CIB

Consolidated **Financial Statements**

2014

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Allied for Accounting & Auditing EY
Public accountants & consultants

KPMG Hazem Hassan
Public accountants & consultants

AUDITORS' REPORT

To the Shareholders of
Commercial International Bank (Egypt)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Commercial International Bank (Egypt) S.A.E, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated Financial Statements

These consolidated financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and in light of the prevailing Egyptian laws , management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Commercial International Bank (Egypt) as of December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

Auditors

Emad Hafez Ragheb
Egyptian Financial Supervisory Authority
Register Number "42"
Allied For Accounting & Auditing E Y
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants and Consultants
M. Farrag
Mostafa Hassan Farrag
Egyptian Financial Supervisory Authority
Register Number "99"
KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, 10 February 2015

Consolidated balance sheet as at December 31, 2014

	Notes	Dec. 31, 2014 EGP Thousands	Dec. 31, 2013 EGP Thousands
Assets			
Cash and balances with Central Bank	15	**7,502,256**	4,796,240
Due from banks	16	**9,521,999**	9,003,951
Treasury bills and other governmental notes	17	**30,548,890**	23,665,429
Trading financial assets	18	**3,762,718**	2,295,220
Loans and advances to banks	19	**118,091**	132,422
Loans and advances to customers	20	**48,685,630**	41,733,252
Derivative financial instruments	21	**52,188**	103,085
Financial investments			
- Available for sale	22	**27,702,122**	23,378,104
- Held to maturity	22	**9,160,746**	4,197,177
Investments in associates	23	**181,661**	192,753
Brokerage clients - debit balances		**771,611**	270,811
Reconciliation accounts- debit balances		**-**	28,779
Investment property	24	**884,094**	-
Other assets	25	**3,814,075**	2,902,039
Deferred tax	33	**121,737**	83,557
Property, plant and equipment	26	**985,504**	969,176
Total assets		**143,813,322**	113,751,995
Liabilities and equity			
Liabilities			
Due to banks	27	**1,131,385**	1,373,410
Due to customers	28	**121,974,959**	96,845,683
Brokerage clients - credit balances		**360,145**	167,379
Reconciliation accounts - credit balances		**8,975**	-
Derivative financial instruments	21	**137,175**	114,879
Current income tax obligations		**1,814,609**	1,179,709
Other liabilities	30	**2,609,452**	1,476,957
Long term loans	29	**242,878**	132,153
Other provisions	31	**730,312**	454,699
Total liabilities		**129,009,890**	101,744,869
Equity			
Issued and paid in capital	32	**9,081,734**	9,002,435
Reserves	32	**1,908,443**	307,060
Reserve for employee stock ownership plan (ESOP)		**177,765**	190,260
Retained earnings (losses)		**(155,160)**	(546,531)
Total equity		**11,012,782**	8,953,224
Net profit for the year after tax		**3,741,456**	3,006,488
Total equity and net profit for year		**14,754,238**	11,959,712
Minority interest		**49,194**	47,414
Total minority interest , equity and net profit for year		**14,803,432**	12,007,126
Total liabilities , equity and minority interest		**143,813,322**	113,751,995
Contingent liabilities and commitments			
Letters of credit, guarantees and other commitments	37	**25,309,960**	16,182,440

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

(Audit Report attached)

Hisham Ezz El-Arab
Chairman and Managing Director

Consolidated income statement for the year ended December 31, 2014

	Notes	Dec. 31, 2014 EGP Thousands	Dec. 31, 2013 EGP Thousands
Interest and similar income		11,544,829	9,520,697
Interest and similar expense		(5,289,793)	(4,466,949)
Net interest income	6	6,255,036	5,053,748
Fee and commission income		1,892,119	1,436,107
Fee and commission expense		(182,135)	(128,827)
Net fee and commission income	7	1,709,984	1,307,280
Dividend income	8	32,270	16,915
Net trading income	9	718,261	767,392
Profit (Losses) from financial investments	22	(29,122)	(28,672)
Administrative expenses	10	(1,875,672)	(1,574,369)
Other operating (expenses) income	11	(710,135)	(438,906)
Impairment (charge) release for credit losses	12	(588,794)	(915,582)
Intangible Assets Amortization		-	(33,422)
Bank's share in the profits of associates		24,510	22,097
Profit before income tax		5,536,338	4,176,481
Income tax expense	13	(1,831,273)	(1,182,253)
Deferred tax	33 & 13	38,180	12,149
Net profit for the year		3,743,245	3,006,377
Minority interest		1,789	(111)
Bank shareholders		3,741,456	3,006,488
Earning per share	14		
Basic		3.55	2.65
Diluted		3.49	2.62

Hisham Ezz El-Arab
Chairman and Managing Director

Consolidated cash flow for the year ended December 31, 2014

	Dec. 31, 2014 EGP Thousands	Dec. 31, 2013 EGP Thousands
Cash flow from operating activities		
Profit before income tax	5,536,338	4,176,481
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation	218,322	206,979
Impairment charge for credit losses	588,794	915,582
Other provisions charges	286,724	132,957
Trading financial investments revaluation differences	(4,957)	11,861
Intangible assets amortization	-	33,422
Available for sale and held to maturity investments exchange revaluation differences	(38,176)	(124,230)
Financial investments impairment charge (release)	65,748	(6,136)
Utilization of other provisions	(6,798)	(10,383)
Other provisions no longer used	(456)	(142)
Exchange differences of other provisions	(3,857)	16,778
Profits from selling property, plant and equipment	(2,106)	(741)
Profits from selling financial investments	(83,131)	(4,363)
Shares based payments	99,857	89,182
Investments in associates revaluation	27,969	(20,027)
Operating profits before changes in operating assets and liabilities	6,684,271	5,417,220
Net decrease (increase) in assets and liabilities		
Due from banks	(131,636)	(642,434)
Treasury bills and other governmental notes	(4,897,448)	(9,149,658)
Trading financial assets	(1,462,541)	(783,020)
Derivative financial instruments	73,193	30,154
Loans and advances to banks and customers	(7,526,841)	(904,075)
Other assets	(1,373,214)	(543,895)
Due to banks	(242,025)	(341,453)
Due to customers	25,129,276	18,116,562
Income tax obligations paid	(1,179,709)	(819,362)
Other liabilities	1,317,572	275,584
Net cash provided from operating activities	16,390,898	10,655,623
Cash flow from investing activities		
Purchase of subsidiary and associates	(16,877)	(7,527)
Purchases of property, plant and equipment	(243,387)	(529,367)
Redemption of held to maturity financial investments	-	18,611
Purchases of held to maturity financial investments	(4,963,569)	-
Purchases of available for sale financial investments	(9,079,241)	(7,463,492)
Proceeds from selling available for sale financial investments	4,938,025	4,523,701
Purchases of real estate investments	(884,094)	-
Net cash generated from (used in) investing activities	(10,249,143)	(3,458,074)

Consolidated cash flow for the year ended December 31, 2014 (Cont.)

	Dec. 31, 2014 EGP Thousands	Dec. 31, 2013 EGP Thousands
Cash flow from financing activities		
Increase (decrease) in long term loans	**110,725**	51,658
Dividend paid	**(1,253,338)**	(1,055,843)
Capital increase	**79,299**	29,348
Net cash generated from (used in) financing activities	**(1,063,314)**	(974,837)
Net increase (decrease) in cash and cash equivalent during the year	**5,078,441**	6,222,712
Beginning balance of cash and cash equivalent	**11,879,893**	5,665,914
Cash and cash equivalent at the end of the year	**16,958,334**	11,888,626
Cash and cash equivalent comprise:		
Cash and balances with Central Bank	**7,502,256**	4,804,974
Due from banks	**9,521,999**	9,003,951
Treasury bills and other governmental notes	**30,548,890**	23,665,429
Obligatory reserve balance with CBE	**(3,497,164)**	(3,224,659)
Due from banks (time deposits) more than three months	**(5,007,462)**	(5,148,331)
Treasury bills with maturity more than three months	**(22,110,185)**	(17,212,738)
Total cash and cash equivalent	**16,958,334**	11,888,626

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2013

EGP Thousands

Dec. 31, 2013	Capital	Legal reserve	General reserve	Retained earnings (losses)	Special reserve	Reserve For A.F.S investments revaluation diff.	Banking risks reserve	Net profit for the year	Reserve for employee stock ownership plan	Total Shareholders Equity	Minority Interest	Total
Beginning balance	5,972,275	380,349	2,036,955	(568,853)	117,806	153,365	103,717	2,404,153	164,761	10,764,528	47,520	10,812,048
Capital increase	3,030,160	-	(3,000,812)	-	-	-	-	-	-	29,348	-	29,348
Transferred to reserves	-	110,016	1,277,121	-	2,387	-	-	(1,325,842)	(63,682)	-	-	-
Transferred to retained earnings (losses)	-	-	-	23,470	-	-	-	(23,470)	-	-	-	-
Dividend paid	-	-	-	(1,002)	-	-	-	(1,054,841)	-	(1,055,843)	-	(1,055,843)
Net profit of the year	-	-	-	-	-	-	-	3,006,488	-	3,006,488	(111)	3,006,377
Transfer from special reserve	-	-	92,826	-	(92,826)	-	-	-	-	-	-	-
Change in owner ship percentage	-	-	-	(146)	-	-	-	-	-	(146)	5	(141)
Net change at fair value of AFS financial investment	-	-	-	-	-	(873,844)	-	-	-	(873,844)	-	(873,844)
Transferred (from) to bank risk reserve	-	-	-	-	-	-	(101,726)	101,726	-	-	-	-
stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	89,181	89,181	-	89,181
Balance at the end of the year	9,002,435	490,365	406,090	(546,531)	27,367	(720,479)	1,991	3,108,214	190,260	11,959,712	47,414	12,007,126

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2014

EGP Thousands

Dec. 31, 2014	Capital	Legal reserve	General reserve	Retained earnings (losses)	Special reserve	Reserve For A.F.S investments revaluation diff.	Banking risks reserve	Net profit for the year	Reserve for employee stock ownership plan	Total Shareholders Equity	Minority Interest	Total
Beginning balance	9,002,435	490,365	406,090	(546,531)	27,367	(720,479)	1,991	3,108,214	190,260	11,959,712	47,414	12,007,126
Capital increase	79,299	-	-	-	-	-	-	-	-	79,299	-	79,299
Transferred to reserves	-	130,719	1,444,406	-	741	-	-	(1,463,514)	(112,352)	-	-	-
Transferred to retained earnings (losses)	-	-	-	391,362	-	-	-	(391,362)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,253,338)	-	(1,253,338)	-	(1,253,338)
Net profit of the year	-	-	-	-	-	-	-	3,741,456	-	3,741,456	1,789	3,743,245
Change in owner ship percentage	-	-	-	9	-	-	-	-	-	9	(9)	-
Net change at fair value of AFS financial investment	-	-	-	-	-	127,243	-	-	-	127,243	-	127,243
Transferred (from) to bank risk reserve	-	-	-	-	-	-	522	(522)	-	-	-	-
Reserve for employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	99,857	99,857	-	99,857
Balance at the end of the year	9,081,734	621,084	1,850,496	(155,160)	28,108	(593,236)	2,513	3,740,934	177,765	14,754,238	49,194	14,803,432

Notes to the consolidated financial statements for the year ended December 31, 2014

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 135 branches, and 26 units employing 5403 employees at the balance sheet date.

Commercial international Bank (Egypt) S.A.E. was formed as a commercial bank under the investment law no. 43 of 1974. The address of its registered head office is as follows: Nile tower, 21/23 Charles de Gaulle Street-Giza. The Bank is listed in the Egyptian stock exchange.

CI Capital Holding Co S.A.E it was established as a joint stock company on April 9th, 2005 under the capital market law no. 95 of 1992 and its executive regulations. Financial register no. 166798 on April 10th, 2005 and the company have been licensed by the Capital Market Authority to carry out its activities under license no. 353 on May 24th, 2006.

As of December 31, 2014 the Bank directly owns 54,988,500 shares representing 99.98% of CI Capital Holding Company's capital and on *December 31*, 2014 CI Capital Holding Co. Directly owns the following shares in its subsidiaries:

Company name	No. of shares	Ownership%	Indirect Share%
• CIBC Co.	579,570	96.60	96.58
• CI Assets Management	478,577	95.72	95.70
• CI Investment Banking Co.	2,481,578	99.26	99.24
• Dynamic Brokerage Co.	3,393,500	99.97	99.95

2. Summary of accounting policies

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

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Egyptian financial reporting standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors on December 16, 2008 consistent with the principles referred to.

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

2.1.1. Basis of consolidation

The method of full consolidation is the basis of the preparation of the consolidated financial statement of the Bank, given that the Bank's acquisition proportion is 99.98 % (full control) in CI Capital Holding.

Consolidated financial statements consist of the financial statements of Commercial International Bank and consolidated financial statements of CI Capital Holding and its subsidiaries. Control is achieved through the Bank's ability to control the financial and operational policies of the companies that the Bank invests in it in order to obtain benefits from its activities. The basis of the consolidation is as follows:

- Eliminating all balances and transactions between the Bank and group companies.
- The cost of acquisition of subsidiary companies is based on the company's share in the fair value of assets acquired and obligations outstanding on the acquisition date.
- Minority shareholders represent the rights of others in subsidiary companies.
- Proportional consolidation is used in consolidating method for companies under joint control.

2.2. Subsidiaries and associates

2.2.1. Subsidiaries

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

2.2.2. Associates

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

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

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

2.3. Segment reporting

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

2.4. Foreign currency translation

2.4.1. Functional and presentation currency

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

2.4.2. Transactions and balances in foreign currencies

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

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

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

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

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

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

2.5. Financial assets

The Bank classifies its financial assets in the following categories:

- Financial assets designated at fair value through profit or loss.
- Loans and receivables.
- Held to maturity investments.
- Available for sale financial investments.

Management determines the classification of its investments at initial recognition.

2.5.1. Financial assets at fair value through profit or loss

This category has two sub-categories:

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

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

Financial instruments, other than those held for trading, are classified as financial assets designated at fair value through profit and loss if they meet one or more of the criteria set out below:

- When the designation eliminates or significantly reduces measurement and recognition inconsistencies that would arise from measuring financial assets or financial liabilities, on different bases. under this criterion, an accounting mismatch would arise if the debt securities issued were accounted for at amortized cost, because the related derivatives are measured at fair value with changes in the fair value recognized in the income statement. The main classes of financial instruments designated by the Bank are loans and advances and long-term debt issues.
- Applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.
- Relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments, including certain debt issues and debt securities held.

Any financial derivative initially recognized at fair value can't be reclassified during the holding period. Re-classification is not allowed for any financial instrument initially recognized at fair value through profit and loss.

2.5.2. Loans and advances

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

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

2.5.3. Held to maturity financial investments

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

2.5.4. Available for sale financial investments

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

The following are applied in respect to all financial assets:

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

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

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

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

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

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

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

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

- If the financial asset has a fixed maturity, gains or losses are amortized over the remaining life of the investment using the effective interest rate method. In case of subsequent impairment of the financial asset, the previously recognized unrealized gains or losses in equity are recognized directly in the profits and losses.
- In the case of financial asset which has infinite life, any previously recognized profit or loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.
- If the Bank adjusts its estimates of payments or receipts of a financial asset that in return adjusts the carrying amount of the asset (or group of financial assets) to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the differences are recognized in profit and loss.
- In all cases, if the Bank re-classifies financial asset in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, this increase adjusts the effective interest rate of this asset only without affecting the investment book value.

2.6. Offsetting financial instruments

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

2.7. Derivative financial instruments and hedge accounting

Derivatives are recognized initially, and subsequently, at fair value. Fair values of exchange traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models. Derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives in other financial instruments, such as conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognized in income statement unless the Bank chooses to designate the hybrid contact as at fair value through net trading income in profit or loss.

The timing of recognition in profit and loss, of any gains or losses arising from changes in the fair value of derivatives, depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge)
- Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met.

At the inception of the hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore,

At the inception of the hedge, and on ongoing basis, the Bank documents whether the hedging instrument is expected to be highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

2.7.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in the 'net interest income' line item of the income statement. Any ineffectiveness is recognized in profit or loss in 'net trading income'.

When the hedging instrument is no longer qualified for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date using the effective interest method.

2.7.2. Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized immediately in the income statement. These gains and losses are reported in 'net trading income', except where derivatives are managed in conjunction with financial instruments designated at fair value , in which case gains and losses are reported in 'net income from financial instruments designated at fair value'.

2.8. Interest income and expense

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

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

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

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

2.9. Fee and commission income

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

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

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

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

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

Operating revenues in the holding company are:

- Commission income is resulting from purchasing and selling securities to a customer account upon receiving the transaction confirmation from the Stock Exchange.
- Mutual funds and investment portfolios management which is calculated as a percentage of the net value of assets under management according to the terms and conditions of agreement. These amounts are credited to the assets management company's revenue pool on a monthly accrual basis.

2.10. Dividend income

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

2.11. Sale and repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase (Repos) are reclassified in the financial statements and deducted from treasury bills balance. Securities borrowed or purchased subject to a commitment to resell them (Reverse Repos) are reclassified in the financial statements and added to treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

2.12. Impairment of financial assets

2.12.1.Financial assets carried at amortised cost

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

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

- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales)
- Violation of the conditions of the loan agreement such as non-payment.
- Initiation of Bankruptcy proceedings.
- Deterioration of the borrower's competitive position.
- The Bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the Bank granted in normal circumstances.
- Deterioration in the value of collateral or deterioration of the creditworthiness of the borrower.

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

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

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

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

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

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

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

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other indicative factors of changes in the probability of losses in the Bank and their magnitude. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank.

2.12.2. Available for sale investments

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. During periods start from first of January 2009, the decrease consider significant when it became 10% from the book value of the financial instrument and the decrease consider to be extended if it continues for period more than 9 months, and if the mentioned evidences become available then any cumulative gains or losses previously recognized in equity are recognized in the income statement , in respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through the income statement.

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

2.13. Real estate investments

The real estate investments represent lands and buildings owned by the Bank in order to obtain rental returns or capital gains and therefore do not include real estate assets which the Bank exercised its work through or those that have owned by the Bank as settlement of debts. The accounting treatment is the same used with property, plant and equipment.

2.14. Property, plant and equipment

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

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

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

Buildings	20 years.
Leasehold improvements	3 years, or over the period of the lease if less
Furniture and safes	5 years.
Typewriters, calculators and air-conditions	8 years
Transportations	5 years
Computers and core systems	3/10 years
Fixtures and fittings	3 years

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

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

2.15. Impairment of non-financial assets

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

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

2.15.1. Goodwill

Goodwill is capitalized and represents the excess of acquisition cost over the fair value of the Bank's share in the acquired entity's net identifiable assets on the date of acquisition. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows. Goodwill is included in the cost of investments in associates and subsidiaries in the Bank's separate financial statements. Goodwill is tested for impairment, impairment loss is charged to the income statement.

Goodwill is allocated to the cash generating units for the purpose of impairment testing. The cash generating units represented in the Bank main segments.

2.15.2. Other intangible assets

Is the intangible assets other than goodwill and computer programs (trademarks, licenses, contracts for benefits, the benefits of contracting with clients).

Other intangible assets that are acquired by the Bank are recognized at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset with definite life. Intangible assets with indefinite life are not amortized and tested for impairment.

2.16. Leases

The accounting treatment for the finance lease is complied with law 95/1995, if the contract entitles the lessee to purchase the asset at a specified date and predefined value, or the current value of the total lease payments representing at least 90% of the value of the asset. The other leases contracts are considered operating leases contracts.

2.16.1. Being lessee

Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets in the income statement for the period in which they occurred. If the Bank decides to exercise the right to purchase the leased asset the leased assets are capitalized and included in 'property, plant and equipment' and depreciated over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Operating lease payments leases are accounted for on a straight-line basis over the periods of the leases and are included in 'general and administrative expenses'.

2.16.2. Being lessor

For finance lease, assets are recorded in the property, plant and equipment in the balance sheet and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized on the basis of rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients' accounts is transferred to the in the income statement until the expiration of the lease to be reconciled with a net book value of the leased asset. Maintenance and insurance expenses are charged to the income statement when incurred to the extent that they are not charged to the tenant.

In case there is objective evidence that the Bank will not be able to collect the of financial lease obligations, the finance lease payments are reduced to the recoverable amount.

For assets leased under operating lease it appears in the balance sheet under property, plant and equipment, and depreciated over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

2.17. Cash and cash equivalents

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

2.18. Other provisions

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

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

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

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

2.19. Share based payments

The Bank applies an equity-settled, share-based compensation plan. The fair value of equity instruments recognized as an expense over the vesting period using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. Vesting conditions include service conditions and performance conditions and market performance conditions are taken into account when estimating the fair value of equity instruments at the date of grant. At each balance sheet date the number of options that are expected to be exercised are estimated. Recognizes estimate changes, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20. Income tax

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

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

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

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

2.21. Borrowings

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

2.22. Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval. Profit sharing includes the employees' profit share and the Board of Directors' remuneration as prescribed by the Bank's articles of incorporation and the corporate law.

2.23. Comparatives

Comparative figures have been adjusted to conform to changes in presentation in the current period where necessary.

3. Financial risk management

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

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

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

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

3.1. Credit risk

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

3.1.1. Credit risk measurement

3.1.1.1. Loans and advances to banks and customers

In measuring credit risk of loans and facilities to banks and customers at a counterparty level, the Bank reflects three components:

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

These credit risk measurements, which reflect expected loss (the 'expected loss model') are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under EAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3.1).

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

Bank's rating	description of the grade
1	performing loans
2	regular watching
3	watch list
4	non-performing loans

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

3.1.1.2. Debt instruments and treasury and other bills

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

3.1.2. Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

3.1.2.1. Collateral

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

- Mortgages over residential properties.
- Mortgage business assets such as premises, and inventory.
- Mortgage financial instruments such as debt securities and equities.

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

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

3.1.2.2. Derivatives

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e., assets with positive fair value), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

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

3.1.2.3. Master netting arrangements

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

3.1.2.4. Credit related commitments

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

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

3.1.3. Impairment and provisioning policies

The internal rating system described in Note 3.1.1 focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred at the balance sheet date when there is an objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees. The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the Bank and their relevant impairment losses:

	December 31, 2014		December 31, 2013	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
1-Performing loans	**86.55**	**33.91**	87.65	31.49
2-Regular watching	**6.77**	**11.24**	4.93	5.32
3-Watch list	**1.97**	**5.53**	3.44	19.93
4-Non-Performing Loans	**4.71**	**49.32**	3.98	43.26

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

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

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

3.1.4. Pattern of measuring the general banking risk

In addition to the four categories of the Bank's internal credit ratings indicated in note 3.1.1, management classifies loans and advances based on more detailed subgroups in accordance with the CBE regulations. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record. The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provisions by the application used in balance sheet preparation in accordance with EAS. That excess shall be debited to retained earnings and carried to the general banking risk reserve in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution.

Below is a statement of institutional worthiness according to internal ratings compared with CBE ratings and rates of provisions needed for assets impairment related to credit risk:

Below is a statement of institutional worthiness according to internal ratings compared with CBE ratings and rates of provisions needed for assets impairment related to credit risk:

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

3.1.5. Maximum exposure to credit risk before collateral held

	Dec. 31, 2014 EGP Thousands	Dec. 31, 2013 EGP Thousands
In balance sheet items exposed to credit risk		
Treasury bills and other governmental notes	30,471,115	23,665,429
Trading financial assets:		
- Debt instruments	3,370,444	2,096,838
Gross loans and advances to banks	132,673	153,833
Less:Impairment provision	(14,582)	(21,411)
Gross loans and advances to customers		
Individual:		
- Overdraft	1,438,217	1,173,943
- Credit cards	1,010,014	765,624
- Personal loans	5,729,054	4,181,386
- Mortgages	325,266	383,144
- Other loans	20,934	10,842
Corporate:		
- Overdraft	6,598,541	5,015,511
- Direct loans	25,008,383	24,125,579
- Syndicated loans	12,645,169	9,630,556
- Other loans	216,429	109,232
Unamortized bills discount	(5,568)	(6,635)
Impairment provision	(3,441,757)	(2,842,840)
Unearned interest	(859,052)	(708,390)
Derivative financial instruments	52,188	103,085
Financial investments:		
-Debt instruments	36,383,095	26,899,651
-Investments in associates	181,661	192,753
Total	119,262,224	94,928,130
Off balance sheet items exposed to credit risk		
Financial guarantees	2,453,307	2,480,060
Customers acceptances	757,509	472,351
Letter of credit	1,289,834	750,766
Letter of guarantee	23,262,617	14,959,323
Total	27,763,267	18,662,500

The above table represents the Bank Maximum exposure to credit risk on December 31, 2014, before taking account of any held collateral.

For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above 40.97% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represents 33.33%.

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

- 93.32% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 95.34% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individualy are valued EGP 2,501,700.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2014.
- 96.46% of the investments in debt Instruments are Egyptian sovereign instruments.

3.1.6. Loans and advances

Loans and advances are summarized as follows:

	Dec.31, 2014 EGP Thousands Loans and advances to customers	Dec.31, 2014 EGP Thousands Loans and advances to banks	Dec.31, 2013 EGP Thousands Loans and advances to customers	Dec.31, 2013 EGP Thousands Loans and advances to banks
Neither past due nor impaired	48,117,365	107,617	40,727,364	123,630
Past due but not impaired	2,397,998	-	2,790,527	-
Individually impaired	2,476,644	25,056	1,773,225	30,203
Gross	52,992,007	132,673	45,291,116	153,833
Less:				
Impairment provision	3,441,757	14,582	2,842,840	21,411
Unamortized bills discount	5,568	-	6,634	-
Unearned interest	859,052	-	708,390	-
Net	48,685,630	118,091	41,733,252	132,422

Impairment provision losses for loans and advances reached EGP 3,456,339 thousand.
During the year the Bank's total loans and advances increased by 16.90% .
In order to minimize the propable exposure to credit risk, the Bank focuses more on the business with large enterprises,banks or retail customers with good credit rating or sufficient collateral.

Net loans and advances to customers and banks (after deducting impairment provision):

Dec. 31, 2014 — EGP Thousands

	Individual					Corporate					
Grades:	**Overdrafts**	**Credit cards**	**Personal loans**	**Mortgages**	**Other loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total loans and advances to customers**	**Total loans and advances to banks**
Performing loans	1,381,095	977,165	5,488,286	315,362	-	5,573,611	19,699,277	11,070,532	194,013	44,699,341	106,761
Regular watching	30,404	17,128	77,868	-	-	313,197	2,272,382	479,924	17,566	3,208,469	-
Watch list	5,062	5,307	31,441	-	-	47,847	390,506	376,653	-	856,816	-
Non-performing loans	11,106	2,980	50,306	1,482	-	172,123	473,792	73,835	-	785,624	11,330
Total	1,427,667	1,002,580	5,647,901	316,844	-	6,106,778	22,835,957	12,000,944	211,579	49,550,250	118,091

Dec. 31, 2013 — EGP Thousands

	Individual					Corporate					
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,094,592	736,701	3,996,265	366,844	-	4,302,792	19,559,701	8,665,940	103,048	38,825,883	121,253
Regular watching	51,118	14,364	44,548	-	-	69,766	1,439,447	459,723	713	2,079,679	-
Watch list	10,008	3,895	24,519	-	7,100	126,847	811,646	5,446	-	989,461	-
Non-performing loans	8,994	2,273	33,393	2,516	533	77,204	361,454	66,383	503	553,253	11,169
Total	1,164,712	757,233	4,098,725	369,360	7,633	4,576,609	22,172,248	9,197,492	104,264	42,448,276	132,422

Loans and advances past due but not impaired:

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

Dec.31, 2014	**Individual**					**Corporate**			
	Overdrafts	**Credit cards**	**Personal loans**	**Mortgages**	**Total**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Total**
Past due up to 30 days	**351,021**	**173,064**	**12,587**	**1,219**	**537,891**	**581,077**	**871,089**	**92,962**	**1,545,128**
Past due 30 - 60 days	**30,457**	**17,945**	**4,594**	**97**	**53,093**	**22,336**	**33,806**	**-**	**56,142**
Past due 60-90 days	**5,129**	**6,286**	**3,569**	**5**	**14,989**	**99,627**	**91,128**	**-**	**190,755**
Total	**386,607**	**197,295**	**20,750**	**1,321**	**605,973**	**703,040**	**996,023**	**92,962**	**1,792,025**

Dec.31, 2013	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	282,864	145,913	9,383	742	438,902	1,309,119	749,248	22,884	2,081,251
Past due 30-60 days	51,211	15,127	2,852	199	69,389	20,300	17,617	-	37,917
Past due 60-90 days	10,050	4,646	2,705	16	17,417	79,699	65,952	-	145,651
Total	344,125	165,686	14,940	957	525,708	1,409,118	832,817	22,884	2,264,819

Individually impaired loans

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 2,501,700 thousand.

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

	Individual					**Corporate**				
Dec.31, 2014	**Overdrafts**	**Credit cards**	**Personal loans**	**Mortgages**	**Other loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Individually impaired loans	**17,136**	**5,369**	**106,254**	**6,791**	**20,926**	**518,995**	**1,542,051**	**284,178**	**-**	**2,501,700**

	Individual					Corporate				
Dec.31, 2013	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Individually impaired loans	14,563	5,940	102,519	13,066	1,385	262,467	1,128,085	272,229	3,174	1,803,428

Loans and advances restructured

Restructuring activities include reschaduling arrangements, obligatory management programs, modification and deferral of payments. The application of restructuring policies are based on indicators or criteria of credit performance of the borrower that is based on the personal judgment of the management, indicate that payment will most likely continue. Restructuring is commonly applied to term loans, specially customer loans. Renegotiated loans totaled at the end of the year

	Dec.31, 2014	Dec.31, 2013
Loans and advances to		
Corporate		
- Direct loans	**3,243,393**	2,950,132
Total	**3,243,393**	2,950,132

3.1.7. Debt instruments, treasury bills and other governmental notes

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

EGP Thousands

Dec.31, 2014	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	Total
AAA	-	-	866,024	**866,024**
AA- to AA+	-	-	231,004	**231,004**
A- to A+	-	-	75,469	**75,469**
Lower than A-	-	35,147	973,469	**1,008,616**
Unrated	30,548,890	3,335,297	34,237,129	**68,121,316**
Total	**30,548,890**	**3,370,444**	**36,383,095**	**70,302,429**

3.1.8. Concentration of risks of financial assets with credit risk exposure

3.1.8.1. Geographical sectors

Following is a breakdown of the Bank's main credit exposure at their book values categorized by geographical region at the end of the current year.
The Bank has allocated exposures to regions based on the country of domicile of its counterparties.

Dec.31, 2014	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	30,471,115	-	-	**30,471,115**
Trading financial assets:				
- Debt instruments	3,370,444	-	-	**3,370,444**
Gross loans and advances to banks	132,673	-	-	**132,673**
Less:Impairment provision	(14,582)	-	-	**(14,582)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	914,041	369,149	155,027	**1,438,217**
- Credit cards	848,436	150,098	11,480	**1,010,014**
- Personal loans	3,619,793	1,719,194	390,067	**5,729,054**
- Mortgages	273,295	45,098	6,873	**325,266**
- Other loans	20,934	-	-	**20,934**
Corporate:				
- Overdrafts	5,571,965	918,164	108,412	**6,598,541**
- Direct loans	18,269,216	6,364,643	374,524	**25,008,383**
- Syndicated loans	11,990,771	654,398	-	**12,645,169**
- Other loans	196,029	20,400	-	**216,429**
Unamortized bills discount	(5,568)	-	-	**(5,568)**
Impairment provision	(3,441,757)	-	-	**(3,441,757)**
Unearned interest	(612,291)	(244,534)	(2,227)	**(859,052)**
Derivative financial instruments	52,188	-	-	**52,188**
Financial investments:				
-Debt instruments	36,383,095	-	-	**36,383,095**
-Investments in associates	181,661	-	-	**181,661**
Total	**108,221,458**	**9,996,610**	**1,044,156**	**119,262,224**

3.1.8.2. Industry sectors

The following table analysis the Group's main credit exposure at their book value categorized by the Bank customers activities.

EGP Thousands

Dec.31, 2014	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Treasury bills and other governmental notes	-	-	-	-	30,471,115	-	-	**30,471,115**
Trading financial assets:								
- Debt instruments	-	-	-	-	3,370,444	-	-	**3,370,444**
Gross loans and advances to banks	132,673	-	-	-	-	-	-	**132,673**
Less:Impairment provision	(14,582)	-	-	-	-	-	-	**(14,582)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,438,217	**1,438,217**
- Credit cards	-	-	-	-	-	-	1,010,014	**1,010,014**
- Personal loans	-	-	-	-	-	-	5,729,054	**5,729,054**
- Mortgages	-	-	-	-	-	-	325,266	**325,266**
- Other loans	-	-	-	-	-	-	20,934	**20,934**
Corporate:								
- Overdrafts	11,072	2,543,102	395,916	656,655	947,673	2,044,123	-	**6,598,541**
- Direct loans	997,549	12,362,815	-	375,014	2,913,759	8,359,246	-	**25,008,383**
- Syndicated loans	-	6,372,753	510,613	-	3,310,954	2,450,849	-	**12,645,169**
- Other loans	15,000	188,629	-	11,110	-	1,690	-	**216,429**
Unamortized bills discount	(5,568)	-	-	-	-	-	-	**(5,568)**
Impairment provision	(20,118)	(1,895,771)	(12,627)	(9,565)	(10,071)	(1,348,792)	(144,813)	**(3,441,757)**
Unearned interest	(117,189)	(453,740)	-	(17)	-	(275,780)	(12,326)	**(859,052)**
Derivative financial instruments	52,188	-	-	-	-	-	-	**52,188**
Financial investments:								
-Debt instruments	1,172,498	-	-	-	35,210,597	-	-	**36,383,095**
- Investments in subsidiary and associates	181,661	-	-	-	-	-	-	**181,661**
Total	**2,405,184**	**19,117,788**	**893,902**	**1,033,197**	**76,214,471**	**11,231,336**	**8,366,346**	**119,262,224**

3.2. Market risk

Market risk represnted as fluctuations in fair value or future cash flow, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce the Bank's income or the value of its portfolios. the Bank separates exposures to market risk into trading or non-trading portfolios.

Market risks are measured, monitored and controlled by the market risk management department. In addition, regular reports are submitted to the Asset and Liability Management Committee (ALCO), Board Risk Committee and the heads of each business unit.

Trading portfolios include positions arising from market-making, position taking and others designated as marked-to-market. Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities, financial investments designated as available for sale and held-to-maturity.

3.2.1. Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies. the Bank also enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt instrument and loans to which the fair value option has been applied .

3.2.1.1. Value at Risk

The Bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions, based upon a number of assumptions for various changes in market conditions.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose , but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (1 Day). The Bank is assessing the historical movements in the market prices based on volatilities and correlations data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank's market risk control regime, the Market Risk Management set Soft VaR Limits, trading book, which have been approved by the board, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the ALCO.

The Bank has developed the internal model to calculate VaR and is not yet approved by the Central Bank as the regulator is currently applying and requiring banks to calculate the Market Risk Capital Requirements according to Basel II Standardized Approach.

3.2.1.2. Stress tests

Stress tests provide an indication of the potential size of losses that could arise under extreme market conditions. Therefore, bank computes on a daily basis trading Stress VaR, combined with trading Normal VaR to capture the abnormal movements in financial markets and to give more comprehensive picture of risk. The results of the stress tests are reviewed by the ALCO on a monthly basis and the board risk committee on a quarterly basis.

3.2.2. Value at risk (VaR) Summary

EGP Thousands

Total VaR by risk type	**Dec.31, 2014**			Dec.31, 2013		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**42**	**351**	**3**	90	540	3
Interest rate risk	**81,711**	**125,871**	**63,594**	75,596	101,790	55,515
- For non trading purposes	**70,306**	**107,791**	**56,307**	63,976	84,950	48,926
- For trading purposes	**11,405**	**18,080**	**7,288**	11,621	16,840	6,590
Equities risk	**84**	**141**	**-**	124	203	86
Portfolio managed by others risk	**4,132**	**6,817**	**1,108**	606	1,125	35
Investment fund	**357**	**549**	**223**	305	491	211
Total VaR	**81,859**	**126,094**	**63,618**	75,622	101,827	55,529

Trading portfolio VaR by risk type

	Dec.31, 2014			Dec.31, 2013		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**42**	**351**	**3**	90	540	3
Interest rate risk						
- For trading purposes	**11,405**	**18,080**	**7,288**	11,621	16,840	6,590
Equities risk	**84**	**141**	**-**	124	203	86
Funds managed by others risk	**4,132**	**6,817**	**1,108**	606	1,125	35
Investment fund	**357**	**549**	**223**	305	491	211
Total VaR	**12,451**	**18,815**	**8,790**	11,654	16,876	6,621

Non trading portfolio VaR by risk type

	Dec.31, 2014			Dec.31, 2013		
	Medium	**High**	**Low**	Medium	High	Low
Interest rate risk						
- For non trading purposes	**70,306**	**107,791**	**56,307**	63,976	84,950	48,926
Total VaR	**70,306**	**107,791**	**56,307**	63,976	84,950	48,926

The aggregate of the trading and non-trading VaR results does not constitute the Bank's VaR due to correlations and consequent diversification effects between risk types and portfolio types.

3.2.3. Foreign exchange risk

The Bank's financial position and cash flows are exposed to fluctuations in foreign currency exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk and Bank's financial instruments at carrying amounts, categorized by currency.

Equivalent EGP Thousands

Dec.31, 2014	EGP	USD	EUR	GBP	Other	Total
Financial assets						
Cash and balances with Central Bank	6,541,660	628,368	107,245	48,561	176,422	**7,502,256**
Due from banks	1,499,808	5,509,635	2,296,965	87,485	128,106	**9,521,999**
Treasury bills and other governmental notes	27,731,288	4,121,980	164,843	-	-	**32,018,111**
Trading financial assets	3,762,718	-	-	-	-	**3,762,718**
Gross loans and advances to banks	-	117,655	15,018	-	-	**132,673**
Gross loans and advances to customers	31,720,497	20,335,620	700,353	175,562	59,975	**52,992,007**
Derivative financial instruments	22,221	29,874	93	-	-	**52,188**
Financial investments						
- Available for sale	26,431,907	1,270,215	-	-	-	**27,702,122**
- Held to maturity	9,160,746	-	-	-	-	**9,160,746**
Investments in associates	180,845	816	-	-	-	**181,661**
Total financial assets	**107,051,690**	**32,014,163**	**3,284,517**	**311,608**	**364,503**	**143,026,481**
Financial liabilities						
Due to banks	178,703	923,502	11,306	17,862	12	**1,131,385**
Due to customers	88,428,093	28,936,406	4,015,901	455,847	138,712	**121,974,959**
Derivative financial instruments	61,803	75,112	260	-	-	**137,175**
Long term loans	242,878	-	-	-	-	**242,878**
Total financial liabilities	**88,911,477**	**29,935,020**	**4,027,467**	**473,709**	**138,724**	**123,486,397**
Net on-balance sheet financial position	**18,140,213**	**2,079,143**	**(742,950)**	**(162,101)**	**225,779**	**19,540,084**

3.2.4. Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise.The Board sets limits on the gaps of interest rate repricing that may be undertaken, which is monitored by bank's Risk Management Department.

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 repricing or contractual maturity dates.

Dec.31, 2014	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	7,502,256	**7,502,256**
Due from banks	4,169,262	4,085,145	847,115	-	-	420,477	**9,521,999**
Treasury bills and other governmental notes*	2,976,212	5,631,430	23,410,469	-	-	-	**32,018,111**
Trading financial assets	185,953	-	432,584	2,023,899	878,814	241,468	**3,762,718**
Gross loans and advances to banks	40,597	53,255	13,765	25,056	-	-	**132,673**
Gross loans and advances to customers	34,782,197	7,440,054	5,459,800	4,354,690	955,266	-	**52,992,007**
Derivatives financial instruments (including IRS notional amount)	677,816	337,516	590,117	3,597,289	-	-	**5,202,738**
Financial investments							
- Available for sale	634,699	1,468,428	3,532,552	17,481,915	4,205,046	379,482	**27,702,122**
- Held to maturity	2,765,022	-	1,150,082	5,008,560	237,082	-	**9,160,746**
Investments in associates	-	-	-	-	-	181,661	**181,661**
Total financial assets	**46,231,758**	**19,015,828**	**35,436,484**	**32,491,409**	**6,276,208**	**8,725,344**	**148,177,031**
Financial liabilities							
Due to banks	196,028	-	35,700	-	-	899,657	**1,131,385**
Due to customers	45,429,198	17,721,716	14,675,496	22,466,531	686,676	20,995,342	**121,974,959**
Derivatives financial instruments (including IRS notional amount)	1,533,838	3,051,479	35,640	-	621,189	72,700	**5,314,846**
Long term loans	36,598	21,049	143,678	41,553	-	-	**242,878**
Total financial liabilities	**47,195,662**	**20,794,244**	**14,890,514**	**22,508,084**	**1,307,865**	**21,967,699**	**128,664,068**
Total interest re-pricing gap	**(963,904)**	**(1,778,416)**	**20,545,970**	**9,983,325**	**4,968,343**	**(13,242,355)**	**19,512,963**

** After deducting Repos.*

3.3. Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations arises from its financial liabilities as they fall due or to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill lending commitments.

3.3.1. Liquidity risk management process

the Bank’s liquidity management process, is carried by the assets and Liabilities Management Department and monitored independently by the Risk Management Department, which includes:
Projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto:

- The Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a diverse range of funding sources with back-up facilities.
- Monitoring balance sheet liquidity and advances to core funding ratios against internal and Central Bank of Egypt regulations.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting takes the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those assets projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Bank's Risk Management Department also monitors unmatched medium-term

3.3.2. Funding approach

Sources of liquidity are regularly reviewed jointly by the Bank's Assets & Liabilities Management Department and Consumer Banking to maintain a wide diversification within currencies, geographical area, depositors, products and tenors.

3.3.3. Non-derivative cash flows

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities and the maturities assumption for non contractual products are based on there behavior studies.

Dec.31, 2014	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total** EGP Thousands
Financial liabilities						
Due to banks	**1,095,684**	**-**	**35,701**	**-**	**-**	**1,131,385**
Due to customers	**19,043,624**	**18,440,963**	**41,652,782**	**41,041,666**	**1,795,924**	**121,974,959**
Long term loans	**36,598**	**21,049**	**143,678**	**41,553**	**-**	**242,878**
Total liabilities (contractual and non contractual maturity dates)	**20,175,906**	**18,462,012**	**41,832,161**	**41,083,219**	**1,795,924**	**123,349,222**
Total financial assets (contractual and non contractual maturity dates)	**20,615,797**	**17,495,479**	**39,589,765**	**52,400,429**	**13,549,584**	**143,651,054**

Dec.31, 2013	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	1,373,410	-	-	-	-	1,373,410
Due to customers	14,262,658	14,355,336	31,020,534	36,171,294	1,035,861	96,845,683
Long term loans	28,091	5,314	49,299	49,449	-	132,153
Total liabilities (contractual and non contractual maturity dates)	15,664,159	14,360,650	31,069,833	36,220,743	1,035,861	98,351,246
Total financial assets (contractual and non contractual maturity dates)	16,226,911	11,735,431	29,841,047	41,734,406	14,830,199	114,367,994

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from CBE and due from banks, treasury bills, other government notes , loans and advances to banks and customers.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt instrument and treasury bills and other governmental notes have been pledged to secure liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

3.3.4. Derivative cash flows

Derivatives settled on a net basis

the Bank's derivatives that will be settled on a net basis include:

Foreign exchange derivatives: exchange traded options and over-the-counter (OTC) ,exchange traded forwards currency options.

Interest rate derivatives: interest rate swaps, forward rate agreements, OTC and exchange traded interest rate options, other interest rate contracts and exchange traded futures .

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

EGP Thousands

Dec.31, 2014	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total
Liabilities						
Derivatives financial instruments						
- Foreign exchange derivatives	20,477	22,965	22,065	9	-	**65,516**
- Interest rate derivatives	-	259	-	7,998	63,402	**71,659**
Total	**20,477**	**23,224**	**22,065**	**8,007**	**63,402**	**137,175**

Off balance sheet items

Dec.31, 2014	Up to 1 year	1-5 years	Over 5 years	Total
Letters of credit, guarantees and other commitments	15,614,673	7,769,366	1,925,921	**25,309,960**
Total	**15,614,673**	**7,769,366**	**1,925,921**	**25,309,960**

	Up to 1 year	1-5 years	Over 5 years	Total
Loans commitments (Customers limit authorized not utilized)	16,376,222	1,494,023	191,099	**18,061,344**
Total	**16,376,222**	**1,494,023**	**191,099**	**18,061,344**

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

The table below summarizes the book value and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Book value		Fair value	
	Dec.31, 2014	Dec.31, 2013	**Dec.31, 2014**	Dec.31, 2013
Financial assets				
Due from banks	**9,521,999**	9,003,951	**9,521,999**	9,003,951
Gross loans and advances to banks	**132,673**	153,833	**132,673**	153,833
Gross loans and advances to customers				
- Individual	**8,523,485**	6,514,939	**8,523,485**	6,514,939
- Corporate	**44,468,522**	38,880,878	**44,468,522**	38,880,878
Financial investments				
Held to Maturity	**9,160,746**	4,197,177	**9,160,746**	4,197,177
Total financial assets	**71,807,425**	58,750,778	**71,807,425**	58,750,778
Financial liabilities				
Due to banks	**1,131,385**	1,373,410	**1,131,385**	1,373,410
Due to customers	**121,974,959**	96,845,683	**121,974,959**	96,845,683
Long term loans	**242,878**	132,153	**242,878**	132,153
Total financial liabilities	**123,349,222**	98,351,246	**123,349,222**	98,351,246

Due from banks

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

Loans and advances to banks

Loans and advances to banks represented in loans do not considering bank placing. The expected fair value of the loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate to determine fair value.

Loans and advances to customers

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

Financial Investments

Investment securities include only interest-bearing assets held to maturity assets classified as available for sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar maturity date.

3.5 Capital management

For capital management purposes, the Bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital. The Bank manages its capital to ensure that the following objectives are achieved:
- Compliance with the legally imposed capital 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.

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the banking supervision unit in the Central Bank of Egypt. The required data is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank.

Tier one:

Tier one, comprised of paid-in capital (after deducting the book value of treasury shares), retained earnings and reserves resulting from the distribution of profits except the banking risk reserve and deducting previously recognized goodwill and any retained losses

Tier two:

Represents the gone concern capital which comprised of general risk provision according to the impairment provision guidelines issued by the Central Bank of Egypt for to the maximum of 1.25% risk weighted assets and contingent liabilities ,subordinated loans with more than five years to maturity (amortizing 20% of its carrying amount in each year of the remaining five years to maturity) and 45% of the increase in fair value than book value for available for sale , held to maturity , subsidiaries and associates investments.

When calculating the numerator of capital adequacy ratio, the rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinated to no more than 50% of tier1.

Assets risk weight scale ranging from zero to 100% based on the counterparty risk to reflect the related credit risk scheme, taking into considration the cash collatrals. Similar criteria are used for off balance sheet items after adjusting it to reflect the nature of contingency and the potential loss of those amounts. The Bank has complied with all local capital adequacy requirements for the current year.

The tables below summarizes the compositions of teir 1, teir 2 and the capital adequacy ratio .

According to Basel II :

	Dec.31, 2014	Dec.31, 2013
	EGP Thousands	EGP Thousands
		Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	**9,081,734**	9,002,436
Reserves	**2,556,950**	2,553,824
Retained Earnings (Losses)	**(155,160)**	(155,168)
Total deductions from tier 1 capital common equity	**(625,080)**	(726,847)
Total qualifying tier 1 capital	**10,858,444**	10,674,245
Tier 2 capital		
45% of special reserve	**49**	1,123
45% of the Increase in fair value than the book value for available for sale and held to maturity investments	**15,763**	21,510
Impairment provision for loans and regular contingent liabilities	**879,836**	742,938
Total qualifying tier 2 capital	**895,648**	765,571
Total capital 1+2	**11,754,092**	11,439,816
Risk weighted assets and contingent liabilities		
Total credit risk	**70,426,788**	59,514,861
Total market risk	**3,179,692**	2,429,715
Total operational risk	**10,064,534**	8,135,709
Total	**83,671,014**	70,080,285
***Capital adequacy ratio (%)**	**14.05%**	16.32%

**Based on consolidated financial statement figures and in accordance with Centeral Bank of Egypt regulation issued on 24 December 2012.*

***After 2013 profit distribution.*

4. Critical accounting estimates and judgments

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

4.1. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on monthly basis a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%

4.2. 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 a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.3. Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (as models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

4.4 Held-to-Maturity investments

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This 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.

5. Segment analysis

5.1. By business segment

The Bank is divided into main business segments on a worldwide basis:

- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- Investment banking – incorporating financial instruments Trading, structured financing, Corporate leasing,and merger and acquisitions advice.
- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Others –Include other banking business, such as Assets Management.
- Transactions between the business segments are on normal commercial terms and conditions.

EGP Thousands

Dec.31, 2014	**Corporate banking**	**SME's**	**Investment banking**	**Retail banking**	**Total**
Revenue according to business segment	**5,341,245**	**922,342**	**110,965**	**1,967,225**	**8,341,777**
Expenses according to business segment	**(1,425,955)**	**(401,102)**	**(15,917)**	**(964,254)**	**(2,807,228)**
Profit before tax	**3,915,290**	**521,240**	**95,048**	**1,002,971**	**5,534,549**
Tax	**(1,292,163)**	**(170,703)**	**(1,760)**	**(328,467)**	**(1,793,093)**
Profit for the year	**2,623,127**	**350,537**	**93,288**	**674,504**	**3,741,456**
Total assets	**130,788,473**	**1,043,034**	**997,115**	**10,984,700**	**143,813,322**

Dec.31, 2013	Corporate banking	SME's	Investment banking	Retail banking	Total
Revenue according to business segment	4,433,072	698,163	291,098	1,666,363	7,088,696
Expenses according to business segment	(1,626,607)	(316,973)	(90,548)	(877,975)	(2,912,103)
Profit before tax	2,806,465	381,190	200,550	788,388	4,176,593
Tax	(802,003)	(119,972)	-	(248,130)	(1,170,105)
Profit for the year	2,004,462	261,218	200,550	540,258	3,006,488
Total assets	99,625,964	2,601,325	1,275,407	10,249,299	113,751,995

5.2. By geographical segment

EGP Thousands

Dec.31, 2014	**Cairo**	**Alex, Delta & Sinai**	**Upper Egypt**	**Total**
Revenue according to geographical segment	**7,052,514**	**1,027,532**	**261,731**	**8,341,777**
Expenses according to geographical segment	**(2,236,547)**	**(468,508)**	**(102,173)**	**(2,807,228)**
Profit before tax	**4,815,967**	**559,024**	**159,558**	**5,534,549**
Tax	**(1,557,762)**	**(183,077)**	**(52,254)**	**(1,793,093)**
Profit for the year	**3,258,205**	**375,947**	**107,304**	**3,741,456**
Total assets	**131,901,158**	**10,839,735**	**1,072,429**	**143,813,322**

Dec.31, 2013	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	6,082,889	907,098	98,709	7,088,696
Expenses according to geographical segment	(2,169,462)	(654,445)	(88,196)	(2,912,103)
Profit before tax	3,913,427	252,653	10,513	4,176,593
Tax	(1,084,006)	(82,660)	(3,439)	(1,170,105)
Profit for the year	2,829,421	169,993	7,074	3,006,488
Total assets	104,133,954	8,163,840	1,454,201	113,751,995

6 . Net interest income

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Interest and similar income		
- Banks	216,234	201,284
- Clients	4,341,742	3,915,077
	4,557,976	4,116,361
Treasury bills and bonds	6,856,847	5,234,075
Reverse repos	6,456	27,136
Financial investments in held to maturity and available for sale debt instruments	123,550	143,080
Other	-	45
Total	11,544,829	9,520,697
Interest and similar expense		
- Banks	(77,885)	(91,504)
- Clients	(5,209,827)	(4,345,498)
	(5,287,712)	(4,437,002)
Financial instruments purchased with a commitment to re-sale (Repos)	-	(25,580)
Other	(2,081)	(4,367)
Total	(5,289,793)	(4,466,949)
Net interest income	6,255,036	5,053,748

7 . Net fee and commission income

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Fee and commission income		
Fee and commissions related to credit	933,311	761,430
Custody fee	318,126	166,688
Other fee	640,682	507,989
Total	1,892,119	1,436,107
Fee and commission expense		
Other fee paid	(182,135)	(128,827)
Total	(182,135)	(128,827)
Net income from fee and commission	1,709,984	1,307,280

8 . Dividend income

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Available for sale securities	32,270	16,915
Total	32,270	16,915

9 . Net trading income

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Profit (losses) from foreign exchange	258,844	442,009
Profit (losses) from revaluations of trading assets and liabilities in foreign currencies	2,340	4,293
Profit (Loss) from forward foreign exchange deals revaluation	(6,266)	(20,513)
Profit (Loss) from interest rate swaps revaluation	(1,282)	(1,098)
Profit (Loss) from currency swap deals revaluation	(38,002)	4,096
Trading debt instruments	501,421	332,508
Trading equity instruments	1,206	6,097
Total	718,261	767,392

10 . Administrative expenses

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
. 1.Staff costs		
- Wages and salaries	**(955,765)**	(858,674)
- Social insurance	**(44,716)**	(34,796)
- Other benefits	**(38,531)**	(32,516)
. 2.Other administrative expenses	**(836,660)**	(648,383)
Total	**(1,875,672)**	(1,574,369)

11 . Other operating (expenses) income

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Profits (Losses) from non-trading assets and liabilities revaluation	**3,396**	89,858
Profits (losses) from selling property, plant and equipment	**2,106**	741
Release (charges) of other provisions	**(281,805)**	(133,066)
Others	**(433,832)**	(396,439)
Total	**(710,135)**	(438,906)

12 . Impairment (charge) release for credit losses

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Loans and advances to customers	**(588,794)**	(915,582)
Total	**(588,794)**	(915,582)

13 . Adjustments to calculate the effective tax rate

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Profit after settlement	**5,536,338**	4,176,481
Tax rate	**30% - 25%**	25.00%
Income tax based on accounting profit	**1,660,851**	1,044,120
Add / (Deduct)		
Non-deductible expenses	**27,023**	55,869
Tax exemptions	**(55,634)**	(71,694)
Effect of provisions	**166,302**	140,691
Depreciation	**(5,449)**	1,117
Income tax	**1,793,093**	1,170,103
Effective tax rate	**32.39%**	28.02%

* *An additional temporary tax was imposed for three years starting year 2014 by tax rate 5% over one million Egyptian pound from the taxable income amount on the juridical persons' income as per the law no. 44 of 2014.*

14 . Earning per share

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Net profit for the year available for distribution	**3,644,902**	2,716,110
Board member's bonus	**(54,674)**	(40,742)
Staff profit sharing	**(364,490)**	(271,611)
* **Profits shareholders' Stake**	**3,225,738**	2,403,757
Number of shares	**908,173**	908,173
Basic earning per share	**3.55**	2.65
By issuance of ESOP earning per share will be:		
Number of shares including ESOP shares	**924,749**	919,211
Diluted earning per share	**3.49**	2.62

* *Based on separate financial statement profits.*

15 . Cash and balances with Central Bank

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Cash	2,109,660	1,674,626
Obligatory reserve balance with CBE		
- Current accounts	5,392,596	3,121,614
Total	7,502,256	4,796,240
Non-interest bearing balances	7,502,256	4,796,240

16 . Due from banks

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Current accounts	1,017,373	630,961
Deposits	8,504,626	8,372,990
Total	9,521,999	9,003,951
Central banks	4,297,194	3,225,196
Local banks	1,112,318	757,539
Foreign banks	4,112,487	5,021,216
Total	9,521,999	9,003,951
Non-interest bearing balances	420,477	163,772
Fixed interest bearing balances	9,101,522	8,840,179
Total	9,521,999	9,003,951
Current balances	9,521,999	9,003,951
Total	9,521,999	9,003,951

17 . Treasury bills and other governmental notes

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
91 Days maturity	8,539,354	6,534,713
182 Days maturity	8,293,655	7,197,086
364 Days maturity	15,107,327	11,010,950
Unearned interest	(1,469,221)	(1,077,320)
Total 1	30,471,115	23,665,429
Reverse repos treasury bonds	77,775	-
Total 2	77,775	-
Net	30,548,890	23,665,429

18 . Trading financial assets

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Debt instruments		
- Governmental bonds	3,335,297	2,047,967
- Other debt instruments	35,147	48,871
Total	3,370,444	2,096,838
Equity instruments		
- Companies shares	-	8,883
- Mutual funds	150,806	136,008
Total	150,806	144,891
- Portfolio managed by others	241,468	53,491
Total financial assets for trading	3,762,718	2,295,220

19 . Loans and advances to banks

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Time and term loans	132,673	153,833
Less:Impairment provision	(14,582)	(21,411)
Total	118,091	132,422
Current balances	93,035	102,220
Non-current balances	25,056	30,202
Total	118,091	132,422

Analysis for impairment provision of loans and advances to banks

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Beginning balance	21,411	29,299
Charge (release) during the year	(6,915)	(9,225)
Exchange revaluation difference	86	1,337
Ending balance	14,582	21,411

20 . Loans and advances to customers

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Individual		
- Overdraft	1,438,217	1,173,943
- Credit cards	1,010,014	765,624
- Personal loans	5,729,054	4,181,386
- Mortgages	325,266	383,144
- Other loans	20,934	10,842
Total 1	8,523,485	6,514,939
Corporate		
- Overdraft	6,598,541	4,910,811
- Direct loans	25,008,383	24,125,579
- Syndicated loans	12,645,169	9,630,556
- Other loans	216,429	109,232
Total 2	44,468,522	38,776,178
Total Loans and advances to customers (1+2)	52,992,007	45,291,117
Less:		
Unamortized bills discount	(5,568)	(6,635)
Impairment provision	(3,441,757)	(2,842,840)
Unearned interest	(859,052)	(708,390)
Net loans and advances to customers	48,685,630	41,733,252
Distributed to		
Current balances	21,190,611	16,679,527
Non-current balances	27,495,019	25,053,725
Total	48,685,630	41,733,252

Analysis for impairment provision of loans and advances to customers

	Individual					
Dec.31, 2014	**Overdraft**	**Credit cards**	**Personal loans**	**Real estate loans**	**Other loans**	**Total**
Beginning balance	**9,231**	**8,391**	**82,661**	**13,784**	**3,209**	**117,276**
Charged (Released) during the year	**1,318**	**635**	**(1,538)**	**(5,362)**	**17,725**	**12,778**
Write off during the year	**-**	**(7,245)**	**-**	**-**	**-**	**(7,245)**
Recoveries during the year	**1**	**5,653**	**30**	**-**	**-**	**5,684**
Ending balance	**10,550**	**7,434**	**81,153**	**8,422**	**20,934**	**128,493**

	Corporate				
Dec.31, 2014	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Beginning balance	**334,202**	**1,953,331**	**433,064**	**4,967**	**2,725,564**
Charged (Released) during the year	**155,711**	**221,618**	**205,719**	**(117)**	**582,931**
Write off during the year	**-**	**(19,982)**	**-**	**-**	**(19,982)**
Recoveries during the year	**-**	**4,285**	**-**	**-**	**4,285**
Exchange revaluation difference	**1,850**	**13,174**	**5,442**	**-**	**20,466**
Ending balance	**491,763**	**2,172,426**	**644,225**	**4,850**	**3,313,264**

	Individual					
Dec.31, 2013	Overdraft	Credit cards	Personal loans	Real estate loans	Other loans	Total
Beginning balance	10,753	8,328	74,436	13,377	1,091	107,985
Charged (Released) during the year	270	2,568	8,225	407	2,118	13,588
Write off during the year	(2,756)	(7,254)	-	-	-	(10,010)
Recoveries during the year	964	4,749	-	-	-	5,713
Ending balance	9,231	8,391	82,661	13,784	3,209	117,276

	Corporate				
Dec.31, 2013	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Beginning balance	209,551	1,242,016	336,569	5,102	1,793,238
Charged (Released) during the year	118,563	663,120	129,671	(135)	911,219
Write off during the year	-	(6,811)	(81,425)	-	(88,236)
Recoveries during the year	-	13,906	31,418	-	45,324
Exchange revaluation difference	6,088	41,100	16,831	-	64,019
Ending balance	334,202	1,953,331	433,064	4,967	2,725,564

21 . Derivative financial instruments

21.1 . Derivatives

The Bank uses the following financial derivatives for non hedging purposes.

Forward contracts represents commitments of buying foreign and local currencies including unexecuted spot transactions. Future contracts for foreign currencies and/or interest rates represents contractual commitments to receive or pay net on the basis of changes in foreign exchange rates or interest rates, and/or buying or selling foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.

Credit risk is considered low, and future interest rate contracts represents future exchange rate contracts negotiated for case by case, these contracts requires financial settlements of any differences in contractual interest rates and prevailing market interest rates on future interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts)/ contractual amounts are not exchanged except for some foreign exchange contracts.

Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities. This risk is monitored continuously through comparisons of fair value and contractual amount, and to control the outstanding credit risk, The Bank evaluates other parties using the same methods as in borrowing activities.

Options contracts in foreign currencies and/or interest rates represents contractual agreements for the buyer (issuer) to seller (holders) as a right not an obligations whether to buy (buy option) or to sell (sell option) at a certain day or within certain period for a certain amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between The Bank and one of its clients (Off balance sheet). The Bank exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

The contractual value for some derivatives options considered a base to compare the realized financial instruments on the balance sheet, but it didn't provide indicator on the projected cash flows of the fair value for current instruments, those amounts doesn't reflects credit risk or interest rate risk.

Derivatives in The Banks benefit represent (assets) conversely it represents (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time and also the range through which the financial derivatives can be in benefit of The Bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. hereunder are the fair values of the booked financial derivatives.

21.1.1 . For trading derivatives

	Dec.31, 2014			Dec.31, 2013		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Foreign currencies derivatives						
- Forward foreign exchange contracts	**1,761,253**	**2,364**	**14,209**	1,250,176	13,376	18,955
- Currency swap	**3,928,336**	**19,857**	**47,594**	1,990,431	22,576	12,312
- Options	**319,390**	**3,887**	**3,713**	38,331	13,794	13,794
Total 1		**26,108**	**65,516**		49,746	45,061
Interest rate derivatives						
- Interest rate swaps	**278,504**	**1,575**	**434**	389,502	6,679	3,744
Total 2		**1,575**	**434**		6,679	3,744
- Commodity 3	**1,041**	**-**	**-**	-	-	-
Total assets (liabilities) for trading derivatives (1+2+3)		**27,683**	**65,950**		56,425	48,805

21.1.2 . Fair value hedge

	Dec.31, 2014			Dec.31, 2013		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Interest rate derivatives						
- Governmental debt instruments hedging	**621,189**	**-**	**63,402**	603,658	-	57,476
- Customers deposits hedging	**4,276,937**	**24,505**	**7,823**	3,847,747	46,660	8,598
Total 4		**24,505**	**71,225**		46,660	66,074
Total financial derivatives (1+2+3+4)		**52,188**	**137,175**		103,085	114,879

21.2 . Hedging derivatives

21.2.1 . Fair value hedge

The Bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate governmental debt instruments in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 63,402 thousand at December 31, 2014 against EGP 57,476 thousand at the December 31, 2013, Resulting in net losses form hedging instruments at December 31, 2014 EGP 5,926 thousand against net gain EGP 40,233 thousand at the December 31, 2013. Losses arises from the hedg items at December 31, 2014 reached EGP 232 thousand against losses arises EGP 48,857 thousand at December 31, 2013.

The Bank uses interest rate swap contracts to cover part of the risk of potential increase in fair value of its fixed rate customers deposits in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 16,682 thousand at the end of December 31, 2014 against EGP 38,063 thousand at December 31, 2013, Resulting in net losses form hedging instruments at December 31, 2014 EGP 21,380 thousand against net losses EGP 52,093 thousand at December 31, 2013. Gains arises from the hedged items at December 31, 2014 reached EGP 45,094 thousand against gains EGP 60,224 thousand at December 31 , 2013.

22 . Financial investments

	Dec.31, 2014	Dec.31, 2013
Available for sale	**EGP Thousands**	EGP Thousands
- Listed debt instruments with fair value	**27,249,861**	22,556,423
- Listed equity instruments with fair value	**87,770**	86,327
- Unlisted instruments	**364,491**	735,354
Total	**27,702,122**	23,378,104
Held to maturity		
- Listed debt instruments	**9,133,233**	4,169,664
- Unlisted instruments	**27,513**	27,513
Total	**9,160,746**	4,197,177
Total financial investment	**36,862,868**	27,575,281
- Actively traded instruments	**35,617,223**	25,972,996
- Not actively traded instruments	**1,245,645**	1,602,285
Total	**36,862,868**	27,575,281
Fixed interest debt instruments	**35,211,927**	25,801,806
Floating interest debt instruments	**1,171,168**	1,097,845
Total	**36,383,095**	26,899,651

	Available for sale financial investments	Held to maturity financial investments	Total
			EGP Thousands
Beginning balance	21,177,428	4,215,788	25,393,216
Addition	7,463,492	-	7,463,492
Deduction (selling - redemptions)	(4,519,339)	(18,611)	(4,537,950)
Exchange revaluation differences for foreign financial assets	124,231	-	124,231
Profit (losses) from fair value difference	(834,814)	-	(834,814)
Impairment (charges) release	(32,894)	-	(32,894)
Ending Balance	23,378,104	4,197,177	27,575,281
Beginning balance	**23,378,104**	**4,197,177**	**27,575,281**
Addition	**9,079,241**	**4,963,569**	**14,042,810**
Deduction (selling - redemptions)	**(4,854,894)**	**-**	**(4,854,894)**
Exchange revaluation differences for foreign financial assets	**38,176**	**-**	**38,176**
Profit (losses) from fair value difference	**121,246**	**-**	**121,246**
Impairment (charges) release	**(59,751)**	**-**	**(59,751)**
Ending Balance	**27,702,122**	**9,160,746**	**36,862,868**

22.1 . Profit (Losses) from financial investments

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Profit (Loss) from selling available for sale financial instruments	**83,131**	4,363
Impairment release (charges) of available for sale equity instruments	**(59,751)**	(32,894)
Impairment release (charges) of associates	**(52,480)**	-
Profit (Loss) from selling held to maturity debt investments	**(22)**	(141)
Total	**(29,122)**	(28,672)

23 . Investments in associates

Dec.31, 2014	**Company's country**	**Company's assets**	**Company's liabilities (without equity)**	**Company's revenues**	**Company's net profit**	**Investment book value**	**Stake %**
Associates						**EGP Thousands**	
- Commercial International Life Insurance	**Egypt**	**2,861,447**	**2,762,148**	**267,286**	**8,671**	**59,500**	**45**
- Corplease	**Egypt**	**2,374,952**	**2,148,954**	**413,070**	**22,437**	**102,237**	**43**
- Haykala for investment	**Egypt**	**4,742**	**236**	**276**	**155**	**1,518**	**40**
- Egypt Factors	**Egypt**	**401,466**	**345,515**	**33,711**	**(1,488)**	**816**	**39**
- International Co. for Security and Services (Falcon)	**Egypt**	**141,818**	**102,994**	**148,811**	**8,229**	**17,590**	**40**
Total		**5,784,425**	**5,359,847**	**863,154**	**38,004**	**181,661**	

Dec.31, 2013	Company's Country	Company's Assets	Company's Liabilities (without equity)	Company's Revenues	Company's Net Profit	Investment book value	Stake %
Associates						EGP Thousands	
- Commercial International Life Insurance	Egypt	2,202,121	2,124,147	302,443	5,621	53,757	45
- Corplease	Egypt	1,921,221	1,723,877	378,253	16,885	88,282	43
- Haykala for Investment	Egypt	4,574	199	581	479	1,465	40
- Egypt Factors	Egypt	434,219	379,405	32,680	426	40,881	39
- International Co. for Security and Services (Falcon)	Egypt	126,868	104,633	120,222	5,344	8,367	40
Total		4,689,003	4,332,261	834,179	28,755	192,753	

24 . Investment property *

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Land No. A2-Q46 Al-koseer Marsa Allam	2,642	-
Land, warehouse, 9 property and 2 housing units Al-koseer Marsa Allam	65,950	-
Land No. M8A and M8A8 and M9A Al-koseer Marsa Allam	815,502	-
Total	884,094	-

** Including non registered properties by EGP 884,094 thousand which were acquired against settlement of loans to customers and legal procedures is taking to registered these properties or sell them during the legal period.*

25 . Other assets

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Accrued revenues	1,870,423	1,695,499
Prepaid expenses	109,115	123,119
Advances to purchase of fixed assets	145,170	134,327
Accounts receivable and other assets	1,653,149	910,752
Assets acquired as settlement of debts	27,351	29,942
Insurance and Testament	8,867	8,400
Total	3,814,075	2,902,039

26 . Property, plant and equipment

	Dec.31, 2014							
	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
								EGP Thousands
Beginning gross assets (1)	64,500	622,110	1,017,158	62,864	397,337	331,621	139,786	2,635,376
Additions (deductions) during the year	209	74,318	68,571	6,414	45,456	34,312	5,370	234,650
Ending gross assets (2)	64,709	696,428	1,085,729	69,278	442,793	365,933	145,156	2,870,026
Accu.depreciation at beginning of the year (3)	-	205,796	728,899	36,220	316,933	263,651	114,701	1,666,200
Current year depreciation	-	31,589	83,594	4,889	53,664	35,190	9,396	218,322
Accu.depreciation at end of the year (4)	-	237,385	812,493	41,109	370,597	298,841	124,097	1,884,522
Ending net assets (2-4)	64,709	459,043	273,236	28,169	72,196	67,092	21,059	985,504
Beginning net assets (1-3)	64,500	416,314	288,259	26,644	80,404	67,970	25,085	969,176
Depreciation rates		%5	%33.3	%20	%33.3	%20	%20	

Net fixed assets value on the balance sheet date includes EGP 65,376 thousand non registered assets while their registrations procedures are in process.

27 Due to banks

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Current accounts	945,684	1,038,717
Deposits	185,701	334,693
Total	**1,131,385**	1,373,410
Central banks	12,386	3,854
Local banks	221,043	313,338
Foreign banks	897,956	1,056,218
Total	**1,131,385**	1,373,410
Non-interest bearing balances	899,657	1,026,036
Fixed interest bearing balances	231,728	347,374
Total	**1,131,385**	1,373,410
Current balances	945,684	1,038,717
Non-current balances	185,701	334,693
Total	**1,131,385**	1,373,410

28 Due to customers

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Demand deposits	30,502,057	22,949,345
Time deposits	35,408,462	30,507,693
Certificates of deposit	31,001,139	25,259,129
Saving deposits	21,603,688	16,786,188
Other deposits	3,459,613	1,343,328
Total	**121,974,959**	96,845,683
Corporate deposits	61,934,339	48,299,668
Individual deposits	60,040,620	48,546,015
Total	**121,974,959**	96,845,683
Non-interest bearing balances	33,961,670	24,292,673
Fixed interest bearing balances	88,013,289	72,553,010
Total	**121,974,959**	96,845,683
Current balances	88,300,091	70,206,368
Non-current balances	33,674,868	26,639,315
Total	**121,974,959**	96,845,683

29 Long term loans

	Interest rate %	Maturity date	Maturing through next year EGP Thousands	Balance on Dec.31, 2014 EGP Thousands	Balance on Dec.31, 2013 EGP Thousands
Financial Investment & Sector Cooperation (FISC)	3.5 - 5.5 depends on maturity date	3-5 years	-	-	556
Environmental Compliance Project (ECO)	3.5 - 5.5 depends on maturity date	3-5 years	1,315	1,690	-
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	83,811	105,075	31,380
Social Fund for Development (SFD)	3 months T/D or 9% which is more		57,222	136,113	100,217
Total			142,348	**242,878**	132,153

30 . Other liabilities

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Accrued interest payable	**629,260**	564,961
Accrued expenses	**515,716**	351,866
Accounts payable	**1,171,126**	481,478
Other credit balances	**293,350**	78,652
Total	**2,609,452**	1,476,957

31 . Other provisions

Dec.31, 2014	**Beginning balance**	**Charged amounts**	**Exchange revaluation difference**	**Utilized amounts**	**Reversed amounts**	**Ending balance** EGP Thousands
Provision for income tax claims	**14,045**	**8,210**	**-**	**(110)**	**-**	**22,145**
Provision for legal claims	**29,048**	**13,143**	**18**	**(1,318)**	**(456)**	**40,435**
Provision for Stamp Duty	**31,000**	**-**	**-**	**-**	**-**	**31,000**
Provision for contingent	**362,721**	**261,689**	**(3,863)**	**-**	**-**	**620,547**
* **Provision for other claim**	**17,885**	**3,682**	**(12)**	**(5,370)**	**-**	**16,185**
Total	**454,699**	**286,724**	**(3,857)**	**(6,798)**	**(456)**	**730,312**

Dec.31, 2013	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance EGP Thousands
Provision for income tax claims	14,962	3,625	-	(4,542)	-	14,045
Provision for legal claims	28,620	1,322	2	(754)	(142)	29,048
Provision for Stamp Duty	-	31,000	-	-	-	31,000
Provision for contingent	257,901	88,074	16,746	-	-	362,721
Provision for other claim	14,006	8,936	31	(5,088)	-	17,885
Total	315,489	132,957	16,779	(10,384)	(142)	454,699

Total

* *Provision for other claim formed on December 31, 2014 amounted to EGP 3,682 thousand to face the potential risk of banking operations against amount EGP 8,936 thousand on December 31, 2013 .*

32 . Equity

32.1 Capital

The authorized capital reached EGP 20 billion according to the extraordinary general assembly decision on March 17, 2010.

Issued and Paid in Capital reached EGP 9,081,734 thousand to be divided on 908,173 thousand shares with EGP 10 par value for each share based on:

- Increase issued and Paid in Capital by amount EGP 33,119 thousand on July 31, 2011 in according to Board of Directors decision on November 10,2010 by issuance of second tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 37,712 thousand on April 9, 2012 in according to Board of Directors decision on December 22,2011 by issuance of third tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 29,348 thousand On April 7,2013 to reach EGP 6,001,624 thousand according to Board of Directors decision on october 24,2012 by issuance of fourth tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 3,000,812 thousand on December 5, 2013 according to Board of Directors decision on May 15 ,2013 by distribution of a one share for every two outstanding shares by capitalizing on the General Reserve.
- Increase issued and Paid in Capital by amount EGP 79,299 thousand On March 23,2014 to reach EGP 9,081,734 thousand according to Board of Directors decision on December 10, 2013 by issuance of fourth tranch for E.S.O.P program.
- The Extraordinary General Assembly approved in the meeting of June 26, 2006 to activate a motivating and rewarding program for the Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2006 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- The Extraordinary General Assembly approved in the meeting of April 13,2011 continue to activate a motivating and rewarding program for The Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2011 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- Dividend deducted from shareholders' equity in the Year that the General Assembly approves the dispersment the shareholders of this dividend, which includes staff profit share and remuneration of the Board of Directors stated in the law.

32.2 Reserves

According to The Bank status 5% of net profit is to increase legal reserve until it reaches 50% of The Bank's issued and paid in capital.
Central Bank of Egypt concurrence for usage of special reserve is required.

33 . Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets (Liabilities) Dec.31, 2014	Assets (Liabilities) Dec.31, 2013
	EGP Thousands	EGP Thousands
Fixed assets (depreciation)	**(28,456)**	(25,569)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	**17,970**	12,531
Other investments impairment	**82,888**	49,219
Reserve for employee stock ownership plan (ESOP)	**49,335**	47,376
Total	**121,737**	83,557

34 . Share-based payments

According to the extraordinary general assembly meeting on June 26, 2006, The Bank launched new Employees Share Ownership Plan (ESOP) scheme and issued equity-settled share-based payments. Eligible employees should complete a term of 3 years of service in The Bank to have the right in ordinary shares at face value (right to share) that will be issued on the vesting date, otherwise such grants will be forfeited. Equity-settled share-based payments are measured at fair value at the grant date, and expensed on a straight-line basis over the vesting period (3 years) with corresponding increase in equity based on estimated number of shares that will eventually vest(True up model). The fair value for such equity instruments is measured using of Black-Scholes pricing model.

Details of the rights to share outstanding during the year are as follows:

	Dec.31, 2014 No. of shares in thousand	Dec.31, 2013 No. of shares in thousand
Outstanding at the beginning of the year	**23,918**	15,440
Granted during the year	**7,038**	12,245
Forfeited during the year	**(1,154)**	(832)
Exercised during the year	**(7,930)**	(2,935)
Outstanding at the end of the year	**21,872**	23,918

Details of the outstanding tranches are as follows:

Maturity date	EGP **Exercise price**	EGP **Fair value ***	**No. of shares in thousand**
2015	10.00	6.65	9,475
2016	10.00	16.84	5,636
2017	10.00	22.84	6,761
Total			**21,872**

The fair value of granted shares is calculated using Black-Scholes pricing model with the following:

	8th tranche	**7th tranche**
Exercise price	10	10
Current share price	32.58	34.57
Expected life (years)	3	3
Risk free rate %	12.4%	14%
Dividend yield%	3.07%	2.89%
Volatility%	35%	40%

Volatility is calculated based on the daily standard deviation of returns for the last three years.

35 . Reserves and retained earnings (losses)

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Legal reserve	621,084	490,365
General reserve	1,850,496	406,090
Retained earnings (losses)	(155,160)	(546,531)
Special reserve	28,108	27,367
Reserve for A.F.S investments revaluation difference	(593,236)	(720,479)
Banking risks reserve	2,513	1,991
Total	1,753,805	(341,197)

35.1 . Banking risks reserve

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Beginning balance	1,991	103,717
Transferred from profits	522	(101,726)
Ending balance	2,513	1,991

35.2 . Legal reserve

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Beginning balance	490,365	380,349
Transferred from previous year profits	130,719	110,016
Ending balance	621,084	490,365

35.3 . Reserve for A.F.S investments revaluation difference

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Beginning balance	(720,479)	153,365
Unrealized gains (losses) from A.F.S investment revaluation	127,243	(873,844)
Ending balance	(593,236)	(720,479)

35.4 . Retained earnings (losses)

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Beginning balance	(546,531)	(568,853)
Dividend previous year	-	(1,002)
Change in owner ship percentage	9	(146)
Transferred to retained earnings (losses)	391,362	23,470
Ending balance	(155,160)	(546,531)

36 . Cash and cash equivalent

	Dec.31, 2014 EGP Thousands	Dec.31, 2013 EGP Thousands
Cash and balances with Central Bank	7,502,256	4,804,974
Due from banks	9,521,999	9,003,951
Treasury bills and other governmental notes	30,548,890	23,665,429
Obligatory reserve balance with CBE	(3,497,164)	(3,224,659)
Due from banks (time deposits) more than three months	(5,007,462)	(5,148,331)
Treasury bills with maturity more than three months	(22,110,185)	(17,212,738)
Total	16,958,334	11,888,626

37 . Contingent liabilities and commitments

37.1 . Legal claims

There are a number of existing cases filed against the bank on December 31,2014 without provision as it's not expected to make any losses from it.

37.2 . Capital commitments

37.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 26,991 thousand as follows:

EGP Thousands	Investments value	Paid	Remaining
Available for sale financial investments	88,658	61,666	**26,991**

37.2.2 . Fixed assets and branches constructions

The value of commitments for the purchase of fixed assets contracts and branches constructions that have not been implemented till the date of financial statement amounted to EGP 21,801 thousand.

37.3 . Letters of credit, guarantees and other commitments

	Dec.31, 2014	Dec.31, 2013
	EGP Thousands	EGP Thousands
Letters of guarantee	**23,262,617**	14,959,323
Letters of credit (import and export)	**1,289,834**	750,766
Customers acceptances	**757,509**	472,351
Total	**25,309,960**	16,182,440

	Dec.31, 2014	Dec.31, 2013
	EGP Thousands	EGP Thousands
Loans commitments (Customers limit authorized not utilized)	**18,061,344**	17,335,889

38 Mutual funds

Osoul fund

- The Bank established an accumulated return mutual fund under license no.331 issued from capital market authority on February 22, 2005 CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 21,767,210 with redeemed value EGP 5,075,460 thousands.
- The market value per certificate reached EGP 233.17 on December 31, 2014.
- The Bank portion got 601,064 certificates with redeemed value EGP 140,150 thousands.

Istethmar fund

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on February 26, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 2,165,060 with redeemed value EGP 210,790 thousands.
- The market value per certificate reached EGP 97.36 on December 31, 2014.
- The Bank portion got 194,744 certificates with redeemed value EGP 18,960 thousands.

Aman fund (CIB and Faisal Islamic Bank Mutual Fund)

- The Bank and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on July 30, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 792,639 with redeemed value EGP 46,219 thousands.
- The market value per certificate reached EGP 58.31 on December 31, 2014.
- The Bank portion got 71,943 certificates with redeemed value EGP 4,195 thousands.

Hemaya fund

- CIB bank established an accumulated return mutual fund under license no.585 issued from financial supervisory Authority on June 23, 2010. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 170,505 with redeemed value EGP 25,893 thousands.
- The market value per certificate reached EGP 151.86 on December 31, 2014.
- The Bank portion got 50,000 certificates with redeemed value EGP 7,593 thousands.

Thabat fund

- CIB bank established an accumulated return mutual fund under license no.613 issued from financial supervisory authority on September 13, 2011. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 1,128,851 with redeemed value EGP 163,604 thousands.
- The market value per certificate reached EGP 144.93 on December 31, 2014.
- The Bank portion got 52,404 certificates with redeemed value EGP 7,595 thousands.

39 . Transactions with related parties

All banking transactions with related parties are conducted in accordance with the normal banking practices and regulations applied to all other customers without any discrimination.

39.1. . Loans, advances, deposits and contingent liabilities

	EGP Thousands
Loans and advances	930,665
Deposits	461,488
Contingent liabilities	118,289

39.2. . Other transactions with related parties

	Income	Expenses
	EGP Thousands	EGP Thousands
International Co. for Security & Services	911	49,296
Corplease Co.	41,715	31,338
Commercial International Life Insurance Co.	5,028	3,300

40 . Main currencies positions

	Dec.31, 2014	Dec.31, 2013
	EGP Thousands	EGP Thousands
Egyptian pound	**(141,124)**	(34,719)
US dollar	**63,391**	6,897
Sterling pound	**(279)**	21,249
Japanese yen	**20**	242
Swiss franc	**(442)**	(297)
Euro	**2,348**	2,247

41 . Tax status

Corporate income tax

The Bank's corporate income tax position has been examined, paid and settled with the tax authority from the start up of operations up to the end of year 1984.

Corporate income tax for the years from 1985 up to 2000 has been examined, paid and settled according to the tax appeal committee decision and the disputes are under discussion in the court of law.

The Bank's corporate income tax position has been examined, paid and settled with the tax authority from Year 2001 up to Year 2006.

The Bank's corporate income tax position has been examined and paid with the tax authority from Year 2007-2012.

Salary tax

The Bank's salary tax has been examined, paid and settled from the beginning of the activity until the end of 2010.

The Bank's salary tax has been examined and paid for the period 2011-2012.

The Bank's salary tax under examination for the year 2013.

Stamp duty tax

The Bank stamp duty tax has been examined and paid from the beginning of the activity until 31/7/2006 and the disputes are under discussion in the court of law and the tax appeal committee.

The Bank stamp duty tax were examined stamp tax for the period from 1/8/2006 until 31/12/2010 according to law No. 143 for the year 2006 points of disagreement were converted into internal committee.

The Bank's stamp duty tax position under examination for the period from 2011 untill the first quarter of 2013.

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