# Consolidated Financial Statements and

# The Auditors' Report Thereon

For the year ended 31 December 2015

Translated from the Official Report issued in Arabic

# INDEPENDENT AUDITORS' REPORT

## To The Shareholders of Abu Dhabi Islamic Bank - Egypt (S.A.E)

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Abu Dhabi Islamic Bank - Egypt (S.A.E), represented in the consolidated balance sheet as at 31 December 2015, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Financial Statements

These consolidated financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the instructions of preparation and presentation of financial statements for Egyptian banks issued by Central Bank of Egypt on 16 December 2008 as well as with relevant Egyptian Laws and regulations. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. Management's responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

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

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

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

## Opinion

In our opinion the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of Abu Dhabi Islamic Bank - Egypt (S.A.E) as of 31 December 2015 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the instructions of the preparation and presentation of financial statements for Egyptian banks issued by Central Bank of Egypt on 16 December 2008 as well as with relevant Egyptian laws and regulations.

## Emphasis of a Matter

Without qualifying our report, we draw your attention to:

1- Note no. (2-b) to the consolidated financial statements, the Bank's accumulated losses as of 31 December 2015 have reached LE 2,963 million (31 December 2014: L.E 3,200 million) which exceeds half the issued and paid up capital. In accordance to article no. 69 of the Companies' law no. 159 of 1981, Shareholders' Extraordinary General Assembly Meeting should be convened to decide the continuity of the Bank's operations. The Extraordinary General Assembly Meeting held in 18 October 2015 has decided the continuity of the Bank's operations.

2- Note no. (39) to the consolidated financial statements, the Bank's management filed a law suit during February 2012 regarding the unconstitutional nature of the tax on interest on treasury bills and treasury bonds on the basis that the Bank has not recognized taxable profits for the disputed years. According to the Bank's legal and tax advisors' opinion, it is probable that the Bank will win the case.

3-Note no. (30) to the consolidated financial statements, the Bank's management formed a provision of L.E 88 million for potential claims based on the Bank's external legal advisor opinion to cover the potential claims from Abu Dhabi Islamic Bank- UAE.

**Auditors**

المتضامنون للمحاسبة والمراجعة
A Member of
Ernst & Young Global

Mona Abdel Salam
FESAA - FEST
R.A.A (9385)
**Allied for Accounting and Auditing EY**

المحاسبون المصريون
١٢ ش أبو المعالي - العجوزة

Dr. Hazem Ahmed Yassin
FESAA - FEST
R.A.A (4186)
**Egyptian Accountants (EGAC)**

22 February 2016
Cairo

ADIB مصرف أبوظبي الإسلامي

Translation of Financial Statements originally issued in Arabic

# Consolidated balance sheet as at 31 December 2015

| | Note No | 31 December LE 000's | Restated 31 December 2014 LE 000's |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and due from Central Bank of Egypt (CBE) | 13 | **1,181,844** | 1,318,949 |
| Due from banks | 14 | **1,877,445** | 1,214,930 |
| Treasury Bills | 15 | **3,005,329** | 4,142,711 |
| Financial assets held for trading | 16 | **20,277** | 19,059 |
| Conventional financing to customers_Net of impairment loss | 17 | **229,760** | 227,952 |
| Islamic financing to customers_Net of impairment loss | 17 | **10,046,525** | 8,199,861 |
| **FINANCIAL INVESTMENTS** | | | |
| Available for Sale Investment | 18/1 | **4,765,248** | 1,694,472 |
| Held to maturity | 18/2 | **10,831** | 12,555 |
| Financial investments in associates | 19 | **39,153** | 34,879 |
| Intangible assets_Net of accumulated amortization | 20 | **6,003** | 4,482 |
| Other assets | 21 | **946,479** | 1,018,341 |
| Projects under construction | 22 | **15,850** | 18,730 |
| Fixed assets_Net of accumulated depreciation | 23 | **605,415** | 546,288 |
| Investment property_Net of accumulated depreciation | 24 | **86,197** | 123,385 |
| Assets Held for Sale_Net | | **996** | 996 |
| Leased assets_Net of accumulated depreciation | 25 | **186,492** | 132,569 |
| Deferred tax assets | 31 | **564,521** | 829,056 |
| **TOTAL ASSETS** | | **23,588,365** | 19,539,215 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Due to banks | 26 | **662,301** | 793,126 |
| Customers' deposits | 27 | **20,343,021** | 16,579,761 |
| Subordinated financing | 28 | **258,205** | 226,493 |
| Other liabilities | 29 | **956,080** | 821,878 |
| Other provisions | 30 | **166,855** | 79,459 |
| Defined benefits obligations | 37 | **52,995** | 67,120 |
| **TOTAL LIABILITIES** | | **22,439,457** | 18,567,837 |
| **SHAREHOLDERS' EQUITY** | | | |
| Paid in Capital | 32/2 | **1,999,503** | 1,999,503 |
| Paid under capital increase | 32/3 | **1,861,418** | 1,861,418 |
| Reserves | 33 | **199,889** | 250,624 |
| Difference between Face value and Present value for Subordinated Financing | | **29,605** | 42,435 |
| Accumulated Losses | 33/4 | **(2,963,833)** | (3,199,602) |
| | | **1,126,582** | 954,378 |
| **NON-CONTROLLING INTEREST** | | **22,326** | 17,000 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **1,148,908** | 971,378 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **23,588,365** | 19,539,215 |
| **CONTINGENT LIABILITIES AND COMMITMENTS** | 35/2 | **1,579,711** | 1,164,392 |

The auditors' report is attached.

The accompanying notes from (1) to (39) are integral part of these financial statements.

Nevine Loutfy

**Chairman, Chief Executive Officer and Managing Director**

Haythem Soliman

**Chief Financial Officer**

Cairo 18 February 2016

# Consolidated statement of income for the year ended 31 December 2015

| | Note No | 31 December 2015 LE 000's | Restated 31 December 2014 LE 000's |
|---|---|---|---|
| Income from Murabaha, Musharaka, Mudaraba and other similar income | 5 | **1,910,977** | 1,449,913 |
| Cost of deposits and similar expenses | 5 | **(944,300)** | (824,768) |
| **NET REVENUE FROM FUNDS** | | **966,677** | 625,145 |
| Fees and commission income | 6 | **241,716** | 250,053 |
| Fees and commission expense | 6 | **(8,743)** | (11,193) |
| **NET FEES AND COMMISSION INCOME** | | **232,973** | 238,860 |
| Dividends income | 7 | **6,135** | 7,805 |
| Net trading income | 8 | **107,909** | 73,438 |
| Administrative expenses | 9 | **(762,073)** | (626,601) |
| Other operating income | 10 | **113,073** | 30,297 |
| (Impairment loss) reversal of impairment credit losses | 11 | **(51,557)** | 65,290 |
| Share of associates results | | **6,729** | 5,742 |
| Profit from financial investments | 18/3 | **14,095** | 1,912 |
| **PROFITS BEFORE TAXES** | | **633,961** | 421,888 |
| Taxes | 12 | **(414,722)** | (160,792) |
| **NET PROFIT FOR THE YEAR** | | **219,239** | 261,096 |
| **Divided as follows** | | | |
| Equity holders of the Bank | | **212,289** | 256,821 |
| Non-controlling interest | | **6,950** | 4,275 |
| **NET PROFIT FOR THE YEAR** | | **219,239** | 261,096 |

The accompanying notes from (1) to (39) are integral part of these financial statements.

# Consolidated statement of change in shareholders' equity for the year ended 31 December 2015

| | Paid in Capital | Paid under capital increase | Reserves | | | | | Difference between Face value and Present value for Subordinated Financing | Accumulated Losses | Total | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Legal reserve | General reserve | Special reserve | Investments available for sale fair value reserve | General banking risk reserve | | | | | |
| Balance at 1 January 2014 as previously issued | 1,999,503 | 1,861,418 | 22,878 | 42,522 | 26,257 | 104,356 | 61,425 | 53,777 | (3,598,501) | 573,635 | 3,250 | 576,885 |
| Prior year adjustments (Note 38) | - | - | - | - | - | - | - | - | 152,745 | 152,745 | 9,475 | 162,220 |
| Balance at 1 January 2014 - Restated | 1,999,503 | 1,861,418 | 22,878 | 42,522 | 26,257 | 104,356 | 61,425 | 53,777 | (3,445,756) | 726,380 | 12,725 | 739,105 |
| Transferred from general banking risk reserve | - | - | - | - | - | - | 22,009 | - | (22,009) | - | - | - |
| Net change in fair value of investments available for sale | - | - | - | - | - | (28,823) | - | - | - | (28,823) | - | (28,823) |
| Amortization of the difference between face value from present value for subordinated financing | - | - | - | - | - | - | - | (11,342) | 11,342 | - | - | - |
| Net profit of the Year | - | - | - | - | - | - | - | - | 256,821 | 256,821 | 4,275 | 261,096 |
| Balance as of 31 December 2014 - Restated | 1,999,503 | 1,861,418 | 22,878 | 42,522 | 26,257 | 75,533 | 83,434 | 42,435 | (3,199,602) | 954,378 | 17,000 | 971,378 |
| **Balance at 1 January 2015 - Restated** | **1,999,503** | **1,861,418** | **22,878** | **42,522** | **26,257** | **75,533** | **83,434** | **42,435** | **(3,199,602)** | **954,378** | **17,000** | **971,378** |
| **Transferred to general banking risk reserve** | **-** | **-** | **-** | **-** | **-** | **-** | **(10,650)** | **-** | **10,650** | **-** | **-** | **-** |
| **Net change in fair value of available for sale investments (Note 18)** | **-** | **-** | **-** | **-** | **-** | **(40,085)** | **-** | **-** | **-** | **(40,085)** | **-** | **(40,085)** |
| **Amortization of the difference between face value and present value for subordinated financing** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(12,830)** | **12,830** | **-** | **-** | **-** |
| **Dividends Paid - Investments in Subsidiaries** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,624)** | **(1,624)** |
| **Net profit of the Year** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **212,289** | **212,289** | **6,950** | **219,239** |
| **Balance as of 31 December 2015** | **1,999,503** | **1,861,418** | **22,878** | **42,522** | **26,257** | **35,448** | **72,784** | **29,605** | **(2,963,833)** | **1,126,582** | **22,326** | **1,148,908** |

- The accompanying notes from (1) to (39) are integral part of these financial statements.

# Consolidated statement of cash flows for the year ended 31 December 2015

| | Note | 31 December 2015 LE 000's | Restated 31 December 2014 LE 000's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **633,961** | 421,888 |
| **Adjustment to reconcile profit before tax to cash flows from operating activities:** | | | |
| Depreciation of fixed assets | 23 | **65,323** | 63,790 |
| Amortization of intangible assets | 20 | **21,749** | 21,865 |
| Depreciation of investment property | 24 | **5,747** | 4,341 |
| Depreciation of leased assets | 25 | **76,124** | 47,885 |
| Impairment charged for credit losses and held to maturity investments | | **77,878** | 35,960 |
| Other provisions formed | 30 | **65,334** | 41,330 |
| Provisions no longer required other than financing provision | 30 | **-** | (38) |
| Credit loss impairment no longer required | 17 | **(26,322)** | (101,250) |
| Foreign currency revaluation difference of held to maturity investments | 18/2 | **-** | (150) |
| Foreign currency revaluation difference of available for sale investments | 18/1 | **(1,446)** | (495) |
| Revaluation difference of assets held for trading | 8 | **4,459** | (4,161) |
| Foreign currency revaluation difference of other provisions | 30 | **249** | (26) |
| Foreign currency revaluation difference of financing Loss provisions | 17 | **686** | 469 |
| Impairment loss of assets reverted to bank | 10 | **7,793** | 359 |
| (Gain) Loss on sale of assets reverted to the bank | 10 | **(3,245)** | 847 |
| (Gain) Loss on sale of fixed assets | 10 | **(27,579)** | (4,867) |
| (Gain) Loss on sale of Leased assets | 10 | **(22)** | 20 |
| (Gain) Loss on sale of financial assets held for trading | 8 | **(317)** | (1,660) |
| (Gain) Loss on sale of Investment Property | | **(3,559)** | (1,861) |
| (Gain) Loss on sale of treasury bills | 18/3 | **(1,417)** | (2,097) |
| Impairment loss of investment in associates | 18/3 | **456** | 26 |
| Impairment loss of investment in AFS | 18/3 | **489** | 1,015 |
| Gain on sale of available for sale investments | 18/3 | **(13,623)** | (398) |
| Gain on sale of investment in associates | 18/3 | **-** | (458) |
| Share of Associates' results | | **(6,729)** | (5,742) |
| Dividends Income | | **(6,135)** | (7,804) |
| Employees Benefits charged | | **3,263** | 147 |
| Amortization of subordinated financing using EIR method | 28 | **12,830** | 11,344 |
| **Operating profit before changes in assets and liabilities utilized in operational activities** | | **885,947** | 520,279 |
| **Net decrease (increase) in assets & liabilities** | | | |
| Due from banks with maturity more than 90 days | | **(533,013)** | 42,287 |
| Treasury bills with maturity more than 3 months | | **1,114,365** | (106,002) |
| Financial assets held for trading | | **(5,342)** | (181) |
| Loans and Islamic financing to customers & Banks | | **(2,012,451)** | (2,279,770) |
| Other assets | | **240,197** | (1,429) |
| Due to banks | | **(130,825)** | 792,026 |
| Customers' deposits | | **3,741,302** | 1,965,676 |
| Other liabilities | | **15,448** | 189,998 |
| Employees Benefit used | | **(17,388)** | 13,082 |
| Tax Paid | | **(401)** | (158) |
| **Net cash flows resulting from operating activities** | | **3,297,839** | 1,135,808 |
| Used provisions - Other than financing losses | 30 | **(20,187)** | (50,005) |
| Used provisions - Financing losses | 17 | **(15,014)** | (11,757) |
| **Net cash flows resulting from operating activities** | | **3,262,638** | 1,074,046 |

## Consolidated statement of cash flows for the year ended 31 December 2015 – Continued

| | | 31 December 2015 LE 000's | Restated 31 December 2014 LE 000's |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payments to acquire fixed assets and down payments under purchase fixed assets | 23 | **(136,843)** | (184,172) |
| Proceeds from sale of fixed assets | | **39,953** | 7,482 |
| Payments to acquire intangible assets | 20 | **(23,270)** | (20,662) |
| Payments to acquire Leased assets | | **(131,107)** | (70,913) |
| Proceeds from sale of Leased assets | | **1,082** | 567 |
| Proceeds from Sale of Investment Property | | **34,847** | 3,578 |
| Payments to acquire Assets Held for Sale | | **-** | (996) |
| Proceeds of Projects under construction | | **2,880** | 6,225 |
| Payments to acquire investments available for sale | 18/2 | **(5,697,731)** | (645,596) |
| Proceeds from Investments available for sale | 18/2 | **2,587,829** | 174,054 |
| Payments to acquire investment in associates | | **(187)** | (6,059) |
| Proceeds from redemption of investment Held to Maturity | 18/2 | **55** | 429 |
| Proceeds from sale of treasury bills | | **1,417** | 2,097 |
| Proceeds from Dividends income | | **10,837** | 7,580 |
| **Net cash flows used in investing activities** | | **(3,310,238)** | (726,386) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **(4,966)** | - |
| **Net cash flows used in financing activities** | | **(4,966)** | - |
| Net (decrease) increase in cash and cash equivalents during the year | | **(52,566)** | 347,660 |
| Cash and Cash Equivalents at the beginning of the year | | **1,494,526** | 1,124,910 |
| **Cash and cash equivalents at the end of the year** | | **1,441,960** | 1,472,570 |
| **Cash and cash equivalents at end of year are represented in** | | | |
| Cash and due from Central Bank of Egypt | | **1,181,844** | 1,318,949 |
| Due from banks | | **1,877,445** | 1,214,930 |
| Treasury bills | | **3,005,329** | 4,142,711 |
| Due from banks (mature in more than 90 Days) | | **(1,622,180)** | (1,089,166) |
| Treasury bills (mature in more than 90 Days) | | **(3,000,478)** | (4,114,854) |
| **Cash and cash equivalents at end of the year** | 34 | **1,441,960** | 1,472,570 |

- The accompanying notes from (1) to (39) are integral part of these financial statements.

## 1- General information

Abu Dhabi Islamic Bank – Egypt (formerly National Bank for Development - SAE) was established in 1974 in accordance with Investment Law No. 43 of 1974 and its executive regulations and the amendments thereon and is listed on the Egyptian Stock Exchange (EGX).

Abu Dhabi Islamic Bank - Egypt is subject as a financial institution to the supervision and control of the Central Bank of Egypt (CBE). In addition, as a Shari'a compliant bank it complies with Shari'a principles in all transactions and products provided to its clients, whether such products are investment deposits, Islamic investment Sukuk or savings accounts as well as meeting client's various financing needs by providing options such as Murabaha (Cost-plus), Musharka (Joint Venture), Ijarah (Leasing) and cash back cards. It also offers Islamic options for letter of guarantee and letter of credit. The Bank has a Shari'a Board composed of Islamic jurists who are continually consulted regarding all aspects of new existing and banking transactions.

On April 3rd, 2013 the Bank's name was changed in the commercial register from the National Bank for Development" to "Abu Dhabi Islamic Bank - Egypt".

The bank provides a full range of banking services to corporate, retail and micro finance clients in Egypt and the head office is located in Cairo, 9 Rostom st, Garden City. Through 70 branches across all governorates and are served by 2,259 employees at 31 December 2015

The Consolidated financial statements for the period ended 31 December 2015 have been approved by the bank's board of directors on 18 February 2016.

## 2- Summary of significant accounting policies

Below are the significant of accounting policies applicable for the preparation of the consolidated financial statements;

### A) Basis of preparation of the consolidated financial statement

These consolidated financial statements have been prepared in accordance with the Central Bank of Egypt (CBE) basis of preparation of the bank's consolidated financial statements and principles of recognition and measurement as approved by its board of directors on December 16th, 2008. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading financial investment, Available for sale financial assets.

There consolidated financial statements have been prepared in accordance with the requirements of related applicable Egyptian laws and regulations. The bank has also prepared consolidated financial statements for the bank and its subsidiaries in accordance with the central bank of Egypt (CBE) basis of preparation, which are companies in which the bank owns directly or indirectly more than half of the voting rights, or has the ability to control the financial and operational policies regardless of the type of activity.

### B) Going concern principle

The accumulated losses were LE 2,963mn as of 31 December 2015 (31 December 2014: LE 3,200mn), which exceeds half of the paid up and issued capital which requires the calling of Extraordinary General Assembly meeting to discuss the bank's continuity as per article no. 69 of company's law no. 159 for year 1981. An Extraordinary General Assembly meeting held on 18th October 2015 which approved the bank's continuity as a going concern.

### C) Basis of consolidation

#### C/1 Subsidiaries

Subsidiaries are entities (including special purpose entities) which the group has the power to govern its financial and operating policies. Usually the group's ownership exceeds half the voting power taking into consideration potential future voting power that the group has the option to exercise or convert at the time of control assessment.
Subsidiaries are fully consolidated from the date the group assumed control; it is disposed at the date the group losses control.

Group acquisition of entities is accounted for using purchase method. The cost of acquisition is measured at the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued and any costs directly attributable to the acquisition process.
Identifiable acquired assets, liabilities and assumed contingent liabilities are recognized at fair value at the date of acquisition.

Excess of acquisition cost over the fair value of the group's share in net identifiable acquired assets is recognized as goodwill. If the acquisition cost is less than the fair value of net identifiable acquired assets, the difference is recognized in the income statement.

Subsidiaries which have been consolidated in the bank's financial statements are as follows:

| **Company** | **Ownership** | **Industry** |
|---|---|---|
| National company for Glass | 86.13% | Manufacturing |
| National company for trading and development (ENTAD) | 65.74% | Commercial |
| Assuit Islamic company for trading and development | 55.13% | Commercial |
| Cairo national company for investment | 75.73% | Financial Investment |
| ADI Lease for Financial Lease | 95.91% | Financial Lease |
| Abu Dhabi Islamic holding company | 99.92% | Holding |
| Abu Dhabi Islamic Capital | 99.52% | Financial Investment |
| Abu Dhabi Islamic Properties | 97.88% | Real estate |
| Alexandria National Company for Financial Investments | 69.12% | Financial Investment |
| Cairo National Company for Brokerage & Securities | 42.65% | Financial Investment |

Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets. Accounting policies of subsidiaries are changed when necessary to comply with the group's accounting policies.

### C/2 Transactions with Non-controlling interests

The group considers transactions with non-controlling interests as transactions with external parties. Gains and losses due to sale to non-controlling interests are recognized in the income statement. Purchase from non-controlling interests results in goodwill which represents the difference between consideration given and book value of subsidiary's net assets.

### C/3 Associates

Associates are entities over which the group has significant influence; usually the group's ownership represents 20% to 50% of the voting power. Investment in associates is initially measured at cost and is accounted for subsequently using equity method. Investment in associates includes goodwill (less impairment loss) which was recognized at acquisition.

The group's share in associates' profit or loss post acquisition is recognized in the income statement while the group's share in changes in associates' equity pre acquisition is recognized in the group's equity. The book value of investment in associates in adjusted with the post-acquisition accumulated changes. If the group's share of the associates' loss exceeds its book value the group does not recognize further losses. Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets. Gains and losses that result from changes in ownership structure of associates are recognized in income statement.

### C/4 Inventory

Inventory is measured at the lower of cost or net realizable value, Inventory costs include all costs incurred in bringing the inventory to its present location and condition as follows:

- Raw materials, spare parts, packing tools and fuel.
- Purchase costs using moving average method.
- Finished and Simi-finished products.
- Manufacturing costs, direct-labor costs and in-direct costs based on normal activity rates.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Provision for obsolete and slow moving items is formed when necessary.

### C/5 Real Estate Investment

Gains or losses arising from changes in the fair value of real estate investments are recognized in the profits and losses of the year when they were realized.

The fair value of real estate investments is the exchange value of a particular asset between parties each of them has a desire to exchange and aware of the standing facts, dealing with free willing and this estimate of the fair value, in particular, does not include the estimated price inflation or deflation with special conditions or certain conditions such as unusual funding or the special arrangements of sale, Re-lease, The particular amounts or concessions granted by any party related to the sale.

The property determines the fair value without making any deduction for the transaction costs that may be incurred by the facility in the process of selling or the other exclusion.

**C/6 Projects under construction**

Costs incurred in construction or to acquire fixed assets are recognized as projects under construction till it becomes ready for use after that these assets are transferred to fixed assets when it becomes ready for use, depreciation starts at the date of transfer.

**C/7 Defined benefit system**

The National Company for Glass and Crystal gives end of service benefits for employees of the company; the right to obtain these benefits is calculated based on the last salary and length of service for employees.

**C/8 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 a segment by which, provide 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.

The bank does not have any geographical sectors that operate in a different economic framework as of December 31st, 2015.

**D) Foreign Currency Transactions**

**D/1 Trade and presentation currency**

The Egyptian pound is the currency of preparation and presentation of the consolidated financial statements.

**D/2 Transactions and balances in foreign currency**

The banks' accounting records are maintained in Egyptian pounds, transactions in other foreign currencies are recorded at rates of exchange ruling on the transaction date. Monetary assets and the liabilities in foreign currencies are revaluated into Egyptian pounds at the rates of exchange ruling at the balance sheet date, any resultant gain or loss is then recorded in the income statement as follows:

- Net trading income or net income from financial instruments originally classified as a change in fair value through profit and loss according to its type.
- Other operating income/loss for other items.

The changes in fair value of monetary financial instruments denominated in foreign currencies and classified as available for sale (debt instruments) are classified into:

- Differences due to change in amortized cost of the instrument; these are recognized through profit and loss in "Profit/Interest and similar income"
- Differences due to changes in foreign currencies exchange rates; these are recognized through profit and loss in "Other operating income / Expense"
- Differences due to change in fair value of the instrument which re recognized through equity in "Available for sale fair value reserve".

Translation differences on non-monetary items such as equity securities held at fair value though profit or loss are reported as part of the fair value gain or loss translation difference on non-monetary items such as available for sale the income is recorded directly in equity within "Net unrealized gains and losses on available for sale assets" .

### E) Financial assets

The bank classifies its financial assets into the following groups:

- Financial assets designated at fair value through profit and loss.
- Financings and receivables.
- Financial investments held to maturity.
- Financial investments available for sale.

The management's classification depends on the purpose of the investments at the time of its purchase.

#### E-1 Financial assets designated at fair value through profit and loss

Financial assets include:

Financial instrument are recorded as held for trading if it is acquired for resale in short term, or if it represents a part of specific financial instrument portfolio that are managed together and there is an evidence for actual recent transactions refers to the gain of income in short term.

Financial assets are recognized in the early recognition at fair value through profit and loss.

In managing some investment portfolio like investment in equity instruments they are evaluated and reported with fair value according to investment strategy or risk management and preparing reports to top management according to these bases, these investments are designated at fair value through profit and loss.

Under all circumstances, the bank does not re-classify any financial instrument into financial instruments measured at fair value through profit and loss or to a group of financial assets held for trading.

#### E-2 Financings and receivables

Financings and receivables 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 are classified as held for trading, or that classified as financial assets designated at fair value through profit and loss.

- Assets that classified as available for sale in the early recognition.

- That the bank upon initial recognition designates as available for sale or for which the bank may not recover substantially all of its initial investment, other than because of a credit deterioration of the issuer.

- Financings and receivables are measured at fair value in the early recognition and it is the pricing of transaction in which includes cost of the transaction that includes fees and commissions paid to agents, brokers, merchants and advisors.

- Historical probability of default for retail portfolio was calculated according to the realized loss for the past 3 to 6 months and based on average delinquency period for each product. For corporate portfolio, Historical probability of default was calculated as per the rates issued by Moody's for the Middle East for each facility as per its facility risk rating.

**E-3 Financial Investments held to maturity**

Held to maturity financial investments are non-derivative assets which carry fixed or determinable payments and where the bank has the intention and the ability to hold to maturity. All held to maturity financial investments are reclassified as available for Sale in case of a sale of significant amounts unless the sale is in an emergency situation

**E-4 Financial investments available for sale**

Available for sale financial investments are non-derivatives financial assets that are intended to be held for unspecified period and may be sold to provide liquidity or due to changes in the prices of shares, foreign currencies, or interest rate.

**The following principles are followed for the financial assets**

Purchases or sales of financial assets designated at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.

Financial assets that are not classified as designated at fair value through profit and loss at initial measurement are recognize at fair value plus directly attributable costs of acquisition or issue while financial assets designated at fair value through profit and loss at initial measurement are recognized only at fair value, any directly attributable acquisition or issue costs are recorded in the "net trading income" in the income statement.

Financial assets are de-recognized where the rights to receive cash flows from the asset have expired or the bank has transferred all the risks and rewards of the asset to another party, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value.

Held to maturity financial investments are subsequently measured at amortized cost.

Profit and loss due to changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred.

Profit and losses arising from changes in fair value of available for sale financial investments are recognized directly in equity, when the asset is disposed of or impaired, the cumulative profit or loss previously recognized in equity is recognized in the income statement.

Monetary assets' interest/profit income is recognized based on the amortized cost method in the income statement. The foreign currency revaluation differences related to available for sale investments are recognized in the income statement. Available for sale equity instruments related to dividends are recognized in the income statement when they are declared.

Fair values are obtained from quoted market prices in liquid markets. Where no active market exists, or quoted prices are unobtainable the fair value is estimated using a variety of valuation techniques, including discounted cash flow and other pricing models. Inputs to pricing models are generally market-based where available and taken from reliable external data sources.

If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity can measure the equity instrument at cost minus any impairment losses.

Interest/profit calculated using the effective interest/profit method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement, Dividends on available for sale equity instruments are recognized in the income statement when the entities right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, the bank measures the equity instruments that are classified as available for sale at cost net of impairment loss, if any.

The Bank reclassifies the financial asset previously classified as available for sale to which the definition of loans-debts (bonds or loans) applies by means of transferring the category of the instruments available for sale to the category of loans and debts or the financial assets held to maturity, once the Bank has the intention and ability to hold such financial assets in the near future or up to the maturity date, such reclassification is made at fair value as on that date. Any profits or losses related to such assets which have been previously recognized within equity shall be treated as follows:

- Financial assets with fixed or determinable payments and fixed maturity is valued at amortized cost, using the effective interest method in case of impairment the profit/interest and loss that have been previously recognized directly in equity is removed from equity and recognized in the income statement.

- Profit and loss related to financial assets without fixed or determinable maturity are held in equity till sale or disposal of the asset then removed from equity and recognized in the income statement, In case of impairment the profits and losses that have been previously recognized directly in equity are removed from equity and recognized in the income statement.

If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.

In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

**F) Offset of financial assets and financial liabilities:**

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

REPO and reverse REPO agreements represent by net in balance sheet under treasury bills caption.

## G) Profit/Interest income and expenses

**G/1** Interest income and expense for all interest/profit-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized within 'income from Murabha, Musharka, Mudarba and other similar income and cost of deposits and similar cost in the income statement using the effective profit/interest rate method, The effective profit/interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the profit/interest income or profit/interest expense over the relevant year.

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

When financings or debts are classified as non-performing or impaired, related profit/interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues on the cash basis as follows:

- When collected and after recovery of all areas for retail financings, personal financings, real estate financings for personal housing and financings to small business.

- For corporate financings, profit/interest income is also recognized on the cash basis, according to which interest earned during the periods subsequent to reschedule agreements does not start to accrete on the financing principal until the bank collects 25% of the rescheduled installments and after payments of the installments continue to be regular for at least one year, interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

**G/2** Revenue is recognized to the extent that bank has a reasonable assurance of the future benefits related to the transaction will be realized and revenue can be reliably measured, revenue is measured by its fair value of the net consideration paid or received after deducting any discount or sales tax or custom fees.

Mentioned below criteria to be taken in consideration before the recognition of revenue:

Sale of goods: Revenue derived from the sale of goods when the bank transferred all risks and rewards to the buyer and usually happens when the goods are delivered to the buyer or the common carrier.

## H) Fees and commission income

Accrued fees for loans or advances service are recognized as revenue at the time service is provided. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried off-balance sheet and are recognized under income according to the cash basis, when interest income is recognized.

Fees that represent a complementary part of the actual interest on the financial asset in general and treated as adjustment to the actual interest rate.

**H/1** Commitment fees on loans granted are deferred if there is a possibility that such loans shall be drawn, since the commitment fees received by the Bank are deemed to be a compensation for the ongoing intervention to acquire the financial instrument; subsequently, they are recognized by adjusting the effective interest rate on the loan. In the event of expiry of the commitment year without issuing the loan by the Bank, the fees are recognized as revenues at the expiry of the commitment Year.

**H/2** Fees related to debt instruments which are measured at fair value are recognized under revenue at initial recognition. The fees for promotion of syndication loans are recognized as revenues upon completing the promotion process without retaining any part of the loan by the Bank, or if the Bank maintains a part thereof with the actual interest rate available to other participants.

**H/3** Commissions and fees arising from negotiation, or participating in a negotiation in favour of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized in the consolidated income statement when the transaction is completed

**H/4** Management advisory and other service fees are recognized as income on a time proportionate basis over the life time of the service.

### I) Dividends Income

Dividends are recognized in the income statement when the right to receive dividends is established.

### J) REPO and reverse REPO agreements

Financial instruments sold in accordance to re-purchase agreements are recognized as assets added to the balance of treasury bills on the balance sheet. Liabilities under purchase and re-sale agreements are deducted from the balance of treasury bills and the difference between sale price and re-purchase price is recognized as accrued income over the term of the agreement using effective interest method.

### K) Impairments of financial assets

#### K/1 Financial assets held with cost to depreciation

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of assets is impaired. A financial asset or a portfolio of assets is impaired and impairment losses is incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet data ('a Loss Event') and that loss event or events has had an impact on the estimated cash flow of the financial asset or the portfolio of financial assets that can be reliably estimated.

Objective evidence that a financial asset or a portfolio of financial assets is impaired includes observable data that comes to the attention of the bank about the following loss events:

- Significant financial difficulty of the issuer or the obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becomes probable that the borrower will enter bankruptcy or liquidation.
- Deterioration of Financial position of the borrower.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of guarantee.
- Deterioration of creditworthiness.

A substantive proof for impairment loss of group of financial assets that shows the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition including such that cannot be separately determined for each individual asset such as increase of default cases with respect to a banking product.

The bank estimates the period between the date on which the loss event has occurred and the date on which the impairment loss has been identified for each specific portfolio. For application purposes, the bank considers this period from 3 months to one year.

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

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

- The bank determines that there is an objective evidence that impairment exist, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

- An asset that is individually assessed for impairment but for which an impairment loss is not recognized is included in a group of other similar assets.

Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recorded cash flow, excluding future expected credit losses not changed yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "Impairment loss" and the book value of the financial asset is reduced by the impairment amount using "Impairment loss provision".

If there is objective evidence that an impairment loss on financings and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (asset nature, business nature, geographical location, etc.) that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Provisions are then related to estimate future payments as an indication of the borrowers' ability to fulfill his contract.

When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the Bank's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The bank ensures that estimates of changes in future cash flow reflect the changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

### K/2 Financial investments available for sale and held to maturity date in associates companies

At each balance sheet date, the bank assesses whether there is objective evidence that any financial asset or group of financial assets that are classified as available for sale has been impaired. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

In respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. However, if in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for that debt instrument.

### L) Intangible assets

**Software (computer programs)**

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.

Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond their original specification.

Cost of the computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed three years.

### M) Fixed assets

Lands and buildings comprise the head office premises and branches. All fixed assets are carried at historical cost net of accumulated depreciation and accumulated impairment losses Cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial period in which they are incurred.

Depreciation is charged so as on all assets, other than land so as to write off the cost of assets over their estimated useful lives, using the straight-line method to the extent of their estimated residual values based on the following annual rates:

| Item | Life time |
|---|---|
| Buildings | 20 years |
| Decorations and preparations | 20 years |
| Integrated systems &equipment | 5 years |
| Motor vehicles | 5 years |
| Furniture and fittings | 10 years |
| Other equipment | 8 years |

The residual value and useful life of the fixed assets is reviewed periodically and adjusted whenever its necessary.

The bank reviews the carrying amounts of its depreciable fixed assets whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset’s net realizable value or value in use. Gains and losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in profit or loss in other operating income (expenses) in the income statement.

### N) Leased assets

Leased assets are stated at acquisition cost.
The assets are depreciated using the straight line method according to the useful life of the assets starting from the date of usage.

### O) Investment property

Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity.
The following are examples of investment property:

- **a.** Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.
- **b.** A building that is vacant but is held to be leased out under one or more operates leases.

Investment property are treated the same accounting treatment for fixed assets.

### P) Impairment of non-financial assets

Non-financial assets that do not have definite useful lives, except for goodwill, shall not be amortized. These are annually tested for impairment. Depreciable fixed assets are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered.

Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.
For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
At each balance sheet date, non-financial assets for which an impairment loss is recognized shall be reviewed to assess whether or not such impairment losses should be reversed through profit or loss.

### Q) Leasing

This is calculated as per law no. 95 for the year 1995, about finance leasing in case the contract grants the right to the tenant to purchase the asset by a set date and a set value, in addition to contract life covers more than 75% of estimated useful life, or if the fair value of total rental payments represent payments more than 90% of the assets value. Other contracts represent operational rent contracts.

### Q-1 Rent

As for leasing contracts, the expense of rent in addition to maintenance, is recognized as expenses in the under income statement, If the bank decides upon the usage of its right in purchasing the rented assets, the expenses of purchase is capitalized and depreciated over the remaining useful life the same way as other assets are depreciated

The payments are recognized under operational rent decreased by the amount of any payments received within the stated period, registered in the income statement as steady installments.

### R) Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise balances due within three months from date of acquisition; they include cash and balances due from central bank of Egypt, other than those within the mandatory reserve, current accounts with banks and treasury bills.

### S) Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determine taking into consideration the group of obligations as a whole.

A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income/expenses.

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

### T) Taxes

Taxes include income taxes and deferred taxes, both are recognized in the income statement except for income tax relating to the owners' equity, which is recognized directly within the owners' equity statement.

The bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax adjustments related to previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. However, when it is expected that the tax benefit will increase, the carrying amount of deferred tax assets shall increase to the extent of previous reduction.

### U) Employees Benefits

#### U/1 Employees saving insurance fund

In the first of July 2013 the bank established a private social insurance fund (Alsondoq) according to the law number 54 for the year 1975 "private insurance funds law and the regulations", The bank has registered the fund in 14 January of 2014 with a number of registration (884), Working in this fund started on the first of April 2014, terms and modification of the fund is applied on the employees working in the head office of the bank and its branches in the Arab republic of Egypt.

The bank is committed to pay the subscriptions to the fund monthly calculated according to the rules of the fund and its modifications. Generally the fund is financed through the monthly subscriptions and some other resources specified in fund's list.

The insurance benefits will be paid when the member reaches end of service due to retirement or death or total or partial disability, In case the term of membership is less than 3 years, the member will receive his contribution balance paid by himself to the fund on the date of retirement or membership.

### U/2 Legacy staff medical benefit plan

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the liabilities of this system represent in the present value of its liabilities minus its assets at the end of each period including the actuarial loss and revenues settlements and also the prior year cost.

The liability determined by independent actuarial expert using the Projected Unit Credit method.

The fair value of the liabilities are determined by the projected forecasted cash outflow using discount rate of governmental bonds with maturities similar the maturity of liability. The liability recorded in other liabilities.

The actuarial revenues or losses arising from experience change in actuarial assumptions and amendments in the medical plan are hitting the income statement. The bank applies the monthly payment method to the medical plan for current employees; these payments hit the income statement in employee’s benefits item.

### V) Comparative figures

Comparative figures are reclassified, where necessary, for consistency with changes in the current year's presentation (Note 39).

## 3- Management of financial risks

The bank, as a result of conducting its activities, is exposed to various financial risks. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks together, the bank aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency risk, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and up–to–date systems. The bank regularly reviews the risk management policies and systems and amendments thereto, so that they reflect the changes in markets, products and services and the best up-to–date applications.

Risks are managed in accordance with preapproved policies by the board of directors; the risk management department identifies, evaluates and covers financial risks, in close collaboration with the bank's various operating units.
The board of directors provides written rules which cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments.

### 3/1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The bank deems financings to customers, banks and financial investments in terms of bills, current accounts, deposits at banks, as financial assets exposed to credit risk of settling part or all of the dues by the concerned parties on the maturity date. Credit risk also exists on items not registered in the balance sheet such as financing commitments.

### 3/1/1 Measurement of credit risk

**Financings and facilities to clients**

To evaluate credit risk relating to financings and facilities to banks and/or clients.3 components are to be considered:

- Probability of default – by the client or counter party on its contractual obligations.
- Exposure at default – current exposure to the counter party and its likely future developments from which the bank derive the exposure at default.
- Loss given default

The banks daily activities include measurement of credit risk, which reflects estimated loss (expected loss model) required by Basel banking observatory committee, a conflict could generate between operational measurements and impairments as per the Egyptian Accounting Standards, which recognizes losses encountered on balance sheet (Recognized losses) rather than "Expected loss" (note 3/1/3).

The bank evaluates each client through a detailed weight categorization; these methods have been developed for internal evaluation usage and for analysis to reach the appropriate weighting. The banks clients have been categorized to 4 categories, reflecting the delay in payment, therefore clients could move between the various categories depending on evolving circumstances. The bank frequently and periodically reviews the efficiency of this method to estimate any cases.

**Internal categories:**

| Category | Description |
|---|---|
| 1 | Good debts |
| 2 | Regular follow up |
| 3 | Special follow up |
| 4 | Bad debts |

- Exposure at default is based on the amounts the bank expects to be outstanding at the time of default.

- The estimated loss, is the loss incurred when delay in payment occurs, being a percentage of financing which differs depending upon client, nature of claim, available collaterals and guarantees.

**Debt instruments and treasury bills**

The bank in this case uses external categorization, such as standard and poor or other equivalents. If external classification is not available, the method of credit risk is followed. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

**3/1/2 Minimization and avoidance of risk**

The bank manages and controls the credit risk on the debt category and various circumstances, nature, country, manufacture, etc. The 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 payment track record. Framework for categorizing debts is drawn by sub borders including on/off balance sheet figures, the daily risk relating to trade items (e.g. Foreign exchange). Actual figures are compared to daily limits. Periodical monitor and review of credit risk through analyzing the ability of clients and estimated clients.

In light of the results, amendments to the debt limitation take place as appropriate. Several methods to eliminate risk are as follows:

**Collaterals**

Several rules and policies are stated by the bank to minimize credit risk, one of which is collaterals, the bank specifies guidelines for certain types of collaterals. Major types are as follows:

- Real estate mortgage
- Operating asset mortgage such as machinery and goods
- Mortgage of financial instruments such as: securities or equities

Usually the long term facilities and corporate are with collaterals, while credit for retail are without collaterals to minimize any losses to minimal, The bank seeks extra collaterals from related parties if a sign of impairment of any financing or facility occurs.
Collaterals are taken as a guarantee for other assets except for financial and facilities and usually, treasury bills and securities are with no collaterals, except for financial pools covered by asset-backed securities and similar guaranteed by financial instruments.

**Commitments related to credits**

The major need for commitments related to credits is for the client to have liquidity when needed. Guarantees and standby letters of credit issued by the bank on behalf of the client, to grantee a third party the right to withdrawal from the clients account within a certain limit.

Usually this is guaranteed by shipped merchandise or goods therefore the risk weight is less than direct financings.

Credit commitments represent the hidden unused part of the risk tolerated by the bank such as granting financings, LCs and LGs, the bank then is subject to losses to equal value of credits. Losses indorsed by unused credits are less than the value, due to facilities being granted for possible commitments for a specific client with certain conditions. The bank observes the credits till maturity date (long term credits hold a higher risk weight).

### 3/1/3 Impairment & provisioning policies

Internal rating system mentioned earlier (Note 3/1/1) focuses more on planning the quality of credit process and this in the beginning of investing and financing activities, other than that. Impairment losses is recognized only on the balance sheet date for financial reporting purposes according to the objective evidence of impairment as per noted in this disclosure and due to the difference in methodologies applied, usually impairment losses that is reported as per Central bank of Egypt laws and regulations using the estimated losses model is higher than those charged to the financial statements (note 3/1/4).

Impairment loss provisions stated on the end of period balance sheet are extracted from the categorized weight risk rating. Provisions are mainly calculated for credits holding the lowest category. The following table clarifies the percentage upon which the provisions are calculated as of 31 December 2015 related financing and facilities and impairment loss provision related to the internal bank rating:

| | **31 December 2015** | | 31 December 2014 | |
|---|---|---|---|---|
| **Banks rating** | **Loans and facilities** | **Impairment loss provisions** | Loans and facilities | Impairment loss provisions |
| **Assets** | **%** | **%** | % | % |
| Good debts | **81%** | **25%** | 84% | 20% |
| Regular follow up | **13%** | **11%** | 12% | 12% |
| Special follow up | **0%** | **1%** | 0% | 1% |
| Bad debts | **6%** | **63%** | 4% | 67% |
| | **100%** | **100%** | 100% | 100% |

Internal evaluation helps to clarify if there are any significant indications existing for provisions, as per Egyptian accounting standards no. 26, guided by the following points set by the bank:

- Financial problems faced by the client.
- Breaching of financing contract for example overdue installments.
- Prediction of bankruptcy or liquidation or financial restructure.
- Deterioration of competitive position.
- The bank granting superior or extraordinary facilities that the bank could normally not agree upon.
- Impairment of the collateral
- Deterioration of credit status.

The bank's policy includes revising all the bank's assets (exceeding a certain percentage of importance) at least once per year or more if needed.

Loss is evaluated at the balance sheet date on all major accounts. Evaluation normally includes the existing collateral, verifying all payments and withdrawals from the account. Impairment loss is accumulated on similar assets; historical expertise, personal judgment statistical methods.

### 3/1/4Model of general risk measurement

In addition to the 4 categories stated in note 3/1/1, the management takes on several other detailed measurements, to comply with the CBE requirements. Assets exposed to risk are categorized as per the CBE's conditions and instructions, mainly related to on the client, such as: activity, financial position, payment stability.

The bank calculates the impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the required for impairment losses as per CBE credit worthiness rules on 16 September 2008 exceeds the provisions as in note (17), that excess shall be debited to retained earnings and carried to the general reserve for banking risks in the equity section.

Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution (note 34/3) and shows the movement on the general reserve for banking risks during the financial period.

As follows is the statement of credit rating for corporations as per the bank's internal ratings as compared with those of CBE's, it also includes the percentages of provisions required for impairment of assets exposed to credit risk.

| CBE rating | CBE rating description | Required provision % | Internal rating | Internal rating description |
|---|---|---|---|---|
| 1 | Low risk | 0% | 1 | Good debts |
| 2 | Moderate risk | 1% | 1 | Good debts |
| 3 | Satisfactory risk | 1% | 1 | Good debts |
| 4 | Appropriate risk | 2% | 1 | Good debts |
| 5 | Acceptable risk | 2% | 1 | Good debts |
| 6 | Marginally acceptable risk | 3% | 2 | Regular Follow up |
| 7 | Risk needs special attention | 5% | 3 | Special Follow up |
| 8 | Substandard | 20% | 4 | Non performing financing |
| 9 | Doubtful debts | 50% | 4 | Non performing financing |
| 10 | Bad debts | 100% | 4 | Non performing financing |

### 3/1/5 Maximum limit for credit risk before guarantees

### 5/A Maximum limit for credit risk before guarantees

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Balance sheet items exposed to credit risks** | | |
| Treasury bills | **3,159,037** | 4,340,778 |
| **Loans and financing to customers and banks** | | |
| Retail loans | | |
| - Overdraft | **15,745** | 1,407 |
| - Covered cards | **704,670** | 398,482 |
| - Personal financing | **4,276,405** | 3,928,311 |
| - Real estate mortgage | **77** | 1,164 |
| Corporate Loans: | | |
| - Overdraft | **1,099,737** | 1,097,024 |
| - Direct financing | **5,459,797** | 4,119,929 |
| - Syndicated financing | **473,031** | 270,787 |
| **Financial investments:** | | |
| - Debt instruments | **4,681,065** | 1,594,426 |
| **Total** | **19,869,564** | 15,752,308 |
| **Off balance sheet items exposed to credit risks** | | |
| Letters of credit (Import & confirmed export ) | **442,748** | 359,913 |
| Letters of guarantee | **511,053** | 423,305 |
| Documentary credit | **108,385** | 184,965 |
| Bank guarantees | **517,525** | 196,209 |
| **Total (Note 36-2)** | **1,579,711** | 1,164,392 |

The above table represents the maximum limit of risks to be exposed to at the end of December 31st, 2015 and without taking into consideration any guarantees, for balance sheet items, amounts stated depends on the net carrying amount shown in the balance sheet.

As shown in the preceding table, 60.54 % (December 31st, 2014: 62.32 %) of the maximum limit exposed to credit risk results from financings and facilities to customers.

The management is confident in its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from financing portfolio, facilities, and debt instruments as follows:

- 93.8 % (December 31st, 2014: 95.67%) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.
- 80.3 % (December 31st, 2014: 83%) of the financing portfolio and facilities having no arrears or indicators of impairment.
- Financings and facilities valued on a standalone basis amounting to LE 711mn (December 31st, 2014: LE 416mn) with impairment less than 5,91% from its value against (December 31st, 2014: LE 4.24%).
- The bank applied more prudential selection process on granting financings and facilities during the financial Period ended at December 31st, 2015.
- More than 100% of investments in debt instruments and treasury bills represent debt instruments due from the Egyptian government.

### 3/1/6 Financing and facilities

The status of balances of financing in terms of credit rating is as follows:

| | **31 December LE 000's Financing and facilities to customers** | 31 December LE 000's Financing and facilities to customers |
|---|---|---|
| **Neither past due nor impaired** | **9,660,053** | 8,148,148 |
| **Past due not impaired** | **1,658,721** | 1,252,618 |
| **Subject to impairment*** | **710,688** | 416,338 |
| **Total (note 17)** | **12,029,462** | 9,817,104 |
| **Less:** | | |
| **Impairment loss provision**** | **(312,943)** | (251,061) |
| **Interest in suspense** | **(19,767)** | (21,918) |
| **Deferred profits** | **(1,420,467)** | (1,116,312) |
| **Net (note 17)** | **10,276,285** | 8,427,813 |

* Customers financing and facilities subjected to impairment related to the period before acquisition.

** The impairment loss provision for non-performing portfolio amounted to LE 101 mm as of 31 December 2015 (31 December 2014: LE 113mn).

- Non-performing financing against guarantees and not subject to impairment after taking into consideration the collectability of the guarantees.

- Financings and facilities portfolio has increased by 22.54% as of 31st December 2015 (31st December 2014: increased by 34.66%).

## Notes to Consolidated Financial Statements as of 31 December 2015 – Continued.

### 3/1/6 Financing and facilities - Continued

### Financing and facilities to customers and banks

**Value in LE 000's**

**31 December 2015**

| Rating | Retail Overdraft | Retail Covered cards | Retail Personal financing | Retail Real estate mortgage | Corporate Overdraft | Corporate Direct financing | Corporate Syndicated financing | Total |
|---|---|---|---|---|---|---|---|---|
| **Good debts** | **15,745** | **695,575** | **4,118,602** | **48** | **943,584** | **3,773,398** | **113,101** | **9,660,053** |
| **Regular follow up** | **-** | **6,163** | **51,661** | **-** | **156,007** | **1,049,048** | **359,931** | **1,622,810** |
| **Special follow up** | **-** | **2,364** | **10,111** | **17** | **45** | **23,374** | **-** | **35,911** |
| **Bad debts** | **-** | **569** | **96,029** | **12** | **103** | **613,975** | **-** | **710,688** |
| **Total** | **15,745** | **704,671** | **4,276,403** | **77** | **1,099,739** | **5,459,795** | **473,032** | **12,029,462** |

Value in LE 000's

31 December 2014

| Rating | Retail Overdraft | Retail Covered cards | Retail Personal financing | Retail Real estate mortgage | Corporate Overdraft | Corporate Direct financing | Corporate Syndicated financing | Total |
|---|---|---|---|---|---|---|---|---|
| Good debts | 1,407 | 393,135 | 3,806,934 | 61 | 953,813 | 2,912,610 | 80,188 | 8,148,148 |
| Regular follow up | - | 4,395 | 34,057 | 1,053 | 143,159 | 870,436 | 190,599 | 1,243,699 |
| Special follow up | - | 801 | 3,930 | 50 | 52 | 4,086 | - | 8,919 |
| Bad debts | - | 151 | 83,390 | - | - | 332,797 | - | 416,338 |
| Total | 1,407 | 398,482 | 3,928,311 | 1,164 | 1,097,024 | 4,119,929 | 270,787 | 9,817,104 |

### Financing and facilities neither past due nor impaired

The credit worthiness for financings and facilities portfolio that are neither past due nor impaired is based on the banks' internal rating

**3/1/6 Financing and facilities -** Continued

**Financing and facilities past due but not impaired**

They are financing having arrears until 90 days and they are not subject to impairment unless there is information to the contrary. Financings and facilities to customers having arrears and not subject to impairment and fair value of related guarantees are represented as follows:

**Value in LE 000's**

| **31 December 2015** | | | **Retail** | | |
|---|---|---|---|---|---|
| | **Overdraft** | **Covered cards** | **Personal financing** | **Real estate mortgage** | **Total** |
| **30 to 60 days arrears** | **-** | **6,163** | **51,661** | **-** | **57,824** |
| **60 to 90 days arrears** | **-** | **2,364** | **10,111** | **17** | **12,492** |
| **Total** | **-** | **8,527** | **61,772** | **17** | **70,316** |

| | | | **Corporate** | |
|---|---|---|---|---|
| | **Overdraft** | **Direct financing** | **Syndicated financing** | **Total** |
| **30 to 60 days arrears** | **156,007** | **1,049,048** | **359,931** | **1,564,986** |
| **60 to 90 days arrears** | **45** | **23,374** | **-** | **23,419** |
| **Total** | **156,052** | **1,072,422** | **359,931** | **1,588,405** |

Value in LE 000's

| 31 December 2014 | | | Retail | | |
|---|---|---|---|---|---|
| | Overdraft | Covered cards | Personal financing | Real estate mortgage | Total |
| 30 to 60 days arrears | - | 4,395 | 34,057 | 1,053 | 39,505 |
| 60 to 90 days arrears | - | 801 | 3,930 | 50 | 4,781 |
| Total | - | 5,196 | 37,987 | 1,103 | 44,286 |

| | | | Corporate | |
|---|---|---|---|---|
| | Overdraft | Direct financing | Syndicated financing | Total |
| 30 to 60 days arrears | 143,159 | 870,436 | 190,599 | 1,204,194 |
| 60 to 90 days arrears | 52 | 4,086 | - | 4,138 |
| Total | 143,211 | 874,522 | 190,599 | 1,208,332 |

At the initial recognition of financings and facilities, the fair value of the guarantees is determined using similar techniques for similar assets subsequently; its fair value is updated to reflect either the market price or prices of similar assets.

**Financings subject to individual impairment**

**Financings and facilities to clients as follows**

Value in LE 000's

| 31 December 2015 | Retail | | | Corporate | | Total Financing and Facilities to customers |
|---|---|---|---|---|---|---|
| | Covered cards | Personal financing | Real estate mortgage | Overdraft | Direct financing | |
| **Financings subject to individual impairment** | **569** | **96,029** | **115** | **103** | **613,872** | **710,688** |

| 31 December 2014 | Retail | | | Corporate | | Total Financing and Facilities to customers |
|---|---|---|---|---|---|---|
| | Covered cards | Personal financing | Real estate mortgage | Overdraft | Direct financing | |
| Financings subject to individual impairment | 151 | 83,390 | - | - | 332,797 | 416,338 |

### 3/1/7 Investments in debt instruments and treasury bills

The following table represents breakdown of debt instruments and Treasury Bills, as per rating agencies at the end of the financial Period (Standard and Poors – Mercis).

| 31 December 2015 | Treasury bills | Investments in debt instruments | Total |
|---|---|---|---|
| | LE 000's | LE 000's | LE 000's |
| **Less than B-** | **3,159,037** | **4,681,065** | **7,840,102** |
| | **3,159,037** | **4,681,065** | **7,840,102** |

### 3/1/8 Collateral acquisition

During the current period, assets reverted to bank are:

| | **31 December 2015 LE 000's Book value** | 31 December 2014 LE 000's Book value |
|---|---|---|
| **Asset nature** | | |
| Real estate | - | 114,412 |
| **Total** | **-** | 114,412 |

The assets reverted to bank are classified under other assets caption in the balance sheet and those assets are sold when this is practical.

## 3/1/9 Sectors analysis according to activity nature

Value in LE 000's

| 31 December 2015 | Wholesale Banking | Capital Banking | Retail Banking | Other Operation | Total |
|---|---|---|---|---|---|
| **Revenue and expense according to activities sector** | | | | | |
| Revenue from activity sectors | 623,816 | 318,645 | 748,476 | (319,120) | 1,371,817 |
| Expenses of activity sectors | (115,013) | (10,053) | (557,452) | (55,338) | (737,856) |
| **Profit before tax for the year** | 508,803 | 308,592 | 191,024 | (374,458) | 633,961 |
| Tax | (138,073) | (83,935) | (50,420) | (142,294) | (414,722) |
| **Profit for the year** | 370,730 | 224,657 | 140,604 | (516,752) | 219,239 |
| **Assets and liabilities according to activity sector** | | | | | |
| Assets related to activity sectors | 7,678,221 | 9,577,682 | 4,996,897 | - | 22,252,800 |
| Non-Classified assets | - | - | - | 1,335,565 | 1,335,565 |
| **Total assets** | 7,678,221 | 9,577,682 | 4,996,897 | 1,335,565 | 23,588,365 |
| Liabilities of activity sectors | 7,014,257 | 920,506 | 13,343,214 | - | 21,277,977 |
| Non-classified liabilities | - | - | - | 1,161,480 | 1,161,480 |
| **Total liabilities** | 7,014,257 | 920,506 | 13,343,214 | 1,161,480 | 22,439,457 |

Value in LE 000's

| 31 December 2014 | Wholesale Banking | Capital Banking | Retail Banking | Other Operation | Total |
|---|---|---|---|---|---|
| **Revenue and expense according to activity sectors** | | | | | |
| Revenue from activity sectors | 434,987 | 633,915 | 439,055 | 323,621 | 1,831,578 |
| Expenses of activity sectors | (121,908) | (39,502) | (667,851) | (579,189) | (1,408,450) |
| **Profit before tax for the year** | 313,079 | 594,413 | (228,796) | (255,568) | 423,128 |
| Tax | - | - | - | (160,792) | (160,792) |
| **Profit for the year** | 313,079 | 594,413 | (228,796) | (416,360) | 262,336 |
| **Assets and liabilities according to activity sectors** | | | | | |
| Assets related to activity sectors | 5,940,855 | 6,959,960 | 4,329,364 | - | 17,230,179 |
| Non-Classified assets | - | - | - | 2,309,036 | 2,309,036 |
| **Total assets** | 5,940,855 | 6,959,960 | 4,329,364 | 2,309,036 | 19,539,215 |
| Liabilities of activity sectors | 4,429,842 | 996,335 | 12,171,886 | - | 17,598,063 |
| Non-classified liabilities | - | - | - | 969,774 | 969,774 |
| **Total liabilities** | 4,429,842 | 996,335 | 12,171,886 | 969,774 | 18,567,837 |

### 3/1/10 Geographical sectors

Value in LE 000's

| | Arab republic of Egypt | | | | Other countries | |
|---|---|---|---|---|---|---|
| | Cairo | Alex, Delta & Sinai | Upper Egypt | Total | | Total |
| Treasury bills | **3,159,037** | **-** | **-** | **3,159,037** | **-** | **3,159,037** |
| Financial assets held for trading | **20,277** | **-** | **-** | **20,277** | **-** | **20,277** |
| Investments in debt instruments | **4,681,065** | **-** | **-** | **4,681,065** | **-** | **4,681,065** |
| **Financing to customers** | | | | | | |
| **Retail** | | | | | | |
| Overdraft | **15,329** | **311** | **105** | **15,745** | **-** | **15,745** |
| Covered cards | **656,234** | **39,674** | **8,762** | **704,670** | **-** | **704,670** |
| Personal financing | **2,451,686** | **1,342,069** | **482,650** | **4,276,405** | **-** | **4,276,405** |
| Real estate mortgage | **77** | **-** | **-** | **77** | **-** | **77** |
| **Corporate** | | | | | | |
| Overdraft | **1,099,611** | **123** | **3** | **1,099,737** | **-** | **1,099,737** |
| Direct financing | **5,411,123** | **46,110** | **2,564** | **5,459,797** | **-** | **5,459,797** |
| Syndicated financing | **473,031** | **-** | **-** | **473,031** | **-** | **473,031** |
| **Total as of 31 December 2015** | **17,967,470** | **1,428,287** | **494,084** | **19,889,841** | **-** | **19,889,841** |
| Total as of 31 December 2014 | 14,056,953 | 1,249,794 | 464,620 | 15,771,367 | - | 15,771,367 |

## Notes to Consolidated Financial Statements as of 31 December 2015 – Continued.

### 3/1/11 Activities sectors

Value in LE 000's

| | Financial institution | Manufacturing institution | Services | Wholesale and Retail | Governmental sector | Retail | Total |
|---|---|---|---|---|---|---|---|
| Treasury bills | - | - | - | - | 3,159,037 | - | 3,159,037 |
| **Financial assets held for trading:** | | | | | | | |
| Equity instruments | 20,277 | - | - | - | - | - | 20,277 |
| **Loans and facilities to customers** | | | | | | | |
| **Consumer loans:** | | | | | | | |
| Overdrafts | - | - | - | - | - | 15,745 | 15,745 |
| Covered cards | - | - | - | - | - | 704,670 | 704,670 |
| Personal financing | - | - | - | - | - | 4,276,405 | 4,276,405 |
| Mortgage financing | - | - | - | - | - | 77 | 77 |
| **Corporate loans** | | | | | | | |
| Overdrafts | - | 349,493 | 326 | 68,311 | 681,607 | - | 1,099,737 |
| Directs financing | 166,230 | 2,072,025 | 1,069,578 | 1,795,893 | 356,071 | - | 5,459,797 |
| Syndicated financing | - | 113,101 | - | - | 359,930 | - | 473,031 |
| **Financial investments** | | | | | | | |
| Debt instruments | 988 | - | - | - | 4,674,246 | - | 4,675,234 |
| **Total as of 31 December 2015** | **187,495** | **2,534,619** | **1,069,904** | **1,864,204** | **9,230,891** | **4,996,897** | **19,884,010** |
| Total as of 31 December 2014 | 57,300 | 1,997,095 | 55,396 | 1,885,065 | 7,439,647 | 4,329,364 | 15,763,867 |

### 3/2 Market risk

The bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which each 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 of which monitored by two separate teams. Regular reports about market risk are submitted to the Board of Directors and each business unit head periodically.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate price 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 portfolios.

### 3/2/1Market risk measurement techniques

The following are the major measurement techniques used:

**A. Value at risk:**

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and monitored by the market risk department.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding year is 10 days before closing the opening position. It also assumes that market movements during the holding year will be the same as 10-days before. The Bank's assessment of past movements is based on data for the past five hundred days. The Bank applies these historical changes in rates prices indicators….etc. directly to its current positions this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR considered a primary part of the Bank's market risk control technique VAR limits are established by the Board annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed by the ALCO committee.

The average daily VAR for the Bank during the current

The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

**B. Stress testing:**

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances Stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the Bank treasury. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to 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 Board of directors

**3/2/2 VAR summary**

**Total value at risk according to type of risk**

**Total value at risk for Investment held for trade:**

**Value in LE 000's**

| | 12 Month to 31 December 2015 | | |
|---|---|---|---|
| | **Average** | **High** | **Low** |
| Foreign currency risk | **191** | **-** | **-** |
| Interest rate risk | **184,754** | **-** | **-** |
| **Total value upon interest rate risk** | **184,946** | **-** | **-** |

**Total value at risk for trading investment held for trade upon type of risk:**

**Value in LE 000's**

| | 12 Month to 31 December 2015 | | |
|---|---|---|---|
| | **Average** | **High** | **Low** |
| Foreign currency risk | **191** | **-** | **-** |
| **Total value upon interest rate risk** | **191** | **-** | **-** |

**Total value at risk for Non-trading investment held for trade upon type of risk:**

**Value in LE 000's**

| | 12 Month to 31 December 2015 | | |
|---|---|---|---|
| | **Average** | **High** | **Low** |
| Interest rate risk | **184,754** | **-** | **-** |
| **Total value upon risk** | **184,754** | **-** | **-** |

The increase in VAR especially the interest rate risk mainly proportion to the increase in market interest rates volatility in the global financial markets.

The above three VAR results are calculated independently from the underlying positions and historical market movements. The aggregate of the trading and non-trading VAR results does not represent the bank's VAR due to correlations of risk types and portfolio types and their effect.

### 3/2/3Foreign exchange volatility risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors set aggregate limits for foreign exchange in the total value (summation value) for each position at the end of the day, and during the day which is controlled on timely basis.

The following table summarizes the Bank' exposure to foreign exchange volatility risk at the end of the financial period

The following table includes the carrying amounts of the financial instruments in their currencies:

| 31 December 2015 | | | | | | | Value in LE 000's |
|---|---|---|---|---|---|---|---|
| | **EGP** | **USD** | **Euro** | **Sterling** | **Yen** | **Others** | **Total** |
| **Assets** | | | | | | | |
| Cash and due from CBE | **1,162,368** | **15,850** | **226** | **1,498** | **10** | **1,892** | **1,181,844** |
| Due from banks | **1,031,901** | **490,300** | **16,013** | **304,910** | **417** | **33,904** | **1,877,445** |
| Treasury bills | **2,799,350** | **309,204** | **-** | **50,483** | **-** | **-** | **3,159,037** |
| Financial assets held for trading | **20,277** | **-** | **-** | **-** | **-** | **-** | **20,277** |
| Financing and facilities to customers | **9,657,756** | **2,364,001** | **430** | **7,273** | **-** | **2** | **12,029,462** |
| **Financial investments** | | | | | | | |
| - Available for sale | **4,746,677** | **18,571** | **-** | **-** | **-** | **-** | **4,765,248** |
| - Held to maturity | **10,831** | **-** | **-** | **-** | **-** | **-** | **10,831** |
| Investments in associates | **39,153** | **-** | **-** | **-** | **-** | **-** | **39,153** |
| **Total Financial Assets** | **19,468,313** | **3,197,926** | **16,669** | **364,164** | **427** | **35,798** | **23,083,297** |
| **Liabilities** | | | | | | | |
| Due to banks | **1,871** | **653,897** | **-** | **-** | **-** | **6,533** | **662,301** |
| Customers' deposits | **18,254,448** | **1,666,064** | **17,131** | **373,456** | **1,051** | **30,871** | **20,343,021** |
| Long-term financing | **-** | **258,205** | **-** | **-** | **-** | **-** | **258,205** |
| **Total Financial Liabilities** | **18,256,319** | **2,578,166** | **17,131** | **373,456** | **1,051** | **37,404** | **21,263,527** |
| **Net financial position** | **1,211,994** | **619,760** | **(462)** | **(9,292)** | **(624)** | **(1,606)** | **1,819,770** |
| 31 December 2014 | | | | | | | |
| Total Financial Assets | 14,974,926 | 3,249,806 | 21,331 | 176,031 | 302 | 30,330 | 18,452,726 |
| Total Financial Liabilities | 15,373,036 | 1,976,559 | 21,271 | 176,222 | 596 | 28,412 | 17,576,096 |
| Net Financial Position | (398,110) | 1,273,247 | 60 | (191) | (294) | 1,918 | 876,630 |

### 3/2/4 Profit rate risk

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

The following table summarize the extend that the bank is exposed to fluctuation in profit rate that includes the book value for the financial instruments distributed on repricing dates or maturity date which is closest;

Value in LE 000's

| 31 December 2015 | Up to 1 Month | 1-3 months | 3-12 Months | 1-3 years | More than years 3 | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and due from CBE | 175,795 | - | - | 1,006,049 | - | 1,181,844 |
| Due from banks | 1,356,906 | 163,005 | 357,534 | - | - | 1,877,445 |
| Treasury bills | 669,752 | 486,281 | 2,003,004 | - | - | 3,159,037 |
| Financial assets held for trading | - | - | 20,277 | - | - | 20,277 |
| Financing and facilities to customers | 669,619 | 1,819,840 | 3,185,885 | 3,502,456 | 2,851,662 | 12,029,462 |
| **Financial investments** | | | | | | |
| - Available for sale | 1,403,369 | 44,100 | 155,400 | 772,724 | 2,389,655 | 4,765,248 |
| - Held to maturity | - | - | - | - | 10,831 | 10,831 |
| Investments in associates | - | - | - | - | 39,153 | 39,153 |
| Other financial assets | 15,831 | 7,416 | 698,956 | 985,802 | 731,850 | 2,439,855 |
| **Total financial assets** | 4,291,272 | 2,520,642 | 6,421,056 | 6,267,031 | 6,023,151 | 25,523,152 |
| **Financial liabilities** | | | | | | |
| Dues to banks | 662,301 | - | - | - | - | 662,301 |
| Customers deposits | 3,528,308 | 1,257,239 | 3,760,493 | 9,574,943 | 2,222,038 | 20,343,021 |
| Subordinated financing | - | - | - | - | 258,205 | 258,205 |
| Other financial liabilities | 1,179 | 409 | 401,227 | 865,042 | 2,991,768 | 4,259,625 |
| **Total financial liabilities** | 4,191,788 | 1,257,648 | 4,161,720 | 10,439,985 | 5,472,011 | 25,523,152 |
| **Interest re-pricing** | 99,484 | 1,262,994 | 2,259,336 | (4,172,954) | 551,140 | - |

### 3/3 Liquidity risk

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

**Liquidity risk management process**

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

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be borrowed to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios in relation with internal requirements and central bank of Egypt requirements.
- Managing financing and facilities concentration and dues.

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

Its' role is also to monitor the liquidity gaps between average maturity assets and the level and type of unused financing commitments, the ratio of usage of debit current accounts, and the effect of contingent liabilities such as LCs and LGs.

**Funding strategy**

Liquidity resources are reviewed through a separate team at the risk department to maintain wide diversification by currencies, geographical location, sources as well as maturities.

Assets available to meet all liabilities and cover financing commitments include cash, balances with the central bank, Balances due from banks, treasury bills and financings and facilities to banks and customers. Moreover, some financing and facilities to customers may be extended during the normal course of business of the bank. The bank has the ability to meet unexpected net cash flows through selling financial papers, and finding other financing sources.

The CBE regulations require compliance with the following:

- Maintaining LE 500mn as a minimum requirement for the authorized and issued capital.
- Maintaining a ratio between capital elements, asset and contingent liability elements weighted by risk weights at 10% or more.

The capital adequacy ratio consists of the following two tiers:

**Tier 1:**
It is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks), retained earnings, reserves resulting from profit appropriations except the general banking risk reserve less any goodwill previously recognized and any carried forward losses.

**Tier 2:**
Is the sub-ordinate capital comprising the equivalent of the general bank risk reserve in accordance with CBE credit rating deposits not more than 1.25 % of total assets and contingent liabilities (weighted credit risk rates), subordinate deposits / financings maturing after more than 5 years (amortizing 20% of their value each year), and 45 % of the increase between the fair value and carrying amount for the available for sale investments, investments held to maturity, and investments in affiliates and subsidiaries.

The numerator of capital adequacy ratio calculation has to consider:
- Subordinated capital not exceed the basic capital.
- Subordinated financing (deposits) not exceed half basic capital.

Assets are risk weighted in a range from 0% to 100 % according to the type of asset, to reflect related credit risk taking into consideration cash guarantees; the 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 has complied with all the capital requirements within the last two years. Following is a table summarizing capital and capital adequacy ratio:

**3) Management of financial risk -** Continued

| **According to Basel II** | **31 December 2015** **LE 000's** | 31 December 2014 LE 000's |
|---|---|---|
| **Tier 1 Capital** | | |
| **Going concern capital - Basic** | | |
| Capital shares | **2,000,000** | 2,000,000 |
| Paid under capital increase | **1,861,418** | 1,861,418 |
| Reserves | **65,400** | 65,400 |
| Accumulated loss | **(2,974,887)** | (3,128,747) |
| Deduct: Financial institutions and Insurance Co. investment | **(11,974)** | (3,819) |
| **Total Going concern capital - Basic** | **939,957** | 794,252 |
| **Going concern capital - Additional** | | |
| Difference between FV and PV for subordinated financing | **29,603** | 42,433 |
| **Total Going concern capital - Additional** | **29,603** | 42,433 |
| **Total Tier 1 Capital** | **969,560** | 836,685 |
| **Tier 2 Capital** | | |
| Impairment losses related to financing, facilities, performing contingent liabilities | **126,091** | 86,571 |
| Subordinated financing | **154,923** | 181,195 |
| 45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates and associates | **21,986** | 38,541 |
| 45% of special reserve | **7,724** | 7,724 |
| **Total Tier 2 Capital** | **310,724** | 314,031 |
| **Capital base (Tier 1 +Tier2)** | **1,280,284** | 1,150,716 |
| **Risk weighted assets and contingent liabilities** | | |
| Contingent assets and liabilities weighted risk | **11,032,222** | 8,795,255 |
| Capital requirement for market risk | **56,724** | 51,120 |
| Capital requirement for operation risk | **1,661,171** | 1,141,608 |
| **Total risk weighted assets and contingent liabilities** | **12,750,117** | 9,987,983 |
| **Capital adequacy ratio ( % ) *** | **10.04%** | 11.52% |

*Based on consolidated Banking group with its financial institutions and in accordance with The CBE instructions issued on 24 December 2012.

### 3/5 Leverage Financial Ratio

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

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

- Obligatory ratio to start from year 2018.

This ratio will be included in Basel requirement tier 1 (minimum level of capital adequacy ratio) in order to maintain the Egyptian Banking System strong and safe, as long as to keep up with the best international regulatory treatments. Leverage financial ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

**Ratio Elements:**

**Ratio Elements**

**A-The numerator elements**

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

**B-The denominator elements:**

The denominator consists of all bank assets (on balance sheet and off-balance sheet) as per the financial statements "Bank exposure" which includes the total of the following:

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

2-Derivatives contracts exposures.

3-Financing financial notes operations exposures.

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

## 3/5 Leverage Financial Ratio Continued

**The tables below summarize the leverage financial ratio:**

| | 31 December 2015<br>LE 000's |
|---|---|
| **Tier 1 capital after exclusions (1)** | **969,560** |
| Cash and due from Central Bank of Egypt (CBE) | 2,200,132 |
| Banks current accounts and deposits | 857,698 |
| Treasury bills | 3,005,329 |
| Financial assets held for trading | 20,210 |
| Financial investments available-for-sale | 4,754,823 |
| Financial investments held to maturity | 10,831 |
| Investments in subsidiaries and associates | 122,199 |
| Loans and credit facilities to customers | 10,690,177 |
| Fixed assets (Net of Accumulated depreciation & Credit loss Provisions) | 361,878 |
| Other assets | 1,515,010 |
| Deducted amounts from exposures (some of tier 1 exclusions for capital base) | (240,468) |
| **Total on-balance sheet exposures items after deducting some of tier 1 exclusions for capital base** | **23,297,819** |
| **Total on-balance sheet exposures, Derivatives contracts and financing financial securities** | **23,297,819** |
| Import L/Cs | 88,004 |
| L/Gs | 241,984 |
| L/Gs according to foreign banks | 258,763 |
| Contingent liabilities for general collaterals for financing facilities and similar collaterals | 22,821 |
| Bank acceptance | 108,385 |
| **Total contingent liabilities** | **719,957** |
| Capital commitments | 4,650 |
| Operating lease commitments | 60,588 |
| **Loan commitments to clients /banks (unutilized part) original maturity period** | 512,806 |
| **Total commitments** | **578,044** |
| **Total exposures off-balance sheet** | **1,298,001** |
| **Total exposures on-balance sheet and off-balance sheet (2)** | **24,595,820** |
| **Leverage financial ratio (1/2)** | **3.94%** |

## 4- Significant accounting estimates

The bank undertakes estimations and judgments that affect the value of assets and liabilities that has been disclosed during the next financial year, consistently estimations and judgments are based on historical experience and other factors, including the expectations of future events that are reasonably estimated in accordance with the available information and circumstances.

### 4/1) Impairment loss for financings and facilities

The bank reviews the portfolio of financings and facilities on at least a quarterly basis. The bank uses discretionary judgment on determining whether it is necessary to record impairment in the income statement using reliable data indicating measurable decline in the expected future cash flows from financing portfolio before identifying any decline at the level of one financing. This evidence include data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having credit risks. Such experience refers to 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 given experience.

### 4/2) Impairment loss of equity instruments available for sale

In the case of investment in available for sale equity instrument, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. Where such evidence exists, significant or prolonged decline needs a personal judgment. To make this judgment the bank assesses- besides other factors- the common share price volatility. In addition, impairment exists when there is objective evidence that a certain company has a financial difficulty in its cash flow from operating and financing activities, industry tool or sector or technological advances.

### 4/3) financial investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as investments held to maturity. This category requires personal judgment and therefore the bank tests whether there is a genuine intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity (except for certain tightly defined circumstance such as if an entity sells an insignificant amount of held to maturity investments close to maturity date), investments should be reclassified as available for sale, which will be` measured at fair value instead of amortized cost.

## 5- Net revenue from funds

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Income from Murabaha, Musharaka, Mudaraba and other similar income** | | |
| Financing and facilities to customers | **1,095,152** | 850,607 |
| Treasury bills and bonds | **780,838** | 590,744 |
| Deposits and current accounts | **34,987** | 8,562 |
| **Total** | **1,910,977** | 1,449,913 |
| **Cost of deposits and similar expenses** | | |
| **Deposits and current accounts:** | | |
| - To banks | **(29,740)** | (35,607) |
| - To customers | **(914,560)** | (789,161) |
| **Total** | **(944,300)** | (824,768) |
| **Net Revenue from funds** | **966,677** | 625,145 |

## 6- Net fees and commission income

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Fees and commissions income:** | | |
| Fees and commissions related to financing | **54,092** | 29,458 |
| Fees related to corporate finance | **110,830** | 154,630 |
| Other fees | **76,794** | 65,965 |
| **Total** | **241,716** | 250,053 |
| **Fees and commissions expenses:** | | |
| Other fees paid | **(8,743)** | (11,193) |
| **Net fees and commission income** | **232,973** | 238,860 |

## 7- Dividends income

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Investments held for trading | **351** | 702 |
| Available for sale investments | **5,206** | 4,275 |
| Mutual fund certificates | **46** | 362 |
| Investments in associates | **532** | 2,466 |
| **Total** | **6,135** | 7,805 |

## 8- Net trading income

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Foreign currencies operations:** | | |
| Gain from foreign currencies exchange | **112,051** | 68,959 |
| Debt instruments held for trading | **317** | 318 |
| Equity instruments held for trading | **(4,459)** | 4,161 |
| **Total** | **107,909** | 73,438 |

## 9- Administrative expenses

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Employees' cost** | | |
| Salaries and wages and benefits | **(342,577)** | (279,818) |
| Social insurance | **(15,281)** | (12,610) |
| **Employees' benefits** | | |
| Defined contribution plan | **(25,485)** | (18,147) |
| Defined benefit plan | **(12,042)** | (7,933) |
| Depreciation and amortization | **(92,820)** | (89,905) |
| Other administrative expenses | **(273,868)** | (218,188) |
| **Total** | **(762,073)** | (626,601) |

## 10- Other operating income

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Profit from revaluations of monetary assets & liabilities other than trading | **96,061** | 32,242 |
| Gain (loss) on sale of assets reverted to bank | **3,245** | (847) |
| Gain on sale of fixed assets | **27,579** | 4,867 |
| Gain on sale of investment properties | **3,559** | 1,861 |
| Gain from sale of Leased Assets | **22** | (20) |
| Software cost | **(6,980)** | (5,450) |
| Operating lease | **(22,887)** | (19,171) |
| Early retirement costs | **-** | (8,883) |
| Impairment loss for assets reverted to Bank | **(7,793)** | (359) |
| Impairment of other provisions | **(65,135)** | (41,330) |
| Others | **85,402** | 67,387 |
| **Total** | **113,073** | 30,297 |

## 11- (Impairment Loss) reversal impairment of credit losses

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Financing and facilities to customers after deducting provision no longer required | (49,889) | 64,637 |
| Impairment (loss) reversal of impairment of HTM investments | (1,668) | 653 |
| **Total** | (51,557) | 65,290 |

## 12- Taxes

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Income tax | (150,658) | (89,731) |
| Deferred tax * | (264,064) | (71,061) |
| | (414,722) | (160,792) |

- Additional information about deferred tax is presented in note 32. The effective tax that has been charged to the income statement could be different from the amount that arises using tax rates as shown below.

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Income before tax | 633,961 | 421,888 |
| Current Tax Rate | 23% | 30% |
| **Income tax (expenses) based on applied tax price** | 142,641 | 126,566 |
| Non-deductible expenses | 2,815 | 3,649 |
| Non-taxable income | 121,172 | (55,192) |
| Unrealized tax losses | - | (3,231) |
| Other taxes | 148,094 | 89,000 |
| **Income tax according to effective tax rate** | 414,722 | 160,792 |
| **Effective tax rate** | 65% | 38% |

- On August, 20 2015, The law no. 96 for the year 2015 had been issued amending the provisions of the income tax law no. 91 for the year 2005, also amending the law no. 44 for the year 2015 with the imposition of a temporary additional income tax, And it has necessitated the re-measurement of deferred tax assets and liabilities using tax rate of (22.5%) provided in the law above-referred.

## 13- Cash and due from central bank of Egypt

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Cash | 175,795 | 153,322 |
| Due from Central Bank mandatory reserve requirement | 1,006,049 | 1,165,627 |
| **Total** | 1,181,844 | 1,318,949 |
| Non-profit bearing balances | 1,181,844 | 1,318,949 |
| **Total** | 1,181,844 | 1,318,949 |

## 14- Due from banks

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Current accounts | 254,891 | 124,171 |
| Deposits | 1,622,554 | 1,090,759 |
| **Total** | 1,877,445 | 1,214,930 |
| Due from Central bank except mandatory reserve requirement | 1,018,967 | 504,144 |
| Local banks | 370,277 | 284,586 |
| Foreign banks | 488,201 | 426,200 |
| **Total** | 1,877,445 | 1,214,930 |
| Profit free balances | 514,891 | 124,171 |
| Fixed profit balances | 1,362,554 | 1,090,759 |
| **Total** | 1,877,445 | 1,214,930 |

## 15- Treasury bills

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Treasury bills maturing in 91 days | 4,925 | 28,050 |
| Treasury bills maturing in 182 days | 82,175 | 161,950 |
| Treasury bills maturing in 273 days | 1,173,750 | 1,406,425 |
| Treasury bills maturing in 364 days | 1,898,187 | 2,744,353 |
| | 3,159,037 | 4,340,778 |
| Unearned revenues | (153,708) | (198,067) |
| **Total** | 3,005,329 | 4,142,711 |

## 16- Financial assets held for trading

| | 31 December 2015<br>LE 000's | 31 December 2014<br>LE 000's |
|---|---|---|
| **Equity Instruments** | | |
| Domestic companies shares | **10,349** | 15,218 |
| Mutual funds certificates | **9,928** | 3,841 |
| **Total** | **20,277** | 19,059 |

## 17- Financing and Facilities to customers

| | 31 December 2015<br>LE 000's | 31 December 2014<br>LE 000's |
|---|---|---|
| **Retail** | | |
| Overdraft | **15,745** | 1,407 |
| Covered cards | **704,670** | 398,482 |
| Personal financing | **4,276,405** | 3,928,311 |
| Real estate mortgage | **77** | 1,164 |
| **Total (1)** | **4,996,897** | 4,329,364 |
| **Corporate (including SMEs)** | | |
| Overdraft | **1,099,737** | 1,097,024 |
| Direct financing* | **5,459,797** | 4,119,929 |
| Syndicated financing | **473,031** | 270,787 |
| **Total (2)** | **7,032,565** | 5,487,740 |
| **Total financing and facilities (1+2)** | **12,029,462** | 9,817,104 |
| Impairment losses | **(312,943)** | (251,061) |
| Profit in suspense | **(19,767)** | (21,918) |
| Deferred profit | **(1,420,467)** | (1,116,312) |
| **Net** | **10,276,285** | 8,427,813 |
| **Classified in balance sheet as follow** | | |
| Conventional loans to customers after deducting impairment loss | **229,760** | 227,952 |
| Financing to customers after deducting impairment loss | **10,046,525** | 8,199,861 |
| **Net** | **10,276,285** | 8,427,813 |

### 17- Financing and facilities to customers – Continued

**Movement analysis for impairment loss provision related to financing and facilities to customers;**

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Impairment loss provision** | | |
| Balance at the beginning of the year | **251,061** | 229,180 |
| Impairment loss charged during the year | **76,210** | 36,613 |
| Recoveries from written off debts | **26,440** | 94,635 |
| Used from provision during the year | **(15,014)** | (11,757) |
| Transferred from (to) other provisions | **(118)** | 3,171 |
| Provisions no longer required | **(26,322)** | (101,250) |
| Foreign currency revaluation differences | **686** | 469 |
| **Balance at the end of year** | **312,943** | 251,061 |

**The following are the total Financing and facilities to customers (Net of Deferred Profit)**

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Retail** | | |
| Overdraft | **15,745** | 1,407 |
| Covered cards | **225,687** | 111,036 |
| Personal financing | **3,400,508** | 3,124,576 |
| Real estate mortgage | **77** | 1,164 |
| **Total (1)** | **3,642,017** | 3,238,183 |
| | | |
| **Corporate (including SMEs)** | | |
| Overdraft | **1,099,737** | 1,097,036 |
| Direct financing | **5,394,210** | 4,094,786 |
| Syndicated financing | **473,031** | 270,787 |
| **Total (2)** | **6,966,978** | 5,462,609 |
| **Total financing and facilities (1+2)** | **10,608,995** | 8,700,792 |
| | | |
| Impairment losses provisions | **(312,943)** | (251,061) |
| Profit in suspense ** | **(19,767)** | (21,918) |
| **Net** | **10,276,285** | 8,427,813 |
| | | |
| **Classified in balance sheet as follow** | | |
| Conventional financing (after deducting impairment loss) | **229,760** | 227,952 |
| Islamic financing (after deducting impairment loss) | **10,046,525** | 8,199,861 |
| **Net** | **10,276,285** | 8,427,813 |

** Profit in suspense was previously formed in accordance with credit instructions issued by CBE.

**17-Financing and facilities to customers –** Continued

**Movement analysis for impairment loss provision related to financing to customers as per type**

**Value in LE 000's**

| **31 December 2015** | | | **Retail** | | |
|---|---|---|---|---|---|
| | **Overdraft** | **Covered cards** | **Personal financing** | **Real estate mortgage** | **Total** |
| **Balance as of 1 January 2015** | - | 553 | 93,578 | 236 | 94,367 |
| **Impairment loss charged during the year** | - | 5,493 | 9,762 | (216) | 15,039 |
| **Used from provision during the year** | - | (3,926) | (7,532) | - | (11,458) |
| **Recoveries from written off debts** | - | 719 | 615 | - | 1,334 |
| **Provision no longer required** | - | (719) | (615) | - | (1,334) |
| **Balance as of 31 December 2015** | - | 2,120 | 95,808 | 20 | 97,948 |

| | | | **Corporate** | | |
|---|---|---|---|---|---|
| | **Overdraft** | **Direct financing** | **Syndicated financing** | **Others** | **Total** |
| **Balance as of 1 January 2015** | 6,651 | 145,305 | 4,738 | - | 156,694 |
| **Impairment loss charged during the year** | 1,315 | 55,965 | 3,891 | - | 61,171 |
| **Used from provision during the year** | - | (3,555) | - | - | (3,555) |
| **Recoveries from written off debts** | - | 25,106 | - | - | 25,106 |
| **Transferred to other provisions** | - | (118) | - | - | (118) |
| **Provisions no longer required** | - | (24,988) | - | - | (24,988) |
| **Foreign currency revaluation differences** | - | 685 | - | - | 685 |
| **Balance as of 31 December 2015** | 7,966 | 198,400 | 8,629 | - | 214,995 |

| 31 December 2014 | | | Retail | | |
|---|---|---|---|---|---|
| | Overdraft | Covered cards | Personal financing | Real estate mortgage | Total |
| Balance as of 1 January 2014 | - | 431 | 92,263 | 1,213 | 93,907 |
| Impairment loss charged during the year | - | 649 | 4,470 | (480) | 4,639 |
| Used from provision during the year | - | (527) | (2,838) | (497) | (3,862) |
| Recoveries from written off debts | - | 110 | 241 | - | 351 |
| Provisions no longer required | - | (110) | (558) | - | (668) |
| Foreign currency revaluation differences | - | - | - | - | - |
| Balance as of 31 December 2014 | - | 553 | 93,578 | 236 | 94,367 |

| | | | Corporate | | |
|---|---|---|---|---|---|
| | Overdraft | Direct financing | Syndicated financing | Others | Total |
| Balance as of 1 January 2014 | 1,196 | 125,671 | 8,406 | - | 135,273 |
| Impairment loss charged during the year | 5,455 | 30,207 | (3,688) | - | 31,974 |
| Used from provision during the year | - | (7,895) | - | - | (7,895) |
| Recoveries from written off debts | - | 94,284 | - | - | 94,284 |
| Transferred from other provisions | - | 3,171 | - | - | 3,171 |
| Provisions no longer required | - | (100,582) | - | - | (100,582) |
| Foreign currency revaluation differences | - | 449 | 20 | - | 469 |
| Balance as of 31 December 2014 | 6,651 | 145,305 | 4,738 | - | 156,694 |

## 18- Financial investments

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **18/1 Available for sale investment** | | |
| **Debt instruments - at fair value** | | |
| Listed | **4,675,234** | 1,586,871 |
| **Equity instruments - at fair value** | | |
| Listed | **43,157** | 55,262 |
| Unlisted | **46,857** | 52,339 |
| **Total available for sale investments (1)** | **4,765,248** | 1,694,472 |
| **18/2 Financial investment held to maturity** | | |
| **Debt instruments- at amortized cost** | | |
| Listed | **-** | 55 |
| Mutual fund certificates - Sanabel (*) | **5,831** | 7,500 |
| Mutual fund certificates - El-Naharda (**) | **5,000** | 5,000 |
| **Total investments held to maturity (2)** | **10,831** | 12,555 |
| **Total financial investments (1 + 2)** | **4,776,079** | 1,707,027 |
| **Categorized as follows:** | | |
| Current | **4,718,391** | 1,642,188 |
| Non-current | **57,688** | 64,839 |
| | **4,776,079** | 1,707,027 |
| **Categorized as follows:** | | |
| Fixed profit debt instruments | **4,674,246** | 1,584,953 |
| Variable profit debt instruments | **11,819** | 14,473 |
| Variable profit equity instruments | **90,014** | 107,601 |
| | **4,776,079** | 1,707,027 |

**Mutual fund**

*** Sanabel Islamic Mutual Fund**

- The investments held to maturity include the bank's investment in Sanabel Islamic mutual fund in association with ABC bank, managed by HC Company.
- The number of bank's certificates share is 75k/7.5% of par value **LE 100**. The acquisition cost amounted to LE 7,635k.
- The redeemable value of the certificate as of 31 December 2015 amounted of LE 77,75 (December 31, 2014: LE 105).

**** Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund**

- The Bank has established Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund (compatible with the principles of Islamic Sharia law, the fund is managed by Beltone management of investment funds.
- The number of bank's certificates share is 50k/2% of par value LE 100.
- The redeemable value of the certificate as 31 December 2015 amounted of LE 108 (31 December 2014: LE 101).

**18- Financial investments** – Continued

Value in LE 000's

| | Available for sale investment | Financial investment held to maturity | Total |
|---|---|---|---|
| **Balance as of 1 January 2015** | **1,694,472** | **12,555** | **1,707,027** |
| **Additions** | **5,697,731** | **-** | **5,697,731** |
| **Disposals (sales/redemption)** | **(2,587,829)** | **(56)** | **(2,587,885)** |
| **Foreign currency revaluation difference** | **1,446** | **-** | **1,446** |
| **Net change in the fair value** | **(40,085)** | **-** | **(40,085)** |
| **Impairment loss provisions** | **(487)** | **(1,668)** | **(2,155)** |
| **Balance as of 31 December 2015** | **4,765,248** | **10,831** | **4,776,079** |
| Balance as of 1 January 2014 | 1,252,372 | 12,181 | 1,264,553 |
| Additions | 645,596 | 5,000 | 650,596 |
| Disposals (sales/redemption) | (174,054) | (5,429) | (179,483) |
| Foreign currency revaluation difference | 495 | 150 | 645 |
| Net change in the fair value | (28,922) | - | (28,922) |
| Impairment loss provisions | (1,015) | 653 | (362) |
| Balance as of 31 December 2014 | 1,694,472 | 12,555 | 1,707,027 |

**18/3 Gain from financial investment**

| | **31 December 2015 LE 000's** | 31 December 2014 LE 000's |
|---|---|---|
| Gain from sale of available for sale investments | **13,623** | 398 |
| Impairment loss of AFS investment | **(489)** | (1,015) |
| Gain on sale of treasury bills | **1,417** | 2,097 |
| Gain on sale of investments in associates | **-** | 458 |
| Impairment loss of Investments in associates | **(456)** | (26) |
| **Total** | **14,095** | 1,912 |

**19- Financial Investments in associates (Net)**

Value in LE 000's

| | **31 December 2015** | | 31 December 2014 | |
|---|---|---|---|---|
| | **Value** | **Share %** | Value | Share % |
| Arab Oriental Company for Takaful insurance - Egypt | **35,443** | **20%** | 30,714 | 20% |
| Upper Egypt National Company for Construction | **332** | **23%** | 633 | 23% |
| Assuit National Company for Agricultural Development | **2,612** | **22%** | 3,010 | 22% |
| United Group for Trading and Engineering | **766** | **24%** | 522 | 24% |
| | **39,153** | | 34,879 | |

## 20- Intangible assets

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Computer software** | | |
| Net book value at the beginning of the year | **4,482** | 5,685 |
| Additions | **23,270** | 20,662 |
| Depreciation for the year | **(21,749)** | (21,865) |
| **Net book value at the end of the year** | **6,003** | 4,482 |

## 21- Other assets

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Accrued revenues | **184,875** | 153,846 |
| Pre-paid expenses | **87,954** | 69,926 |
| Down payments under purchase fixed assets | **4,961** | 34,656 |
| Assets reverted to the bank in settlement of debts (Net of impairment) | **99,017** | 115,137 |
| Deposits and custody | **8,181** | 6,316 |
| Due from tax authority - Debit balances* | **271,828** | 398,277 |
| Settlement account- leasing | **15,923** | 12,611 |
| Inventory | **36,806** | 45,064 |
| Other debit balances | **236,934** | 182,508 |
| **Total** | **946,479** | 1,018,341 |

* Represents amounts under settlements in dispute with the tax authority Note (39)

## 22- Projects under construction

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Balance for beginning of the year** | **18,730** | 24,955 |
| Additions | **19,628** | 4,726 |
| Disposal | **(22,508)** | (10,951) |
| **Net book value at the end of the year** | **15,850** | 18,730 |

## 23- Fixed assets – Net of accumulated depreciation

| | Land& premises | Machinery & equipment | Other assets | Total |
|---|---|---|---|---|
| **Net book value as of 1 January 2015** | **205,470** | **73,842** | **266,976** | **546,288** |
| **Additions** | **11,332** | **42,070** | **83,441** | **136,843** |
| **Disposals** | **(9,909)** | **(16,504)** | **(22,941)** | **(49,354)** |
| **Depreciation** | **(7,053)** | **(9,834)** | **(48,436)** | **(65,323)** |
| **Depreciation related to disposals** | **2,009** | **12,030** | **22,922** | **36,961** |
| **Net book value as of 31 December 2015** | **201,849** | **101,604** | **301,962** | **605,415** |
| | | | | |
| **Cost** | **214,463** | **113,454** | **424,521** | **752,438** |
| **Accumulated depreciation** | **(12,614)** | **(11,850)** | **(122,559)** | **(147,023)** |
| **Net book value as of 31 December 2015** | **201,849** | **101,604** | **301,962** | **605,415** |

Value in LE 000's

| | Land& premises | Machinery & equipment | Other assets | Total |
|---|---|---|---|---|
| Net book value as of 1 January 2014 | 107,236 | 77,283 | 244,001 | 428,520 |
| Additions | 107,444 | 2,889 | 73,839 | 184,172 |
| Disposals | (3,198) | (453) | (158) | (3,809) |
| Depreciation | (6,682) | (6,330) | (50,778) | (63,790) |
| Depreciation related to disposals | 670 | 453 | 72 | 1,195 |
| Net book value as of 31 December 2014 | 205,470 | 73,842 | 266,976 | 546,288 |
| | | | | |
| Cost | 213,040 | 87,888 | 364,021 | 664,949 |
| Accumulated depreciation | (7,570) | (14,046) | (97,045) | (118,661) |
| Net book value as of 31 December 2014 | 205,470 | 73,842 | 266,976 | 546,288 |

- Fixed Assets not registered to the name of the bank amounted to LE 8.43mn (31 December 2014: EGP 8.43mn) as of 31 December 2015. Legal registration procedures are under progress.

- Fully depreciated assets as of 31 December 2015 and still in use amounted to LE 282mn (31 December 2014: LE 101mn)

## 23- Fixed assets – Net of accumulated depreciation - Continued

### Exercising the right to purchase the leased assets held under financial leasing

On 27th February 2014 the Bank exercised the right to purchase the leased assets held under the financial leasing from Al-Tawfik leasing company amounted LE 115 million. The bank recorded it as fixed asset by total amount of unpaid installments of finance leasing contract and depreciated over the remaining estimated useful life for those assets.

On 30th March 2009 the bank signed sale and finance leaseback contract of the Bank's 29 branches with Al-Tawfik Company for Financial Leasing of net book value amounted to LE 20 million compared to the total selling price amounted to LE 214 million resulted in deferred profit of LE 194 million.

The bank paid LE 171 million of the total selling price representing the rental value for the first five years of financial lease agreement with Al-Tawfik company for a period of ten years starting from 30 April, 2009 of total rental value of LE 321 million to be paid ten annual installments (120 monthly installments) with the Bank’s option to buy the assets in whole or in part at any time during the duration of the contract.

Based on the CBE approval the bank used the profit to reduce its losses starting from year 2009 instead of recording it in capital reserve and amortizing it on the period of contract with a condition of not financing the finance leasing company to complete the sale process.

## 24- Investment property (Net)

**Value in LE 000's**

| | **Land** | **Premises** | **Others** | **Total** |
|---|---|---|---|---|
| **Balance as of 1 January 2015** | **34,725** | **88,113** | **547** | **123,385** |
| **Disposals** | **(7,600)** | **(33,928)** | **-** | **(41,528)** |
| **Depreciation expense** | **-** | **(5,610)** | **(137)** | **(5,747)** |
| **Depreciation expense related to disposals** | **-** | **2,887** | **-** | **2,887** |
| **Balance as of 31 December 2015** | **27,125** | **58,662** | **410** | **86,197** |

Value in LE 000's

| | Land | Premises | Others | Total |
|---|---|---|---|---|
| Balance as of 1 January 2014 | 34,765 | 94,028 | 650 | 129,443 |
| Disposals | (40) | (2,313) | - | (2,353) |
| Depreciation expense | - | (4,238) | (103) | (4,341) |
| Depreciation expense related to disposals | - | 636 | - | 636 |
| Balance as of 31 December 2014 | 34,725 | 88,113 | 547 | 123,385 |

## 25- Financial leased assets (Net)

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Cost** | | |
| Beginning balance | 228,290 | 197,568 |
| Additions | 131,107 | 70,913 |
| Disposals | (53,436) | (40,191) |
| | 305,961 | 228,290 |
| **Accumulated depreciation** | | |
| Beginning balance | (95,721) | (87,440) |
| Depreciation | (76,124) | (47,885) |
| Disposals | 52,376 | 39,604 |
| | (119,469) | (95,721) |
| **Net book value at the end of the year** | 186,492 | 132,569 |

## 26- Due to banks

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Current accounts | 16,838 | 29,641 |
| Deposits | 645,463 | 763,485 |
| **Total** | 662,301 | 793,126 |
| Local banks | 140,819 | 170,923 |
| Foreign banks | 521,482 | 622,203 |
| **Total** | 662,301 | 793,126 |
| Non-profit bearing balances | 16,838 | 29,641 |
| Fixed profit bearing balances | 645,463 | 763,485 |
| **Total** | 662,301 | 793,126 |

## 27- Customers' deposits

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Demand deposits | 4,928,579 | 3,434,692 |
| Time deposits and call accounts | 3,478,319 | 3,024,934 |
| Term saving certificates | 6,915,438 | 5,773,466 |
| Savings deposits | 4,233,056 | 3,943,351 |
| Other deposits | 787,629 | 403,318 |
| **Total** | 20,343,021 | 16,579,761 |
| Corporate deposits | 6,999,807 | 4,407,875 |
| Retail deposit | 13,343,214 | 12,171,886 |
| **Total** | 20,343,021 | 16,579,761 |
| Non-profit balances | 3,317,717 | 2,096,352 |
| Variable profit balances | 17,025,304 | 14,483,409 |
| **Total** | 20,343,021 | 16,579,761 |
| Current balances | 13,427,582 | 10,806,295 |
| Non-current balances | 6,915,439 | 5,773,466 |
| **Total** | 20,343,021 | 16,579,761 |

## 28- Subordinated financing

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Subordinated Financing * | 258,205 | 226,493 |

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Face value of the subordinated financing | 226,493 | 209,023 |
| Amortization of subordinated using EIR method | 12,830 | 11,344 |
| Foreign exchange difference | 18,882 | 6,126 |
| **Total** | 258,205 | 226,493 |

- In light of disclosure No. (38 – Re-issuance of financial statements ), during 2015 the bank restated 2015 opening balances as well as the comparative figures of year 2014 of the subordinated financing to disclose the starting date on 27 December 2012 with total amount of USD 39 million equivalent to LE 258 million with tenor of Six years ( instead of equivalent to LE 278 million with tenor of Seven years starting from 27 March 2014 ), granted from ADIB- UAE under Wakala investment agreement with a profit rate of 0.125% on the investment amount and the expected profit equals to LIBOR USD on any extension period after those Six years.

**28- Subordinated financing -** Continued

| **Balance Sheet** | **31 December 2014 Before LE 000's** | Debit/(Credit) LE 000's | **31 December 2014 After LE 000's** |
|---|---|---|---|
| Subordinated loan | **203,209** | 23,284 | **226,493** |
| Difference between face value and present value for | **73,139** | (30,704) | **42,435** |
| Accumulated losses | **(3,207,022)** | 7,420 | **(3,199,602)** |
| | **(2,930,674)** | - | **(2,930,674)** |
| **Income statement** | | | |
| Cost Of Deposit | **(823,702)** | (1,066) | **(824,768)** |
| Other operating income | **30,470** | (173) | **30,297** |
| | **(793,232)** | (1,239) | **(794,471)** |

- The bank recorded the subordinated financing by its present value using discount rate of 5.17% and added LE 29,603k to owner equity that represents the difference between the face value that amounted by 278,808K and the present value of subordinated financing on the of agreement.

**29- Other liabilities**

| | **31 December 2015 LE 000's** | 31 December 2014 LE 000's |
|---|---|---|
| Accrued revenue | **44,409** | 28,426 |
| Unearned revenues from the sale & leaseback assets | **78** | 113 |
| Accrued expenses | **137,422** | 100,688 |
| Down payment - leasing clients | **37,282** | 29,105 |
| Due to tax authority - Credit balances * | **271,828** | 398,277 |
| Other credit balances | **465,061** | 265,269 |
| **Total** | **956,080** | 821,878 |

* Represents amounts under settlements in dispute with the Tax Authority note (39)

## 30- Other Provisions

Value in LE 000's

| | Provision * for Contingent Claims | Provision for Tax | Provision for Contingent Liabilities | Other Provision | Total |
|---|---|---|---|---|---|
| **Balance as of 1 January 2015** | **22,607** | **43,106** | **12,388** | **1,358** | **79,459** |
| **Provisions charged during the year** | **98,052** | **(34,796)** | **909** | **1,169** | **65,334** |
| **Provisions used during the year** | **(19,328)** | **(859)** | **-** | **-** | **(20,187)** |
| **Foreign exchange difference** | **-** | **-** | **249** | **-** | **249** |
| **Transferred to Tax Provision** | **-** | **42,000** | **-** | **-** | **42,000** |
| **Balance as of 31 December 2015** | **101,331** | **49,451** | **13,546** | **2,527** | **166,855** |
| | | | | | |
| Balance as of 1 January 2014 | 10,158 | 65,236 | 11,965 | 839 | 88,198 |
| Provisions charged during the year | 14,133 | 26,167 | 449 | 581 | 41,330 |
| Provisions used during the year | (1,646) | (48,297) | - | (62) | (50,005) |
| Provision no longer required | (38) | - | - | - | (38) |
| Foreign exchange difference | - | - | (26) | - | (26) |
| Balance as of 31 December 2014 | 22,607 | 43,106 | 12,388 | 1,358 | 79,459 |

* Reference to ADIB Egypt General Assembly Meeting minutes dated 18 October 2015, which documents that Abu Dhabi Islamic Bank – UAE reserves its right to claim the repayment of its full dues from ADIB Egypt and from any other party and objects against the reissuance of the audited financial statements of the years 2012, 2013 and 2014 by adopting an accounting treatment that considers the USD deposits under Capital increase as EGP deposits from the deposit date, the matter which might result in potential claim in case that Abu Dhabi Islamic Bank –UAE claims for the loss amount resulted from such treatment of their payments under capital increase, and according to external legal advisor opinion on probability of loss, the Bank decided to build a provision of EGP 88 million for the foreign currency movement from 31 December 2014 up to 31 December 2015.

## 31- Deferred tax

The deferred tax calculated on the differences based on the liability using the actual tax rate.

| | 31 December 2015<br>LE 000's<br>Assets / (Liabilities) | 31 December 2014<br>LE 000's<br>Assets / (Liabilities) |
|---|---|---|
| **The following is balance of assets/liabilities of deferred tax:** | | |
| Fixed assets | **(29,136)** | (27,366) |
| Provisions (other than the impairment loss for financing) | **26,053** | 8,723 |
| Profit in suspense | **4,448** | 5,479 |
| Tax losses carried forward | **563,156** | 842,220 |
| **Net tax resulted in assets** | **564,521** | 829,056 |
| **Movement of deferred tax assets and liabilities method:** | | |
| **Beginning balance of the year** | **829,056** | 899,097 |
| Additions | **16,279** | 4,222 |
| Disposals | **(280,814)** | (74,263) |
| **Ending balance of the year** | **564,521** | 829,056 |

Deferred tax assets resulted from tax losses carried forward are not recognized unless there's future taxable profits is likely to happen by which the bank can benefit from on the short term.

Deferred Tax Assets of LE 1,622k related to ADI Lease (subsidiary), were not recognized due to absence of reasonable assurance that the company will achieve future taxable profits which the company can benefit from on the short term.

## 32- Capital

### 32/1 Authorized capital

The authorized capital amounts to LE 4.0bn (December 31st, 2014: LE 4.0bn)

### 32/2 Issued and paid-In capital:

The issued and paid in capital amounted to LE 1,9Bn (December 31st, 2014: LE 1,9Bn) represented by 199.5mn shares with a nominal value of LE 10 per share

### 32/3 Amounts paid under capital increase

ADIB – UAE made cash deposit of LE 1,662k (December 31st, 2014: LE 1,662K) as amounts paid under capital increase up till year 2010, on 28 December, 2011 ADIB – UAE approved to transfer the full amount of subordinated financing of LE 199mn to amounts paid under capital increase, Accordingly balance of total amounts paid under capital increase reached LE 1,861mn.

### 33- Reserves and accumulated losses

| Reserves | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Legal reserves | **22,878** | 22,878 |
| General reserve | **42,522** | 42,522 |
| Special reserves | **26,257** | 26,257 |
| Fair value reserve – Investments available for sale | **35,448** | 75,533 |
| General Banking Risk Reserve | **72,784** | 83,434 |
| **Total** | **199,889** | 250,624 |

### 33/1 Special reserves

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Adjustments resulted from change in the valuation policy of AFS Investments related to prior years | **17,165** | 17,165 |
| Adjustment resulted from valuation policy of impairment loss for financing and facilities of prior years | **9,092** | 9,092 |
| **Total** | **26,257** | 26,257 |

- Distribution from this reserve prohibited unless there is CBE approval

### 33/2 Fair value reserve – Available for sale investments

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Beginning balance** | **75,533** | 104,356 |
| Net Change in fair value | **(40,383)** | (27,101) |
| Profit (Loss) transferred to income statement related to AFS disposals | **298** | (1,722) |
| **Ending balance of the year** | **35,448** | 75,533 |

### 33/3 General banking risk reserves

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Beginning balance** | **83,434** | 61,425 |
| Adjustments related to change in the measurement policy of impairment loss for financing and facilities | **(11,276)** | 21,901 |
| 10% provision based on the value of assets reverted to the bank | **626** | 108 |
| **Ending balance** | **72,784** | 83,434 |
| | | |
| **Balance of general banking risk reserve** | | |
| General Banking Risk Reserve for financing and facilities | **72,051** | 83,326 |
| General Banking Risk Reserve related to assets reverted to the Bank | **733** | 108 |
| **Total** | **72,784** | 83,434 |

The CBE instructions require the bank to provide general bank reserves to guarantee any differences in impairment loss measurement methods for financings/facilities and assets reverted to the bank.

### 33/4 Accumulated losses

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| **Beginning balance** | **(3,199,602)** | (3,445,756) |
| Net income for the year | **212,289** | 256,821 |
| Transferred to general banking risk reserve | **10,650** | (22,009) |
| Amortization of the subordinated financing | **12,830** | 11,342 |
| **Ending balance of the year** | **(2,963,833)** | (3,199,602) |

## 34- Cash and cash equivalent

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

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Cash and due from CBE (Note 13) | **1,181,844** | 1,318,949 |
| Due from banks (Note 14) | **1,877,445** | 1,214,930 |
| Treasury bills (Note 15) | **3,005,329** | 4,142,711 |
| Due from banks maturities more than3 months | **(1,622,180)** | (1,089,166) |
| Treasury bills maturities more than 3 months | **(3,000,478)** | (4,114,854) |
| **Total** | **1,441,960** | 1,472,570 |

## 35- Contingent liabilities and commitments

### 35/1 Capital commitments:

The Banks contracts for capital commitments reached LE 6,990 Thousands as of 31 December 2015 (31 December 2014: LE 4,078 Thousands). Representing purchases of fixed assets and the management is adequately confident that finance shall be made available to cover these commitments when due.

### 35/2 Contingent liabilities

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| Letter of credit ( Import and Export) | **442,748** | 359,913 |
| Letter of guarantee | **511,053** | 423,305 |
| Documentary credit | **108,385** | 184,965 |
| Bank guarantees | **517,525** | 196,209 |
| **Total** | **1,579,711** | 1,164,392 |

### 35/3 Operating lease commitment

| | 31 December 2015 LE 000's | 31 December 2014 LE 000's |
|---|---|---|
| From 1 year up to 5 years | **38,732** | 27,653 |
| More than 5 years | **21,857** | 20,761 |
| **Total** | **60,589** | 48,414 |

## 36- Related party transactions

### 36/1 The related party balances included in the consolidated financial statement were as follows

| | Associates<br>LE 000's | Major shareholder<br>LE 000's | Total<br>LE 000's |
|---|---|---|---|
| **31 December 2015** | | | |
| **Due from banks** | **-** | **19,203** | **19,203** |
| **Other assets** | **-** | **39** | **39** |
| **Total** | **-** | **19,242** | **19,242** |
| | | | |
| **Due to banks** | **-** | **357,382** | **357,382** |
| **Customers' deposits** | **79,935** | **-** | **79,935** |
| **Subordinated financing** | **-** | **258,205** | **258,205** |
| **Paid under capital increase** | **-** | **1,861,418** | **1,861,418** |
| **Difference between face value and present value of subordinated loan** | **-** | **29,605** | **29,605** |
| **Total** | **79,935** | **2,506,610** | **2,586,545** |

| | Associates<br>LE 000's | Major shareholder<br>LE 000's | Total<br>LE 000's |
|---|---|---|---|
| 31 December 2014 | | | |
| Due from banks | - | 17,961 | 17,961 |
| Other assets | - | 734 | 734 |
| Total | - | 18,695 | 18,695 |
| | | | |
| Due to banks | - | 635,249 | 635,249 |
| Customers' deposits | 87,802 | - | 87,802 |
| Subordinated financing | - | 226,493 | 226,493 |
| Paid under capital increase | - | 1,861,418 | 1,861,418 |
| Difference between face value and present value of subordinated loan | - | 42,435 | 42,435 |
| Total | 87,802 | 2,765,595 | 2,853,397 |

**36/2 During the year significant transactions with related parties included in the consolidated income statement are as follows:**

| | Associates | Major shareholder | Total |
|---|---|---|---|
| | **LE 000's** | **LE 000's** | **LE 000's** |
| **31 December 2015** | | | |
| **Cost of subordinated loan using EIR** | **-** | **(12,830)** | **(12,830)** |

| | Associates | Major shareholder | Total |
|---|---|---|---|
| | LE 000's | LE 000's | LE 000's |
| 31 December 2014 | | | |
| Cost of subordinated loan using EIR | - | (11,342) | (11,342) |
| Dividends income | 2,466 | | 2,466 |

* Salaries and wages for the period ended 31 December 2015 includes an amount of Thousand LE 22,354 which represents average total top 20 salaries paid during the period.

**37- Employees Benefits**

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| | **LE 000's** | LE 000's |
| **Liabilities listed in Balance sheet** | | |
| Pension benefits | **-** | 14,461 |
| Medical benefits past retirement | **52,995** | 52,659 |
| **Total** | **52,995** | 67,120 |
| **Amounts recognized in Income statement** | | |
| Pension benefits | **(11,290)** | (7,512) |
| Medical Benefits | **(14,195)** | (10,635) |
| Medical benefits past retirement | **(12,042)** | (7,933) |
| **Total** | **(37,527)** | (26,080) |

**37/1 Private insurance fund**

At the first of July 2013, the bank established private insurance fund (the fund) according to Law No.54 for year 1975, the fund registered in EFSA on 14 January 2014 with No. (884), on 1 April 2014 the fund started its work. The employees in the head office and all branches are committed to the fund regulations.

The bank obligated to pay monthly contributions, in which, calculated according to fund regulation, generally the fund financed through monthly contributions in addition to other resources that detected in fund regulation.

The insurance benefits will be paid when the member reaches end of service due to retirement or death or total or partial disability, In case the term of membership is less than 3 years, the member will receive his contribution balance paid by himself to the fund on the date of retirement or membership.

Through March 2015 EFSA has approved to start investing the monthly contributions accrued to employees and depositing the amount in the fund manager investment account.

**37/2 Legacy staff medical benefit plan**

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the bank hired independent actuarial expert to conduct the study and determine the necessary amount of the obligation to be recorded in financial statements using the projected unit credit method.

- The main assumptions are used by the actuarial expert listed as follows:-
- Death rate from British table A49-ULT52
- Discount rate 12.5%
- Inflation rate 14%
- Using projected unit credit method in calculating liabilities

**37/3 End of service fund - Defined benefit plan for employees in National Company for Glass and Crystal**

The national company for Crystal and Glass has End of service Defined benefit plan for workers. The company has assigned an independent actuarial expert to estimate the obligations resulting from the end of service mentioned above applying the total present value method of end of service reward discharged when the employees stay at work until they reach the legal age of retirement or death prior to that calculated in accordance with the terms of the actual service until 12/31/2014 and inserted at an annual salary until the end of the service.

The main assumptions used by the actuarial expert were represented as follows:

- The life rate according to the British table A67-70ULT of life rates.
- Discount rate 12%
- According to the restated labor law which were decided to have a minimum annual premium of 7% has been considered that rate of 7% calculated annually
- Legal retirement age is 60 years.

The expense of the liability was charged to the accumulated losses according to the Egyptian accounting standard No. 5 (Accounting policies and changes in accounting estimations and faults).

### 38- Re-issuance of the financial statements (31 December 2014)

During the period from 2010 to 2012, ADIB UAE transferred amounts of USD 255 MN under the Capital Increase account of ADIB Egypt; additionally ADIB UAE transferred an amount of USD 39 MN to the subordinated loan to reach USD 70 MN during the year 2014. The increase in subordinated financing was deducted from the balance due to ADIB UAE; this balance was created to recognize the liability due to ADIB UAE as a result of USD foreign exchange revaluation gain under the increase in capital which represents a liability to ADIB UAE.

As a result of violating the laws and regulations issued by the Central Bank of Egypt in 16 December 2008 and the conditions should be fulfilled to report the subordinated financing in the capital adequacy ratio, Abu Dhabi Islamic Bank-Egypt has re-issued the separate financial statements ended in 31 December 2014 that previously issued in 23 February 2015 after changing the accounting treatment for the foreign exchange revaluation and subordinated financing retroactively, below is the summary of the main adjustments has been made before and after re-issuance;

| | **31 December 2013 Before LE 000's** | Debit/(Credit) LE 000's | **31 December 2013 After LE 000's** |
|---|---|---|---|
| **Balance sheet** | | | |
| Deferred tax assets | **959,926** | (59,795) | **900,131** |
| | **959,926** | (59,795) | **900,131** |
| Other liabilities | **780,787** | (239,184) | **541,603** |
| Accumulated losses | **(3,598,501)** | 179,388 | **(3,419,113)** |
| | **(2,817,714)** | (59,796) | **(2,877,510)** |
| CAR% | **10.40%** | 1.65% | **12.05%** |
| **Income statement** | | | |
| Net trading income | **60,211** | 163,793 | **224,004** |
| Tax | **146,975** | (59,795) | **87,180** |
| | **207,186** | 103,998 | **311,184** |

| | **31 December 2014 Before LE 000's** | Debit/(Credit) LE 000's | **31 December 2014 After LE 000's** |
|---|---|---|---|
| **Balance sheet** | | | |
| Deferred tax assets | **898,383** | (69,327) | **829,056** |
| | **898,383** | (69,327) | **829,056** |
| Subordinated loan | **364,736** | (161,527) | **203,209** |
| Other liabilities | **866,044** | (44,166) | **821,878** |
| Difference between face value and present value for | **131,239** | (58,100) | **73,139** |
| Accumulated losses | **(3,401,488)** | 194,466 | **(3,207,022)** |
| | **(2,039,469)** | (69,327) | **(2,108,796)** |
| CAR% | **12.08%** | -0.56% | **11.52%** |
| **Income statement** | | | |
| Cost of deposits and similar Costs | **(829,730)** | 6,028 | **(823,702)** |
| Other operating income | **(1,945)** | 32,415 | **30,470** |
| Tax | **(151,260)** | (9,532) | **(160,792)** |
| | **(982,935)** | 28,911 | **(954,024)** |

## 39- Tax position

**Tax position for ADIB - EG**

**Corporate tax:**

- Tax inspections for the years prior 2008 have been fully completed and all due taxes have been paid and the internal committee was set and no due taxes were reported.

- The tax authority has inspected the corporate tax due for the period from 2009 till 2012 and informed the bank through form no. 19A. The bank objected the deemed tax claim at the due date.

- The bank prepared and presented the tax return for the years till 2013 to the tax authority as per law no. 91 for the year 2005.

- Starting from February 2012, and based on the Banks legal and tax advisor, the Bank raised a legal case against the unconstitutional nature of taxes on Treasury Bills and Treasury Bonds for taxable loss making entities during the loss years from 2010 up to 2012 accordingly the Bank suspended paying those taxes and its related penalties, which is recorded under other debit balances" note (no.21) to the financial statements. As per the Bank's tax and legal advisors opinions that it is probable that the bank will win such legal case, noting that the legal case session was not determined yet.

- The bank accrued for Treasury Bills and Treasury Bonds income tax for the periods with taxable net income.

**Salary tax:**

- Tax inspections and internal committee for the years prior 2008 has been finalized and no tax due for this period

- The tax authority inspection and settlement took place for the period since 2009 till 2012 and all taxes due were paid in full.

- The bank pays the payroll taxes on monthly basis on the due dates as stated by law.

**Stamp duty tax**

**First: In light of law no. 111 for the year 1980 (before amendments)**

- Inspection of all 18 branches of Upper Egypt branches has been finalized starting from opening date of those branches till 31/7/2006 and with all tax liabilities has been settled.

- Inspection of 15 out of 20 of East Delta branches has been finalized from opening of the branches till 31/7/2006 with all tax liabilities settled.

- Inspections of 12 out of 14 West Delta branches have been finalized from opening of the branches till 31/7/2006 with all tax liabilities settled.

- Inspection of 12 out of 17 Cairo branches has been finalized from start of their activities to 31/7/2006. Tax liabilities for 10 branches were settled and 7 branches are still under settlement after tax disputes.

- The bank raised appeal in the court For 45 branches. The bank paid all the branches' due settlement to avoid delay penalties since the court appeal does not stop the tax liability due.

**39-Tax position -** Continued

**Second: In light of law no. 143 for the year 2006 amended by law 111 of 1980 (After amendments)**

- Inspections of the bank branches have been completed for the years starting 1/8/2006 to 31/12/2007. A tax claim has been raised and the bank objected on it, an internal committee has been formed and transferred to appeal committee.

**Sales tax:**
- Inspection of the bank branches from 2002 till 2006 has been finalized and all taxes due were paid.

- Year 2007 up to 2011, the tax inspection is in process till 31 December 2011, All supporting documents has been submitted to the tax authority, the bank is still waiting for tax authority claims.

**Real estate Tax**
- The bank received claims for real estate tax for some branches and the bank objected on these claims in the legal deadlines.

**Tax position for National Company for glass and crystal**

**Corporate tax**

Tax inspections for the years prior 2006 have been fully completed and all due taxes have been paid.
Company books have not been inspected from beginning of their activities from 2007 till 2014 noting that there are accumulated tax losses.

**Sales tax**

Tax inspections for the years prior to 2012 have been fully completed all due taxes have been paid.
Company books have not been inspected for year ended 2013 and 2014.

**Salary tax**

Tax inspections for the years prior 2004 have been fully completed and all due taxes have been paid.
Company books have not been inspected from 2005 till 2014.

**Stamp duty tax**

Tax inspections for the years prior 2012 have been fully completed and all due taxes have been paid.
Company books have not been inspected for year ended 2013 and 2014

**Tax position for national company for trading and development (ENTAD):**

**Sales tax**

Tax inspection has been completed up to 31 December 2011. The company received form (15) which includes the inspection results and presented checks to pay all due amounts.

**39- Tax position -** Continued

**Stamp duty tax**
Tax inspection for the periods prior to 31 December 2005 has been fully completed and all due taxes have been paid.

**Salary tax**
Tax inspection for the periods prior to 31 December 2004 has been fully completed and all due taxes have been paid.

Company is paying due taxes regularly as per the monthly salary schedules in its due dates, Tax inspection is not performed till date.

**Corporate tax:**
Period from the beginning of the activity till 31 December 2004 (Except years 1999/ 2001):
There is a final claims other than late payment penalty and it is going to be settled with tax authorities.

Note: In the Other debit balances there is 1 million LE withholding taxes for the tax years till 31 December 2004 going to be settled with the tax authority.

**Tax position for Cairo national company for investment**

**Income tax**

**From 1995 till 2010**:
Tax inspection has been fully completed and all due taxes have been paid.
The tax return was prepared and delivered to tax authority from 2005 to 2013 and the Tax inspection for the previous periods have not been inspected

**From 2005 till 2013**:
Tax inspection for the years 2009/2010 has been fully completed and company received form 19 for these years and it is being objected and dispute is settled without tax differences.
Bank is going to end the file with collection committee for the accrued treasury bills tax for the years 2009/2010 that paid from the withholding.

**Salary tax**
Tax inspection from 1995 till 2011 has been fully completed and all due taxes have been paid.
The taxes paid monthly and in regular basis.
Tax inspection from 2012 till 2013 has not completed yet.

**Stamp duty tax**
Tax inspection from 1995 to 2010 has been fully completed and all due taxes have been paid.
Tax inspection for the periods from 2011 to 2014 is not performed yet.

**39-Tax position -** Continued

**Tax position for Assiut Islamic company for trading and development**

**Income tax**

**From 1989 till 1991**:
Tax inspections for the years have been fully completed and all due taxes have been paid.

**From 1992 till 1995:**

Processing by the experts committee.

**From 1996 and 1997**:
Processing by an appeal committee.

**From 1998 till 2002:**
Processing by an internal committee.

**For 2003 till 2004:**

Tax inspection for these years has not been inspected.

**For 2005 till 2013:**

Tax inspection has been fully completed and all due taxes have been paid according to law No. 91 for the year 2005.

**Salary tax**

Tax inspections have been fully completed and all due taxes have been paid till 31 December 1994.
The taxes paid monthly and in regular basis until the balance sheet date

**Withholding tax**

Tax inspection have been fully completed and all due taxes have been paid till 31 December 2014.
The taxes paid quarterly and in regular basis until the balance sheet date.

**Stamp duty tax**
Tax inspection has been completed and all the due taxes have been paid up to 31 December 2010.
Tax inspection for 2011 till 2013 has not been inspected.

**Sales Tax**
The company is not subjected to this tax.

**Social insurance**
The insurance due taxes are paid on regular basis until the balance sheet date.

**39- Tax position -** Continued

**Tax position for ADI lease**

**Corporate tax**

Tax inspections till year ended 2000 have been fully completed and all due taxes have been settled.
Tax inspections from 1/1/2001 till 31/12/2009 have been fully completed and the company notified of the tax inspection result with form (19) and objected on legal due dates to the result of the tax inspection and the internal committee is currently considering the tax dispute.
No tax inspection has been carried out from 2010 up till now.

**Salary tax**
Salary tax inspections till 2001 have been fully completed and the company objected to the result of the tax inspection and the internal committee was notified and all due taxes have been settled.
Salary tax inspections from 1/1/2002 till 31/12/2009 have been fully completed and the internal committee was held and all due taxes have been settled.

No tax inspection has been carried out from 2010 up till now.

**Stamp tax**
Tax inspections till 31/12/2010 have been fully completed and all due taxes have been settled.

No tax inspection has been carried out from 2011 up till now.

**Tax position for ADI Holding**

**Corporate tax**
No tax inspection has been carried out up till date.

**Salary tax**
Salary tax is paid on regular monthly payments.

**Stamp tax**
No tax inspection has been carried out up till date.

**Income tax**
The company is subjected to the tax of financial institutions. The company refers to an expert to estimate the provision for income tax and when there are differences between the actual results and the primary ones these differences affects the provision for income tax and the deferred tax for these periods.

**39- Tax position -** Continued

**Tax position for ADIB capital**

**Commercial & Industrial income tax**
Company is subject to tax law no. 91 year 2005 and its amendments.

No tax inspection has been carried out up till date.

**Stamp tax**
Company is subject to tax law no. 143 year 2006 and its amendments.

**Tax position for ADI properties**

**Commercial and manufacturing profits tax**
The company is subject to the corporate tax No.91 for 2005 and its amendments.

There is no tax inspection has taken place for the period from the inception date till date.

**Stamp duty taxes**
The company is subject to the corporate tax No.143 for 2006 and its amendments.

**Tax position for Cairo national company for brokerage and securities:**

**Corporate tax**
Tax inspections from 1995 to 2004 have been fully completed and all due taxes have been settled.

Years from 2005 to 2013 tax returns have been sent on time according to law regulations 1991 – 2005 and settled.

**Salary tax**
Tax inspections from 2002 to 2012 have been fully completed and all due taxes have been settled.

Tax inspections for 2013 have been fully inspected.

**39- Tax position -** Continued

**Tax position for Alexandria national company for investment:**

**Corporate tax**
Tax inspections from the beginning of the activity till 31 December 2004 have been fully completed and all due taxes have been settled.

Years from 31 December 2005 to 31 December 2013 No tax inspection has been carried out, Tax returns have been sent on time and no tax dues have been recognized.

**Movable values tax**
Years from the beginning of the of the company's activity till 31 December 1999 no agreement has been set with the tax authority regarding the tax pools for 1996/1999 and a court case was raised without judgment till now.

Tax inspections from 1 January 2000 to 31 December 2004 have been fully completed and all due taxes have been settled.

**Salary tax**
Tax inspections till 2006 have been fully completed and all due taxes have been settled.

Tax inspections from 1/1/2007 till 31/12/2009 have been fully completed.

Salary tax is paid to tax authority on regular monthly payments from employees' salaries

**Stamp tax**
Tax inspections till 2010 have been fully completed and all due taxes have been settled.

No tax inspection has been carried out from 1 January 2011 till 31 December 2013.