
-Credit cards	5 779 766	1 677 032	84 637	51 554	**7 592 989**
-Personal loans	45 235 570	29 317 133	3 105 087	78 774	**77 736 564**
-Real estate loans	3 182 108	1 758 354	44 046	--	**4 984 508**
Corporate:					
-Debit current accounts	314 798 666	95 724 515	2 931	--	**410 526 112**
-Direct loans	287 496 173	17 426 296	1 890 342	--	**306 812 811**
-Syndicated loans	633 386 609	63 105 992	--	--	**696 492 601**
-Other loans	10 279 343	6 348 078	--	--	**16 627 421**
-Financial investments					
-Debt instruments	2 983 378 439	--	--	94 635 664	**3 078 014 103**
Total in 31/12/2015	**5 147 146 969**	**248 288 874**	**5 281 387**	**94 770 471**	**5 495 487 701**
Total in 31/12/2014	**3 788 467 354**	**218 880 192**	**6 015 047**	**217 872 183**	**4 231 234 776**

- **Business sectors**

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorized by the business sectors of our business of the bank's clients:

(US Dollar)

	Financial institutions	Manufacturing	Real estate	Commercial	Governmental	Other industries	Individuals	Total
Treasury bills	--	--	--	--	781 689 833	--	--	**781 689 833**
Loans and credit facilities to customers:								
Individuals:								
-Debit current accounts	--	--	--	--	--	--	115 010 759	**115 010 759**
-Credit cards	--	--	--	--	--	--	7 592 989	**7 592 989**
-Personal loans	--	--	--	--	--	--	77 736 564	**77 736 564**
-Real estate loans	--	--	--	--	--	--	4 984 508	**4 984 508**
Corporate:								
-Debit current accounts	47 685 123	212 952 038	2 422 804	105 297 125	--	42 169 022	--	**410 526 112**
-Direct loans	151 543 726	50 564 745	1 521 136	28 843 179	--	74 340 025	--	**306 812 811**
-Syndicated loans	58 396 105	139 952 416	48 312 160	53 489 038	--	396 342 882	--	**696 492 601**
-Other loans	--	7 820 229	2 083 948	3 037 190	--	3 686 054	--	**16 627 421**
Derivative financial instruments								
-Financial investments								
-Debt instrument	24 472 540	--	--	--	3 053 541 563	--	--	**3 078 014 103**
Total in 31/12/2015	**282 097 494**	**411 289 428**	**54 340 048**	**190 666 532**	**3 835 231 396**	**516 537 983**	**205 324 820**	**5 495 487 701**
Total in 31/12/2014	**227 682 468**	**413 875 634**	**40 047 253**	**217 347 787**	**2 940 289 492**	**277 973 260**	**114 018 882**	**4 231 234 776**

b. Market risk

The bank takes on exposure to market risk, 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 risk arises from open positions in interest rate, currency and equity products, all of which 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 Bank 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 the Bank in the risk management department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts directly 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 Bank's held-to-maturity and available-for-sale investments.

b-1 Foreign exchange volatility risk

The Bank 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 currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at end of the year. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

(Equivalent to US Dollar)

	EGP	USD	GBP	Euro	JPY	CHF	SAR	Other	Total
Balance at 31-12-2015									
Financial Assets									
Cash and due from Central Bank of Egypt	248 001 025	6 511 540	186 800	2 087 149	--	10 517	224 462	84 771	257 106 264
Due from banks	104 089 371	230 030 550	6 895 617	23 335 991	2 504 593	1 066 402	1 175 608	231 471	369 329 603
Treasury bills	314 385 796	399 313 466	--	67 990 571	--	--	--	--	781 689 833
Loans and credit Facilities for customers	961 426 154	621 105 576	50 810	9 512 329	--	35 412	46	--	1 592 130 327
Financial Investments:									
-Available for sale investments	2 996 132 518	60 323 606	--	--	--	--	--	--	3 056 456 124
-Held to maturity investments	4 203 169	35 298 664	--	--	--	--	--	--	39 501 833
-Other assets	141 986 736	7 124 689	11 583	53 876	1 619	--	--	--	149 178 503
Total financial Assets	**4 770 224 769**	**1 359 708 091**	**7 144 810**	**102 979 916**	**2 506 212**	**1 112 331**	**1 400 116**	**316 242**	**6 245 392 487**
Financial liabilities									
Due to banks	13 129 603	207 730 135	1 083 861	1 484 277	2 540	13 006	853	--	223 444 275
Customers' deposits	4 587 574 150	771 590 046	5 673 126	101 208 292	2 422 538	990 093	1 438 162	85 445	5 470 981 852
Other loans	14 440 073	100 000 000	--	--	--	--	--	--	114 440 073
Other liabilities	140 623 802	8 931 530	16 292	1 048 052	2 680	18	10 434	--	150 632 808
Total financial Liabilities	**4 755 767 628**	**1 088 251 711**	**6 773 279**	**103 740 621**	**2 427 758**	**1 003 117**	**1 449 449**	**85 445**	**5 959 499 008**
Net Financial Position at 31-12-2015	**14 457 141**	**271 456 380**	**371 531**	**(760 705)**	**78 454**	**109 214**	**(49 333)**	**230 797**	**285 893 479**
Balance at 31-12-2014									
Total financial assets	3 338 057 675	1 184 571 827	9 905 522	100 438 130	128 478	436 997	1 082 132	322 872	4 634 943 633
Total financial liabilities	3 335 816 508	905 328 735	10 049 970	112 298 128	150 779	381 584	1 173 845	118 386	4 365 317 935
Net Financial Position at 31-12-2014	**2 241 167**	**279 243 092**	**(144 448)**	**(11 859 998)**	**(22 301)**	**55 413**	**(91 713)**	**204 486**	**269 625 698**

b-2 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 Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by Assets & Liabilities Management Dept.

c. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

- Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Assets & Liabilities Management Dept, 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 Bank 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 balance sheet liquidity ratios against internal and requirements of 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. Assets & Liabilities Management Dept. also monitors unmatched medium-term assets, the level and type of un drawn 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 jointly team in Bank Assets & liabilities Management, liabilities Investments to maintain a wide diversification by currency, provider, product and term.

d. Fair value of financial assets and liabilities

- Due from banks

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

- Loans and credit facilities to customers

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

- Financial investment

Financial investment securities include only interest-bearing assets held to maturity; assets classified as available for sale are measured at fair value. Fair value for 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 other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

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

e. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- Compliance with capital legal requirements in Egypt.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and other parties dealing with the bank.

- Maintaining a strong capital base to enhance growth.

- Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE) by the bank's management through guidelines developed by the Basel Committee; Data are submitted and filed at CBE on a quarterly basis.

The CBE requires each bank to:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a ratio between capital elements, and assets and contingent liability elements weighted by risk weights at 10% or more.

Capital management

The objective of the bank for capital management purposes, the bank's capital includes total equity as reported in the statement of financial position plus some other elements that are managed as capital. As following

-Compliance with the legally imposed capital requirement in Egypt.

- Protecting the bank's ability to continue as going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintain a strong capital base to enhance growth of the bank's operations.
- Capital adequacy and users are reviewed by the bank's management in accordance with the requirement of the regulatory authority (central bank of Egypt) by bank management; by form relying on basil committee regulations for banking control data are submitted and filed with CBE on quarterly basis.

The bank CBE requires the bank to comply with the following:

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

The numerator in the capital adequacy ratio comprises the following 2 tiers

Tier 1: basic capital, which comprises paid in capital (net of treasury stock), plus retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risk & special reserve), less any goodwill previously recognized and any carried forward losses.

Tier 2: subordinate capital which comprises an amount equal to the loan general provision calculated in accordance with the credit rating bases issued by the CBE provided it does not exceed 1.25% from the total risk –weighted average of assets and contingent liabilities ,plus: the carrying amount of subordinated loans /deposit maturing over more than 5 years (provided that such carrying amount shall be reduced 20% of its value in each of last five years of their maturity), plus 45% of the increase in fair value above the carrying amount of available for sale investment, held to maturity investment ,and investments in subsidiaries and associated and 45% from special reserve.

In calculating the numerator of the capital adequacy ratio, total value of tier 2 should not exceed total value of tier 1.Also, total value of subordinated loans (deposits) should not exceed 50% of tier 1.

Assets are risk weighted at a range of 0 to 200% risk classification of these assets is based on the type of the debtor as to reflect the associated credit risk and after consideration of cash collaterals the same treatment in applied for the off –balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts

Capital adequacy standard has been prepared base on Basel II requirements, and central Bank of Egypt Board of directors has approved in its meeting held on December 18, 2012, which has been issued on December 24, 2012

The table below summarizes the composition of tier 1, tier 2 and capital adequacy ratio based on Basel II

	31/12/2015 In thousand EGP	31/12/2014 In thousand EGP
Tier 1 after exclusions		
Capital issued and paid up*	1 159 515	1 071 015
Reserves *	574 286	494 061
Retained earnings *	37 143	32 748
Total deductions from Basic capital	(18 234)	(6 979)
Total Tier 1 capital after exclusions	**1 752 710**	**1 590 845**
Tier 2 after exclusions		
45% from the Special Reserve *	479	443
45% of the increase in the fair value above its carrying amount of financial investments	50 198	65 816
Subordinated loans	618 408	285 604
Provision for impairment losses for regular loans , facilities and contingent liabilities	108 196	96 960
Total Tier 2 capital after exclusions	**777 281**	**448 823**
Total capital after exclusions	**2 529 991**	**2 039 668**
Risk weighted assets and contingent liabilities:		
Credit risk	19 137 661	15 405 098
Market risk	52 279	--
Operational risk	1 439 923	1 038 079
Total risk weighted assets and contingent liabilities	**20 629 863**	**16 443 177**
Capital adequacy Ratio	**12.26%**	**12.40%**

* Value of the Egyptian pound on the basis of the closing rate of the dollar at the balance sheet date.

Leverage Ratio:

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

- Guidance ratio started from reporting period September 2015 till December 2017.
- Obligatory ratio started from year 2018.

This ratio will be included in Basel requirement tier1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with best international regulatory treatments.

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

Ratio Elements:

The numerator elements

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

The dominator elements

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

1- On balance sheet exposure items after deducting some of Tier I Exclusions for capital base.
2- Derivatives contracts exposures.
3- Financing Financial papers operations exposures.
3- Off-balance sheet items (weighted by credit conversion factor).

The tables below summarizes the leverage financial ratio:

	31/12/2015 In thousand EGP
The Tier 1 for capital (after Exclusions)	1 764 005
Cash and due from Central Bank of Egypt	3 344 329
Due from banks (current Accounts and Deposits)	1 496 481
Treasury bills	6 042 542
Financial Investments: Available for sale	23 621 460
Held to Maturity	305 353
Investments in associated companies	3 199
Total Loans and credit facilities to customers	12 644 775
provision impairment losses for loans irregular and credit facilities	(117 390)
Reserved interest	(26 012)
Fixed Assets (Net)	209 702
Other Assets	1 146 293
The value of what is being deducted from the exposures (some Exclusions of the first tier of the capital)	(7 450)
Total exposures in balance sheet	**48 663 282**
Letters of credit – Import	53 441
Letters of credit – Export	4 145
Letters of guarantee	365 287
Letters of guarantee, As a request to foreign banks or his provide	22 252
Bills acceptable	196 419
Total of contingent liabilities	**641 544**
Capital commitments	3 537
Commitments for operational leasing contracts	41 905
Commitments for Loans and credit facilities to banks /customers (unused part) With an original maturity :	
Irrevocable exceeding one year	210 491
Irrevocable year or less	17 998
Irrevocable unconditional at any time by the bank without prior notice, or that include the texts of self-cancellation due to deterioration of the creditworthiness of the borrower	622 344
Total Commitments	896 275
Total exposures out balance sheet	**1 537 819**
Total exposures in/out balance sheet	**50 201 101**
the leverage financial ratio	**3.51 %**

- According to board meeting held in September 27,2015 have signed contract ---loan with Arab International Bank(main shareholder) amounted to 50 000 000 USD to support second segment for Basel requirement tier1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with best international regulatory treatments.

- The loan period is five years start form November 4, 2015 ended November 3, 2020 and our bank have the right to pay the loan on equal instilments not more than 20%

- The loan interest is 2, 5% over LIBOR for 6 month and should be paid semiannual.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available info.

A) Impairment losses on loans and credit facilities

The Bank reviews its loan portfolios to assess impairment minimum on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow from a portfolio of loans before the decrease can be with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national economic conditions that correlate with defaults on assets in the Bank. 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. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

B) Impairment of available for-sale equity instruments

The Bank 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 Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

C) Held-to-maturity investments

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This classification requires significant judgment. There for the bank tests whether there is a genuine intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example an insignificant amount close to maturity it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost in addition to suspending the classification of any of the investments in that item.

If the use of the classification of the investments is suspended as held to maturity, it will increase the book value of US Dollars 3,873,838 to fair value by recording an entry in the fair value reserve within the equity.

5. Sectorial Analysis

A – Sectorial Analysis for activities

Sectorial activity includes operations and assets used in providing banking services and managing risks surrounding it and the income associated with this activity that may differ from the rest of the other activities.

The sectorial analysis of operations includes, according to the received banking operations, the following:
The large, medium and small enterprises.

Activities include current accounts, deposits, and debit current accounts and loans and credit facilities and financial derivatives.

Investments

Activities include company mergers and purchase of investments and financing of corporate restructuring and financial instruments.

Individuals

Activities include current and savings accounts, deposits, credit cards, personal loans and mortgages.

Other Activities

Include other banking services, such as money management.

Transactions between sectorial activities are held in accordance with the standard cycle of activity of the bank. The assets and liabilities include operating assets and liabilities as displayed in the financial position of the bank.

Assets and Liabilities according to the Sectorial Activity

(US Dollar)

	31/12/2015			
	Corporate	Individual	Other	Total
Assets				
Cash and due from Central Bank of Egypt	--	--	257 106 264	**257 106 264**
Due from banks	193 591 385	--	175 738 218	**369 329 603**
Treasury bills	--	--	781 689 833	**781 689 833**
Loans and facilities for customers (After deducting the provision)	1 401 119 081	191 011 246	--	**1 592 130 327**
Available for sale financial investments	38 213 224	--	3 018 242 900	**3 056 456 124**
Held to maturity financial investments	4 203 170	--	35 298 663	**39 501 833**
Investments at associates companies	413 838	--	--	**413 838**
Unclassified Assets				
Intangible assets	--	--	66 153	**66 153**
Other assets	--	--	149 178 503	**149 178 503**
Fixed Assets (After deducting accumulated depreciation)	--	--	27 127 989	**27 127 989**
Total Assets	**1 637 540 698**	**191 011 246**	**4 444 448 523**	**6 273 000 467**
Liabilities				
Due to banks	223 444 275	--	--	**223 444 275**
Customers' deposits	2 686 682 138	2 784 299 714	--	**5 470 981 852**
Other loans	114 440 073	--	--	**114 440 073**
Other liabilities	--	--	150 632 808	**150 632 808**
Other provisions	--	--	14 407 148	**14 407 148**
Deferred tax liabilities	--	--	351 940	**351 940**
Total Liabilities	**3 024 566 486**	**2 784 299 714**	**165 391 896**	**5 974 258 096**
Total Equity	**--**	**--**	**298 742 371**	**298 742 371**

(US Dollar)

	31/12/2014			
	Corporate	**Individual**	**Other**	**Total**
Assets				
Cash and due from Central Bank of Egypt	--	--	163 926 878	**163 926 878**
Due from banks	77 927 866	--	83 277 912	**161 205 778**
Treasury bills	--	--	646 483 864	**646 483 864**
Loans and facilities for customers (After deducting the provision)	1 077 022 141	101 702 730	--	**1 178 724 871**
Available for sale financial investments	82 216 427	--	2 258 499 404	**2 340 715 831**
Held to maturity financial investments	7 856 117	--	35 306 224	**43 162 341**
Investments at associates companies	753 681	--	--	**753 681**
Unclassified Assets				
Intangible assets	--	--	78 570	**78 570**
Other assets	--	--	100 724 070	**100 724 070**
Fixed Assets (After deducting accumulated depreciation)	--	--	19 699 085	**19 699 085**
Total Assets	**1 245 776 232**	101 702 730	**3 307 996 007**	**4 655 474 969**
Liabilities				
Due to banks	220 693 018	--	--	**220 693 018**
Customers' deposits	1 943 395 092	2 037 366 828	--	**3 980 761 920**
Other loans	66 950 832	--	--	**66 950 832**
Other liabilities	--	--	96 912 165	**96 912 165**
Other provisions	--	--	5 778 539	**5 778 539**
Deferred tax liabilities	--	--	548 216	**548 216**
Total Liabilities	**2 231 038 942**	**2 037 366 828**	**103 238 920**	**4 371 644 690**
Total Equity	**--**	**--**	**283 830 279**	**283 830 279**

6. Net Interest Income

	31/12/2015 US Dollar	31/12/2014 US Dollar
Loans Interest and similar income		
Loans and facilities to clients	127 970 287	93 641 415
Treasury Bonds	393 556 753	235 010 547
Deposits and current accounts	5 184 973	1 043 699
	526 712 013	**329 695 661**
Cost of deposits and similar expenses		
Deposits and current accounts:		
-Banks	(10 442 577)	(12 054 714)
-Clients	(374 358 665)	(224 862 865)
Operations of financial instruments with repurchase commitment	--	--
Other loans	(1 303 323)	(1 031 558)
	(386 104 565)	**(237 949 137)**
Net	**140 607 448**	**91 746 524**

7. Net Fees and Commissions Income

	31/12/2015 US Dollar	31/12/2014 US Dollar
Fees & Commissions Income :		
Fees & Commissions Related to Credit	23 063 089	17 622 412
Custody Fees	292 577	465 264
Other Fees	6 610 130	5 838 221
	29 965 796	**23 925 897**
Fees & Commissions expenses		
Other Fees Paid	(1 270 299)	(1 516 836)
	(1 270 299)	**(1 516 836)**
Net	**28 695 497**	**22 409 061**

8. Dividends income

	31/12/2015 US Dollar	31/12/2014 US Dollar
Available for sale investments	1 933 860	1 617 483
Investments fund held to maturity	194 890	154 131
	2 128 750	**1 771 614**

9. Net Trading Income

	31/12/2015 US Dollar	31/12/2014 US Dollar
Foreign exchange transactions:		
Profit From Foreign exchange	3 984 547	1 836 106
Net	**3 984 547**	**1 836 106**

10. Administrative expenses

	31/12/2015 US Dollar	31/12/2014 US Dollar
Staff Costs		
Wages & salaries	(32 627 251)	31 891 234
Social insurance	(957 242)	877 472
	(33 584 493)	**32 768 706**
Depreciation and amortization	(2 584 939)	2 646 286
Other administrative expenses	(21 503 878)	19 514 939
	(57 673 310)	**54 929 931**

-The average monthly earned by the top twenty employees totaled is US Dollars 297 619 for the financial year ended December 31, 2015 against US Dollars 299 166 for the financial year ended December 31, 2014.

11. Other operating revenue (expenses)

	31/12/2015 US Dollar	31/12/2014 US Dollar
Profits from selling Fixed Assets	156 068	146 973
Operating lease	(425 308)	(475 957)
Capital lease	(327 989)	(397 907)
(Expenses) other provisions (Note 28)	(9 623 281)	(185 887)
Other	(16 556)	(9 645)
	(10 237 066)	**(922 423)**

12. Impairment (expenses) from credit losses

	31/12/2015 US Dollar	31/12/2014 US Dollar
Loans and facilities for clients	(836 241)	(4 255 582)
	(836 241)	**(4 255 582)**

13. Income tax (expenses)

	31/12/2015 US Dollar	31/12/2014 US Dollar
Current tax*	(72 676 028)	(37 190 538)
Deferred tax (Note 29)	196 276	(711 106)
	(72 479 752)	**(37 901 644)**

* The value of the tax due on the return of treasury bonds and bills for the financial year ended on that date.

14. Earnings per share

Earnings Per share is calculated by dividing the net profit attributable to the shareholders of the Bank excluded the employee's shares and the reward of the Board of Directors from the net profit by the weighted average of ordinary shares issued during the year.

	31/12/2015 US Dollar	31/12/2014 US Dollar
Net Profit Available for Distribution on shareholders(1)	30 803 441	24 745 678
Weighted average of ordinary issued shares (2)	15 000 000	15 000 000
Basic Earnings Per Share (US Dollar) (1/2)	**2.05**	**1.65**

15. Cash and due from Central Bank of Egypt

	31/12/2015 US Dollar	31/12/2014 US Dollar
Cash	23 679 483	34 599 319
Balances with Central Bank of Egypt (mandatory reserve)	233 426 781	129 327 559
	257 106 264	**163 926 878**
Balances without interest	257 106 264	163 926 878
	257 106 264	**163 926 878**

16. Due from Banks

	31/12/2015 US Dollar	31/12/2014 US Dollar
Current Accounts	7 265 445	4 180 358
Deposits	362 064 158	157 025 420
	369 329 603	**161 205 778**
Central Banks (Except Obligatory Reserve)	175 738 218	83 277 912
Local Banks	178 040 506	61 042 495
Foreign Banks	15 550 879	16 885 371
	369 329 603	**161 205 778**
Balances without interest	5 501 453	3 072 717
Balances with variable interest	1 763 992	1 107 641
Balances with fixed interest	362 064 158	157 025 420
	369 329 603	**161 205 778**
Current Balances	369 329 603	161 205 778
	369 329 603	**161 205 778**

17. Treasury bills

	31/12/2015 US Dollar	31/12/2014 US Dollar
Treasury bills	781 689 833	646 483 864
Egyptian Treasury bills	**781 689 833**	**646 483 864**
The Treasury bills are represented in the following:		
182 Days maturity	39 022 771	--
272 Days maturity	161 706	--
273 Days maturity	129 364 400	28 010 820
357 Days maturity	65 147 912	70 027 050
364 Days maturity	580 256 615	567 893 460
	813 953 404	**665 931 330**
Unearned Interest	(32 263 571)	(19 447 466)
	781 689 833	**646 483 864**

18. Loans and credit Facilities for customers

	31/12/2015 US Dollar	31/12/2014 US Dollar
Individuals:		
Debit current accounts	115 010 759	61 673 655
Credit cards	7 592 989	5 929 267
Personal loans	77 736 564	45 456 790
Real estate loans	4 984 508	959 170
Total (1)	**205 324 820**	**114 018 882**
Corporate:		
Debit current accounts	410 526 112	422 875 644
Direct loans	306 812 811	196 473 813
Syndicated loans	696 492 601	467 944 076
Other loans	16 627 421	18 182 439
Total (2)	**1 430 458 945**	**1 105 475 972**
Loans and credit facilities to customers (1+2)	**1 635 783 765**	**1 219 494 854**
Less:		
Provision for impairment losses	(27 569 529)	(28 453 683)
Reserved interest	(3 365 006)	(4 971 193)
Advanced interest	(12 718 903)	(7 345 107)
Net loans and credit facilities to customers, distributed to :	**1 592 130 327**	**1 178 724 871**
Current Balances	559 919 026	506 521 914
Non-current Balances	1 032 211 301	672 202 957
	1 592 130 327	**1 178 724 871**

Provision for impairment losses
Analysis of the provision for impairment losses for Customers

31/12/2015

Individual

	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total US Dollar
Balance At Beginning Of The year	24 642	331 920	4 850 438	14 174	5 221 174
Impairment expenses (recovery)	40 439	(28 969)	(588 318)	10 547	(566 301)
Write off during the period	--	(3 511)	(25 442)	--	(28 953)
Recovery during the period	--	20 128	--	10 394	30 522
Translation differences	(3 577)	(24 333)	(358 587)	(1 017)	(387 514)
Balance At The End Of The year	**61 504**	**295 235**	**3 878 091**	**34 098**	**4 268 928**

Corporate

	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total US Dollar
Balance At Beginning Of The year	**4 128 167**	**1 993 710**	**6 016 566**	**11 094 066**	**23 232 509**
Impairment expenses (recovery)	230 151	1 208 611	43 631	(79 851)	1 402 542
Write off during the period	--	--	--	(21 471)	(21 471)
Recovery during the period	--	--	--	4 591	4 591
Translation differences	(260 582)	(103 942)	(302 189)	(650 857)	(1 317 570)
Balance At The End Of The year	**4 097 736**	**3 098 379**	**5 758 008**	**10 346 478**	**23 300 601**

31/12/2014

Individual

	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total US Dollar
Balance At Beginning Of The year	35 852	723 338	6 015 160	32 937	6 807 287
Impairment expenses (recovery)	(10 192)	(23 200)	(992 639)	(83 765)	(1 109 796)
Write off during the period	--	(356 483)	(12 162)	--	(368 645)
Recovery during the period	--	11 776	--	67 582	79 358
Translation differences	(1 018)	(23 511)	(159 921)	(2 580)	(187 030)
Balance At The End Of The year	**24 642**	**331 920**	**4 850 438**	**14 174**	**5 221 174**

Corporate

	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total US Dollar
Balance At Beginning Of The year	**2 934 752**	**1 033 370**	**3 916 306**	**10 726 649**	**18 611 077**
Impairment expenses (recovery)	1 309 543	957 673	2 191 621	906 541	5 365 378
Write off during the period	--	--	--	(300 748)	(300 748)
Recovery during the period	--	--	--	3 472	3 472
Adjustments	(24 444)	24 444	--	--	--
Translation differences	(91 684)	(21 777)	(91 361)	(241 848)	(446 670)
Balance At The End Of The year	**4 128 167**	**1 993 710**	**6 016 566**	**11 094 066**	**23 232 509**

19. Financial Investments

	31/12/2015 US Dollar	31/12/2014 US Dollar
Available for sale financial investments		
Debt instruments-fair value:		
-listed	3 042 715 440	2 325 943 934
Equity instruments-cost:		
-listed	5 259 440	5 694 041
-unlisted	8 481 244	9 077 856
Total available for sale financial investments (1)	**3 056 456 124**	**2 340 715 831**
Held to maturity financial investment		
Debt instruments-amortized cost:		
-listed	35 298 663	39 312 124
Equity instruments-cost:		
-unlisted	4 582 746	4 261 159
Less :impairment provision	(379 576)	(410 942)
Total held to maturity financial investment (2)	**39 501 833**	**43 162 341**
Total financial investment(1+2)	**3 095 957 957**	**2 383 878 172**
Current balances	3 056 456 124	2 340 715 831
Non-current balances	39 501 833	43 162 341
	3 095 957 957	**2 383 878 172**
Fixed Interest Debt Instruments	3 077 374 632	2 363 873 142
Variable Interest Debt Instruments	639 471	1 382 916
	3 078 014 103	**2 365 256 058**

	31/12/2015		
	Available for sale financial investments US Dollar	Held To Maturity Financial Investment US Dollar	Total US Dollar
Opening Balance	**2 340 715 831**	**43 162 341**	**2 383 878 172**
Addition	1 227 036 882	640 611	1 227 677 493
Deduction (Selling - Redemption)	(335 630 551)	(4 000 000)	(339 630 551)
Translation differences	(174 989 609)	(287 658)	(175 277 267)
Profit from fair value difference (Note 31/c)	(1 263 291)	--	(1 263 291)
Discount	2 783 360	11 907	2 795 267
Premium	(2 196 498)	(25 368)	(2 221 866)
Ending balance	**3 056 456 124**	**39 501 833**	**3 095 957 957**

	Available for sale financial investments US Dollar	31/12/2014 Held To Maturity Financial Investment US Dollar	Total US Dollar
Opening Balance	**1 388 875 577**	**71 842 162**	**1 460 717 739**
Additions	1 452 728 343	708 341	1 453 436 684
Deduction (Selling - Redemption)	(479 954 805)	(28 347 052)	(508 301 857)
Translation differences	(31 078 487)	(380 602)	(31 459 089)
Profit from fair value difference (Note 31/c)	11 470 151	--	11 470 151
Discount	993 320	13 687	1 007 007
Premium	(2 318 268)	(674 195)	(2 992 463)
Ending balance	**2 340 715 831**	**43 162 341**	**2 383 878 172**

- **Profit from Financial Investment**

	31/12/2015 US Dollar	31/12/2014 US Dollar
Profit From Selling Available For Sale Financial Instruments	9 067 368	14 850 172
	9 067 368	**14 850 172**

- **Adjustments for impairment losses provision of held to maturity financial investments**

	31/12/2015 US Dollar	31/12/2014 US Dollar
Opening Balance	410 942	422 876
Translation differences	(31 366)	(11 934)
Ending balance	**379 576**	**410 942**

20. Investments in associates companies

The bank's shareholding percentage in associates companies are as follows:

31/12/2015

	Assets US Dollar	Liability (without shareholders equity) US Dollar	The company's revenues US Dollar	Profit (loss) US Dollar	Company country	Balance as of 1/1/2015 US Dollar	Income from investments in Associates companies – equity method US Dollar	Additions during the year US Dollar	Translation differences US Dollar	Balance as of 31/12/2015 US Dollar	Shareholding %
Cairo National Co. for Trading Securities *	741 133	259 608	144 111	(8 263)	Egypt	193 465	(10 570)	(14 306)	(14 503)	154 086	32
Cairo Factoring Company**	15 686 989	15 037 607	953 383	(52 246)	Egypt	560 216	(255 230)	--	(45 234)	259 752	40
						753 681	**(265 800)**	**(14 306)**	**(59 737)**	**413 838**	

31/12/2014

	Assets US Dollar	Liability (without shareholders equity) US Dollar	The company's revenues US Dollar	Profit (loss) US Dollar	Company country	Balance as of 1/1/2014 US Dollar	Income from investments in Associates companies – equity method US Dollar	Additions during the year US Dollar	Translation differences US Dollar	Balance as of 31/12/2014 US Dollar	Shareholding %
Cairo National Co. for Trading Securities *	940 107	317 527	364 127	116 900	Egypt	156 239	41 781	--	(4 555)	193 465	32
Cairo Factoring Company	6 547 640	5 788 035	739 636	(640 936)	Egypt	576 485	--	--	(16 269)	560 216	40
						732 724	**41 781**	--	**(20 824)**	**753 681**	

* Been relying on financial statements approved at September 30, 2015 for Cairo National Co. for Securities Trading in calculating investment income, assets and liabilities balances as well as its revenues and income.

21. Intangible assets

	31/12/2015 US Dollar	31/12/2014 US Dollar
- Franchise		
Net book value at the beginning of the year	78 570	88 004
Amortization	(6 431)	(6 985)
Translation Differences	(5 986)	(2 449)
Net book value at the ending of the year	**66 153**	**78 570**

22. Other assets

	31/12/2015 US Dollar	31/12/2014 US Dollar
Accrued revenue	129 367 299	90 181 290
Prepaid expenses	1 830 039	1 701 334
Advance payments for purchasing fixed assets	16 657 092	7 271 644
Paid amounts for investments increasing (New/standing)	--	700 271
Assets reverted to the bank in settlement of debts (net of related impairment)	230 527	249 576
Imprest and insurance	54 216	58 894
Others (net of related impairment)	1 039 330	561 061
	149 178 503	**100 724 070**

23. Fixed assets

	Land US Dollar	Buildings US Dollar	Computers & Core Systems US Dollar	Vehicles US Dollar	Fixtures & fittings US Dollar	Equipment US Dollar	Furniture US Dollar	Total US Dollar
Balance as of 1/1/2014								
Cost	521 731	16 245 619	13 649 418	476 441	4 949 074	2 584 460	708 233	39 134 976
Accumulated depreciation	--	(5 364 031)	(11 570 196)	(470 777)	(2 704 404)	(1 581 609)	(522 697)	(22 213 714)
Net book value as of 1/1/2014	**521 731**	**10 881 588**	**2 079 222**	**5 664**	**2 244 670**	**1 002 851**	**185 536**	**16 921 262**
Additions	--	2 167 626	646 123	--	2 557 171	355 711	111 452	5 838 083
Disposals	--	--	--	(880)	--	--	--	(880)
Translation Differences (Assets balances)	(14 724)	(461 950)	(65 545)	(13 730)	(148 760)	(57 807)	(20 066)	(782 582)
Translation Differences (Accumulated depreciation)	--	155 019	59 299	13 572	79 283	40 065	15 000	362 238
Depreciation cost	--	(801 946)	(580 924)	(1 302)	(860 722)	(333 532)	(60 875)	(2 639 301)
Accumulated depreciation of disposals	--	--	--	265	--	--	--	265
Net book value as of 31/12/2014	**507 007**	**11 940 337**	**2 138 175**	**3 589**	**3 871 642**	**1 007 288**	**231 047**	**19 699 085**
Balance as of 1/1/2015								
Cost	507 007	17 951 295	14 229 996	461 831	7 357 485	2 882 364	799 619	44 189 597
Accumulated depreciation	--	(6 010 958)	(12 091 821)	(458 242)	(3 485 843)	(1 875 076)	(568 572)	(24 490 512)
Net book value As 1/1/2015	**507 007**	**11 940 337**	**2 138 175**	**3 589**	**3 871 642**	**1 007 288**	**231 047**	**19 699 085**

Fixed assets: continue

	Land	Buildings	Computers & Core Systems	Vehicles	Fixtures & fittings	Equipments	Furniture	Total
	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Balance of the current financial year								
Net book value as of 1/1/2015	507 007	11 940 337	2 138 175	3 589	3 871 642	1 007 288	231 047	19 699 085
Additions	--	3 880 985	2 994 663	30 664	3 844 826	487 633	123 354	11 362 125
Disposals	--	--	--	(49 370)	--	--	--	(49 370)
Translation Differences (Assets balances)	(38 698)	(1 369 151)	(166 213)	(34 655)	(556 750)	(172 339)	(57 048)	(2 394 854)
Translation Differences (Accumulated depreciation)	--	460 054	147 157	34 662	266 161	117 764	43 369	1 069 167
Depreciation cost	--	(865 381)	(576 225)	(2 397)	(802 768)	(274 004)	(57 733)	(2 578 508)
Accumulated depreciation of disposals	--	--	--	20 344	--	--	--	20 344
Net book value as of 31/12/2015	**468 309**	**14 046 844**	**4 537 557**	**2 837**	**6 623 111**	**1 166 342**	**282 989**	**27 127 989**
Balance as of 31/12/2015								
Cost	468 309	20 463 129	17 058 446	408 470	10 645 561	3 197 658	865 925	53 107 498
Accumulated depreciation	--	(6 416 285)	(12 520 889)	(405 633)	(4 022 450)	(2 031 316)	(582 936)	(25 979 509)
Net book value As 31/12/2015	**468 309**	**14 046 844**	**4 537 557**	**2 837**	**6 623 111**	**1 166 342**	**282 989**	**27 127 989**

24. Due to banks

	31/12/2015 US Dollar	31/12/2014 US Dollar
Current Accounts	10 615 195	31 235 030
Deposits	212 829 080	189 457 988
	223 444 275	**220 693 018**
Local Banks	110 355 777	170 830 175
Foreign Banks	113 088 498	49 862 843
	223 444 275	**220 693 018**
Balances without interest	2 422 016	2 921 793
Balances with variable interest	8 088 498	27 960 251
Balances with fixed interest	212 933 761	189 810 974
	223 444 275	**220 693 018**
Current Balances	223 444 275	220 693 018
	223 444 275	**220 693 018**

25. Customers' deposits

	31/12/2015 US Dollar	31/12/2014 US Dollar
Demand Deposits	228 184 116	171 831 018
Time Deposits and call accounts	2 280 579 945	1 789 281 873
Certificates of savings and Deposit	2 569 469 107	1 765 063 326
Saving Deposits	220 813 702	163 754 971
Other Deposits	171 934 982	90 830 732
	5 470 981 852	**3 980 761 920**
Corporate Deposits	2 686 682 138	1 943 395 092
Individuals Deposits	2 784 299 714	2 037 366 828
	5 470 981 852	**3 980 761 920**
Balances without interest	302 474 204	207 941 740
Balances with variable interest	2 405 566 825	1 757 409 257
Balances with fixed interest	2 762 940 823	2 015 410 923
	5 470 981 852	**3 980 761 920**
Current Balances	2 901 512 745	2 215 698 594
Non-Current Balances	2 569 469 107	1 765 063 326
	5 470 981 852	**3 980 761 920**

26. Other loans

	31/12/2015 US Dollar	31/12/2014 US Dollar
Loan from Social Fund for Development		
Development Project for Small Entities (New/Standing)	7 064 664	7 138 089
Development project for Small and medium poultry entities (New/Standing)	3 137 087	5 329 059
Agricultural development loan – (principal bank /CIB)	3 302 052	4 204 284
Environment commitment loan – (principal bank /NBE)	192 875	279 400
Mortgage finance initiative for low-income (CBE)	743 395	--
Subordinated loan - Arab International Bank *	100 000 000	50 000 000
Total Other loans	**114 440 073**	**66 950 832**

* - The General Assembly approved in the ordinary general meeting held on February 19, 2013 to execute the remaining loan contract with the Arab International Bank (a major contributor to our bank) dated March 18, 2013 with the value of 50,000,000 USD to support the second tranche of base capital to our bank to raise the capital percentage rate adequacy according to Basel in order to maintain the prescribed percentage of the Central Bank of Egypt.

- The duration of this loan is five years starting from March 2013 ending in February 2018 and to be paid at the end of term by February 28, 2018.

- Calculated on the amount of the loan rate of return by ¼% (quarter percent) per annum over LIBOR 6 Months rate and be paid every six months.

27. Other liabilities

	31/12/2015 US Dollar	31/12/2014 US Dollar
Accrued interest	70 531 792	48 303 284
Unearned revenue	1 307 099	1 394 089
Accrued expenses	1 256 466	1 205 331
Dividends payable*	23 959	24 008
Sundry credit balances	77 513 492	45 985 453
	150 632 808	**96 912 165**

*This balance represents dividends of shareholders for prior years and the ones concerned did not come forth to cash them.

28. Other provisions

31/12/2015

Description	Balance at The Beginning of the year US Dollar	Translation Differences US Dollar	Charged to Income Statement Note (11) US Dollar	Used during the year US Dollar	Adjustments-Transferred from other credits US Dollar	Year-end Balance US Dollar
Provision for potential claims	3 209 586	(250 989)	10 000 000	(620 464)	--	12 338 133
Provision for contingent liabilities	2 442 672	(120 375)	(376 719)	--	--	1 945 578
Litigations provision	126 281	(9 573)	--	--	6 729	123 437
	5 778 539	**(380 937)**	**9 623 281**	**(620 464)**	**6 729**	**14 407 148**

The provision was formed by the expected fully bearing value, and it is expected that provision will be fully used during the subsequent periods.

31/12/2014

Description	Balance at The Beginning of the year US Dollar	Translation Differences US Dollar	Charged to Income Statement Note (11) US Dollar	Used during the year US Dollar	Year-end Balance US Dollar
Provision for potential claims	4 023 400	(115 987)	--	(697 827)	3 209 586
Provision for contingent liabilities	2 324 906	(68 121)	185 887	--	2 442 672
Litigations provision	129 948	(3 667)	--	--	126 281
	6 478 254	**(187 775)**	**185 887**	**(697 827)**	**5 778 539**

29. Deferred tax asset /(liability)

	31/12/2015 US Dollar	31/12/2014 US Dollar
Balance at beginning of the year assets (liability)	(548 216)	162 890
Additions (Note 13)	196 276	--
Exclusions (Note 13)	--	(711 106)
Balance at the end of the year asset/(liability)	**(351 940)**	**(548 216)**

30. Capital

	No of Shares (Per million) US Dollar	Nominal value per share US Dollar	Total US Dollar
Balance as of 1/1/2015	**15**	**10**	**150 000 000**
Balance as of 31/12/2015	**15**	**10**	**150 000 000**

- The Authorized capital on 31 December 2015 amounting to US Dollar 200 million with a nominal value US Dollar 10 per share, the issued and fully paid capital before increasing amounting to US Dollar 150 million divided on 15 000 000 shares of nominal value US Dollar 10 per share.

31. Reserves and Retained Earnings

	31/12/2015 US Dollar	31/12/2014 US Dollar
Reserves		
General Banking Risks Reserve (A)	8 885 955	5 455 605
Legal Reserve (B)	58 872 767	55 422 896
General Reserve	14 291 493	12 791 493
Capital Reserve	1 127 892	980 919
Fair Value Reserve-available for sale financial investments (C)	14 430 718	16 610 067
Special Reserve (D)	3 337 162	3 337 162
Total reserves at the end of the year	**100 945 987**	**94 598 142**

Reserves movements are as follow:

	31/12/2015 US Dollar	31/12/2014 US Dollar
A -General Banking Risks Reserve		
Balance At Beginning Of The Year	5 455 605	3 793 456
Transferred from the Retained earning	3 430 350	1 662 149
Balance At the End Of The Year	**8 885 955**	**5 455 605**

- Under instructions of the Central Bank of Egypt to create bank risk reserve to encounter unforeseen risks, this reserve is distributed only after obtaining the approval of the Central Bank of Egypt.

	31/12/2015 US Dollar	31/12/2014 US Dollar
B –Legal Reserve		
Balance At Beginning Of The Year	55 422 896	52 365 714
Transferred from profit of the year	3 449 871	3 057 182
Balance At Ending Of The Year	**58 872 767**	**55 422 896**

- In accordance with the initial statute of the bank, 10% of the net profit of the year is retained to feed the legal reserve until the balance reaches 50% of the paid up capital, and the decrease of the reserve less than half specifies to return to truncation.

	31/12/2015 US Dollar	31/12/2014 US Dollar
C -Fair value Reserve-available for sale financial investment		
Balance At Beginning Of The Year	16 610 067	5 256 227
Net profit resulting from change in fair value (Note 19)	(1 263 291)	11 470 151
Translation differences	(916 058)	(116 311)
Balance At Ending Of The Year	**14 430 718**	**16 610 067**

- Application of the presentation rules of banks' financial statements and the basis of recognition and measurement basis approved by the Board of Directors of the Central Bank of Egypt in its session on 16 December 2008, that are recognized directly in equity with profits and losses arising from changes in fair value of available-for-sale financial investments for this item, and that until the asset is excluded or impaired its value, then it is recognized in the income statement as gains and losses previously recognized in equity.

D –Special Reserve

- Requires the application of rules of preparation and presentation of financial statements and recognition and measurement basis approved by the Board of Directors of the Central Bank of Egypt in its session on 16 December 2008 amendments to the comparative figures for the first financial year to start the application which affects the balance sheet (Comparative figures) and income statement (previous financial year) for some items without the other, so that the net effects of adjustments which was exported through retained earnings to special reserve of equity which are used only with the approval of the Central Bank of Egypt.

	31/12/2015 US Dollar	31/12/2014 US Dollar
E -Retained Earnings		
Balance At Beginning Of The Year	39 232 137	35 324 204
Net profit of the financial year	42 991 441	34 645 678
Distributions for shareholders	(16 000 000)	(14 000 000)
Employees' share in profit	(8 460 000)	(8 250 000)
Board of directors' remuneration	(1 440 000)	(1 440 000)
Transferred to general banking risks reserve (Note 31/a)	(3 430 350)	(1 662 149)
Transferred to legal reserve	(3 449 871)	(3 057 182)
Transferred to general reserve	(1 500 000)	(1 500 000)
Transferred to capital reserve	(146 973)	(266 999)
Donation for housing development charity project*	--	(561 415)
Balance At Ending Of The Year	**47 796 384**	**39 232 137**

*Represents the amount donated to housing development charity project of 2% of net income subject to distribution at 31 Dec. 2012 based on ordinary general assembly meeting resolution as at 27 Feb. 2014.

32. Distribution for shareholders

- Dividends are not recognized until the approval of the General Assembly of Shareholders. The Board of Directors proposes to the Assembly which will be held on Feb 28, 2016 to distribute UD Dollar 1.33333 per share for the year 2015 with a total amount of US Dollar 20 000 000 (The actual distributions was US Dollar 1.06666 per share with a total amount of US Dollar 16 000 000 for the comparison year.) In addition to the dividend to shareholders, the Board of Directors proposed - in accordance with the Bank's Statute on the next General Assembly of shareholders to distribute US Dollar 10 188 000 as Employees share in profit and US Dollar 2 000 000 as Board of directors remuneration (The actual dividends amounting US Dollar 8 460 000 for the employees and US Dollar 1 440 000 as Board of directors remuneration for the comparison year) this decision is not recognized in these financial statements and the Distributions for shareholders, Employees share in profit and the board of directors remuneration will be recognized in the equity distributed from the retained earnings in the financial year ending December 31, 2016.

33. Cash and Cash Equivalent

For the purpose of presenting the cash flow statement, cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

	31/12/2015 US Dollar	31/12/2014 US Dollar
Cash and balances with central bank	23 679 483	34 599 319
Due from banks	234 456 603	111 205 778
	258 136 086	**145 805 097**

34. Contingent Liabilities and Commitments

A- Capital Commitments

The bank's contracts for capital commitments amounted to US Dollar 3 537 345 at 31 December 2015 representing purchase of fixed assets contracts, such as branches constructions and pormotions, and the management have a sufficient confidence to achive net revenue and the availability to cover those commitments.

B- Commitments for loans, guarantees and facilities

The bank's commitments for loans,guarantees and facilities are represented as follows :

	31/12/2015 US Dollar	31/12/2014 US Dollar
Commitments for loans	871 193 686	711 997 090
Customers Acceptances	25 409 626	27 730 432
Letters Of Guarantee	103 037 764	121 262 449
Letters Of Credit (Import)	34 566 685	58 486 452
Letters Of Credit (Export)	2 681 226	1 410 066
	1 036 888 987	**920 886 489**

C- Leasing contracts Commitments

The total minimum lease payments for finance leases as follows :

	31/12/2015 US Dollar	31/12/2014 US Dollar
Not more than one year	362 947	349 235
More than one year and less than five years	706 177	785 477
	1 069 124	**1 134 712**

35. Transactions with Related Parties

The Bank deals with related parties on the same basis, when dealing with others, and the nature of the most important transactions and balances in the balance sheet date are as follows:

	31/12/2015 US Dollar	31/12/2014 US Dollar
Nature of transactions		
Due from banks	101 708 965	51 603 944
Loans and credit facilities to customers	9 992 772	4 178 712
Other assets	306 919	332 755
Due to banks	25 511 692	30 527 893
Customers' deposits	209 128 201	171 804 116
Other loans	100 000 000	50 000 000
Other liabilities	36 718	555 326

36. Mutual Funds

The first fund- the first mutual fund for SAIB – accumulated fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by Prime Investments for Managing Financial Securites.
- The bank established the first mutual fund on February 28,1996 with a nomianl value of LE 500 for each. On March 13, 2007 the General Authority for Capital Markets approved to divide the value of the certificate by 1:5 to become the nominal value of the certificate LE 100 instead of LE 500 ,article (6) of the Fund's prospectus was modified on March 29,2007.
- The number of the certificates reached 106 075 with a total value of US Dollar 1 372 233; the bank's portion 19 000 certificates with a nominal value of US Dollar 245 792 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 452.88 on the date of the balance sheet equivalent to US 58.59

The Second fund – the second mutual fund for SAIB – accumulated interim return fund and free certificates

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by Prime Investments for Managing Financial Securites.
- The bank established the second mutual fund on September 4,1997 with a nominal value of LE 100 for each.
- The number of the certificates reached 119 626 with a total value of US Dollar 1 547 535; the bank's portion 26 000 certificates with a nominal value of US Dollar 336 347 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 308.79 on the date of the balance sheet equivalent to US Dollar 39.95

The Third fund (EL RABEH) – the third mutual fund for SAIB - interim return fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by EFG Hermes Holding instead of Prime Investments for Managing financial Securities since its related management contract has been treminated as at 4th November. 2013.
- The bank established the third mutual fund on December 31,1998 through general finance controlling authority license no. (248) with a nominal value of LE 100 for each
- On April 22,2007 the name of the fund changed from the third fund to be (EL RABEH).

- The number of the certificates reached 358 337 with a total value of US Dollar 4 635 605; the bank's portion 50 000 certificates with a nominal value of US Dollar 646 822 to proceed the fund activity.

- The recoverable amount for the certificate reached LE 124.26 on the date of the balance sheet equivalent to US Dollar 16.07.

The Fourth fund (Sanabel) – the fourth mutual fund for SAIB – Accumulated interim return fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by HC for securities instead of Prime Investments for Managing Financial Securities since December 21, 2011.
- The bank established the fourth mutual fund (Sanabel) Islamic rules based fund incorporation with Abo Dhabi Islamic Bank (National Bank for development) on December 20,2006 with a nomianl value of LE 100 for each.
- The number of the certificates reached 492 305 with a total value of US Dollar 6 368 674; the bank's portion 74 085 certificates with a nominal value of US Dollar 958 396 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 77.75 on the date of the balance sheet equivalent to US Dollar 10.06.

The daily cash fund – the fifth mutual fund for SAIB – Accumulated daily return fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by Blton Mutual fund management.
- The bank established the daily cash fund on June 4,2014 through general finance controlling authority license no. (641) with a nomianl value of LE 10 for each.
- The number of the certificates reached 25 544 490 with a total value of US Dollar 33 045 476; the bank's portion 958 233 certificates with a nominal value of US Dollar 1 239 612 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 11.27 on the date of the balance sheet equivalent to US Dollar 1.46.

37. Tax Position

A- Societe Arabe Internationale de Banque

- **First: Corporate Tax**

Years from the date of commencement of activities till 2004

- The bank was inspected for these years and the related due taxes were paid.

Years from 2005 till 2006

The bank was inspected for these years in accordance with Law no. 91 for the year 2005, The Bank objected to the claim and refered the dispute to the internal committees, The dispute with the Tax authority has finished and resulted in tax losses.

Years from 2007 till 2014

- The tax returns for those years were prepared and submitted on due dates in accordance with Law No. 91 for 2005.

- **Second: Salary Tax**

Years from the date of commencement of activities till 2011

- The bank was inspected for these years and the related due taxes were paid.

Years from 2012 till 2015

- The Bank is calculates, deducts and remits the tax on due dates in accordance with Law No. 91 for 2005, and are currently under inspection by large taxpayer center.

- **Third: Stamp Tax**

Years from the date of commencement of activities till 2005

- The Tax Authority inspected the bank for these years and the bank paid the due tax differences.

Years from January 1, 2006 till July 31, 2006

- The years from the beginning of year 2006 till July 2006 are currently inspected by the large taxpayer center.

Years from August 1, 2006 till December 31, 2015

- Starting from August 1, 2006, the bank pays the accrued taxes every three months according to the law requirements.

B- The position of SAIB - Port Said (Port Said National Bank For Development - Previously) that has been merged on January 1, 2008 with Societe Arabe International De Banque (SAIB).

- **First: Corporate Tax**

Years from the 1981 till 1997

- The bank was inspected and the related due taxes were paid for corporate tax from the beginning of activity July 1981 to June 1997.

Years from 1998 till 2002

- The dispute with the Tax authority was finalized, and the related due taxes were paid. The dispute on the portion of capital increase was transferred to the judicial court.

Years from 2003 till 2004

- The dispute with the Tax authority was finalized, and the related due taxes were paid, the dispute on the portion of capital increase interest are transferred to the judicial court.

Years from 2005 till 2007

- Was an appointment with the competent Tax Office to start checking those years.

- **Second: Salary Tax**

Years from the date of commencement of activities till 1994

- The bank was inspected for these years and the related due taxes were paid till 1994.

Years from 1995 till 1998

- The bank has to submit a request to the Tax authority to finish The dispute and re-inspect The dispute And payment of tax differences due..

Years from 1999 till 2004

- The bank was inspected for these years and the related due taxes were paid.

Years from 2005 till 2007

- These years were not inspected till now

- **Third: Stamp Tax**

Years from the date of commencement of activities till 1995

- The bank was inspected for these years and the related due taxes were paid till 1995.

Years from 1996 till 2005

- The dispute with the Tax authority has finished, and the related due taxes were paid.

Years from 2005 till 2007

- The bank was inspected for these years. and the objection form was sent by the bank.

Chief Financial Officer	Vice Chairman And Managing Director	Chairman And Managing Director
Hamdy Ghazy Ibrahim	Hassan Abdel Meguid	Mohammed Naguib Ibrahim