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Chartered Accountants & Consultants

Zarouk & Co. RöDL
Chartered Accountants & Consultants

NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015
TOGETHER WITH AUDITORS' REPORT

Translation of Auditors' report
Originally issued in Arabic

AUDITORS' REPORT

TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **NATIONAL BANK OF KUWAIT – EGYPT (S.A.E)**, represented in the balance sheet as of **31 December 2015**, and the related statements of income, changes in 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 financial statements are the responsibility of the Bank's management, as management is responsible for the preparation and fair presentation of the financial statements in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008 and in light of the prevailing Egyptian laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Translation of Auditors' report
Originally issued in Arabic

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)** as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of financial statements issued on 16 December 2008, and in light of the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

We have not noted during the financial year ended 31 December 2015 any non-compliance by the Bank in respect of the articles of the Central Bank of Egypt law and Banking and Monetary Institution law No. 88 of 2003.

The Bank maintains proper accounting records that comply with the laws and the Bank's articles of association and the financial statements agree with the Bank's records.

The financial information included in the Board of Directors' Report, prepared in accordance with Law 159 of 1981 and its executive regulation, is in agreement with the books of the Bank insofar as such information is recorded therein.

Cairo: 15 March 2016


A Member of
A Member of
RAA 17553
EFSAR 359
Allied for Accounting & Auditing EY


Public
Accountants
RAA 3554
EFSAR 25
Zarouk & Co. RÖDL

National Bank of Kuwait - Egypt (S.A.E)

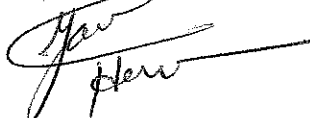
BALANCE SHEET

31 December 2015

	Note No.	31 December 2015	31 December 2014
		<u>L.E (000)</u>	<u>L.E (000)</u>
<u>Assets</u>			
Cash and Due from Central Bank	(15)	2,974,811	2,650,246
Due from banks	(16)	6,593,910	3,492,735
Treasury bills	(17)	6,612,335	5,850,281
Loans and facilities to customers	(18)	13,819,048	10,059,747
Available for sale investments	(20)	6,599,364	4,886,650
Held to maturity investments	(20)	21,750	21,750
Investments in associates	(21)	34,785	30,365
Other assets	(22)	626,321	379,290
Fixed assets	(23)	296,356	320,009
<u>Total assets</u>		<u>37,578,680</u>	<u>27,691,073</u>
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Due to banks	(24)	3,592,789	2,697,679
Customers' deposits	(25)	30,394,299	22,307,068
Financial derivatives	(19)	1,059	577
Other loans	(26)	618,408	392,706
Other liabilities	(27)	295,283	213,552
Other provisions	(28)	151,521	116,575
Deferred Tax Liabilities	(29)	4,094	7,625
Income Tax Liabilities		18,782	-
<u>Total liabilities</u>		<u>35,076,235</u>	<u>25,735,782</u>
<u>Equity</u>			
Issued and Paid-up capital	(30 / b)	1,000,000	1,000,000
Reserves	(30 / c)	481,727	402,138
Retained earnings	(30 / d)	1,020,718	553,153
<u>Total Equity</u>		<u>2,502,445</u>	<u>1,955,291</u>
<u>Total Liabilities and Equity</u>		<u>37,578,680</u>	<u>27,691,073</u>

Managing Director

Dr. Yasser Ismail Hassan



Chairman

Issam Jassem Alsager

-The accompanying notes from (1) to (38) are integral part of these financial statements.

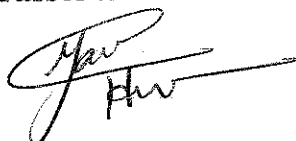
- Auditors' report attached

National Bank of Kuwait - Egypt (S.A.E)
STATEMENT OF INCOME
For The Year End 31 December 2015

	Note No.	31 December 2015	31 December 2014
		<u>L.E (000)</u>	<u>L.E (000)</u>
Interest income from loans and similar income	(5)	2,865,105	2,027,021
Cost of deposits and similar costs	(5)	(1,655,301)	(1,272,092)
Net interest Income		1,209,804	754,929
Fees and commissions revenues	(6)	311,638	268,643
Fees and commissions expenses	(6)	(9,335)	(4,541)
Net income from fees and commissions		302,303	264,102
Dividends income	(7)	1,909	1,241
Net trading income	(8)	53,767	12,710
Gains from financial investments	(9)	26,519	47,192
Share of profit from associates	(10)	890	2,326
Impairment charge for credit losses	(18)	(252,827)	(82,479)
General and administrative expenses	(11)	(403,806)	(346,816)
Other operating income (expenses)	(12)	(52,349)	(54,493)
Net profits for the year before tax		886,210	598,712
Income tax	(13)	(310,625)	(223,180)
Net profits for the year		575,585	375,532
Earnings per share	(14)	5.18	3.39

Managing Director

Dr. Yasser Ismail Hassan



Chairman

Issam Jassem Alsager

- The accompanying notes from (1) to (38) are integral part of these financial statements.

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF CHANGES IN EQUITY

For The Year End 31 December 2015

	Capital LE (000)	Legal reserve LE (000)	General reserve LE (000)	Special reserve LE (000)	Capital reserve LE (000)	Fair value Reserve LE (000)	General banking risk reserve LE (000)	Retained earnings LE (000)	Total LE (000)
Balance as of 1 January 2014	1,000,000	103,908	156,773	9,205	28,822	29,624	12,558	551,116	1,892,006
Dividends distributions for 2013	-	-	-	-	-	-	-	(287,196)	(287,196)
Transferred to reserves	-	17,053	50,000	-	3,045	-	-	(70,098)	-
Balance after Dividends	1,000,000	120,961	206,773	9,205	31,867	29,624	12,558	193,822	1,604,810
Transferred to General banking risk reserve	-	-	-	-	-	-	16,201	(16,201)	-
Foreign currency translation differences	-	-	-	-	-	(320)	-	-	(320)
Change in the fair value of the available for sale investments	-	-	-	-	-	12,360	-	-	12,360
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	(37,091)	-	-	(37,091)
Net profit for the year	-	-	-	-	-	-	-	375,532	375,532
Balance as of 31 December 2014	1,000,000	120,961	206,773	9,205	31,867	4,573	28,759	553,153	1,955,291

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF CHANGES IN EQUITY

For The Year End 31 December 2015

	Capital LE (000)	Legal reserve LE (000)	General reserve LE (000)	Special reserve LE (000)	Capital reserve LE (000)	Fair value Reserve LE (000)	General banking risk reserve LE (000)	Retained earnings LE (000)	Total LE (000)
Balance as of 1 January 2015	1,000,000	120,961	206,773	9,205	31,867	4,573	28,759	553,153	1,955,291
Dividends distributions for 2014	-	-	-	-	-	-	-	(36,631)	(36,631)
Transferred to reserves	-	18,775	50,000	-	22	-	-	(68,797)	-
Balance after Dividends	1,000,000	139,736	256,773	9,205	31,889	4,573	28,759	447,725	1,918,660
Transferred to General banking risk reserve	-	-	-	-	-	-	2,592	(2,592)	-
Foreign currency translation differences	-	-	-	-	-	204	-	-	204
Change in the fair value of the available for sale investments	-	-	-	-	-	20,842	-	-	20,842
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	(12,846)	-	-	(12,846)
Net profit for the year	-	-	-	-	-	-	-	575,585	575,585
Balance as of 31 December 2015	1,000,000	139,736	256,773	9,205	31,889	12,773	31,351	1,020,718	2,502,445

* The accompanying notes from (1) to (38) are integral part of these financial statements.

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF CASH FLOWS

For The Year End 31 December 2015

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Cash flows from operating activities		
Net Profits before tax	886,210	598,712
Adjustments to reconcile net profit to net cash provided from operating activities		
Depreciation and amortization	38,238	36,648
Impairment charge for credit losses	252,827	82,479
Reversal for other provision charges	-	(7,683)
Impairment charge for financial Investments	1,444	2,307
Other provision charges	70,205	49,885
Foreign currencies revaluation differences of other provisions	478	37
Foreign currencies revaluation differences of Investment available for sale	(5,991)	(9,625)
Share of profit from associates	(890)	(2,326)
Gains on sales of fixed assets	(381)	(22)
Gains from sales investments available for sale	(21,105)	(36,704)
Used From other provision	(56,498)	(4,457)
Amortized Cost	6,582	4,070
Dividends income	(1,909)	(1,241)
Operating profits before changes in assets and liabilities	1,169,210	712,080
Proceeds from operating activities		
Due from central banks (within the mandatory reserve percentage)	(287,694)	(1,242,494)
Treasury bills with maturities of more than three months	(2,955,161)	1,509,747
Loans and facilities to customers and banks	(3,994,674)	(3,501,879)
Other assets	(226,402)	(25,819)
Due to banks	895,110	2,358,331
Customers' deposits	8,087,231	4,852,732
Derivatives	482	(8,716)
Other liabilities	81,731	12,278
Income tax paid	(295,375)	(221,081)
Net cash flows provided from operating activities (1)	2,474,458	4,445,179
Cash flows from Investing Activities		
Payments to acquire fixed assets and fixtures of branches	(33,875)	(28,857)
Proceeds from sale of fixed assets	2,350	1,459
Proceeds from sale of available for sale investments	2,109,866	1,792,957
Payments to purchase of available for sale investments	(3,795,310)	(2,836,856)
Payments to acquire investments in associates.	(4,250)	-
Dividends received	2,629	1,941
Net cash flows (used in) investing activities (2)	(1,718,590)	(1,069,356)

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2015

Cash flows from Financing Activities

Increase in long term loans	225,702	11,083
Dividends paid	(36,631)	(287,196)
Net cash flows (used in) financing activities (3)	189,071	(276,113)
Net Increase in cash and cash equivalents during the year (1+2+3)	944,939	3,099,710
Cash and cash equivalents at beginning of the year	6,042,544	2,942,834
Cash and cash equivalents at end of the year	6,987,483	6,042,544

Cash and cash equivalents are represented in :

Cash and due from Central Bank	2,974,811	2,650,246
Due from banks	6,593,910	3,492,735
Treasury bills	6,612,335	5,850,281
Due from central banks (within the mandatory reserve percentage)	(2,662,751)	(2,375,057)
Treasury bills with maturities of more than three months	(6,530,822)	(3,575,661)
Cash and cash equivalents	6,987,483	6,042,544

* The accompanying notes from (1) to (38) are integral part of these financial statements.

National Bank of Kuwait - Egypt (S.A.E)
STATEMENT OF PROPOSED DIVIDENDS
For The Year Ended 31 December 2015

	31 December 2015 <u>L.E (000)</u>	31 December 2014 <u>L.E (000)</u>
Net profit for the year (from the statement of income)	575,585	375,532
Deduct :		
Profits from sale of fixed assets transferred to the capital reserve	(381)	(22)
General banking risk reserve	(2,592)	(16,201)
Net profit for the year available for distribution	<u>572,612</u>	<u>359,309</u>
Retained earnings at the beginning of the year	<u>447,725</u>	<u>193,822</u>
Total	<u>1,020,337</u>	<u>553,131</u>
To be distributed as follows		
Legal Reserve	28,760	18,775
General Reserve	100,000	50,000
Shareholders' dividends :		
Employees' profit share	57,261	35,931
Board of Directors remuneration	750	700
Retained earnings at the end of the year	<u>833,566</u>	<u>447,725</u>
Total	<u>1,020,337</u>	<u>553,131</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the year ended 31 December 2015

1. Background

National Bank of Kuwait - Egypt (S.A.E) was established as a commercial bank in Arab Republic of Egypt under the investment law No. 43 for 1974 and its amendments.

The head office is located in First Sector, Part 155, City Center New Cairo, Egypt ; the Bank is listed in Cairo and Alexandria stock exchange.

On March 24, 2013 Extraordinary General Assembly decided to amend the name of the bank from Alwatany Bank of Egypt to become National Bank of Kuwait - Egypt, This amendment has been approved and recorded it in the Commercial Register on April 29, 2014.

National Bank of Kuwait - Egypt provides corporate, retail and investment banking services in Arab Republic of Egypt through 41 branches, and employs 1077 staff at the date of the Balance sheet.

These financial statements were approved for issuance by the Board in March 14, 2016.

2. Significant Accounting Policies Applied

The following are the significant accounting policies which were adopted in the preparation of these financial statements, these policies have been consistently applied to all the years presented, unless otherwise stated.

A - Basis of financial statements preparation

The financial statements are prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments and in accordance with Central Bank of Egypt rules approved by its Board of Directors on 16 December 2008, and on the historical cost convention basis, modified by the revaluation of financial assets and liabilities classified on initial recognition as fair value through profit or loss and available for sale and all derivative contracts.

The financial statements are prepared in accordance with the relevant domestic laws

B - Subsidiaries and Associates

B/ 1 Subsidiary

Subsidiaries are all companies (including special purpose entities) over which the Bank has owned directly or indirectly the power to govern the financial and operating policies, generally the Bank own more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity.

B/ 2 Associates

- Associates are companies in which the Bank has, directly or indirectly, significant influence, but it does not reach to the extent of control, and usually the Bank owns from 20% to 50% of the voting rights.
- The bank applying equity method for accounting of the investments in associates, dividends were recognized on approval of the deduction from the fair value of assets recognized since the investments in subsidiaries were either disposed or liquidated. For the purpose of the application of the equity method, the bank had to compare the investments acquisition cost with the fair values of the net assets acquired , however since the fair value of the net assets acquired at date of

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the year ended 31 December 2015

acquisition is not determinable, it was considered that the fair value of the net assets is equal to its book value.

- The bank assessed whether there are indications of impairment in the investments in associates and no indications for the impairment were identified.

C- Segment reporting

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

D- Foreign currencies translation

D/1 Functional and presentation currency

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

D/2 Foreign currency transactions and balances

The Bank maintains its accounting records in Egyptian pound. Foreign currency transactions are translated and recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of each year at the exchange rates then prevailing. Foreign currencies gains and losses resulting from settlement of these transactions in addition to revaluation differences are recognized in the income statement in the following sections:

- o Net trading income, if resulting from financial instruments designated as at fair value through profit or loss at initial recognition, for financial assets/liabilities held for trading or designated as at "fair value through profit or loss at initial recognition.
- o Owner's equity if resulting from the financial derivatives used as cash flows hedge or net investment hedge.
- o Other operating income (expenses) for other items.

The changes in fair value arising from monetary financial instruments classified as available for sale (Debt Instruments) should be analyzed into: differences arising from changes in the instruments amortized cost which is recognized in the income statement in "interest income on loans and similar income" and differences arises from changes in foreign exchange rate which is recorded in the income statement in "other operating revenues (expenses)" and differences arises from change in fair value which is recognized in owners' equity (fair value reserve for available for sale investments)

Translation differences of non-monetary items (equity securities) held at fair value through profit or loss also includes its fair value revaluation difference. Whereas for those classified as available-for-sale are recorded directly in equity in fair value reserve for available for sale investments.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the year ended 31 December 2015

E- Financial assets

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

E / 1 financial assets at fair value through profit or loss:

This category includes financial assets held for trading and financial assets designated at fair value through profit or loss at initial recognition.

Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near term or if is part financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized. Derivatives can be classified as held for trading unless they are identified as hedging instruments.

- Financials assets designated at fair value through profit or loss are recognized when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and facilities to customers or banks and issued debt securities.
 - Equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.
 - Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.
- Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the "net income from financial instruments classified at fair value though profit and loss"
- It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding period. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is designated at fair value through profit or loss at initial recognition.
- In all cases the Bank should not reclassify any financial instrument into financial instrument measured at fair value through profit and loss or to the held for trading financial assets.

E / 2 Loans and receivables

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

- Those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, or those that the Bank upon initial recognition designated as at fair value through profit or loss.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the year ended 31 December 2015

- Those that the Bank upon initial recognition classified as available for sale.
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

E / 3 Held to maturity financial assets:

Held to maturity financial assets are non-derivative assets which carry fixed or determinable payments and where the Bank has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity assets as available for sale except in cases of necessity.

E / 4 Available for sale financial assets

Available-for-sale assets are non-derivative financial assets that the bank's management has intention to hold for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following applies to financial assets:

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.

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

Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the bank has transferred substantially all the risk and rewards of ownership. Financial liabilities are disposed upon disposal or cancellation or expiration of its contractual term.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Held-to-maturity assets and loans and receivables are measured at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the income statement in the period it occurs. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

Interest income is recognized based on the amortized cost method in the income statement, the foreign currency revaluations differences related to monetary available for sale assets are recognized in the income statements, dividends from available for sale equity instruments are recognized in the income statement when the bank's right to receive the payment is established

Fair value are obtained from quoted market price in active market (bid price), where no active market exists, or quoted price are unobtainable, the fair value is

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the year ended 31 December 2015

estimated using a variety of valuation technique – including discounted cash flow , using recent sale prices, option pricing models or other valuation method used by market participants. When the bank is unable to estimate the fair value of equity available for sale instrument it is measured at cost less any impairment losses.

Debt instruments can be reclassified from the available-for-sale assets to held-to-maturity at fair value when the Bank has the intention and ability to hold the financial assets to maturity. Any related profits or losses that were previously recognized in equity are treated as follows:-

1. In case of financial assets with fixed and determinable payments and fixed maturity, gains and losses are amortized over the remaining life of the financial asset held to maturity using the effective interest method. The difference between the amortized cost and the maturity value is amortized over the remaining life of the financial asset, using the effective interest method. In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.
2. In case of financial assets without fixed or determinable maturity, gains and losses are held in equity until the asset is sold, then removed from equity and recognized in the income statement. In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately 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- Offsetting financial instruments

Financial assets and liabilities can be offset when, there is a currently enforceable legal right to set-off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously

Treasury bills, repos and reverse repos agreements are netted, and presented on the balance sheet in treasury bills and other governmental securities.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the year ended 31 December 2015

G- Interest income and expense

Interest income and expense related to financial instruments except for held for trading assets or designated at fair value through profit and loss at initial recognition under "interest revenue and similar income" or Interest expense and similar charges.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the related instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate to reach the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties of the contract which is considered part of the effective interest rate, transaction costs include all other premiums or discounts.

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

- When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans., mortgage loans for personal housing and small loans for businesses.
- For loans granted to corporate, interest income is recognized on cash basis after the Bank collects 25 % of the scheduling installments and after the installments continued 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.

H - Fees and commission income

Fees and commissions related to loan and facilities are recognized as income when the service is rendered. Fees and commission 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 in accordance with note (G) above, fees and commissions which represent part of the financial asset effective rate is recognized as adjustment to the effective interest rate.

Commitment fees recognized as revenue when there is probability that this loan will be used by the customer, as commitment fees represent compensation for the continuing interfere to own the financial asset. Subsequently its recognized as adjustments to the effective interest rate of the loan. If the commitment year passed without issuing the loan, commitment fees is recognized as income at the end of the commitment year.

Fees and commission related to equity debts measured by fair value is recognized as income at initial recognition. Fees and commission related to marketing of syndicated loan is recognized as income when the marketing is completed and the loan is fully

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used or the Bank kept its share of the syndicated loan using the effective interest rate as used by the other participants.

Commission and fees arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed, commission and fees related to management advisory and other service are recognized as income based on the contract terms, usually on a time-appropriation basis. Asset management fees are recognized over the year in which the service is provided.

I- Dividend income

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

J- Impairment of financial assets

J / 1 financial asset carried at amortized cost:

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

The indicators used by the bank to determine whether there is objective evidence that a financial assets or portfolio is impaired include the following:

- Significant financial difficulty of the issuer or obligor.
- Breach of the loan agreement, e.g. default
- It became probable the borrower will enter bankruptcy or other financial reorganization.
- Deterioration of competitive position of borrower.
- Granting privileges or assignments by the Bank to the borrower, due to economic or legal reasons, which are not granted by the Bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

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

The Bank estimates the period between identifying the loss event and its occurrence and it ranges from three to twelve months.

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

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- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, being individually significant or not, the Bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment.
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will be excluded from group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognized impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment. Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recoverable cash flows, excluding future expected credit loss not charged 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 evidence that loan or other receivables, or financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument through its market rate.

For guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics according to the Bank classification taking into consideration type of asset, industry, geographical location, collateral, past-dues and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for that group of assets as they are indicators of the debtors' ability to pay all amounts due according to its contract terms for assets under study.

If historical impairment losses rates method is used for a group of financial assets that are collectively evaluated for impairment, future contractual cash flow will be used by the Bank in future and the historical loss for a group of assets with similar credit risk characteristics are considered. Historical impairment loss rates are adjusted to reflect the effects of current circumstances that did not affect the year on which the historical impairment loss rates is based and to remove the effects of circumstances in the historical year that are not currently exist.

The Bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from year to year, such as , changes in unemployment rates, real estate prices, settlement status, or other factors that may affect the probability and magnitude of losses. The Bank reviews the basis and methods of estimation regularly.

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J / 2 Available for sale assets

At each balance sheet date, the Bank estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale or held to maturity is occurred. For listed equity instruments classified as available for sale investments, impairment is recognized if as it's significant and a prolonged decline it's price below it's acquisition cost is observed.

The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extends for a year of more than 9 months.

When a decline in the fair value of an available for sale financial asset has been recognized directly in equity under fair value reserve and subsequent objective evidence of impairment emerges, the Bank recognizes the total accumulated loss previously recognized equity will be recognized in profit and loss. Impairment losses recognized on equity instruments on profit or loss are not subsequently reversed. Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

K- Fixed assets

They represent land and buildings related to head office, branches and offices. All fixed assets are reported at historical cost less depreciation and impairment losses. The historical cost includes all costs directly related to the acquisition of fixed assets items.

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

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

- Buildings	50 years
- Furniture and safes	from 10 years to 40 years
- Typewriters calculators and air conditions	8 years
- Motor vehicles	5 years
- Computers and core systems	5 years
- Fixtures and fittings	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Gains and losses on disposals are determined by comparing proceeds with asset carrying amount. These gain and losses are included in other operating income (expenses) in the income statement.

L- Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995, if the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset expected useful life, or the present value of the total lease payments represents at least 90% of the value of the asset then this lease is considered finance lease. Other leases are considered operating lease.

L/1 leasing (lessee)

For finance lease contracts rent expense including maintenance cost related to the leased assets is recognized in the income statement in the period in which it occurred.

If the bank decides to exercise the rights to purchase the leased assets, the cost of this right will be capitalized as fixed asset and depreciated over the assets' expected remaining useful life using the same method used for similar assets.

Operating lease payments less any discounts granted to lessee is recognized as expenses in the income statement using the straight line method over the contract term.

L/2 leasing (lessor)

Assets leased as finance lease are recorded in the fixed assets caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets. The rent income is recognized based on the rate of return on the lease plus an amount equal to the cost of depreciation for the period, and the difference between the rental income will be recognized in the income statement using the straight line method over the contract term and the total customer accounts and leasing it until the end of the lease where it is used to offset with a net book value of the leased asset. The maintenance expenses and insurance will be charged on the income statement when incurred to the extent they are not charged to the tenant.

And when there is objective evidence that the Bank will not be able to collect all balances of debtors a financial lease, be reduced to its recoverable amount.

Operating lease assets are accounted for at the fixed assets caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets. The lease rent income less any discount granted to the lessee will be recognized in the income statement using the straight line method over the contract term.

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M- Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with banks and treasury bills and other governmental securities.

N- 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 not 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 determined 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.

Provisions no longer required totally or partially are reversed in other operating income (expense). 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.

O. Employees benefits

Social Insurance

The bank committed to pay the subscriptions to the general social insurance Authority and there are no additional liabilities on the bank when paying such subscription which will be charged to the income statement for the appropriate period, and to be included in employees benefits.

Employees Profit share

The bank pays a percentage of the cash dividends declared as profit sharing to employees. The employees' share is recognized as a dividend distribution through equity and as a liability when approved by the Bank's shareholders generally assembly meeting. No liability is recognized for profit sharing relating to undistributed profit.

Collective employee insurance policy

The Bank and employees pay contribution to the collective insurance policy as a percentage of the employees' wages on a monthly basis. Once the contributions have been paid, the bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The contributions paid in advance are recognized within the assets to the extent that it is reduce the future payments or cash refund.

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P- Income tax

The income tax of the year on the profit or loss includes current tax and deferred tax and is recognized in the income statement except for income tax relating to items of owners' equity which are recognized directly in equity.

The income taxes recognized on the basis of net taxable profit using the tax rates enacted at the date of the Balance Sheet in addition to the tax adjustments related to previous years, and commitments in accordance with the principles of accounting and its value according to the tax regulations, The value of deferred tax is recognized based on the expected manner of realization or settlement of the values of the asset values and liabilities, using tax rates enacted at the date of the balance sheet.

The deferred tax assets of the Bank are recognized when that it is probable that taxable profit will be available against which the deferred tax asset can be utilized, The value of deferred tax assets is reduced by the portion that will result in expected tax benefit during the following years, however in the case of the increase of expected tax benefit, the deferred tax assets will increase to the extent previously reduced

Q- Borrowing

Loans obtained by the Bank are initially recognized at fair value less the cost of obtaining the loan, the loan is measured subsequently at amortized cost, and the difference between net proceeds and the value that will be paid are charged in the income statement over the period of the borrowings using the effective interest method.

R- Capital

R/1) Capital cost

Issuance cost directly related to issuing new shares or issuing shares related to acquisition or share options is charged to share holders' equity of total proceeds net of tax.

R/2) Dividends

Dividends are recognized when declared by the General Assembly of shareholders. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association and law.

Bank's net profits are distributed annually after deducting all general expenses and other costs as follows:

- 1 - Deducting an amount equivalent to 5% of the profits to form the legal reserve and stop such deduction when the total reserve amount equivalent to 100% of paid-up capital, and when lack of reserves the deduction returns.
- 2 - And then deduct the amount needed for the distribution of the first share of the profits of 5% paid to shareholders for the value of their shares if that did not allow the profit for one of the years, The distribution of this share is not permissible to claim the profits from the years following.

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- 3 - After that allocate 10% of the profits to staff and workers in the bank and are distributed according to the rules proposed by the Board of Directors and adopted by the General Assembly and no more than the sum of annual wages for workers in the bank.
- 4 - After the above a rate not exceeding 10% of the rest is allocated to the reward the Board of Directors.
- 5 - Distributing the rest of the profits to shareholders after the additional share in profits or go on a proposal to the Board of Directors next year.

S- Custodial activities

The bank performs custodial activities that results in custody or management of assets on behalf of individuals, trusts, and retirement benefit plans. These assets and related income are excluded from the bank's financial statements, since these assets are not owned by the bank.

T- Comparative figures

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

3. Financial Risk Management:

The bank, as a result of the activities it exercises, is exposed to various financial risks; acceptance of risks is a basis in the financial activities. Some risks or group of risks are analyzed, evaluated and managed together. The bank objective is to balance between the risk and return and to reduce the possible negative 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 exchange rates, interest rate risk and other pricing risks.

The risk management policies have been set to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated information systems.

The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications.

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and hedges the financial risks, in collaboration with the bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, such as credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non-derivative instruments. Moreover, the risk department is independently responsible for annual review of risk management and control environment.

A - Credit risk

The bank is exposed to credit risk, which is the risk resulting from failure of one party to meet its contractual obligations. Credit risk is considered the most significant risk for the bank therefore the management is conservative in managing this risk. Credit risks results mainly from lending activities that result in loans and facilities and from investment activities which results in obtaining debt instruments. Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in credit risk team management in risk management department who prepare reports to the Board of Directors and Head of operating units on regular basis.

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A / 1 Credit risk measurement

Loans and facilities to Banks and customers

To measure credit risk on the loans and facilities to banks and customers, the Bank considers the following three components:

- * Probability of default by the client or third parties to fulfill its contractual obligations.
- * The current position and its future development from which the bank conclude the balance exposed to risk. (Exposure at default)

The daily management of the bank's activities involves measures of credit risk based on the Expected Loss Model required by the Basel Committee on Banking Supervision. Those operational measures could be inconsistent with the impairment loss according to IAS 26, which adopts the realized losses model and not the expected losses (Note A / 3).

The Bank evaluates the default risk for each customer using internal evaluation methods to determine the rating for the different customers' categories. These methods were improved taking into consideration statistical analysis and the professional judgment of the credit officers to reach the appropriate rating. The customers are classified into four ratings.

Rating scale (shown in the following table) reflects the possibility of defaults for each rating category, in which the credit positions may transfer from one rating to other depending on the change in the degree of possible risk. The customer's rating and the rating process are reviewed and improved when necessary. The Bank periodically evaluates the performance of the credit rating methods and their ability in expecting the customers' defaults.

Bank's internal ratings scale

Rating description	Rating
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

The Position exposed to default depends on the outstanding balances expected at the time when a default occurs, for example, for the loans , the position is the book value, for commitments, the bank includes all actual withdrawals in addition to any expected withdrawals till the date of the late payment if any.

The expected losses or specific losses represent the Bank's expectation of loss as of the date when the settlement is due, which is loan loss percentage that differ according to the type of facility, the availability of guarantees and any other credit cover.

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Debt instruments and treasury bills and other bills

For debt instruments and bills, the Bank is using the external classifications such as Standard & Poor's or equivalent to manage credit risk, in case such ratings are not available, methods similar to those applied to credit customers are used. Investments in securities and treasury bills are regarded as a way to get better credit quality at the same time provide a source available to meet funding requirements.

A / 2 Limiting and avoiding risks policies

The Bank manages and controls credit concentrations at the borrower's level, groups of borrowers' level, industries level and countries level.

The Bank manage the credit risk it undertakes by placing limits on the amount of risk accepted in relation to single borrower, or groups of borrowers, and to the geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary.

The top management reviews on quarterly basis the borrower, or groups of borrowers, geographical and industry segments and country credit concentration.

The lines of credit are divided ,to any borrower including banks, into sub limits include amounts inside and outside the balance sheet, the daily limit risk on trading items such as forward foreign exchange contracts, the actual amounts are compared with the limit every day.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits where appropriate.

The following are other controls used by the bank to limit the credit risk.

Collaterals

The bank use different methods to limit its credit risk. One of these methods is accepting collaterals against loans and facilities granted by the bank. The bank implements guidelines for collaterals to be accepted. The major types of collateral against loans and facilities are:

- Real estate mortgage
- Business assets mortgage such as machines and goods.
- Financial instruments mortgage such as debt and equity instruments.

The Bank keen to obtain the appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured.

In addition, to minimize the credit loss the bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

The Bank determine type of collaterals the Bank held by the bank as security for financial assets other than loans and facilities according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for

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asset-backed securities and similar instruments are secured by a financial instrument portfolio.

Derivatives

The bank maintains strict control limits over amounts and terms for the net value of opened derivative positions i.e., the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in which the Bank could gain a benefit from it (i.e., assets that have positive fair value), which represent small value of the contract, or the notional value. The Bank manage this credit risk which is considered part of the total customer limit with market changes risk all together. Generally no collateral obtained for credit risk related to these instruments, except for marginal deposits required by the bank from other parties.

Settlement risk arises when cash, equity instruments or other financial securities is used in the settlement process, or if there is expectation to receive cash, equity instruments or other financial securities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily Bank transactions.

Credit-related commitments

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit are of the same credit risks as loans.

Documentary and commercial letters of credit – which are issued by the Bank on behalf of customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan.

Credit related commitment represent the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit related commitments, the Bank is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments, as most commitments represent commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are of high credit risk than short-term commitments.

A /3 Impairment and provisioning policies

The internal rating systems described in Note (A/1) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below.

Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined from the expected loss models used.

The impairment provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last two ratings. The table below shows

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the percentage of in-balance sheet items relating to loans, facilities and the related impairment for each rating:

Bank's rating	31 December 2015		31 December 2014	
	Loans & facilities %	Impairment provision %	Loans & facilities %	Impairment provision %
Performing loans	%72.9	%16.9	% 73.5	%10.1
Regular watching	%13.2	%4.9	% 10.1	% 4.1
Watch list	%3.5	%2.2	%6.8	%3.0
Non-performing loans	%10.4	%76	%9.6	%82.8
	<u>% 100</u>	<u>% 100</u>	<u>% 100</u>	<u>% 100</u>

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

- Payment delinquency of principal or interest.
- Breach of loan conditions
- Expectation of bankruptcy or entering a liquidation or finance restructure.
- Deterioration of the borrower's competitive position.
- For economical or legal reasons, the bank granted the borrower additional benefits that will not be done in normal circumstances.
- Deterioration in the value of collateral.
- Deterioration of customer credit status.

The Bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual losses. These policies applied on all accounts have specific materiality on individual basis. Valuation usually includes the existing collateral, the related enforcements on these collaterals and the expected collections from those accounts.

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods.

A /4 Banking general risk measurement module

In addition to the four categories of credit rating indicated in note (A/1) the management makes more detailed groups in accordance with the CBE requirements,

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, it's activities, financial position and payment schedules.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general Banking risk reserve" under the equity caption. This reserve is regularly

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adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable.

The following are the categories of credit ratings for the institutions in accordance with the four internal rating grades compared to the bases of the Central Bank of Egypt assessment and provisions percentage required for the impairment of assets exposed to credit risk:

CBE Ratings	Rating indications	Provision percentage required for corporate	Provision percentage required for retail	Internal Ratings	Internal Ratings Granting
1	Low risk	Zero	Zero	1	Performing loans
2	Moderate risk	1 %	1 %	1	Performing loans
3	Satisfactory risk	1 %	3 %	1	Performing loans
4	Appropriate risk	2 %	3 %	1	Performing loans
5	Acceptable risk	2 %	3 %	1	Performing loans
6	Marginally Acceptable risk	3 %	3 %	2	Regular watching
7	Risks that need special care	5 %	3 %	3	Watch list
8	Below the level	20 %	20 %	4	Non-performing loans
9	Doubtful	50 %	50 %	4	Non-performing loans
10	Bad debt	100 %	100 %	4	Non-performing loans

A /5 Maximum limits for credit risk before collaterals and after deducting the provision

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Balance sheet items exposed to credit risks		
Treasury bills	6,612,335	5,850,281
Loans and facilities to customers:		
Retail loans:		
Overdrafts	449,835	487,109
Credit cards	30,526	30,186
Personal loans	1,421,647	1,136,928
Mortgage loans	10,955	13,545
Corporate loans:		
Overdrafts	531,800	630,762
Direct loans	10,584,356	6,955,030
Syndicated loans	789,929	806,187
Financial investments:		
Debt instruments	6,549,001	4,835,988
Other assets	386,239	268,900
Total	27,366,623	21,014,916
Off-balance sheet items exposed to credit risk		
Acceptance documents	376,012	330,545
Letters of credit	2,249,487	1,522,055
Letters of guarantee Import/Export	616,889	789,753
Guarantees upon other banks request or by their warranty	1,039,573	449,176
	4,281,961	3,091,529

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A / 6 Loans and facilities

Loans and facilities status based on credit rating are summarized as follows:

	31 December 2015	31 December 2014
	L.E (000)	L.E (000)
	Loans and facilities to customers	Loans and facilities to customers
Neither past due nor impaired	13,075,688	9,746,004
Past due but not impaired	432,767	281,907
Impaired	1,442,250	961,635
Total	14,950,705	10,989,546
Less:		
Impairment loss provision	1,121,152	919,342
Interest in suspense	10,505	10,457
Net	13,819,048	10,059,747

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Loans and facilities to banks and customers (neither past due nor impaired)

31 December 2015

Rating	Retail					Corporate			Total loans and facilities to customers
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other Loans	
Performing loans	453,835	25,577	1,246,538	10,149	209,284	8,716,402	102,915	-	10,764,700
Regular follow up	-	60	1,739	-	-	1,347,682	482,267	-	1,831,748
Watch list	-	56	1,120	-	-	456,503	21,561	-	479,240
Total	453,835	25,693	1,249,397	10,149	209,284	10,520,587	606,743	-	13,075,688

Loans and facilities to banks and customers (neither past due nor impaired)

31 December 2014

Rating	Retail					Corporate			Total loans and facilities to customers
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other Loans	
Performing loans	507,339	22,051	1,007,921	7,674	419,087	5,754,789	317,615	-	8,036,476
Regular follow up	-	13	1,162	2,232	-	729,028	286,809	-	1,019,244
Watch list	-	9	4,599	-	-	475,527	210,149	-	690,284
Total	507,339	22,073	1,013,682	9,906	419,087	6,959,344	814,573	-	9,746,004

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Past due Loans and facilities and not impaired

They are loans and facilities having past due up to 90 days and not considered impaired, unless there is information to the contrary. Loans and facilities having past due and not subject to impairment are as follows:

31 December 2015	Over-drafts	Credit cards	<u>Retail</u>		Mortgage	L.E (000) Total
			Personal loans			
Past due up to 30 days	-	4,091	162,286		625	167,002
Past due 30 - 60 days	-	870	23,642		-	24,512
Past due 60-90 days	-	322	12,611		-	12,933
Total	-	5,283	198,539		625	204,447

	Over-drafts	Direct loans	<u>Corporate</u>		Other loans	L.E (000) Total
			Syndicated loans			
Past due up to 30 days	-	-	-		-	-
Past due 30 - 60 days	-	-	-		-	-
Past due 60-90 days	-	228,320	-		-	228,320
Total	-	228,320	-		-	228,320
Fair value of collateral	-	313,619	-		-	313,619

At the initial recording of loans and facilities, the fair value of guarantees is assessed based on valuation methods commonly used for similar assets. In subsequent periods, fair value is updated to reflect the market prices according to Central Bank of Egypt instructions.

31 December 2014	Over-drafts	Credit cards	<u>Retail</u>		Mortgage	L.E(000) Total
			Personal loans			
Past due up to 30 days	-	5,384	114,205		1,572	121,161
Past due 30 - 60 days	-	2,648	20,597		362	23,607
Past due 60-90 days	-	569	4,753		838	6,160
Total	-	8,601	139,555		2,772	150,928

	Over-drafts	Direct loans	<u>Corporate</u>		Other loans	L.E(000) Total
			Syndicated loans			
Past due up to 30 days	-	8,620	-		-	8,620
Past due 30 - 60 days	-	-	-		-	-
Past due 60-90 days	-	122,359	-		-	122,359
Total	-	130,979	-		-	130,979
Fair value of collateral	-	81,557	-		-	81,557

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For the year ended 31 December 2015

Loans and facilities individually subject to impairment

*Loans and facilities to customers

Loans and facilities individually subject to impairment before taking into consideration cash flows from guarantees amounted to L.E 1,442,250 thousand (L.E 961,635 thousand at the end of the comparative year).

The breakdown of the total loans and facilities individually subject to impairment including fair value of collateral obtained by the Bank are as follows:

31 December 2015

Valuation	Over-drafts	Credit cards	<u>Retail</u>	Mortgage	Over-drafts	<u>Corporate</u>		Other loans	L.E (000)
			Personal loans			Direct loans	Syndicated loans		Total
Individual loans subject to impairment	-	57	9,018	300	1,233,260	-	199,615	-	1,442,250
Fair value of Guarantees	-	-	-	-	149,660	-	35,402	-	185,062

31 December 2014

Valuation	Over-drafts	Credit cards	<u>Retail</u>	Mortgage	Over-drafts	<u>Corporate</u>		Other loans	L.E (000)
			Personal loans			Direct loans	Syndicated loans		Total
Individual loans subject to impairment	-	493	13,205	969	932,730	-	14,238	-	961,635
Fair value of Guarantees	-	-	-	-	75,287	-	5,402	-	80,689

A /7 Debt instruments and treasury bills and other governmental securities

The table below shows an analysis of debt instruments and treasury bills and other governmental securities according to the rating agencies for the year ended at 31 November 2015.

	Treasury bills	Investments securities	Total
	L.E (000)	L.E (000)	L.E (000)
B	6,612,335	1,961,907	8,574,242
B-	-	4,587,094	4,587,094
Total	6,612,335	6,549,001	13,161,336

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For the year ended 31 December 2015

B - 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 teams. Regular reports are submitted to the Board of Directors and each business unit head.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate relating to retail transactions. Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

B /1 Market risk measurement techniques

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

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 the limits for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and monitored by the Risk Management department in the bank.

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 years.

The Bank applies these historical changes in rates, prices and indicators directly to its current positions this approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

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For the year ended 31 December 2015

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 daily by the Risk Management department in the bank.

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.

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.

B /2 Foreign 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 for each position at the end of the day, and during the day which is controlled on timely basis. The following table summarizes the Bank exposure to foreign exchange volatility risk at the end of the financial year. The following table includes the carrying amounts of the financial instruments in their currencies:

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For the year ended 31 December 2015

	L.E	USD	Euro	Equivalent in L.E (000)		Total
				GBP	Other	
31 December 2015						
Financial assets						
Cash and balances with Central banks	2,260,014	627,496	60,976	9,254	17,071	2,974,811
Due from banks	4,044,975	2,417,961	59,967	24,443	46,564	6,593,910
Treasury bills	6,152,856	459,479	-	-	-	6,612,335
Loans and facilities to customers	7,869,502	5,572,146	371,439	3,212	2,749	13,819,048
Financial investments:						
Available for sale	6,523,834	75,368	162	-	-	6,599,364
Held to maturity	21,750	-	-	-	-	21,750
Investments in subsidiaries and associates	34,785	-	-	-	-	34,785
Other assets	901,115	20,684	876	1	1	922,677
Total financial assets	27,808,831	9,173,134	493,420	36,910	66,385	37,578,680
Financial liabilities						
Due to banks	1,527	3,519,518	71,743	-	1	3,592,789
Customer deposits	24,869,807	5,012,057	408,081	36,293	68,061	30,394,299
Financial Derivatives	1,059	-	-	-	-	1,059
Other loans	-	618,408	-	-	-	618,408
Other Liabilities fair value						
Other Provisions	143,371	6,806	1,344	-	-	151,521
Other liabilities	2,790,722	29,542	184	48	108	2,820,604
Total financial liabilities	27,806,486	9,186,331	481,352	36,341	68,170	37,578,680
Net financial position as of 31 December 2015	2,345	(13,197)	12,068	569	(1,785)	-
As of 31 December 2014						
Total financial assets	21,592,531	5,685,251	330,699	21,107	61,485	27,691,073
Total financial liabilities	21,587,132	5,682,954	337,218	21,973	61,796	27,691,073
Net financial position as of 31 December 2014	5,399	2,297	(6,519)	(866)	(311)	-

B /3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The 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. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by the bank's Risk department.

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For the year ended 31 December 2015

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

31 December 2015

	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non-Interest bearing	L.E (000) Total
Financial Asset							
Cash and balances with Central banks	-	546,278	-	-	-	2,428,533	2,974,811
Due from banks	4,606,201	284,081	522,068	1,143,885	-	37,675	6,593,910
Treasury bills	-	81,513	6,530,822	-	-	-	6,612,335
Loans and facilities to customers gross	1,999,778	2,719,651	5,697,263	3,619,509	914,504	-	14,950,705
Financial investments:							
Available for sale	-	-	-	5,280,077	1,319,288	-	6,599,365
Held to maturity	-	-	-	-	21,750	-	21,750
Investments in subsidiaries and associates	-	-	-	-	34,785	-	34,785
Total financial assets	6,605,979	3,631,523	12,750,153	10,043,471	2,290,327	2,466,208	37,787,661
Financial liabilities							
Due to banks	2,399,878	153,986	1,038,925	-	-	-	3,592,789
Customer deposits	14,005,098	6,036,233	3,847,370	6,080,483	437	424,678	30,394,299
Financial Derivatives	1,059	-	-	-	-	-	1,059
Other Loans	-	-	-	193,252	425,156	-	618,408
Total financial liabilities	16,406,035	6,190,219	4,886,295	6,273,735	425,593	424,678	34,606,555
Interest re-pricing gap as of 31 December 2015	(9,800,056)	(2,558,696)	7,863,858	3,769,736	1,864,734	2,041,530	3,181,106
31 December 2014							
Total financial assets	3,980,465	1,580,338	11,268,869	6,788,324	1,888,153	2,385,059	27,891,208
Total financial liabilities	12,827,455	5,723,054	2,877,403	3,203,528	395,148	371,442	25,398,030
Interest re-pricing gap as 31 December 2014	(8,846,990)	(4,142,716)	8,391,466	3,584,796	1,493,005	2,013,617	2,493,178

C- 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 of the settlement of the bank's obligations to repay to the depositors and fulfilling lending commitments.

Liquidity risk management process

The Bank's liquidity management process carried out by the Bank liquidity management 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 deterioration of cash flow
- Monitoring liquidity ratios in relation with internal requirements and central bank of Egypt requirements.
- Managing loans concentration and loans' dues.

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For the year ended 31 December 2015

The main period for liquidity management is the next day, week and month. The Bank calculates the expected cash flow for those years for monitoring and reporting purposes.

The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

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

Funding approach

Sources of liquidity are regularly reviewed by a separate committee team by the bank treasury to maintain a wide diversification of currency geography resources products and terms.

Cash flows derived

The following table presents cash flows paid by the bank in a financial obligations underived distributed on the basis of the remaining contractual entitlements at the balance sheet date .

31 December 2015

	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	L.E (000) Total
Financial liabilities						
Due to banks	2,467,185	762,617	362,987	-	-	3,592,789
Customers' deposits	14,429,775	6,036,233	3,847,370	6,080,484	437	30,394,299
Other loans	-	-	-	193,253	425,156	618,409
Total of financial liabilities according to contractual maturity date	16,896,960	6,798,850	4,210,357	6,273,737	425,593	34,605,497
Total of financial assets according to contractual maturity date	10,887,006	3,904,794	13,767,855	8,206,602	1,021,404	37,787,661

31 December 2014

	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	L.E (000) Total
Financial liabilities						
Due to banks	2,215,618	125,056	357,005	-	-	2,697,679
Customers' deposits	11,561,050	5,223,247	2,316,801	3,203,528	2,442	22,307,068
Other loans	-	-	-	392,706	-	392,706
Total of financial liabilities according to contractual maturity date	13,776,668	5,348,303	2,673,806	3,596,234	2,442	25,397,453
Total of financial assets according to contractual maturity date	7,096,153	2,794,488	10,606,226	6,354,713	1,039,627	27,891,207

Cash Flow Derivatives

Derivatives are settled in Gross amounts

Include the bank's derivatives which settled in gross amounts are as the following:

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* Derivatives at the rate of return: return swaps and currencies together.

The following table shows derivative financial obligations that will be settled in gross, distributed on the basis of the remainder of the contractual entitlements at the date of the balance sheet, the amounts listed in the table represent the undiscounted cash flows:

						<u>L.E (000)</u>
31 December 2015						
Financial liabilities	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Swap derivatives:						
Outflows	-	-	-	77,301	-	77,301
Inflows	-	-	-	77,301	-	77,301
Total outflows	-	-	-	77,301	-	77,301
Total inflows	-	-	-	77,301	-	77,301
						<u>L.E (000)</u>
31 December 2014						
Financial liabilities	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Swap derivatives:						
Outflows	-	-	-	-	71,401	71,401
Inflows	-	-	-	-	71,401	71,401
Total outflows	-	-	-	-	71,401	71,401
Total inflows	-	-	-	-	71,401	71,401

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Off balance sheet items

According to the following table as referred to in note (33):

31 December 2015	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	<u>L.E (000)</u> Total
Financial guarantees, and acceptable bills and other financial facilities	4,281,962	-	-	4,281,962
Operating Lease commitments	5,498	5,687	-	11,185
Capital commitments arising from the acquisition of fixed assets	16,949	-	-	16,949
Total	<u>4,304,409</u>	<u>5,687</u>	<u>-</u>	<u>4,310,096</u>

31 December 2014	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	<u>L.E (000)</u> Total
Financial guarantees, and acceptable bills and other financial facilities	3,091,529	-	-	3,091,529
Operating Lease commitments	403,8	6,862	-	15,265
Capital commitments arising from the acquisition of fixed assets	13,965	-	-	13,965
Total	<u>3,113,897</u>	<u>6,862</u>	<u>-</u>	<u>3,120,759</u>

D- Fair value of financial assets and liabilities

D/1 financial instruments measured at fair value using a valuation method.

The bank does not have financial instruments measured at estimated fair value using a valuation method.

D/2 financial instruments not measured at fair value

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

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	Carrying value		Fair value	
	<u>L.E (000)</u>	<u>L.E (000)</u>	<u>L.E (000)</u>	<u>L.E (000)</u>
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Financial assets				
Due from banks	6,593,910	3,492,735	6,605,479	3,492,735
Loans and facilities to customers	14,950,706	10,989,546	14,920,092	10,929,496
Financial investments:				
Equity instruments available for sale	31,937	33,040	31,937	33,040
Debit instrument unquoted	21,750	21,750	31,228	35,751
Financial liabilities				
Due to banks	3,592,789	2,697,679	3,592,314	2,699,030
Customer deposits	30,394,299	22,307,068	30,758,747	22,436,692
Other loans	618,408	392,706	618,519	397,664

- The fair value of the balances of 31 December 2015 has been calculated on balances of December 2015.

Due from banks

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

Loans and facilities to banks

Loans and facilities to banks are loans other than due from banks. Fair value expected for loans and facilities represent the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

Loans and facilities to customers

Loans and facilities are net of provisions for impairment losses. Fair value expected for loans and facilities represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

Financial Investments

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

Due to banks and customers

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

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

Debt instruments issued

The fair value is calculated based on market prices of current financial markets. For securities that do not have active markets, the cash flows discounted at the current rate is used for the first time that is appropriate for the remaining period until the maturity date.

E- Capital management

First : The Bank's objectives behind managing capital include elements other than equity shown in the balance sheet are represented in the following:

- Compliance with capital legal requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base to enhance growth.

Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority's requirements (CBE) by the Bank's management through models based Basel committee for banking control instructions, these data are submitted to CBE on quarterly basis.

CBE requires the following from the Bank:

- Maintaining L.E 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

Second :According to the new standards issued on 18 December 2012

The numerator in capital adequacy comprises the following two tiers:

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

Tier 2: It is the subordinated capital, and consists of the following: -

- 45% of the value of the positive foreign currency translation differences reserve.
- 45% of the value of the Special Reserve.
- 45% of the increase in the fair value over its carrying value of financial investments (if positive).
- 45% of the value of balance of the fair value reserve of financial

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- investments available for sale.
- 45% of the increase in the fair value of financial investments held to maturity over its' book value.
- 45% of the increase in the fair value of financial investments in subsidiaries and affiliates over its' book value.
- Hybrid Financial instruments.
- Loans (deposits) subordinated with the consumption of 20% of its value each year of the last five years created.

- Provision for impairment of loans and advances and contingent liabilities (must not exceed 1.25% of the total credit risk of the assets and liabilities of regular risk-weighted, also the impairment loss provision for loans and credit facilities and contingent liabilities should be enough to meet the obligations provided for it.

Disposals of 50% of the first tranche and 50% of the second tranche

- With respect to the value of assets reverted to the Bank for the settlement of debts general banking risk reserve.
- When calculating the total numerator of the capital adequacy ratio, taking in consideration not exceeding subordinated loans (deposits) for 50% of the first tranche after exclusions.
- Assets and liabilities are weighted by credit risk, market risk, operational risk.

The denominator of the capital adequacy ratio consists of the following:

- Credit risk
- Market Risk
- Operational risk

Assets are risk weighted ranging from zero to 100% classified according to the nature of each asset of the debtor to reflect the credit risk associated with it, and taking in consideration the cash collateral.

And the same treatment is used for off-balance amounts after adjustments to reflect the contingent nature and the potential loss of those amounts.

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The tables below summarizes the compositions of tier 1, tier 2 and the capital adequacy ratio according to Basel 2 in the end of the current & prior years.

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Capital		
Tier 1 (basic capital)		
Share capital	1,000,000	1,000,000
General reserve	256,773	206,773
Legal reserve	139,736	120,961
Capital reserves	31,889	31,867
Retained earnings	445,133	177,621
Disposals	(22,186)	(6,917)
Total basic capital	1,851,345	1,530,305
Tier 2 (subordinated capital)		
Equivalent to general risk provision	135,252	120,170
Loans/subordinated deposits	425,156	392,706
45% of the available for sale increase in fair value	10,012	2,058
45% of the special reserve	4,142	4,142
Disposals	-	-
Total subordinated capital	574,562	519,076
Total capital	2,425,907	2,049,381
Assets and contingent liabilities risk weighted		
Total credit risk	11,464,552	9,982,232
Capital requirements for market risk	-	-
Capital requirements for operational risk	1,767,292	1,384,063
Total risk weighted assets and contingent liabilities	13,231,844	11,366,295
Capital adequacy ratio (%)	%18,33	% 18,03

Risk Management :

Ratio Components

A. Numerator components

The numerator of the ratio consists of Tier 1 capital (after disposals) which is used in the numerator of the capital adequacy ratio currently applied according to the central bank of Egypt instructions.

B. Denominator components :

The denominator of the ratio consists of all the assets of the bank in and off balance sheet according to the financial statements which is mentioned (bank exposures) which includes the following :

- 1- Exposure of items in the balance sheet after capital base disposals.
- 2- Exposures from financing securities operations .
- 3- Exposure of off balance sheet (weighted conversion factors)

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-The following table summarizes the financial leverage ratio (as a guidance till 2017)

	31 December 2015 L.E (000)
Tier 1 of Capital after disposals (1)	1,851,345
Cash and Due from Central Bank	8,681,764
Due from banks	886,957
Treasury bills and other governmental securities	6,612,335
Available for sale investments	6,599,364
Held to maturity investments	21,750
Investments in subsidiaries and associates	34,785
Loans and facilities to customers	13,993,025
Fixed assets (after deducting impairment provisions and accumulated depreciation)	296,356
Other assets	626,321
Deductible exposures (some of capital base Tier 1 deductions)	(22,186)
Total exposures of in-balance sheet items after Tier 1 deductions	37,730,471
Replacement cost	55
The future expected value	387
Total exposures resulted from derivatives contracts	442
Total exposures resulted from financing securities operations	33,063
Total exposures of in-balance sheet items , derivatives contracts and financing securities operations.	37,763,976
Letters of credit - Importing	119,423
Letters of credit - Exporting	3,954
Letters of Guarantee	1,124,744
Letters of Guarantees upon other banks' request or by their warranty	519,787
Accepted Bills	376,012
Total contingent liabilities	2,143,920
Capital Commitments	16,949
Legal claims	15,284
Commitments for operating lease contracts	11,185
Loans commitments to clients/banks (unutilized part) original maturity period	
irrevocable more than year	53,349
Unconditional revocable at any time by the bank and without prior notice , or that include the texts of self- cancel because of the deterioration of the creditworthiness of the borrower	655,133
Total commitments	751,900
Total Off-balance sheet exposures	2,895,820
Total in-balance sheet and off-balance sheet exposures (2)	40,659,796
Financial leverage ratio (1/2)	%4,55

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Notes to the Financial Statements

For the year ended 31 December 2015

4. Significant accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

A - Impairment losses for loans and facilities

The Bank reviews the portfolio of loans and facilities at least quarterly. The Bank uses professional judgment in determining whether it is necessary to recognize impairment loss in the income statement, to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. This evidence include data indicating negative changes in borrowers' portfolio ability to repay to the Bank, or local or economic circumstances related to default. On rescheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question.

The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on experience.

B - Impairment of available for sale equity investments

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

C - Held-to-maturity investments

The Bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost.

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For the year ended 31 December 2015

D - Income tax

The income tax of the year on the profit or loss includes current tax and deferred tax and is recognized in the income statement except for income tax relating to items of owners' equity which are recognized directly in equity.

The income taxes recognized on the basis of net taxable profit using the tax rates enacted at the date of the Balance Sheet in addition to the tax adjustments related to previous years, and commitments in accordance with the principles of accounting and its value according to the tax regulations, The value of deferred tax is recognized based on the expected manner of realization or settlement of the values of the asset values and liabilities, using tax rates enacted at the date of the balance sheet.

The deferred tax assets of the Bank are recognized when that it is probable that taxable profit will be available against which the deferred tax asset can be utilized, The value of deferred tax assets is reduced by the portion that will result in expected tax benefit during the following years, however in the case of the increase of expected tax benefit, the deferred tax assets will increase to the extent previously reduced.

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Notes to the Financial Statements

For the year ended 31 December 2015

5. Net interest income

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Interest from loans and similar revenues:		
Loans and facilities :		
Customers	961,847	704,111
Treasury bills	766,468	677,153
Deposits and current accounts	325,549	160,807
Investments in debt instruments held to maturity and available for sale	811,241	484,950
Total	2,865,105	2,027,021
Costs of Deposits and similar costs:		
Deposits and current accounts:		
Banks	42,888	21,780
Customers	1,601,506	1,240,693
	1,644,394	1,262,473
Other Loans	10,907	9,619
Total	1,655,301	1,272,092
Net	1,209,804	754,929

6. Net fees and commission income

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Fees and commission income:		
Fees and commissions related to credit	273,750	215,698
Custody fees	2,359	3,074
Other fees	35,529	49,871
	311,638	268,643
Fees and commission expenses:		
Other fees paid	(9,335)	(4,541)
Net	302,303	264,102

7. Dividends income

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Available for sale investments	1,909	1,005
Held to maturity investments	-	236
	1,909	1,241

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Notes to the Financial Statements

For the year ended 31 December 2015

8. Net trading income

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Foreign exchange operations:		
Forex losses	54,249	15,153
(Loss) Profits of revaluation interest rate swap contract	(482)	(2,443)
	<u>53,767</u>	<u>12,710</u>

9. Gains from financial investments

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Gains from available for sale investments	21,105	36,704
Gains from sale of treasury bills	6,858	12,795
Loss from investments in subsidiary and joint venture	(1,444)	(2,307)
	<u>26,519</u>	<u>47,192</u>

10. Share of profit from associates

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
International company for postal services	168	1,135
Al Watany capital assets management	722	1,191
	<u>890</u>	<u>2,326</u>

11. Administrative expenses

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Staff costs		
Wages and salaries	178,046	152,155
Social insurance	9,254	8,362
Pension and other benefits cost		
Defined contribution plan	25,479	24,232
Total	<u>212,779</u>	<u>184,749</u>
Other administrative expense	191,027	162,067
	<u>403,806</u>	<u>346,816</u>

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Notes to the Financial Statements

For the year ended 31 December 2015

12. Other operating income (expenses)

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Gain (loss) revaluation monetary assets & liabilities balances in foreign currencies other than trading	207	(56)
Gain from assets transferred to bank	16,873	13,980
Reversal of provisions no longer required	-	7,683
Assets transferred to bank expenses	(421)	(640)
Gain (loss) from sale of fixed assets	381	22
Operating and financial lease expenses	(21,096)	(25,597)
Other provisions	(70,205)	(49,885)
Other	21,912	-
	<u>(52,349)</u>	<u>(54,493)</u>

13. Income tax expenses

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Current taxes	314,156	218,099
Deferred tax	(3,531)	5,081
	<u>310,625</u>	<u>223,180</u>

(Note 29) shows additional information about deferred income tax: the taxes on bank profits differ when current applicable tax rates used as follows:

Settlement to calculate the effective tax rate :-	31 December 2015 L.E (000)	31 December 2014 L.E (000)
	<u>Tax pool</u>	<u>Tax</u>
Accounting profit before tax	886,210	598,712
Income tax	199,397	179,564
Income tax calculated on accounting profit	<u>199,397</u>	<u>179,564</u>
Add (Deduct)		
Non-deductible expenses	425	22,698
Provisions	(890)	(9,476)
Non-taxable revenues	83,712	21,638
Other deductions	(41,243)	(8,804)
Net tax pool	<u>928,214</u>	<u>624,768</u>
Income tax according to the tax return	208,848	187,380
Tax of Treasury Bills and Treasury bonds	105,308	30,719
Income tax	<u>314,156</u>	<u>218,099</u>
Effective tax rate	<u>%35,45</u>	<u>%36,43</u>

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Notes to the Financial Statements

For the year ended 31 December 2015

14. Earnings per share

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Net profit for the year	575,585	375,532
Board of directors remuneration	(750)	(700)
Employees' profit share	(57,261)	(35,931)
Shareholders' profit share	517,574	338,901
Common shares weighted average outstanding	100,000	100,000
Earnings per (share/ L.E)	5,18	3,39

15. Cash and Due from Central Bank (CBE)

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Cash	312,060	275,189
Due from central bank (within the required reserve percentage)	2,662,751	2,375,057
	2,974,811	2,650,246
Non-interest bearing balances	2,428,533	2,316,539
Interest bearing balances	546,278	333,707
	2,974,811	2,650,246

16. Due from banks

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Current accounts	127,693	237,730
Deposits	759,264	900,005
	886,957	1,137,735
Due from central bank (other than the required reserve percentage)	5,706,953	2,355,000
	6,593,910	3,492,735
Non-interest bearing balances	37,675	68,520
Interest bearing balances	6,556,235	3,424,215
	6,593,910	3,492,735
Current balances	6,593,910	3,492,735
Noncurrent balances	-	-
	6,593,910	3,492,735

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For the year ended 31 December 2015

17. Treasury bills

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Treasury bills	6,612,335	5,850,281
	<u>6,612,335</u>	<u>5,850,281</u>
Treasury bills represent the following:		
91 days maturity	82,100	340,925
182 days maturity	459,000	200,000
273 days maturity	1,235,500	1,966,325
364 days maturity	5,109,056	3,616,100
	<u>6,885,656</u>	<u>6,123,350</u>
Unearned interest	(273,321)	(273,069)
Total	<u>6,612,335</u>	<u>5,850,281</u>

18. Loans and facilities to customers

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Loans Customers	14,081,436	10,252,697
Loans and facilities	869,269	736,849
Total loans and facilities	<u>14,950,705</u>	<u>10,989,546</u>
Less		
Provision for Impairment Losses	(1,121,152)	(919,342)
Interest in suspense	(10,505)	(10,457)
Net	<u>13,819,048</u>	<u>10,059,747</u>
	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Retail:		
Overdrafts	453,835	507,339
Credit cards	31,032	31,167
Personal loans	1,456,954	1,166,442
Mortgage loans	11,074	13,647
Total (1)	<u>1,952,895</u>	<u>1,718,595</u>
Corporate loans including small loans:	1,442,545	1,351,817
Overdrafts	10,748,907	7,090,323
Direct loans	806,358	828,811
Syndicated loans	12,997,810	9,270,951
Total (2)	<u>14,950,705</u>	<u>10,989,546</u>
Total loans and advance to customers (1+2)		
Less		
provision for impairment losses	(1,121,152)	(919,342)
Interest in suspense	(10,505)	(10,457)
Net	<u>13,819,048</u>	<u>10,059,747</u>

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Notes to the Financial Statements

For the year ended 31 December 2015

Provision for impairment losses:

The Provision for impairment losses analysis for loans and facilities to customers' as follows:

	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
31 December 2015	L.E (000)	L.E (000)	L.E (000)
Beginning balance	31,674	887,668	919,342
Impairment charge During the period	-	252,827	252,827
Proceeds from loans previously written off	-	1,625	1,625
Foreign currency translation differences	-	5,043	5,043
Transferred from retail to corporate	8,750	(8,750)	-
Transferred from contingent liabilities provisions	-	(20,761)	(20,761)
	<u>40,424</u>	<u>1,117,652</u>	<u>1,158,076</u>
Used during the year	<u>(4,492)</u>	<u>(32,432)</u>	<u>(36,924)</u>
Ending balance	<u>35,932</u>	<u>1,085,220</u>	<u>1,121,152</u>

	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
31 December 2014	L.E (000)	L.E (000)	L.E (000)
Beginning balance	41,958	1,028,314	1,070,272
Impairment charge During the period	26	82,453	82,479
Proceeds from loans previously written off	-	3,229	3,229
Foreign currency translation differences	-	1,197	1,197
Transferred from retail to corporate	(2,404)	2,404	-
Transferred from potential claims provisions	-	13,700	13,700
Transferred from contingent liabilities provisions	-	19,746	19,746
	<u>39,580</u>	<u>1,151,043</u>	<u>1,190,623</u>
Used during the year	<u>(7,906)</u>	<u>(263,375)</u>	<u>(271,281)</u>
Ending balance	<u>31,674</u>	<u>887,668</u>	<u>919,342</u>

19. Derivatives financial instruments

Derivatives

The bank uses the following derivatives for hedging and non-hedging purposes:

- The forward currency contracts represent commitments to buy foreign and local currencies, including unexecuted spot transactions. Foreign currency and /or interest rates future contracts are contractual obligations to receive or pay net amount based on the change in foreign exchange or interest rates, and/or buy or sell foreign currency or financial instrument in a future date at a contractual determined price in an active financial market.

The Bank's credit risk is considered minimal, forward interest rate contracts represent future interest rate contracts negotiated on case by case, these contracts require settlements in a future date of the difference between agreed interest rates and prevailing market interest rate based on agreed contractual amount (nominal value).

- Currency and/or interest rate swaps represent commitments to exchange cash flows. As a result of these contracts, currencies or interest rates (e.g.; fixed rate verses variable rate) or both (interest rate and currency swaps) are exchanged. Contractual amounts are not actually exchanged except for some currency swaps.

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- Credit risks are represented in the contingent cost to change swap contracts in case the counter parties failed to perform their commitments. This risk is continuously monitored through comparisons of fair value and contractual amount, and to monitor the existing credit risk, the Bank evaluates counter parties using the same methods used in lending activities.
- Foreign currency options and/or interest rates options represent contractual agreements whereby the seller (issuer) gives the buyer (holders) a right not an obligations , to buy(call option) or to sell (put option) on a certain day or within a certain period , a certain amount of foreign currency or financial instrument at a predetermined price . The seller receives commissions in compensation for his acceptance of the foreign currency risk of interest rate risk. Options contracts are either traded in the market or negotiated between the bank and one of its clients. The bank is exposed to credit risk for purchased options contracts only and to extent of its carrying values which represent its fair value.
- The contractual value of some financial instruments are considered a base to compare with the recognized financial instruments on the balance sheet, however it does not necessarily provide an indicator for future cash flow or the fair value of the instruments, thus, those amounts doesn't reflect the credit risk or interest rate risk.
- Derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) as a result of changes in foreign exchange rates or interest rates related to these derivatives. Contractual /estimated amounts of financial derivatives can fluctuate from time to time, as well as, the range through which derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) and the total fair value of the financial assets and liabilities from derivative.

Derivatives held for trading:

(Amounts in L.E 000)

	31 December 2015			31 December 2014		
	<u>Contractual notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Contractual notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
Derivatives held for trading						
Interest rate swaps	77,301	-	1,059	71,401	-	577
Total derivatives held for trading	<u>77,301</u>	<u>-</u>	<u>1,059</u>	<u>71,401</u>	<u>-</u>	<u>577</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the year ended 31 December 2015

20. Financial investments

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Available for sale		
Debt Instruments – Fair Value:		
Quoted	6,549,001	4,835,988
Debt instruments –unquoted :		
Ishraq Fund	16,611	15,309
Namaa Fund	1,815	2,313
Equity Instruments – Fair Value:		
Unquoted	40,095	39,754
Less: Impairment loss	(8,158)	(6,714)
Total available for sale investments (1)	6,599,364	4,886,650
Held to maturity investments		
Debt instruments:		
Unquoted:		
National Bank of Kuwait - Egypt Fund	6,750	6,750
Ishraq Fund	5,000	5,000
Alhayah Fund	5,000	5,000
Namaa Fund	5,000	5,000
Total Held to maturity investments (2)	21,750	21,750
Total financial investments (1+2)	6,621,114	4,908,400
Current Balances	6,567,428	4,853,610
Non-Current Balances	53,686	54,790
	6,621,114	4,908,400
Fixed interest debt instruments	6,510,061	4,768,462
Variable interest debt instruments	111,053	139,938
	6,621,114	4,908,400

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	Available for sale L.E (000)	Held to maturity L.E (000)	Total L.E (000)
Balance as of 1 January 2015	4,886,650	21,750	4,908,400
Additions	3,795,310	-	3,795,310
Disposals (Sale / Redemption)	(2,088,761)	-	(2,088,761)
Monetary assets revaluation differences	6,195	-	6,195
Gain from change in FMV (Note 30)	20,842	-	20,842
Reverse Of change in FMV (Note 30)	(12,846)	-	(12,846)
Amortized cost during the year	(6,582)	-	(6,582)
Deduct provisions for credit losses	(1,444)	-	(1,444)
Balance as of 31 December 2015	6,599,364	21,750	6,621,114
Balance as of 1 January 2014	3,827,848	21,750	3,849,598
Additions	2,836,856	-	2,836,856
Disposals (Sale / Redemption)	(1,756,253)	-	(1,756,253)
Monetary assets revaluation differences	9,307	-	9,307
Loss from change in FMV (Note 30)	12,360	-	12,360
Reverse Of change in FMV (Note 30)	(37,091)	-	(37,091)
Amortized cost during the year	(4,070)	-	(4,070)
Deduct provisions for impairment losses	(2,307)	-	(2,307)
Balance as of 31 December 2014	4,886,650	21,750	4,908,400

21. Investments in subsidiaries and associates

The bank contribution was as follow :

	31 December 2015		31 December 2014	
	Amount L.E (000)	Percentage %	Amount L.E (000)	Percentage %
International company for postal services	3,469	20.00	4,021	20.00
Al Watany capital assets management	31,316	49.99	26,344	49.99
	34,785		30,365	

The main financial data and the share of the bank in the Associates are from the financial statements as of 30 September 2015 are as follows :-

								L.E (000)
Description	Nature	Region	Assets of company	Total Liabilities without Equity	Revenues of company	Net Income of company	Share of the bank	Share %
International company for postal services	Associate	Egypt	25,171	7,239	56,037	4,292	3,469	20.00
Al Watany Capital assets management	Associate	Egypt	63,261	560	3,994	674	31,316	49.99

All investments in associates are unquoted.

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22. Other assets

	31 December 2015	31 December 2014
	L.E (000)	L.E (000)
Accrued revenues	276,227	172,903
Advances to purchase fixed assets	39,843	22,521
Assets transferred to bank	70,170	73,477
Collective insurance policy	154,697	47,117
Prepaid expenses	13,206	11,344
Insurance & petty cash	10,302	9,476
Prepaid interest expense	20,273	15,095
Other	41,603	27,357
	626,321	379,290

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23. Fixed Assets

	Land	Buildings	Core Systems	Vehicles	Fitting – out	Machines and Equipment	Furniture	Others	Total
	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)
Balance as of 1 January 2014									
Cost	22,928	130,340	48,514	5,261	56,696	9,177	23,741	11,790	308,447
Accumulated depreciation	-	(26,139)	(37,077)	(4,283)	(24,692)	(5,632)	(9,639)	(8,461)	(115,923)
Net book value as at 1 January 2014	22,928	104,201	11,437	978	32,004	3,545	14,102	3,329	192,524
Additions	-	81,912	10,090	173	52,524	16,268	3,961	642	165,570
Disposals	-	-	(932)	(179)	-	(295)	(15)	(16)	(1,437)
Depreciation for disposals	-	-	922	6	-	294	12	16	1,250
Depreciation for the year	-	(4,238)	(6,385)	(343)	(21,209)	(2,832)	(2,069)	(822)	(37,898)
Net book value as at 31 December 2014	22,928	181,875	15,132	635	63,319	16,980	15,991	3,149	320,009
Balance as of 1 January 2015									
Cost	22,928	212,252	57,672	5,255	109,220	25,150	27,687	12,416	472,580
Accumulated depreciation	-	(30,377)	(42,540)	(4,620)	(45,901)	(8,170)	(11,696)	(9,267)	(152,571)
Net book value as at 1 January 2015	22,928	181,875	15,132	635	63,319	16,980	15,991	3,149	320,009
Balance as of 1 January 2015									
Additions	22,928	181,875	15,132	635	63,319	16,980	15,991	3,149	320,009
Disposals	-	33	10,563	656	3,459	700	637	506	16,554
Depreciation for disposals	-	-	(727)	(1,008)	-	(91)	(39)	(104)	(1,969)
Depreciation for the year	-	(4,234)	(8,105)	(395)	(21,698)	(2,867)	(2,058)	99	1,935
Net book value as at 31 December 2015	22,928	177,674	17,590	896	45,080	14,796	14,558	2,834	296,356
Balance as of 31 December 2015									
Cost	22,928	212,284	67,510	4,904	112,679	25,758	28,286	12,818	487,167
Accumulated depreciation	-	(34,610)	(49,920)	(4,008)	(67,599)	(10,962)	(13,728)	(9,984)	(190,811)
Net book value as at 31 December 2015	22,928	177,674	17,590	896	45,080	14,796	14,558	2,834	296,356

*Fixed assets (net of accumulated depreciation) at Balance Sheet date include L.E 69,700K representing assets not registered yet in the Bank's name as the legal procedures are currently being undertaken to register such assets.

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24. Due to banks

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
A- Local Banks		
Deposits	389,921	478,673
	<u>389,921</u>	<u>478,673</u>
B- Foreign Banks		
Current Accounts	42,198	20,290
Deposits	3,160,670	2,198,716
	<u>3,202,868</u>	<u>2,219,006</u>
	<u>3,592,789</u>	<u>2,697,679</u>
Non-interest bearing balances	42,067	20,025
Interest bearing balances	3,550,722	2,677,654
	<u>3,592,789</u>	<u>2,697,679</u>
Current balances	<u>3,592,789</u>	<u>2,697,679</u>
	<u>3,592,789</u>	<u>2,697,679</u>

25. Customers' deposits

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Demand deposits	10,268,039	7,530,687
Time and call deposits	10,305,095	7,147,527
Certificates of deposits	6,427,984	4,816,748
Saving deposits	2,968,503	2,440,664
Other deposits	424,678	371,442
Total	<u>30,394,299</u>	<u>22,307,068</u>
Financial Institutions deposits	18,672,852	12,494,756
Individual and Corporate deposits	11,721,447	9,812,312
	<u>30,394,299</u>	<u>22,307,068</u>
Non-interest bearing balances	424,677	371,442
Interest bearing balances	29,969,622	21,935,626
	<u>30,394,299</u>	<u>22,307,068</u>
Current balances	24,313,378	19,101,098
Non-current balances	6,080,921	3,205,970
	<u>30,394,299</u>	<u>22,307,068</u>

26. Other Loans

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
European bank for reconstruction and development	193,252	-
Subordinated loan (National Bank of Kuwait- Kuwait)	425,156	392,706
	<u>618,408</u>	<u>392,706</u>

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- According to the note (32 -B "Transactions with related parties") Other Loans represent loans from the National Bank of Kuwait.

27. Other liabilities

	31 December 2015	31 December 2014
	L.E (000)	L.E (000)
Accrued interest	164,922	122,642
Creditors	53,207	36,072
Accrued expenses	22,444	29,498
Unearned revenue	25,540	10,149
Other credit balances	29,170	15,191
	<u>295,283</u>	<u>213,552</u>

28. Other Provisions

	Potential claims Provision	Contingent liabilities provision	Legal Provision	Early retirement	Bank Operation Risk Provision	Total
Ended at 31 December 2015						
Balance at the beginning of the year	49,243	49,820	1,853	11,224	4,435	116,575
Charged to the income statement	23,190	-	3,885	43,130	-	70,205
Foreign currency valuation difference	-	220	75	-	183	478
Used during the year	-	-	(2,144)	(54,354)	-	(56,498)
Transferred to Loan provision	-	20,761	-	-	-	20,761
Balance at the end of the year	<u>72,433</u>	<u>70,801</u>	<u>3,669</u>	<u>-</u>	<u>4,618</u>	<u>151,521</u>

	Potential claims Provision	Contingent liabilities provision	Legal Provision	Early retirement	Bank Operation Risk Provision	Total
Ended at 31 December 2014						
Balance at the beginning of the year	21,981	69,772	1,910	14,226	4,350	112,239
Charged to the income statement	49,452	-	410	-	23	49,885
Foreign currency valuation difference	-	(53)	28	-	62	37
Used during the year	(807)	(153)	(495)	(3,002)	-	(4,457)
Transferred to Loan provision	(13,700)	(19,746)	-	-	-	(33,446)
Reversal of provisions no longer required	(7,683)	-	-	-	-	(7,683)
Balance at the end of the year	<u>49,243</u>	<u>49,820</u>	<u>1,853</u>	<u>11,224</u>	<u>4,435</u>	<u>116,575</u>

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29. Deferred tax

Deferred income taxes calculated entirely on the temporary differences in accordance with liabilities method using the enacted tax rate for the current financial year.

Deferred tax assets and liabilities can be offset where legally enforceable right to offset current tax assets against current tax liabilities, and deferred tax assets and liabilities are in the same tax jurisdiction.

Deferred tax assets and liabilities

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

Deferred tax assets and liabilities balances

	Deferred tax assets		Deferred tax liabilities	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	L.E (000)	L.E (000)	L.E (000)	L.E (000)
Fixed assets	-	-	(13,580)	(17,314)
Provisions (other than loans provision)	9,486	9,689	-	-
Total tax assets (liabilities)	9,486	9,689	(13,580)	(17,314)
Net tax assets (liabilities)	(4,094)	(7,625)	-	-

Deferred tax assets and liabilities movement :

	Deferred tax assets		Deferred tax liabilities	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	L.E (000)	L.E (000)	L.E (000)	L.E (000)
Balance at the beginning of the year	9,689	9,823	(17,314)	(12,367)
Additions	-	-	-	(4,947)
Disposal	(203)	(134)	3,734	-
Balance at the end of the year	9,486	9,689	(13,580)	(17,314)

30. Stockholders' Equity

(a) Authorized Capital

The authorized capital amounts to one billion Egyptian pounds.

(b) Issued and Paid up Capital

The issued and paid capital is one billion Egyptian pound divided on 100 million shares the par value per share is L.E 10

(c) Reserves

- According to the Bank's articles of association, 5% of the net profits of the year are transferred to the legal reserve until this reserve reaches 100% of the issued capital.
- According to Central Bank instructions, the bank cannot use the balance of the special reserve without the approval of the Central Bank.

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	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Legal reserve	139,736	120,961
General reserve	256,773	206,773
Specific reserve	9,205	9,205
Capital reserve	31,889	31,867
General banking risk reserve	31,351	28,759
Fair value reserve – available for sale investments	12,773	4,573
Total Reserves	481,727	402,138

Fair value reserve – available for

sale investments

Balance at the beginning of the year	4,573	29,624
Net Gain of change in fair value	20,842	12,360
Foreign currencies exchange difference of available for sales investments	204	(320)
Reversal of Available for sale financial investments fair value reserve transferred to the income statement during the year due to sale	(12,846)	(37,091)
	12,773	4,573

(d) Retained Earnings

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Retained Earnings movement		
Balance at the beginning of the year	553,153	551,116
Transferred from profits of the year	575,585	375,532
Dividends	(36,631)	(287,196)
Transferred to reserves and retained earnings	(71,389)	(86,299)
Balance at the end of the year	1,020,718	553,153

31. Cash and cash equivalents

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

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Cash and due from Central Bank of Egypt	2,974,811	2,650,246
Due from banks	6,593,910	3,492,735
Treasury bills	6,612,335	5,850,281
Due from central banks (within the mandatory reserve percentage)	(2,662,751)	(2,375,057)
Treasury bills with maturities of more than three months	(6,530,822)	(3,575,661)
Cash and cash equivalents	6,987,483	6,042,544

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32. Related party transactions

The Bank is a subsidiary of parent National bank of Kuwait, which owns 94.93% of ordinary shares. The remaining percentage (5.07%) is owned by other shareholders. Apparently about 2000 shareholders and no one of them acquire 5 % or more

Number of banking transactions with related parties has been conducted in the normal course of the business including loans deposits and foreign currency swaps. There is no related party transaction with the parent company other than the payment of dividends on ordinary shares.

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

A- Deposits from related parties

	<u>Associates Companies</u>	
	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Due to customers		
Current accounts	2,791	1,580
Term Deposits	-	3,000
	<u>2,791</u>	<u>4,580</u>
Due from customers		
Bank overdraft	26,010	8,900
Other debit balances	81	115
Balance at the end of the year	<u>26,091</u>	<u>9,015</u>

	<u>National Bank of Kuwait</u>	
	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Due from banks	41,542	42,888
Due to banks	1,821,571	1,562,297

B- Subordinated loan from National Bank of Kuwait

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Nominal amount at the end of the year	<u>425,156</u>	<u>392,706</u>
	<u>425,156</u>	<u>392,706</u>

- The Bank obtained a subordinated loan amounting to U.S. Dollars 55 million , equivalent to L.E 425,156 K using exchange rate as of 31 December 2015 7,7301 L.E per USD from National Bank of Kuwait, for a period of 10 years starting from 31 May 2011 until 31 May 2021, the loan agreement include the acceptance and commitment of National Bank of Kuwait to receive a subordinated priority following the depositors and creditors in case of liquidation, and the loan is at the disposal of National Bank of Kuwait - Egypt who is committed to pay the full amount of the loan at maturity date with interest rate 2.1% annually

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C- Transactions with Al Watany Capital Assets Managements Company

Transactions with Al Watany Capital Assets Managements Company as follows:

	31 December 2015	31 December 2014
	L.E (000)	L.E (000)
Mutual funds managements fess	3,041	6,429
Interest expenses	172	32

- D- The total amount of salaries and wages paid for the top 20 banks employees is L.E 28,549 K with a monthly average salary L.E 2,379 K for the year ended 31 December 2015.

33. Commitment and contingent liabilities

A- Legal claims

There are lawsuits filed against the Bank as at 31 December 2015 amounted to L.E 15,284 K , provisions were charged for some of these lawsuits, while no provisions were charged for the others since it is not expected that these lawsuits will result in loss.

B- Capital Commitment

The Bank's total capital commitments related to building and core systems purchase amounted to L.E 16,949 K as at 31 December 2015, compared to L.E 13,965 K as at 31 December 2014 related to building and core system purchase . The management is confident that net revenues will be generated and provides the sufficient finance to pay these commitments.

C- Commitments for loans, guarantees and facilities

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

	31 December 2015	31 December 2014
	L.E (000)	L.E (000)
Acceptances	376,012	330,545
Letters of guarantee	2,249,487	1,522,055
Letters of credit (import and export)	616,889	789,753
Guarantees upon other banks' request or by their warranty	1,039,573	449,176
Total	4,281,961	3,091,529

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For the year ended 31 December 2015

D- Commitments for operating lease contracts

The total minimum lease payments for irrevocable operating leases are as follows:

	31 December 2015 L.E (000)	31 December 2014 L.E (000)
Less than one year	5,498	8,403
More than one year and less than five years	5,687	6,862
More than five years	-	-
	<u>11,185</u>	<u>15,265</u>

34. Finance Lease Liabilities

The bank entered into sale agreement with International Company for Leasing (INCOLEASE), according to the agreements the bank sold real estate (lands) which had been transferred to the bank, in addition to some branches and the intangible assets and leased it back. The bank granted loans to the leasing company with the same sale amounts as follows:

Description	Selling Amount		Finance Lease installment		Period
	Amount L.E (000)	Currency	Amount L.E (000)	Currency	
Shoubra Branch	2,515	Egyptian Pounds	39	Egyptian Pounds	Monthly
Smouha Branch	2,970	Egyptian Pounds	46	Egyptian Pounds	Monthly
Nozha Branch	4,208	Egyptian Pounds	51	Egyptian Pounds	Monthly
El Hegaz Branch	5,076	Egyptian Pounds	61	Egyptian Pounds	Monthly
El Nasr Branch	8,262	Egyptian Pounds	81	Egyptian Pounds	Monthly
Mesadak Branch	11,573	Egyptian Pounds	114	Egyptian Pounds	Monthly
IT Improvement – 3	16,380	Egyptian Pounds	355	Egyptian Pounds	Monthly
IT Improvement – 4	6,766	Egyptian Pounds	152	Egyptian Pounds	Monthly

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35. Distribution of Assets , Liabilities , Contingent Liabilities and Commitments:

	Local Currency L.E (000)	Foreign Currency L.E (000)
First: Assets:		
A- Due from banks	4,044,975	2,548,935
	<u>4,044,975</u>	<u>2,548,935</u>
B- Loans to Customer and Banks		
Agriculture Sector	517,137	26,007
Industrial Sector	3,602,460	4,699,392
Commercial Sector	1,491,471	517,634
Services Sector	1,370,961	684,932
Family Sector	1,938,135	86,031
Other Sectors	581	15,965
	<u>8,920,745</u>	<u>6,029,961</u>
Loans Provision	(1,040,820)	(80,333)
Interest in suspense	(9,866)	(639)
Net Loans	<u>7,870,059</u>	<u>5,948,989</u>
Second: Liabilities:		
A- Due to banks	1,527	4,209,670
	<u>1,527</u>	<u>4,209,670</u>
B- Customer Deposits		
Agriculture Sector	44,311	109,878
Industrial Sector	6,719,145	1,000,925
Commercial Sector	1,192,433	670,971
Services Sector	1,314,627	823,652
Family Sector	11,198,002	1,718,703
Other Sectors	4,408,330	1,193,322
	<u>24,876,848</u>	<u>5,517,451</u>
C- Contingent Liabilities		
Acceptance papers for credit facilities	-	376,012
Letter of guarantees	1,984,682	264,805
Letter of credit (Import & Export)	6,457	610,432
Accepted bills for suppliers facilities	43,919	995,654
	<u>2,035,058</u>	<u>2,246,903</u>

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36. Geographical distribution of loans balances :

	Local Currency L.E (000)	Foreign Currency L.E (000)
Cairo	4,371,690	1,139,985
6th of October	858,717	43,928
Alexandria	644,143	294,931
Gharbya	37,975	-
Damitta	16,870	1
Shrquia	250,872	112,830
Dakahlia	372,443	160,213
Kalubaia	59,400	229,662
Giza	2,183,491	4,047,362
Asuit	24,492	-
Sohaj	71,086	116
Red sea	29,087	932
South Sinai	479	-
	8,920,745	6,029,960
Less		
Loans Provision of impairment loss	(1,040,820)	(80,332)
Advance interest revenue under settlement	(9,866)	(639)
Net Loans	7,870,059	5,948,989

37. Geographical distribution of Deposits

	Local Currency L.E (000)	Foreign Currency L.E (000)
Cairo	12,455,020	3,378,069
6th of October	1,182,033	599,170
Alexandria	2,117,253	395,992
Bheira	-	1,113,756
Gharbya	167,237	-
Damitta	71,769	5,045
Sharquia	253,672	6,790
Dakahlia	328,012	-
Kalubaia	167,652	-
Giza	7,716,828	-
Asuit	138,000	-
Sohaj	215,048	-
Red sea	56,707	10,022
South Sinai	7,617	8,607
	24,876,848	5,517,451

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38. Mutual Funds

(A) National Bank of Kuwait - Egypt Mutual Fund (with the periodic return and capital growth):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management.

The certificates of the fund has reached 1,350,000 certificates amounted to L.E 135,000 K of which 67,500 certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of L.E 6,750 K.

The redeemable value of the certificate as of 31 December 2015 amounted to L.E 180.94562 and the outstanding of the fund certificates at that date reached 264,481 certificates while the net assets value of the mutual fund was L.E 47,857 K as of 31 December 2015.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.0035 as fee and commission for supervision on the fund and other managerial services rendered by the bank.

Total commissions amounted to L.E 42 K for the year ended 31 December 2015 included in fees and commissions income caption in the Income Statement.

(B) National Bank of Kuwait - Egypt Mutual Fund (with the cumulative daily return "Ishraq"):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached 14,898,379 certificates amounted to LE 148,984 K of which 500,000 certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of L.E 5,000 K

The Bank purchased a number of 995,600 certificates (AFS) of total amount of LE 14,621 K and with a redeemable value amounted to L.E 16,611 K as of 31 December 2015.

The redeemable value of the certificate as of 31 December 2015 amounted to L.E 16.68488 and the outstanding of the fund certificates at that date reached 60,440,558 certificates while the net assets value of the mutual fund was L.E 1,008,444 K as of 31 December 2015.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.0045 as fees and commissions for supervising the fund and other managerial services rendered by the Bank.

Total commissions amounted to L.E 4,571 K for the year ended 31 December 2015 included in fees and commissions income caption in the Income Statement.

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(C) Al Hayat Mutual Fund (with the cumulative daily return and the periodic distribution – works according to Islamic Shariah):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached 5,000,000 certificates amounted to L.E 50,000 K of which 500,000 certificates (Held) were allocated to the Bank to undertake the fund's activity with a nominal value of L.E 5,000 K

The redeemable value of the certificate as of 31 December 2015 amounted to L.E 11.54813 and the outstanding of the fund certificates at that date reached 1,147,946 certificates while the net assets value of the mutual fund was L.E 13,257 K as of 31 December 2015.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.006 as fees and commissions for supervising the fund and other managerial services rendered by the Bank. Total commissions amounted to L.E 88,5 K for the year ended 31 December 2015 included in fees and commissions income caption in the Income Statement.

(D) Namaa Mutual Fund (with the cumulative daily return and the periodic distribution):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached 6,081,969 certificates amounted to L.E 60,820 K of which 500,000 certificates (Held) were allocated to the Bank to undertake the fund's activity with a nominal value of L.E 5,000 K

The bank purchased a number of 185,334 certificates (AFS) of total amount of LE 2,050 K and with a redeemable value amounted to L.E 1,815 K as of 31 December 2015.

The redeemable value of the certificate as of 31 December 2015 amounted to L.E 9.79486 and the outstanding of the fund certificates at that date reached 718,138 certificates while the net assets value of the mutual fund was L.E 7,034 K as of 31 December 2015.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.006 as fees and commissions for supervising the fund and other managerial services rendered by the Bank. Total commissions amounted to L.E 54 K for the year ended 31 December 2015 included in fees and commissions income caption in the Income Statement.