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Public Accountants and Consultants



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

EGYPTIAN GULF BANK (S.A.E)

SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2015



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## REVIEW REPORT

### TO THE BOARD OF DIRECTORS OF EGYPTIAN GULF BANK (S.A.E)

#### Introduction

We have performed a limited review for the accompanying separate financial statements of Egyptian Gulf Bank (S.A.E), represented in the separate financial position as of 30 June 2015, and the related separate statements of income, change in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other notes. Management is responsible for the preparation and fair presentation of these interim separate financial statements in accordance with the Central Bank of Egypt's rules issued in 16 December 2008 and in the light of the prevailing Egyptian laws and regulations. Our responsibility is to express a conclusion on these interim separate financial statements based on our limited review.

#### Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standards on Review Engagements no. 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim separate financial statements

#### Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly in all material respects, the separate financial position of the bank as of 30 June 2015, and of its separate financial performance and its cash flows for the six months then ended in accordance with the Central Bank of Egypt's rules issued on 16 December 2008 and in the light of the prevailing Egyptian laws and regulations relating to the preparation of these separate financial statements.

Cairo: 15 September 2015



Allied for Accounting & Auditing EY  
Public Accountants & Consultants

Auditors



**BAKER TILLY**  
WAHID ABDEL GHAFFAR & CO.  
Elayed Mahmoud Ahmed Salem  
FESAA - FEST  
RAA (7110)

Wahid Abdel Ghaffar & CO BT  
Public Accountants & Consultants

SEPARATE STATEMENT OF FINANCIAL POSITION  
For the period ended 30 June 2015

	Note	30/6/2015 L.E.	31/12/2014 L.E.
<b>Assets</b>			
Cash and balances with the CBE	(14)	1,496,094,653	802,774,507
Due from banks	(15)	477,187,106	155,561,960
Treasury bills and other governmental bonds	(16)	2,073,807,948	1,008,443,431
Trading financial assets	(17)	2,495,475	5,423,755
Loans, advances and morabihat for customers	(18)	6,464,546,253	4,228,996,657
<b>Financial investments:</b>			
Available for sale	(19)	4,857,703,887	4,159,115,815
Held-to-maturity	(19)	12,514,700	12,514,700
Investments in subsidiaries and associates	(20)	220,202,560	220,202,560
Intangible assets	(21)	26,425,645	24,819,094
Other assets	(22)	464,878,117	357,610,285
Deferred tax assets	(29)	3,258,539	9,042,266
Fixed assets	(23)	75,831,515	72,703,209
<b>Total assets</b>		<b>16,174,946,398</b>	<b>11,057,208,239</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	(24)	1,611,217,836	257,101,753
Customers' deposits	(25)	12,576,576,933	9,042,543,101
Other loans	(26)	3,150,000	4,100,000
Other liabilities	(27)	291,992,330	133,521,637
Other provisions	(28)	59,466,939	80,690,660
<b>Total liabilities</b>		<b>14,542,404,038</b>	<b>9,517,957,151</b>
<b>Shareholders' equity</b>			
Issued and Paid-in capital	(30)	1,122,757,295	1,122,757,295
Retained for capital increase		157,186,023	-
Reserves	(31)	223,933,044	208,758,454
Retained Earnings	(31)	128,665,998	207,735,339
<b>Total shareholders' equity</b>		<b>1,632,542,360</b>	<b>1,539,251,088</b>
<b>Total liabilities and shareholders' equity</b>		<b>16,174,946,398</b>	<b>11,057,208,239</b>

Nidal Assar

Executive Chairman &amp; Managing Director

Mohamed Gamal El Din Mahmoud

Chairman

\* The accompanying notes from (1) to (36) are an integral part of these Separate financial statements.

\* Review report attached.

**Egyptian Gulf Bank – ( S.A.E)**  
**SEPARATE STATEMENT OF INCOME**  
For the period ended 30 June 2015

Originally issued in Arabic

	<u>Note</u>	<u>From 1/4/2015</u> <u>to 30/6/2015</u>	<u>From 1/1/2015</u> <u>to 30/6/2015</u>	<u>From 1/4/2014</u> <u>to 30/6/2014</u>	<u>From 1/1/2014</u> <u>to 30/6/2014</u>
		<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Interest from loan and similar income	(6)	345,078,722	632,112,712	208,571,321	414,142,152
Interest on deposits and similar expenses	(6)	(206,496,846)	(372,390,611)	(113,986,104)	(225,945,744)
<b>Net interest income</b>		<b>138,581,876</b>	<b>259,722,101</b>	<b>94,585,217</b>	<b>188,196,408</b>
Fees and commissions income	(7)	37,675,751	63,627,438	19,867,485	39,614,543
Fees and commissions expenses	(7)	(843,983)	(1,659,161)	(859,514)	(1,658,677)
<b>Net fees and commission Income</b>		<b>36,831,768</b>	<b>61,968,277</b>	<b>19,007,971</b>	<b>37,955,866</b>
Dividends income	(8)	1,724,109	3,223,914	484,393	4,906,479
Net trading income	(9)	5,373,887	10,147,783	1,208,135	2,756,148
Profit (losses) from sale of financial investments	(19)	563,165	2,433,010	(1,890,722)	(1,921,629)
Impairment (charge ) for credit losses	(12)	(5,655,965)	(31,092,003)	(4,521,775)	(3,300,909)
General and Administrative expenses	(10)	(72,535,856)	(130,699,194)	(43,135,141)	(85,508,671)
Other operating income (expenses)	(11)	(3,400,601)	16,177,661	4,336,907	4,579,866
<b>Profits before in Income taxes</b>		<b>101,482,383</b>	<b>191,881,549</b>	<b>70,074,985</b>	<b>147,663,558</b>
Income tax expenses	(13)	(41,271,585)	(71,356,138)	(14,934,701)	(40,650,030)
<b>Net profits for the year</b>		<b>60,210,798</b>	<b>120,525,411</b>	<b>55,140,284</b>	<b>107,013,528</b>
<b>Basic Earnings per share (EGP/ share )</b>		<b>0.26</b>	<b>0.52</b>	<b>0.25</b>	<b>0.48</b>

**Nidal Assar**  
Executive Chairman & Managing Director

**Mohamed Gamal El Din Mahmoud**  
Chairman

\* The accompanying notes from (1) to (36) are an integral part of these Separate financial statements.

## SEPARATE STATEMENT OF CASH FLOWS

For the period ended 30 June 2015

	30/6/2015	30/6/2014
	L.E.	L.E.
<b><u>Cash flows from operating activities</u></b>		
Net Profits before income tax	191,881,549	147,663,558
Depreciation and amortization	5,871,953	6,094,949
Impairment of assets	31,092,003	3,300,909
Other provisions no longer required	(15,273,737)	(3,712,922)
Revaluation differences for other provision in foreign currencies	186,494	70,161
Gain from sale of fixed assets	(10,500)	-
Dividends paid	(3,223,914)	(4,906,479)
Revaluation differences for trading investments	672,946	(40,324)
Revaluation differences for Available for sale	(36,061,420)	-
<b><u>Operating profit before changes in assets and liabilities provided from operating activities</u></b>	<b>175,135,374</b>	<b>148,469,852</b>
<b><u>Net change in Assets and liabilities</u></b>		
Due from banks	(321,625,146)	(172,567,677)
Treasury bills	(1,155,370,300)	844,991,900
Trading financial investments	2,255,334	(2,549,519)
Other assets	(63,394,939)	(66,537,303)
Loans and advances and Morabihat to customers	(2,266,641,599)	11,863,389
Due to banks	1,354,116,083	637,549,849
Customers' deposits	3,436,279,973	(429,019,861)
Other provision used	(6,136,478)	-
Other liabilities	158,470,693	37,326,664
<b><u>Net cash flows provided from operating activities (1)</u></b>	<b>1,313,088,995</b>	<b>1,009,527,294</b>
<b><u>Cash flows from Investing Activities</u></b>		
Payments to purchases of fixed assets and branches improvement	(50,880,991)	(14,424,910)
Proceeds from sale of fixed assets	10,500	-
Payments for purchase of intangible assets	(3,598,712)	(1,436,557)
Proceeds from sale of financial investments other than trading investment	333,723,365	135,097,876
Payments for purchase of investment other than trading investment	(996,250,017)	(927,786,657)
Dividends received	3,223,914	4,906,479
<b><u>Net cash flows (used in) investing activities (2)</u></b>	<b>(713,771,941)</b>	<b>(803,643,769)</b>
<b><u>Cash flows from Financing Activities</u></b>		
change in long Term loans	(950,000)	(50,000)
Dividends paid	(21,756,805)	(170,613,716)
<b><u>Net cash flows (used in) Provided from financing activities (3)</u></b>	<b>(22,706,805)</b>	<b>(170,663,716)</b>
Net change in cash and cash equivalents during the year (1+2+3)	576,610,249	35,219,809
Cash and cash equivalents at beginning of the year	242,457,057	293,661,243
<b><u>Cash and cash equivalents at the end of the year</u></b>	<b>819,067,306</b>	<b>328,881,052</b>

\* The accompanying notes from (1) to (36) are an integral part of these Separate financial statements.

## SEPARATE STATEMENT OF CASH FLOWS

For the period ended 30 June 2015

	30/6/2015	30/6/2014
	L.E.	L.E.
Cash and cash equivalents are represented in (note33) :		
Cash and due from Central Bank	1,496,094,653	1,067,353,123
Due from banks	477,187,106	224,235,184
Treasury bills	2,198,972,250	1,081,072,300
Balance with CBE within the limit of statutory reserve	(1,395,450,853)	(945,776,605)
Due from banks maturity more than 3 months	-	(17,280,650)
Treasury bills maturity more than 3 months	(1,957,735,850)	(1,080,722,300)
<b>Cash and cash equivalents at the end of the year</b>	<b>819,067,306</b>	<b>328,881,052</b>

\* The accompanying notes from (1) to (36) are an integral part of these Separate financial statements.

## SEPARATE STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2015

	<u>Capital</u>	<u>Retained for capital increase</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	L.E.	L.E.	L.E.	L.E.	L.E.
Balance as of 1/1/2014	1,033,544,304	-	214,276,134	191,111,235	1,438,931,673
Dividends paid for year 2013 (Shareholders profit share ) stock dividends	-	89,212,991	-	(151,012,991)	(61,800,000)
Dividends paid for year 2013 (Employees profit share )	-	-	-	(14,100,725)	(14,100,725)
Board of directors remuneration	-	-	-	(5,500,000)	(5,500,000)
Transferred to legal reserves	-	-	19,009,156	(19,009,156)	-
Transferred to other reserves	-	-	89,109	(89,109)	-
Net change in Fair value of investment	-	-	12,284,137	-	12,284,137
Net profits for year	-	-	-	107,013,528	107,013,528
<b>Balance as of 30/6/2014</b>	<u>1,033,544,304</u>	<u>89,212,991</u>	<u>245,658,536</u>	<u>108,412,782</u>	<u>1,476,828,613</u>
Balance as of 1/1/2015	<b>1,122,757,295</b>	-	<b>208,758,454</b>	<b>207,735,339</b>	<b>1,539,251,088</b>
Dividends paid for year 2014 (Shareholders profit share ) stock dividends	-	<b>157,186,023</b>	-	<b>(157,186,023)</b>	-
Dividends paid for year 2014 (Employees profit share )	-	-	-	<b>(15,651,805)</b>	<b>(15,651,805)</b>
Board of directors remuneration	-	-	-	<b>(6,105,000)</b>	<b>(6,105,000)</b>
Transferred to legal reserves	-	-	<b>20,651,924</b>	<b>(20,651,924)</b>	-
Transferred from general banking risk reserves to retained earnings	-	-	<b>(5,477,334)</b>	-	<b>(5,477,334)</b>
Net profits for the year	-	-	-	<b>120,525,411</b>	<b>120,525,411</b>
<b>Balance as of 30/6/2015</b>	<u><b>1,122,757,295</b></u>	<u><b>157,186,023</b></u>	<u><b>223,933,044</b></u>	<u><b>128,665,998</b></u>	<u><b>1,632,542,360</b></u>

\* The accompanying notes from (1) to (36) are an integral part of these Separate financial statements.

**1. General information**

Egyptian Gulf Bank provides corporate, retail banking and investment banking services in various areas of Egypt through nineteen branches, and employs over 809 employees as of the balance sheet date.

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

**2. Summary of significant accounting policies**

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

**2. A Basis of preparation**

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

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

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

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

**(B/2) Associates:**

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

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

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

**C Segment reporting**

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

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

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

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

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

## 2. Summary of significant accounting policies – continued

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

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

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

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

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

### 2. E Financial assets

The Bank classifies its financial assets in the following categories:

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

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

This category has two sub-categories:

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

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

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

#### (E/2) Loans and advances

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

- 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 as at fair value through profit and loss.
- Those that the bank upon initial recognition and available for sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than credit deterioration.

**2. Summary of significant accounting policies – continued****(E/3) Held to maturity financial investments:**

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

**(E/4) Available for sale financial investments:**

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

**The following are applied in respect to all financial assets:**

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

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

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

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

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

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

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

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

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

## 2. Summary of significant accounting policies – continued

- In the case of financial asset which has infinite life, any previously recognized profit and loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.
- If the bank adjusts its estimates of payments or receipts of a financial asset that in return adjust the carrying amount of the asset [ or group of financial assets ] to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the difference are recognized in Profit and loss.
- In all cases, if the bank re-classified financial assets in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, This increase adjusts the effective interest rate of this asset only without affecting the investment book value.

### 2. F Offsetting financial instruments

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

### 2. G Interest income and expense

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

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

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

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

### 2. H Fees and commission income

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

## 2. Summary of significant accounting policies – continued

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

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

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

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

### 2. I Dividend income

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

### 2. J sale and repurchase agreements

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

### 2. K Impairment of financial assets

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

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

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

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

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

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

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

## 2. Summary of significant accounting policies – continued

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

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

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

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

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

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

### **(K/2) Available for sale investments:**

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

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

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

## 2. Summary of significant accounting policies – continued

### 2. L Intangible assets:

#### (L/1) Software (computer programs)

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

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

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

### 2. M Fixed assets:

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

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

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

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

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

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

### 2. N Impairment of non-financial assets

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

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

## 2. Summary of significant accounting policies – continued

### 2. O Cash and cash equivalents

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

### 2. P Other provisions

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

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

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

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

### 2. Q Employee's benefits

#### (Q/1) Social insurance

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

#### (Q/2) Profit share

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

#### (Q/3) Other retirement liability

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

### 2. R Income tax

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

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

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

## 2. Summary of significant accounting policies – continued

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

## 2. S Capital

### (S/1) Dividends

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

## 3. Financial risk management

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

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

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

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

### 3.A Credit risk

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

#### (A/1) Credit risk measurement

##### Loans and advances to banks and customers

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

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

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

### 3. Financial risk management - continued

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

#### Bank's internal ratings scale

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

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

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

#### Debt instruments, treasury bills and other bills:

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

#### (A/2) Risk Limit and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

#### Collaterals:

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

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

**3. Financial risk management - continued**

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

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

**Master netting arrangements**

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

**Credit related commitments**

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

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

**(A/3) Impairment and provisioning policies**

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

The impairment provision reported in the balance sheet at the end of the period is derived from the four internal rating grades; however, the majority of the impairment provision comes from the last two ratings.

The table below shows the percentage of in-balance sheet items relating to loans and advances and the related impairment provision for each rating:

Bank's rating	30 June 2015		31 December 2014	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
	%	%	%	%
Performing loans	54,47%	7,06%	42,34%	5,58%
Regular watching	33,91%	16,51%	38,76%	17,42%
Watch list	6,81%	3,33%	12,24%	5,79%
Non – performing loans	4,81%	73,10%	6,66%	71,21%
	100%	100%	100%	100%

### 3. Financial risk management - continued

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

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

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

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

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

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

**3. Financial risk management - continued****(A/5) Maximum exposure to credit risk before collateral held**

	30/6/2015 L.E	31/12/2014 L.E.
<b>In balance sheet items exposed to credit risk</b>		
Treasury bills and other government notes	2,073,807,948	1,008,443,431
Due from banks	477,187,106	155,561,960
<b>Loans and advances : ( Note 18)</b>		
Credit cards	11,350,078	11,122,702
Personal loans	575,882,035	488,720,521
Mortgage loans	25,204,040	24,646,782
Corporate loans	5,852,110,100	3,704,506,652
<b>Financial investments:</b>		
Debt instruments	4,786,207,750	4,081,793,111
Other assets	441,924,151	341,081,684
<b>Total</b>	<b>14,243,673,208</b>	<b>9,815,876,843</b>
<b>Off-balance sheet items exposed to credit risk</b>		
Letters of credit	326,189,000	255,327,000
Letters of guarantee	832,294,000	639,218,000
<b>Total</b>	<b>1,158,483,000</b>	<b>894,545,000</b>

The above table represents the maximum limit for credit risk as of 30 June 2015 and 31 December 2014, without taking into consideration any collateral, for on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table 45, 39 % of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 43,08% as at 31 December 2014; while 33,60% represents investments in debt instruments against 41,58% as at 31 December 2014.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loans and advances, and debt instruments as follows:

- 83,91% of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 81,10% as at 31 December 2014
- 94,53% of the loans and advances portfolio have no past due or impairment indicators against 92,36% as at 31 December 2014
- The Bank has applied a more conservative selection plan for the granted loans during the year ended 30 June 2015
- Investments in debt instruments and treasury bills contain more than 95,55% against 94,94% as at 31 December 2014 due from the Egyptian government.

**3. Financial risk management – continued**

**(A/6) Loans and advances**

	30/6/2015	31/12/2014
	L.E.	L.E.
	Loans and advances to customers	Loans and advance to customers
Neither past due nor impaired	6,495,139,112	4,249,919,794
past due but not impaired	44,833,878	44,450,538
individually impaired	330,441,000	306,944,000
<b>Gross</b>	<b>6,870,413,990</b>	<b>4,601,314,332</b>
less: impairment losses and advance and restricted interests	<b>(405,867,737)</b>	<b>(372,317,675)</b>
<b>Net</b>	<b>6,464,546,253</b>	<b>4,228,996,657</b>

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has increased 49,31% as of 30 June 2015 compared to its balance at 31 December 2014.
- Note (19) includes additional information regarding impairment loss on loans and advances to customers.
- The credit quality of the loans and advances portfolio that neither have past due nor subject to impairment are determined by the internal rating of the bank.

**Net Loans and advances to customers and banks**

Grades	30/6/2015			EGP	
	Credit cards	Individual Personal loans	Mortgage	Loans and advances to customers	Total
Performing	--	--	--	3,701,984,000	3,701,984,000
Regular follow up	10,735,053	570,861,015	25,194,030	1,660,882,040	2,267,672,138
Watch list	--	--	--	455,278,035	455,278,035
Non-performing	615,025	5,021,020	10,010	33,966,025	39,612,080
<b>Total</b>	<b>11,350,078</b>	<b>575,882,035</b>	<b>25,204,040</b>	<b>5,852,110,100</b>	<b>6,464,546,253</b>

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

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

**3. Financial risk management – continued**

**Loans and advances past due but not impaired**

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

	30/6/2015	EGP		
		Retail	Credit cards	Total
Past due up to 30 days			3,016,020	3,016,020
Past due more than 30 - 60 days			413,861	413,861
Past due more than 60 - 90 days			208,589	208,589
<b>Total</b>			<b>3,638,470</b>	<b>3,638,470</b>
	30/6/2015	EGP		
		Corporate Current account	Direct loans	Total
Past due up to 30 days		966,615	11,458,393	12,524,008
Past due more than 30 - 60 days		--	--	--
Past due more than 60 - 90 days		21,245,400	7,525,000	28,770,400
<b>Total</b>		<b>22,212,015</b>	<b>18,983,393</b>	<b>41,195,408</b>
	31/12/2014	EGP		
		Retail	Credit cards	Total
Past due up to 30 days			2,250,617	2,250,617
Past due more than 30 - 60 days			608,610	608,610
Past due more than 60 - 90 days			383,907	383,907
<b>Total</b>			<b>3,243,134</b>	<b>3,243,134</b>
	31/12/2014	EGP		
		Corporate Current account	Direct loans	Total
Past due up to 30 days		--	19,029,756	19,029,756
Past due more than 30 - 60 days		10,863,487	3,449,186	14,312,673
Past due more than 60 - 90 days		1,740,975	6,124,000	7,864,975
<b>Total</b>		<b>12,604,462</b>	<b>28,602,942</b>	<b>41,207,404</b>

**Individually impaired loans**

• **Loans and advances to customers**

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees amounted to EGP 343,820,000 against EGP 306,944,000 as at 30 December 2014.

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

	EGP				
	Credit cards	Customers Personal	Mortgage loans	Corporate Direct Loans	Total
<b>30/6/2015</b>					
Individually impaired loans	1,468,000	47,972,000	387,000	293,993,000	343,820,000
<b>31/12/2014</b>					
Individually impaired loans	1,555,000	55,068,000	237,000	250,084,000	306,944,000

**3. Financial risk management – continued**

**Loans and advances Restructured**

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting ,postponing repayment terms, Renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability, These policies are subject to regular review, Long-term loans, especially loans to customers are usually subject to renegotiation, Total renegotiated loans reached LE 267,863,000 thousand against LE326,659 at 30 JUNE 2015.

	30/6/2015 000 LE	31/12/2014 000 LE
Loans and advances to corporate		
Current accounts	2,836	21,720
Direct loans	212,227	304,939
<b>Total</b>	<b>215,063</b>	<b>326,659</b>

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

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

	Treasury bills LE	Investments securities LE	Total LE
AAA	--	7,448,193	7,448,193
AA- to AA+	--	102,082,112	102,082,112
B	2,198,972,250	--	2,198,972,250
-B	4,676,662,747	--	4,676,662,747
<b>Total</b>	<b>6,875,634,997</b>	<b>109,530,305</b>	<b>6,985,165,302</b>

**3.B Market risk**

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

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

**(B/1) Market risk measurement techniques**

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

**Stress Testing**

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



Notes to the Separate Financial Statements  
For the period ended 30 June 2015

### 3. Financial risk management – continued

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

	30/6/2015						Total
	Up to one Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non-interest bearing	
<b>Financial Assets</b>							
Asset 30/6/2015							
Cash and balances with CBE	--	--	259,457,125	--	--	1,236,637,528	1,496,094,653
Due from Banks	437,546,470	--	--	--	--	39,640,636	477,187,106
Treasury bills	42,000,000	199,236,400	1,957,735,850	--	--	--	2,198,972,250
Trading Financial assets	--	--	--	--	--	2,495,475	2,495,475
Loans and advances to customers	6,315,771,147	5,947,759	37,363,383	134,107,448	46,782,940	330,441,313	6,870,413,990
Financial investments							
Available for sale	144,944,716	227,509,953	654,165,143	2,144,946,909	1,614,627,131	71,510,035	4,857,703,887
Held to maturity	--	--	8,750,000	--	--	3,764,700	12,514,700
Other financial assets	--	--	--	--	--	115,176,530	115,176,530
<b>Total financial Assets</b>	<b>6,940,262,333</b>	<b>432,694,112</b>	<b>2,917,471,501</b>	<b>2,279,054,357</b>	<b>1,661,410,071</b>	<b>1,799,666,217</b>	<b>16,030,558,591</b>
<b>Financial liabilities</b>							
liabilities 30/6/2015							
Due to banks	534,637,100	15,060,200	1,000,000,000	--	--	61,520,536	1,611,217,836
Customer deposits	5,902,733,359	1,027,302,713	1,860,057,955	2,323,099,349	525,183,528	938,200,029	12,576,576,933
Other loans							
Other financial liability	--	--	--	--	--	258,452,819	258,452,819
<b>Total financial Liabilities</b>	<b>6,437,370,459</b>	<b>1,042,362,913</b>	<b>2,860,057,955</b>	<b>2,323,099,349</b>	<b>525,183,528</b>	<b>1,258,173,384</b>	<b>14,446,247,588</b>
<b>Total Interest re-pricing Gap</b>	<b>502,891,874</b>	<b>(609,668,801)</b>	<b>57,413,546</b>	<b>(44,044,992)</b>	<b>1,136,226,543</b>	<b>541,492,833</b>	<b>1,584,311,003</b>
	31/12/2014						
<b>Total financial Assets</b>	<b>4,435,200,512</b>	<b>401,791,212</b>	<b>1,562,031,615</b>	<b>2,214,959,182</b>	<b>1,144,462,730</b>	<b>1,129,633,493</b>	<b>10,888,078,744</b>
<b>Total financial Liabilities</b>	<b>3,962,947,572</b>	<b>985,471,471</b>	<b>813,478,046</b>	<b>1,440,794,915</b>	<b>357,361,000</b>	<b>1,861,449,364</b>	<b>9,421,502,368</b>
<b>Total Interest re-pricing Gap</b>	<b>472,252,940</b>	<b>(583,680,259)</b>	<b>748,553,569</b>	<b>774,164,267</b>	<b>787,101,730</b>	<b>(731,815,871)</b>	<b>1,466,576,376</b>

Notes to the Separate Financial Statements  
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### 3. Financial risk management – continued

#### 3.C Liquidity risk

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

##### Liquidity risk management

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

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

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

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

##### Funding approach

Sources of liquidity are regularly reviewed by separate team in the bank to maintain a wide diversification according to currency.

Geographic, sources, products and terms.

30/6/2015

Amount in EGP

	Up to one Month	1-3 Months	3-12 Months	1-5 years	Over 5 year	Total
<b>Financial liabilities</b>						
Due to banks	596,157,636	15,060,200	1,000,000,000	--	--	1,611,217,836
Customer deposits	6,840,933,388	1,027,302,713	1,860,057,955	2,323,099,349	525,183,528	12,576,576,933
Other loans	--	750,000	930,000	1,470,000	--	3,150,000
<b>Total financial Liabilities</b>	<b>7,437,091,024</b>	<b>1,043,112,913</b>	<b>2,860,987,955</b>	<b>2,324,569,349</b>	<b>525,183,528</b>	<b>14,190,944,769</b>
<b>Total financial Assets</b>	<b>1,916,365,177</b>	<b>1,413,556,897</b>	<b>4,646,970,566</b>	<b>3,337,297,545</b>	<b>4,601,193,447</b>	<b>15,915,383,632</b>

31/12/2014

Amount in EGP

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

**3. Financial risk management – continued****3.D Fair value of financial assets and liabilities****(D/1) Financial instruments not measured at fair value,**

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

	Book value		*FMV		EGP
	30/6/2015	31/12/2014	30/6/2015	31/12/2014	
<b>Financial assets:</b>					
Due from banks	477,187,106	155,561,960	477,187,106	155,561,960	
Loans and advances to customers:					
Retail	612,436,153	524,490,005	**	*	
Corporate	5,852,110,100	3,704,506,652	**	*	
Financial investments:					
Equity instruments available for sale - fair value	28,335,057	30,703,018	28,335,057	30,703,018	
Debt instruments available for sale – in cost	10,624,401	10,399,701	**	*	
Held to maturity	12,514,700	12,514,700	16,948,138	17,315,057	
<b>Financial liabilities:</b>					
Due to banks	1,611,217,836	257,101,753	1,611,217,836	257,101,753	
Customers deposits	12,576,576,933	9,042,543,101	**	*	

\* Some assets and liabilities were not measured at their FMV

**Due from banks**

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

**Loans and advances to banks**

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

**Financial Investments**

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

**Due to banks and customers**

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call, The estimated fair value of fixed interest-bearing deposits and other loans not traded in an active market is based on discounted cash flows using interest rates for new debts of similar maturity dates, Debt instrument:

**Capital management**

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

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

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the bank's management. Employing techniques based on the guidelines developed by the Basel committee as implemented by the banking supervision unit in the central bank of Egypt.

### 3. Financial risk management – continued

**The required data is submitted to the central bank of Egypt on a quarterly basis.**

The following 2 Tiers:

- Tier 1: It is the basic capital comprising of paid up capital, retained earnings and reserves resulting from profit payments except the general reserve for banking risks.
- Tier 2: It is the supporting capital comprising of the equivalent of the general reserve according to CBE credit rating basis issued by the Central Bank of Egypt not exceeding 1,25% of total assets and contingent liabilities applying the risk weights supporting loans/deposits of maturing over more than 5 years (20% amortization of its value each year of the last five years of their maturity) and 45 % of the increase between the fair value and carrying amount for the available for sale investments, held to maturity investments and investments in subsidiaries and affiliates .

On calculating the total numerator of capital adequacy it is to be considered that tier 2 should not be greater than tier 1 and supporting loans (deposits) should not be greater than half of basic capital.

Assets are weighted by risk ranging from zero to 100 %, Classified is made according to the nature of the debit party for each asset to reflect the related credit risk taking into consideration cash guarantees, Same treatment is used for the off balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts. The Bank complied with all internal requirements during the last years.

The schedule below shows the calculation of capital adequacy

**According to the central bank of Egypt resolution in its session held on 18<sup>th</sup>dec, 2012, it agreed on the instructions related to the minimum criterion of the capital adequacy in terms of applying demands of Basel 2, taking the following into consideration:**

**The numerator in capital adequacy comprises the following 2 tiers:**

**Tier 1:-**

**a- It is The basic continuous capital which consists of the following :-**

Issued and paid up capital, Legal reserve, General reserve, Capital reserve and retained earnings(going – concern capital ) of the following :

- Treasury stocks.
- Fame.
- The bank investments in the financial companies (banks and companies) and the insurance companies (10% or more of the Issued capital of the company).
- The increase in all the core bank investments that each of which is less than 10 % of the Issued capital of the company to be less than 10 % of The basic continuous capital after the Regulatory amendments(the basic capital before avoiding the investments in the financial companies and the insurance companies) .

**The following elements shall not be considered:-**

- The Fair value reserve-investments available for sale (in case of being negative)
- Differences from foreign balances translation reserve (in case of being negative)

Whereas the above mentioned items are deducted from basic capital if the balance was negative but we can't take it if positive.

**b- It is The basic additional capital which consists of the following :-**

The non-accumulated preferred permanent shares, profits (losses) of the quarterly Interim profits, minority rights and the nominal value and the current value of the supporting loan (deposit).

The Interim profits shall not be effective except after the auditor agreement, the general assembly of distribution agreement and the central bank agreement on this but the Interim profits can be unconditionally discount.

**3. Financial risk management - continued****Tier 2:****The supporting capital comprising of:-**

- 45% of the increase fair value than book value the financial investments (the fair value reserve if positive, Held to maturity financial investments, investments in subsidiaries and affiliates)
- 45% of the special reserve.
- 45% of the Differences from foreign balances translation reserve.
- The mixed financial tools.
- The supporting loans or deposits.
- The Provision for impairment losses and advances and performing contingent liabilities (shall not exceed 1,25 % of total the credit risks of the assets and performing contingent liabilities applying the risk weights also the Provision for impairment losses and advances and Nonperforming contingent liabilities shall be sufficient for facing the liabilities for which it is formed).

Avoiding 50% of the first Tire and 50% of the second Tire:

- The non-financial companies investments – each is to be 15% or more of the basic continuous capital of the bank before the Regulatory amendments.
- Total value of the bank investments in The non-financial companies - each may not be less than be 15% of the basic continuous capital of the bank before the Regulatory amendments in case that these investments total shall exceed 60% of The basic continuous capital of the bank before the Regulatory amendments.
- Securitization.
- Assets value reverted to bank fulfill the debts with the General banking risk reserve.

On calculating the total numerator of capital adequacy it is to be considered that supporting loans (deposits) should not be greater than 50% of the first tier after the exclusions.

Assets and contingent liabilities are weighted with the credit risks, market risks and the operating risks

	30/6/2015 In thousand EGP	31/12/2014 In thousand EGP
<b>Tier 1 capital</b>		
Issued and paid up capital	1,279,943	1,122,757
Legal reserve	114,306	93,654
Other reserves	22,857	22,857
Retained earnings( losses )	8,141	1,216
Total deductions from tier 1 capital common equity	(92,178)	(9,071)
<b>Total qualifying tier 1 capital</b>	<b>1,333,069</b>	<b>1,231,413</b>
<b>Tier 2 capital</b>		
45% differences from foreign balances translation	1,208	1,208
45% of Special Reserve	3,664	3,664
45% of the increase in fair value than the book value for A,F,S	32,404	35,195
impairment provision for loans and regular contingent liabilities	115,531	75,206
<b>TOTAL (going – concern capital )</b>	<b>--</b>	<b>(275)</b>
<b>Total qualifying tier 2 capital</b>	<b>152,907</b>	<b>114,998</b>
<b>Total capital 1+2</b>	<b>1,485,976</b>	<b>1,346,411</b>
<b>Risk weighted assets and contingent liabilities</b>		
Total Credit risk	9,415,650	6,016,510
Total Market risk	--	--
Total Operation risk	64,157	651,570
<b>Total risk weighted assets and contingent liabilities</b>	<b>9,480,807</b>	<b>6,668,080</b>
<b>Capital adequacy ratio (%)</b>	<b>14,76%</b>	<b>20.19%</b>

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

#### 4. Significant accounting estimates and assumptions

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

##### (4/A) Impairment losses for loans and advances

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

##### (4/B) Impairment of available for sale equity investments

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

Unrealized gains for available for sale investment amounted to 67,575,393 as a result of reevaluating prices declared in capital markets on 30 JUNE, 2015

##### (4/C) Held-to-maturity investments

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

If classification of investments as held to maturity is suspended the carrying amount shall increase by EGP 4,433,438 to reach its fair value by increasing the valuation reserve available for sale within the equity caption.

##### (4/D) Income tax

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

#### 5. By activity segment

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

- **Large enterprises medium and small ones**

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

- **Investments**

Include merging of companies, purchase of investments, financing company's restructure and financial instruments.

- **Individuals**

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

- **Other activities**

Include other banking activities such as fund management.

**6. Net interest income**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/1/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>
<b>Interest income from loans and similar revenues</b>				
<b>Loans and advances to customers</b>	143,195,932	262,626,542	87,555,857	175,649,743
	143,195,932	262,626,542	87,555,857	175,649,743
Treasury bills and treasury bonds	174,647,247	319,636,073	114,800,461	228,824,085
Deposits and current accounts	22,053,670	40,645,491	3,011,331	3,789,485
Investments in debt instruments (available for sale)	5,181,873	9,204,606	3,203,672	5,878,839
	345,078,722	632,112,712	208,571,321	414,142,15
<b>Cost of deposits and similar costs</b>				
Banks	(25,373,491)	(34,943,721)	(728,888)	(3,182,321)
Customers	(180,605,878)	(336,929,413)	(113,257,216)	(222,763,423)
REPOS	(517,477)	(517,477)	--	--
	(206,496,846)	(372,390,611)	(113,986,104)	(225,945,744)
<b>Net interest income</b>	138,581,876	(259,722,101)	94,585,217	188,196,408

**7. Net fees and commission income**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/1/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>
<b>Fees and commission income</b>				
Fees and commissions related to credit	16,423,429	24,071,770	5,402,523	10,430,922
Fees and commissions related to Banking services	19,998,124	37,405,260	13,821,488	27,418,912
Custody fees	92,737	586,308	112,442	532,887
Other fees	1,161,461	1,564,100	531,032	1,231,822
	37,675,751	63,627,438	19,867,485	39,614,543
<b>Fees and commission expenses</b>				
Brokerage fees paid	(7,517)	(24,684)	(3,324)	(4,074)
Other fees paid	(836,466)	(1,634,477)	(856,190)	(1,654,603)
	(843,983)	(1,659,161)	(859,514)	(1,658,677)
<b>Net fees and commission income</b>	36,831,768	61,968,277	19,007,971	37,955,866

**8. Dividends income**

	<u>From 1/1/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/4/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>
Trading securities	17,857	17,857	53,600	53,600
Available for sale securities	1,563,580	1,563,580	359,457	3,182,897
Held to maturity	142,672	342,672	71,336	142,672
subsidiaries and associates	--	1,299,805	--	1,527,310
<b>Total</b>	1,724,109	3,223,914	484,393	4,906,479

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**9. Net trading income**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u>	<u>From 1/1/2015</u> <u>To 30/6/2015</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Profit (losses) from foreign exchange	5,922,874	10,436,953	830,505	2,097,513
Profit (losses) from revaluations of investment held for trading	(579,060)	(672,946)	(57,918)	40,324
Trading equity instruments	30,073	383,776	435,548	618,311
Total	<u>5,373,887</u>	<u>10,147,783</u>	<u>1,208,135</u>	<u>2,756,148</u>

**10. Administrative expenses**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u>	<u>From 1/1/2015</u> <u>To 30/6/2015</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
<b>Staff costs</b>				
Wages and salaries	(25,774,297)	(47,687,040)	(19,709,035)	(39,445,864)
Social insurance	(1,416,288)	(2,732,343)	(1,152,178)	(2,300,257)
Other	(12,651,509)	(23,612,176)	(8,751,252)	(16,541,738)
<b>Pension cost</b>				
Retirement benefits	(647,906)	(1,147,906)	(62,783)	(136,550)
	<u>(40,490,000)</u>	<u>(75,179,465)</u>	<u>(29,675,248)</u>	<u>(58,424,409)</u>
Other administrative expenses	(32,045,856)	(55,519,729)	(13,459,893)	(27,084,262)
Total	<u>(72,535,856)</u>	<u>(130,699,194)</u>	<u>(43,135,141)</u>	<u>(85,508,671)</u>

**11. Other operating (expenses) income**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u>	<u>From 1/1/2015</u> <u>To 30/6/2015</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Profit (losses) from selling property and equipment	10,500	10,500	--	--
Gain (losses) of other provision	(3,419,002)	15,273,737	4,334,822	3,712,922
Others	7,901	893,424	2,085	866,944
	<u>(3,400,601)</u>	<u>16,177,661</u>	<u>4,336,907</u>	<u>4,579,866</u>

**12. Impairment losses**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u>	<u>From 1/1/2015</u> <u>To 30/6/2015</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Loans and advances to customers (note 19)	(5,655,965)	(31,092,003)	(4,521,775)	(3,300,909)
	<u>(5,655,965)</u>	<u>(31,092,003)</u>	<u>(4,521,775)</u>	<u>(3,300,909)</u>

**13. Income tax expenses**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u>	<u>Fro 1/1/2015</u> <u>To 30/6/2015</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Current taxes	(41,819,129)	(65,572,412)	(22,625,090)	(48,203,992)
Deferred tax (Note 30)	547,544	(5,783,726)	7,690,389	7,553,962
	<u>(41,271,585)</u>	<u>(71,356,138)</u>	<u>(14,934,701)</u>	<u>(40,650,030)</u>

**14. Cash and due from Central Bank of Egypt CBE**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Cash	100,643,800	86,895,097
Due from the CBE (within the required reserve percentage)	1,395,450,853	715,879,410
	<u>1,496,094,653</u>	<u>802,774,507</u>
Non-interest bearing balances	1,236,637,527	603,787,060
Interest bearing balances	259,457,126	198,987,447
	<u>1,496,094,653</u>	<u>802,774,507</u>

**15. Due from banks**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Current accounts	39,640,636	24,595,675
Deposits	437,546,470	130,966,285
	<u>477,187,106</u>	<u>155,561,960</u>
Local banks	442,042,963	121,373,960
Foreign banks	35,144,143	34,188,000
	<u>477,187,106</u>	<u>155,561,960</u>
Non-interest bearing balances	39,640,636	60,595,674
Interest bearing balances	437,546,470	94,966,286
	<u>477,187,106</u>	<u>155,561,960</u>
	<u>477,187,106</u>	<u>155,561,960</u>

**16. Treasury bills**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Treasury bills	2,073,807,948	1,008,443,431
<b>Total</b>	<u>2,073,807,948</u>	<u>1,008,443,431</u>
<b>Treasury bills are as follows</b>		
Treasury bills with original maturity of 182 days	100,000,000	10,000,000
Treasury bills with original maturity of 273 days	358,475,000	187,000,000
Treasury bills with original maturity of 364 days	1,740,497,250	846,601,950
	<u>2,198,972,250</u>	<u>1,043,601,950</u>
Unearned interest	(125,164,302)	(35,158,519)
<b>Total</b>	<u>2,073,807,948</u>	<u>1,008,443,431</u>

Treasury bills include EGB 350,149,650 (equivalent to USD 46,5 million) as in Dollar Treasury bills and EGB 142,847,600 (equivalent to EUR 17 million) as in EUR Treasury bills.

**17. Financial assets held for trading**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
<b>Equity instruments listed in the stock market</b>		
Listed local company's shares	2,495,475	5,423,755
	<u>2,495,475</u>	<u>5,423,755</u>

**18. Loans, advances and morabihat to customers**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Retail:		
Credit cards	13,821,500	13,628,800
Personal loans	636,807,600	557,750,700
Mortgage loans	27,188,330	26,761,500
Total (1)	<u>677,817,430</u>	<u>598,141,000</u>
Corporate loans including small loans for economic activities:		
Corporate	6,192,596,560	4,003,173,332
Total (2)	<u>6,192,596,560</u>	<u>4,003,173,332</u>
Total loans and advance to customers (1+2)	<u>6,870,413,990</u>	<u>4,601,314,332</u>
Less:		
Unearned interest in advance	(638,054)	(638,054)
Morabihat unearned interest in advance	(13,519,528)	(15,007,128)
provision for impairment losses	(375,069,948)	(338,624,154)
interest in suspense	(16,640,207)	(18,048,339)
Net	<u>6,464,546,253</u>	<u>4,228,996,657</u>

**Provision for impairment losses:**

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

EGP

	<u>30/6/2015</u>			
	Credit cards	Personal loans	Retail Mortgage loans	Total
Balance at the beginning of the year	2,303,926	69,030,177	2,114,551	73,448,654
Impairment losses	(92,819)	(9,172,122)	(130,952)	(9,395,893)
Proceeds from bad debts	60,876	--	--	60,876
Bad debts	--	(4,125)	--	(4,125)
Balance at year end	<u>2,271,983</u>	<u>59,853,930</u>	<u>1,983,599</u>	<u>64,109,512</u>
			Corporate Direct loans and advances	Total
Balance at the beginning of the year			265,175,500	265,175,500
Impairment losses			40,487,897	40,487,897
Proceeds from bad debts			597,347	597,347
Provision forex revaluation differences			4,699,692	4,699,692
Balance at year end			<u>310,960,436</u>	<u>310,960,436</u>

	EGP			
	31/12/2014			
	Credit cards	Personal loans	Retail Mortgage loans	Total
Balance at the beginning of the year	3,080,735	72,698,177	2,143,551	77,922,463
Impairment losses	(1,100,000)	(3,668,000)	(29,000)	(4,797,000)
Proceeds from bad debts	323,191	--	--	323,191
Balance at year end	<u>2,303,926</u>	<u>69,030,177</u>	<u>2,114,551</u>	<u>73,448,654</u>

	Corporate	
	Direct loans and advances	Total
Balance at the beginning of the year	230,229,076	230,229,076
Impairment losses	32,685,068	32,685,068
Proceeds from bad debts	620,000	620,000
Provision forex revaluation differences	1,641,356	1,641,356
Balance at year end	<u>265,175,500</u>	<u>265,175,500</u>

**19. Financial investments**

	30/6/2014	31/12/2014
	L.E.	L.E.
<b>Available for sale financial investments:</b>		
Debt instruments at FMV (listed)	4,786,193,080	4,081,778,411
Equity instruments at FMV (listed)	9,636,156	12,972,601
Equity instruments at FMV (unlisted)	18,698,871	17,730,417
Equity instruments at cost (unlisted)	10,624,401	10,399,701
Investment management by other	32,551,379	36,234,685
<b>Total available for sale investments (1)</b>	<u>4,857,703,887</u>	<u>4,159,115,815</u>
<b>Held to maturity financial investments:</b>		
Debt instruments (listed)	14,700	14,700
Egyptian Gulf Bank Mutual fund's CDs	5,000,000	5,000,000
Egyptian Gulf Bank Tharaa fund (money market)	7,500,000	7,500,000
<b>Total held to maturity financial investments (2)</b>	<u>12,514,700</u>	<u>12,514,700</u>
<b>Total financial investments (1 + 2)</b>	<u>4,870,218,587</u>	<u>4,171,630,515</u>

**30/6/2015**

	Available for sale	Held to maturity	Total
	L.E.	L.E.	L.E.
Balance at the beginning of the year	4,159,115,813	12,514,700	4,171,630,513
Additions	996,250,017	--	996,250,017
Disposals (Sale / Redemption)	(333,723,365)	ﻫﺘﺘﺮﻛﺘﻰ (333,723,365)	(333,723,365)
Monetary assets forex differences	24,221,922	--	24,221,922
Gain/(Loss) from change in FMV	(9,048,216)	--	(9,048,216)
Amortized cost	20,887,716	--	20,887,716
Balance at year end	<u>4,587,703,887</u>	<u>12,514,700</u>	<u>4,870,218,587</u>

Notes to the Separate Financial Statements  
For the period ended 30 June 2015

31/12/2014

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

**Profit (losses) from sale of Financial investments:**

	<u>From 1/4/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/1/2015</u> <u>To 30/6/2015</u> <u>L.E.</u>	<u>From 1/4/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>	<u>From 1/1/2014</u> <u>To 30/6/2014</u> <u>L.E.</u>
Impairment losses of financial investments available for sale	--	--	(1,908,091)	(1,908,091)
Gain /losses from sale of financial assets available for sale	563,165	2,433,010	17,369	(13,538)
	<u>563,165</u>	<u>2,433,010</u>	<u>(1,890,722)</u>	<u>(1,921,629)</u>

**20. Investment in subsidiaries associates**

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

	Country	Company's assets	30/6/2015 Company's liabilities less owners' equity	Company's revenues	Company's profits / (losses)	Book value	EGB Share %
<b>Subsidiaries:</b>							
Egyptian gulf holding	Egypt	203,223,515	1,608,156	2,532,934	975,323	199,970,000	99%
<b>Affiliates:</b>							
Alex fish	Egypt	89,362,609	52,877,556	13,135	(262,142)	3,286,430	20%
Alex for nutrition production	Egypt	126,055,050	110,787,426	19,296,210	(3,726,238)	7,138,215	20%
Tanmeya for SMEs projects	Egypt	99,171,730	69,869,525	94,238,537	32,562,875	9,799,815	17%
First Gas	Egypt	62,879,079	31,184,935	97,058,997	3,862,008	5,000	--
Prime holding for financial investments	Egypt	397,667,798	2,832,982	40,360,273	15,898,468	3,100	--
<b>Total</b>		<u>978,359,781</u>	<u>269,160,580</u>	<u>253,500,086</u>	<u>49,310,294</u>	<u>220,202,560</u>	

Notes to the Separate Financial Statements  
For the period ended 30 June 2015

	Country	Company's assets	31/12/2014 Company's liabilities less owners' equity	Company's revenues	Company's profits / (losses)	Book value	EGB Share %
<b>Subsidiaries:</b>							
Egyptian gulf holding	Egypt	203,236,709	1,270,704	2,212,512	1,325,969	199,970,000	99.99%
<b>Affiliates:</b>							
Alex fish	Egypt	93,224,279	56,177,084	775,642	(5,063)	3,286,430	20%
Alex for nutrition production	Egypt	129,991,654	110,997,792	17,043,333	(5,132,689)	7,138,215	20%
Tanmeya for SMEs projects	Egypt	61,554,982	64,815,652	66,633,036	5,046,534	9,799,815	17%
First Gas	Egypt	63,832,521	33,096,556	99,634,063	3,056,767	5,000	--
Prime holding for financial investments	Egypt	406,618,165	32,519,081	36,606,369	5,093,469	3,100	--
<b>Total</b>		<u>958,458,310</u>	<u>298,876,869</u>	<u>222,904,955</u>	<u>9,384,987</u>	<u>220,202,560</u>	

Financial statements for the period from 31/12/2014 to 30/06/2014 have been inspected and proved to be true.

Tanmeya for SMEs projects will now be classified as a sister company rather than a subsidiary even though the bank owns 17%, This is due to a board member related to the bank who can exert significant influence on Tanmeya for SMEs projects.

## 21. Intangible assets

	<u>30/6/2015</u> <u>L.E.</u>	<u>31/12/2014</u> <u>L.E.</u>
<u>Computer software</u>		
Net book value at the beginning of the current year	24,819,094	26,214,388
Additions during the year	3,598,712	2,454,491
Disposals during the year	(1,992,161)	(3,849,785)
Net book value at year end	<u>26,425,645</u>	<u>24,819,094</u>

## 22. Other assets

	<u>30/6/2015</u> <u>L.E.</u>	<u>31/12/2014</u> <u>L.E.</u>
Unearned revenues	201,026,337	164,773,435
Prepaid expenses	32,912,264	16,528,601
Advances to purchase fixed assets	127,021,335	83,148,442
Assets reverted to bank (after deducting the impairment)	1,831,502	1,831,503
Imp-rest & Guarantee	1,659,699	1,014,172
Investments reverted to the bank*	28,664,427	28,664,427
Others	71,762,553	61,649,705
	<u>464,878,117</u>	<u>357,610,285</u>

\* Investments reverted to the bank represented in "Misr America" amounted to LE 16,471,927 and "Hamenz Co" amounted to LE 12,000,000.

After the CBE board assembly on 8/9/2009 the following was stated:

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

**23. Fixed Assets**

	Land & buildings L.E.	Office Furniture L.E.	Equipment & Machinery L.E.	Other L.E.	Total L.E.
Balance as at the beginning of 1/1/2014					
Cost	60,803,074	29,824,498	4,988,961	42,871,119	138,487,652
Accumulated depreciation	(17,291,781)	(23,945,324)	(2,331,471)	(34,142,379)	(77,710,955)
<b>Net book value as at prior year</b>	<b>43,511,293</b>	<b>5,879,174</b>	<b>2,657,490</b>	<b>8,728,740</b>	<b>60,776,697</b>
Net Book value at the beginning of year	43,511,293	5,879,174	2,657,490	8,728,740	60,776,697
Additions	10,300,000	4,371,624	946,466	4,087,821	19,705,911
Disposals (net)	--	--	--	(12,645)	(12,645)
Depreciation for the year	(1,467,087)	(3,115,127)	(552,292)	(2,644,893)	(7,779,399)
Accumulated depreciation of Disposal Assets	--	--	--	12,645	12,645
<b>Net book value as at 31 December 2014</b>	<b>52,344,206</b>	<b>7,135,671</b>	<b>3,051,664</b>	<b>10,171,669</b>	<b>72,703,209</b>
Balance as of 1/1/2015					
Cost	71,103,074	34,196,123	5,935,427	46,946,328	158,180,952
Accumulated depreciation	(18,758,869)	(27,060,452)	(2,883,763)	(36,774,659)	(85,477,743)
<b>Net book value</b>	<b>52,344,205</b>	<b>7,135,671</b>	<b>3,051,664</b>	<b>(10,171,669)</b>	<b>72,703,209</b>
Net Book value at the beginning of year	52,344,205	7,135,671	3,051,664	10,171,669	72,703,209
Additions	--	698,192	494,534	5,815,372	7,008,098
Disposals (net)	--	--	--	(17,100)	(17,100)
Accumulated depreciation of Disposal Assets	--	--	--	17,100	17,100
Depreciation for the year	(853,174)	(1,330,751)	(326,026)	(1,369,841)	(3,879,792)
<b>Net book value as at 30 June 2015</b>	<b>51,491,031</b>	<b>6,503,112</b>	<b>3,220,172</b>	<b>14,617,200</b>	<b>75,831,515</b>
Balance at 30 June 2015					
Cost	71,103,074	34,894,315	6,429,960	52,744,599	165,171,948
Accumulated depreciation	(19,612,042)	(28,391,203)	(3,209,788)	(38,127,400)	(89,340,433)
<b>Net book value</b>	<b>51,491,032</b>	<b>6,503,112</b>	<b>3,220,172</b>	<b>14,617,199</b>	<b>75,831,515</b>

**24. Due to banks**

	30/6/2015 L.E.	31/12/2014 L.E.
Current accounts	61,520,536	10,768,303
Deposits	1,549,697,300	246,333,450
	<b>1,611,217,836</b>	<b>257,101,753</b>
Local banks	1,384,035,100	71,401,450
Foreign banks	227,182,736	185,700,303
	<b>1,611,217,836</b>	<b>257,101,753</b>
Non-interest bearing balances	61,520,536	10,768,303
Interest bearing balances	1,549,697,300	246,333,450
	<b>1,611,217,836</b>	<b>257,101,753</b>
<b>Total</b>	<b>1,611,217,836</b>	<b>257,101,753</b>

**25. Customers' deposits**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Demand deposits	2,634,445,155	1,614,247,478
Time and call deposits	6,174,639,602	4,067,953,367
Certificates of deposits	2,570,692,097	2,252,221,730
Saving deposits	989,403,503	910,252,147
Other deposits	207,396,576	197,868,379
	<u>12,576,576,933</u>	<u>9,042,543,101</u>
Non-interest bearing balances	938,200,029	1,728,823,547
Variable interest bearing balances	9,067,684,807	5,090,351,824
Fixed interest bearing balances	2,570,692,097	2,223,367,730
	<u>12,576,576,933</u>	<u>9,042,543,101</u>

**26. Other loans**

	<u>Interest rate %</u>	<u>30/6/2015</u>	<u>31/12/2014</u>
		<u>L.E.</u>	<u>L.E.</u>
Commercial International Bank	2,5 – 3,5	3,150,000	4,100,000
		<u>3,150,000</u>	<u>4,100,000</u>

**27. Other liabilities**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Accrued interest	151,549,852	80,638,504
Unearned revenue	8,196,838	2,304,000
Accrued expenses	32,897,370	5,424,268
Creditors	79,511,894	37,505,492
Other credit balances	19,836,376	7,649,373
	<u>291,992,330</u>	<u>133,521,637</u>

**28. Other Provisions**

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
<b>Balance at the beginning of the year</b>	80,690,660	72,064,286
Foreign currencies revaluation	186,494	70,161
Charged during the year to income statement	(15,273,737)	8,556,213
Used during the year	(6,136,478)	--
Balance at Year end	<u>59,466,939</u>	<u>80,690,660</u>

**29. Deferred income tax**

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

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For the period ended 30 June 2015

	Deferred tax asset		Deferred tax liability	
	30/6/2015 L.E.	31/12/2014 L.E.	30/6/2015 L.E.	31/12/2014 L.E.
Fixed assets	--	--	477,758	4,150,756
Provision (other than loan impairment loss)	--	13,193,022	5,305,969	--
<b>Total deferred tax asset (liability)</b>	<b>--</b>	<b>13,193,022</b>	<b>5,783,727</b>	<b>4,150,756</b>
<b>Net tax assets (liabilities)</b>	<b>3,258,539</b>	<b>9,042,266</b>		
<b>Deferred tax assets and liabilities movements;</b>			<b>30/6/2015 L.E.</b>	<b>31/12/2014 L.E.</b>
Balance at the beginning of the year			9,042,266	440,106
Additions			--	9,903,625
Disposals			(5,783,727)	(1,301,465)
Balance at the end of the year			<b>3,258,539</b>	<b>9,042,266</b>

### 30. Capital

#### Authorized capital

The authorized capital amounted to USD 250,000,000, or its equivalent in EGP.

#### Issued and paid up capital

The issued and paid up capital amounted to USD (233,560,494 (equivalent to EGP 1,122,757,295 ) represented in 233,560,494 at par value of USD 1 each.

	30/6/2015 L.E.	31/12/2014 L.E.
<b>Reserves</b>		
General banking risk reserve	8,366,300	8,366,300
Legal reserve	114,306,170	93,654,246
Differences from foreign balances translation	2,684,997	2,684,997
Fair value reserve-investments available for sale	67,575,393	73,052,726
General reserve	17,529,143	17,529,143
Special Reserve	8,143,329	8,143,329
Capital reserve	5,327,712	5,327,713
	<b>223,933,044</b>	<b>208,758,454</b>

### 31. Reserves and retained earnings

Reserves movements during the year are as follows:

	30/6/2015 L.E.	31/12/2014 L.E.
<b>A- General banking risk reserve</b>		
Balance at the beginning of the year.	8,366,300	8,183,150
Transferred from retained earnings	--	183,150
<b>Balance at year end</b>	<b>8,366,300</b>	<b>8,366,300</b>

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

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	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
<b>B- Legal reserve</b>		
Balance at the beginning of the year	93,654,246	74,645,090
Transferred from retained earnings 2012	20,651,924	19,009,156
<b>Balance at year end</b>	<u>114,306,170</u>	<u>93,654,246</u>

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
<b>C- Fair value reserve-investments available for sale</b>		
Balance at the beginning of the year	73,052,726	97,851,821
Net (losses) gains from changes in FMV (note 19)	(9,048,216)	(28,706,250)
Net losses transferred to the profit & loss resulted from disposal	3,022,549	1,525,668
Transferred to other debit balances	548,334	473,396
Net losses transferred to the profit & loss resulted from the impairment	--	1,908,091
<b>Balance at year end</b>	<u>67,575,393</u>	<u>73,052,726</u>

**D- Special reserve**

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

**E- Retained earnings**

<u>Retained earnings movement</u>	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Balance at the beginning of the year	207,735,339	191,111,235
Profits for the year	120,525,411	206,519,235
Dividends declared prior year	(157,186,023)	(151,012,991)
Employees profit share	(15,651,805)	(14,100,725)
Board of directors remuneration	(6,105,000)	(5,500,000)
Transferred to general banking reserve	--	(183,150)
Transferred to legal reserve	(20,651,924)	(19,009,156)
Transferred to other reserve	--	(89,109)
	<u>128,665,998</u>	<u>207,735,339</u>

**32. Cash and cash equivalents**

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balance of maturity

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Cash and due from CBE	1,496,094,653	802,774,507
Due from banks	477,187,106	155,561,960
Treasury bills	2,073,807,948	1,043,601,950
Balances with CBE (reserve)	(1,395,450,853)	(715,879,410)
Treasury bills maturity more than three months	(2,073,807,948)	(1,043,601,950)
	<u>577,830,906</u>	<u>242,457,057</u>

dates within less than three months from the date of acquisition.

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### 33. Commitment and contingent liabilities

#### A. Capital Commitment

The Bank's total capital commitments related to building and completing new branches and purchase of assets and equip amounted to EGP 6,437,653 which has not been finished as at 30 June 2015

#### B. Commitments for loans, guarantees and facilities

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Letter of credit (import & export )	326,189,000	255,327,000
Letter of guarantee	832,294,000	639,218,000
	<u>1,158,483,000</u>	<u>894,545,000</u>

### 34. Salaries & Bonus of top management

	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Short term salaries & bonus	10,783,920	16,376,595
	<u>10,783,920</u>	<u>16,376,595</u>

The top twenty salaries and Bonuses in the bank reached LE 10,783,920 yearly and the monthly average is LE 1,797,320 for the year ended 30 June 2015.

### 35. Related party transactions

Number of banking transactions with related parties has been conducted in the normal course of the business including loans deposits and foreign currency swaps.

Related parties transactions and balances at the end of the financial year are as follows:

#### A. Loans and advances to related parties

	<u>Top Management</u>		<u>Affiliates</u>	
	<u>30/6/2015</u>	<u>31/12/2014</u>	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Existing loans at the beginning of the financial year	9,647,814	8,100,396	51,603,979	53,313,000
Loans issued during the financial year	10,707,223	3,678,562	811,000	374,000
Loans redeemed during the financial year	<u>(1,352,624)</u>	<u>(2,131,144)</u>	<u>(2,460,232)</u>	<u>(2,083,021)</u>
Existing loans at financial year end	<u>19,002,414</u>	<u>9,647,814</u>	<u>49,954,747</u>	<u>51,603,979</u>

- No provisions required for loans given to related parties.

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**B. Deposits from related parties**

	Top Management	
	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Deposits at the beginning of the financial year	23,246,647	21,375,037
Deposit received during the year	21,840,408	19,471,815
Deposit redeemed during the year	(17,420,177)	(17,600,205)
Existing deposits at year end	<u>(27,666,878)</u>	<u>23,246,647</u>

- Deposits from related parties represented as follows

	Top Management	
	<u>30/6/2015</u>	<u>31/12/2014</u>
	<u>L.E.</u>	<u>L.E.</u>
Call deposits	5,492,524	4,577,103
Saving accounts	12,584,814	10,067,851
Saving and deposit certificates	9,310,795	8,335,537
Time & call deposits	278,745	266,156
	<u>27,666,878</u>	<u>23,246,647</u>

**36. Mutual Funds**

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

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

The number of certificates outstanding as of the balance sheet date was 283,957 certificates at a redeemable value of LE 158,46 on 30 June 2015.

**B. The Thraa Fund cash**

Fund is a licensed financial service conducted by the bank –according to the articles of Capital market law no,95 for 1992 and its bi-law and the fund is managed by Prime Company for mutual fund management, The number of certificates at the initial offering was 34,944,491 million certificates with a total amount of LE 375 million of which 713,359 certificates (amounting to LE 7,5million) were designated to the Fund operation

The number of certificates outstanding as of the balance sheet date was 12,678,327 certificates at a redeemable value of LE 12,6310 on 30 June 2015.