

# EDBE

Export Development Bank of Egypt



Annual Report **2014 - 2015**

# Index



- **Message from the Chairman**

- **About the Bank**

- **Board of Directors**

- **Organization Chart**

- **Economic Conditions**

- Global Economy
- Local Economy

- **Key Figures**

- **Business Strategy**

- International Relations
- Corporate Lending Project Financing and Syndicated Loans
- Small and Medium Size Enterprises
- Investment Activities
- Treasury
- Central Banking Operations
- Branches Network and Retail Banking
- Assets
- Value-Added
- Governance
- Governance, Compliance and International Standards

- Operational Risk Management

- Recovery and Swap Assets

- Banking Investigation

- Legal Affairs

- Internal Audit

- Information Technology

- Human Resources

- Corporate Social Responsibility and Business Community Support

- Branches

- **Financial Indicators:**

- Auditors' Report

- Separate Balance Sheet

- Separate Income Statement

- Separate Statement of Cash Flows

- Separate Changes in Shareholders' Equity Statement

- Statement of Profit Appropriation

- Notes to the Separate Financial Statements

- Consolidated Balance Sheet

- Consolidated Income Statement

- Notes to the Consolidated Financial Statements

## Message from the Chairman:

On behalf of the Board of Directors, I have the pleasure to present EBE Annual Report for FY 2014/2015.

Guided by EBE's long term strategy, a strong management team, continuous staff diligent efforts and perseverance, a remarkable consistent growth in earnings was achieved for the year. In fact, our commitment to long term sustainable growth is engraved within all of us.

Amongst worldwide and local economic challenges, Egypt's outlook and rating were improved, as accredited by the international rating agencies thanks to the government's ongoing commitment to fiscal and economic reforms. Further collaborative efforts are required to support the long-term growth of Egypt's GDP and the private sector development.

In line with the banking sector efforts to contribute to the success story of Egypt's sustainable economic development and business growth, EBE is committed to maintain required growth and provide the full possible support to our clients and to the business sector at large, setting this as a mission and one of EBE's main targets.

Concurrently, EBE continued with strengthening its corporate value, recording an annual increase of 23% in its earnings, while fostering its asset liability metrics, to

book a growth of 17%, and undertaking security and control initiatives in a challenging environment on the economic aspects.

Over the past year, with the support of our board and shareholders, further initiatives were undertaken:

- Embarking on Internet Banking initiatives to serve the best interest of clients and increase bank services.
- Expanding geographically to increase outreach and accessibility to a larger clientele base.
- Launching further retail products, broadening ATM and branch network.
- Consolidating internal security measures and governance structure.

Effective corporate governance is an important foundation for EBE's strong performance and is fundamental to our success. It provides proper oversight and accountability, strengthens internal and external relationships, builds trust with our stakeholders and promotes long-term interests of shareholders.

Finally, I would like to thank our Board for their support and oversight, our shareholders for their confidence, our clients for their trust and fruitful cooperation and our staff for their continuous efforts to make our vision come true.

**Mohamed Ismail AlShareef**

Chairman





## About the Bank

[← Back To Index ..](#)



### Legal Status:

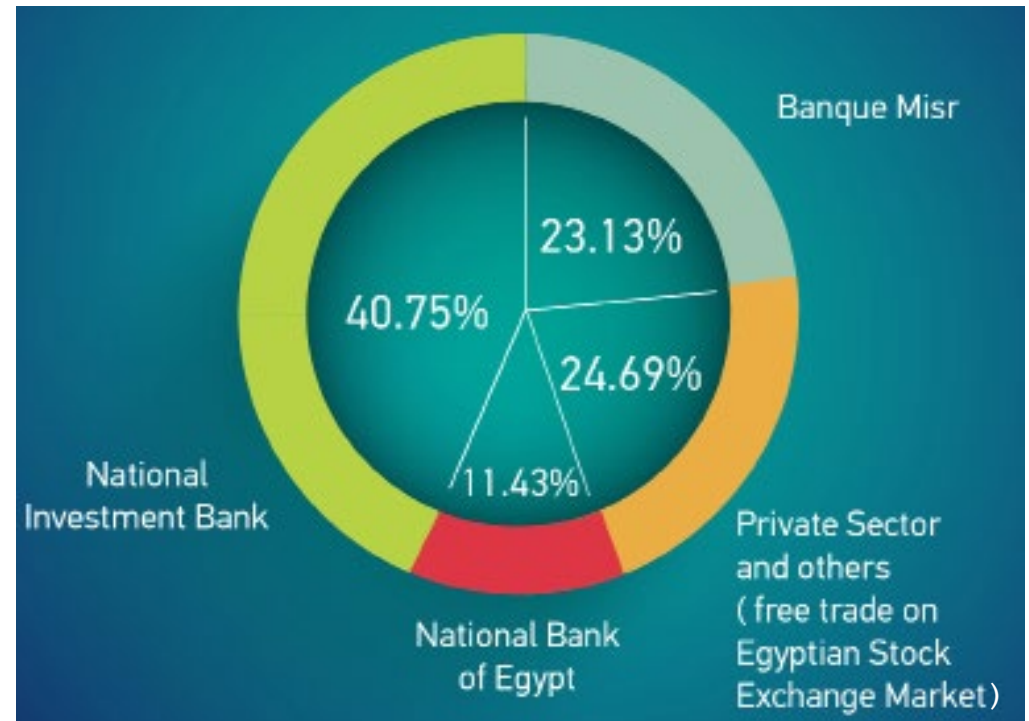
The Bank is an Egyptian Joint-Stock Company established under Law 95 of 1983. It is subject to the regulations of the Central Bank of Egypt (CBE) and the law of financial and Banking system, no. 88 for 2003. As an Egyptian Joint-Stock Company, it is also subject to the provisions of Law 159 for 1981, promulgating the law on joint stock companies, companies limited by shares and limited liability companies, unless otherwise provided in the law establishing the Bank, without prejudice to the provisions thereof.

### Capital and Shareholders:

The authorized capital of the Bank is EGP 2 billion, and the issued and paid-up capital amounts to EGP 1.440 billion. All the Bank shares are of nominal value and indivisible equaling EGP 10 per share. The Bank is fully owned by Egyptians, as foreign ownership is prohibited. According to the provisions of Article no. 6 of the law of the Bank, Law 95 of 1983 public shareholding should contribute no less than 75% of the paid-up capital.

### The capital structure of the Bank is as follows:

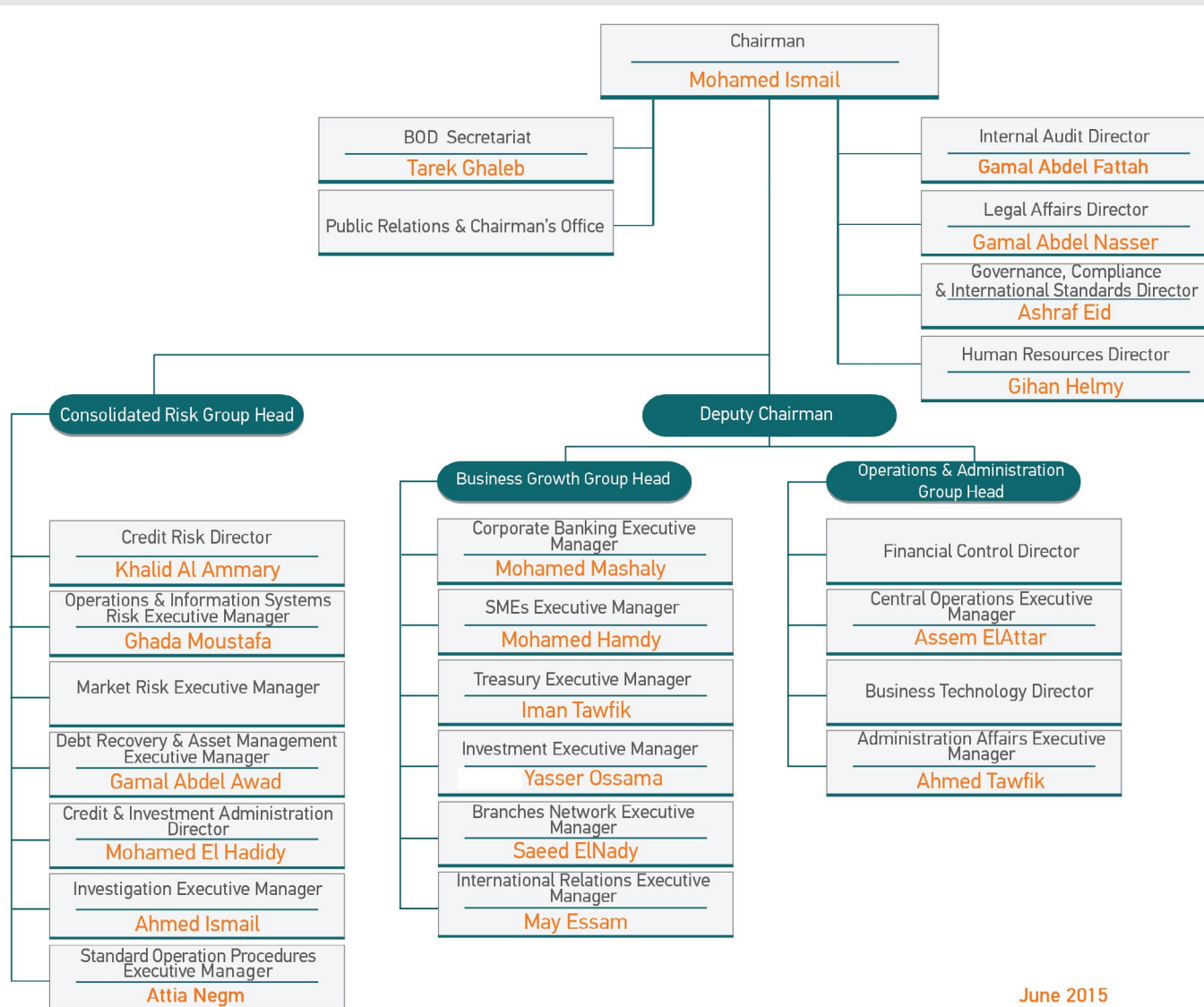
National Investment Bank	40.75%
Banque Misr	23.13%
National Bank of Egypt	11.43%
Private Sector and others (free trade on Egyptian Stock Exchange Market)	24.69%





## Board of Directors

Mr. Mohamed Ismail AlShareef	Chairman
Mr. Mahmoud Hamed Mahmoud EL-Lithy	Representative National Investment Bank
Mr. Ashraf Magdy Mohamed Ahmed	Representative of National Investment Bank
Mr. Ahmed Abdel-Ghany Mohamed Ismaeel	Representative of National Investment Bank
Mr. Salah El-Din Abdel Halim Mohamed	Representative of Private Sector
Dr. Samir Youssef Aly El-Sayyad	Specialist Board Member
Mr. El Sayyed M. Mohamed Abu El-Komssan	Specialist Board Member
Mr. Mounir Atnass Mikhael Habashy	Representative of National Bank of Egypt



June 2015



## Economic Conditions

[← Back To Index ..](#)





## Global Economy:

The follows is among the most important indices that were included in the report of the International Monetary Fund in July 2015 of the horizons of the global economy:

- The report of the International Monetary Fund pointed out that it is expected for the global rate of growth to reach 3.3% in 2015 with the occurrence of gradual improvement in the advanced economies and a slowdown in the emerging and developing economies. It is expected that the growth will rise in 2016 to reach 3.8%.
- The expectations point out to the rise in the growth of the advanced economies from 1.8% in 2014 to 2.1% in 2015 to reach 2.4 in 2016. The economic recovery in the Eurozone seems to be largely on the right track. The growth expectations for many economies of the Eurozone were raised by it is weighted that the developments that are witnessed by Greece would lead to adverse effects on the economic activity compared to previous expectations.
- It is expected for the growth in the emerging and developing economies to slowdown from 4.6% in 2014 to 4.2% in 2015. This slowdown reflects the effects entailing on the drop in the prices of primary goods and the increase in tightness of the external financial conditions, especially in Latin America and the oil exporting countries, and in 2016 the rise in the growth in the economies of the emerging markets is expected to reach 4.7%, which is mostly attributable to the improvement in economic conditions expected in a number of economies experiencing bad financial conditions, including Russia and some economies of the Middle East Area and North Africa.





## Local Economy:

The preliminary indices that were issued by the Ministry of Planning showed a rise in the rates of the Gross Domestic Product during the period July – March of financial year 2014/2015 to reach 4.7% compared to approx. 1.6% during the previous year and that the Egyptian economy has started to recover after the reformatory procedures that were implemented by the government recently.

The economic reform procedures that Egypt has started to implement since last July included reducing the energy subsidy and raising taxes within the framework of its endeavor to activate the weary economy during the years of economic disturbances.

- **The budget of the state for financial year 2015/2016** was issued, where the most significant features are represented in focusing on achieving a quantum leap, bringing about tangible development in the social protection programs and improving the living conditions of the categories more worthy of care as well as developing slums, besides investments in the fields of the infrastructures in addition to continuing the supporting policies to control the rates of deficit and the public debt and complementing the march of structural reforms by their three targets comprising the achievement of equilibrium between propelling the rates of economic activity, rearranging the priorities of public spending in the manner that incites the rates of economic growth, raises local and foreign investments and lowers the rates of inflation; observing that the categories with higher income would bear the burdens of applying the reformatory procedures.

### -The growing confidence of international institutions in the Egyptian economy

**Fitch Ratings Inc.** has confirmed the credit rating of Egypt at the level of “B”. It also points out that international institutions have regained their confidence in the performance of the Egyptian economy that started with the start in implementing the economic reform program at the beginning of financial year 2014/2015.

- **The total debt of the budget** (local and foreign) amounted to approx EGP 2181 billion by the end of March 2015 (89.7% of the GDP) corresponding to EGP 1806 billion by the end of March 2014 (90.4% of the GDP).

- **The balance of the reserve of foreign** currencies with the Central Bank of Egypt rose to reach US\$ 20.08 billion by the end of June 2015 compared to US\$ 19.56 billion by the end of May 2015.

#### Source:

- Monthly financial report of the Ministry of Finance, June 2015
- Reuters.



## Key Figures

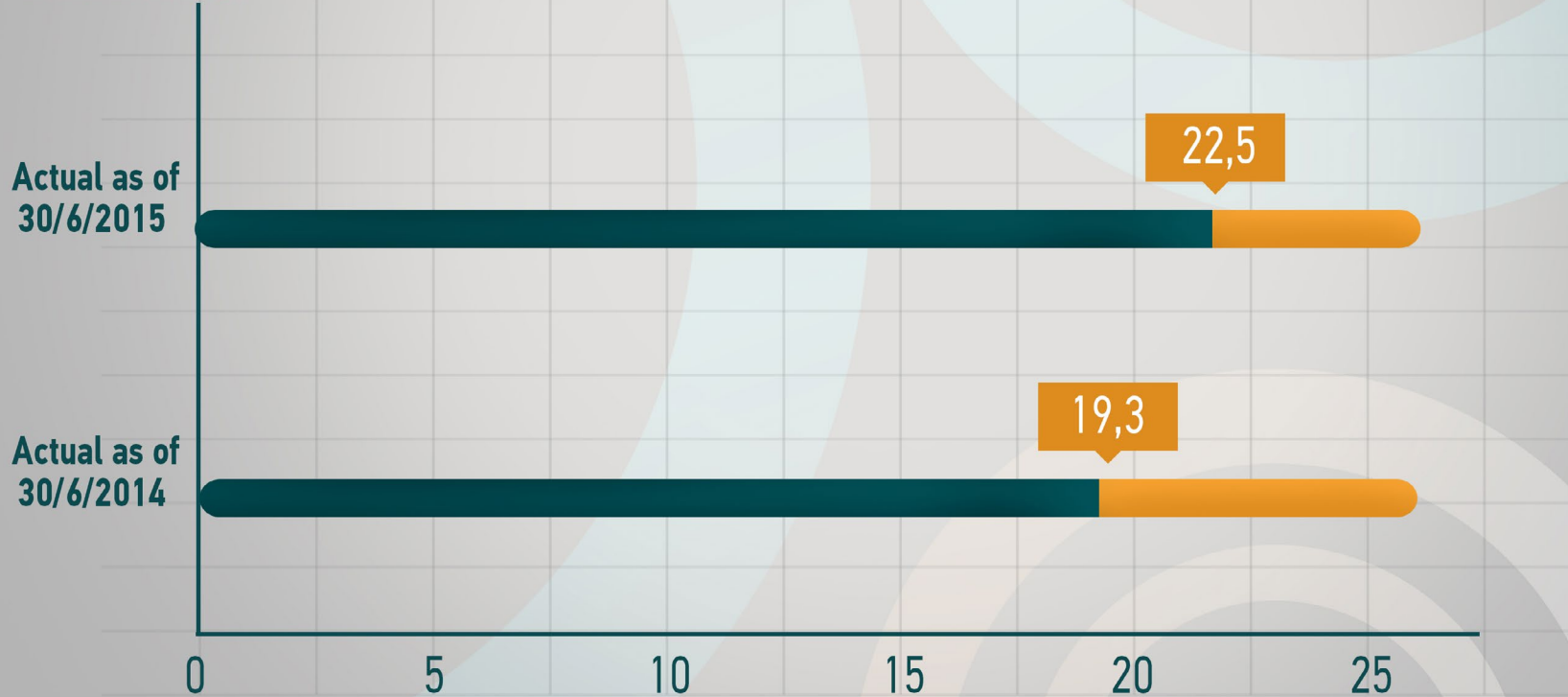
[← Back To Index ..](#)



## Total Assets Growth

30/06/2015	30/06/2014	Growth Amount	Growth Rate
22,5 billion	19,3 billion	3,2 billion	17%

Amounts in billions EGP

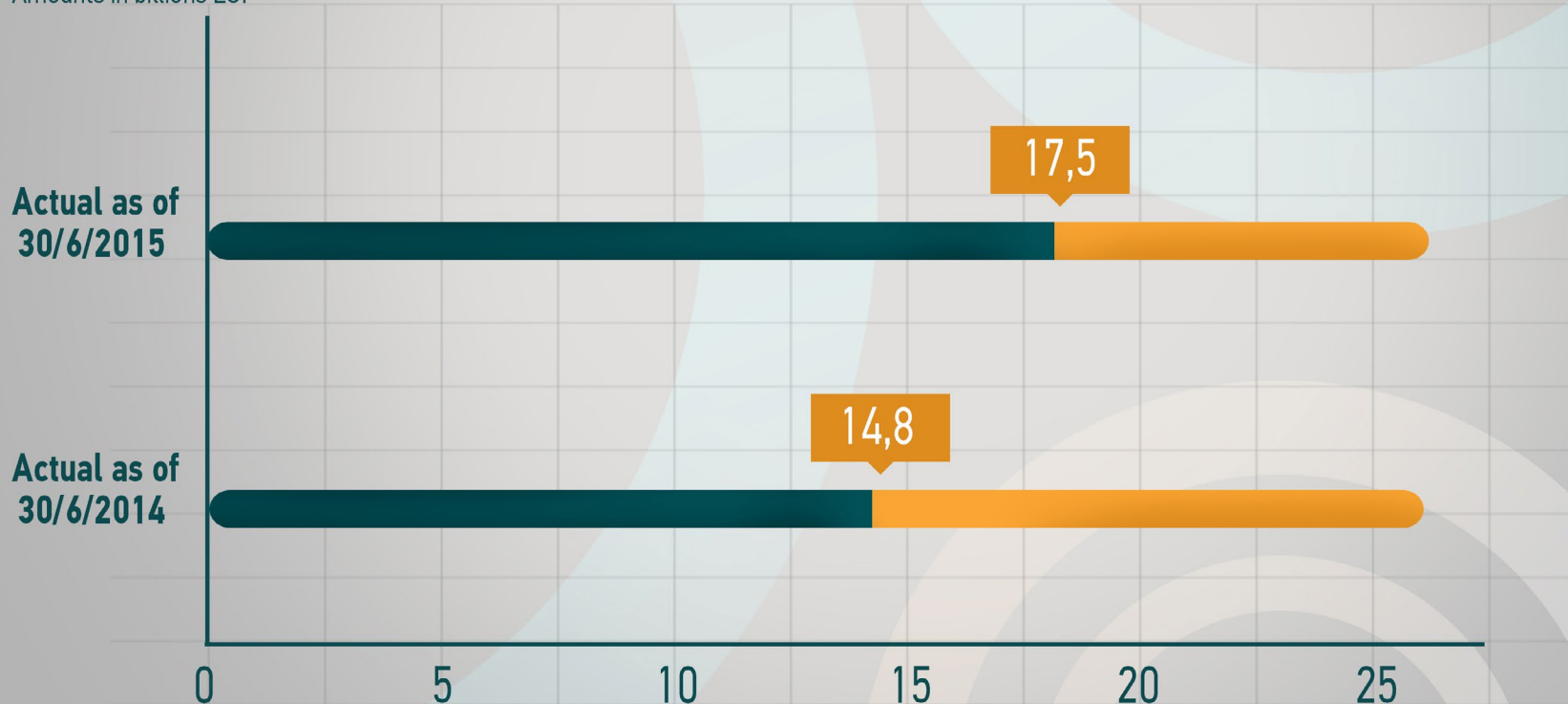




## Customers' Deposits Growth

30/06/2015	30/06/2014	Growth Amount	Growth Rate
17,5 billion	14,8 billion	2,7 billion	18%

Amounts in billions EGP

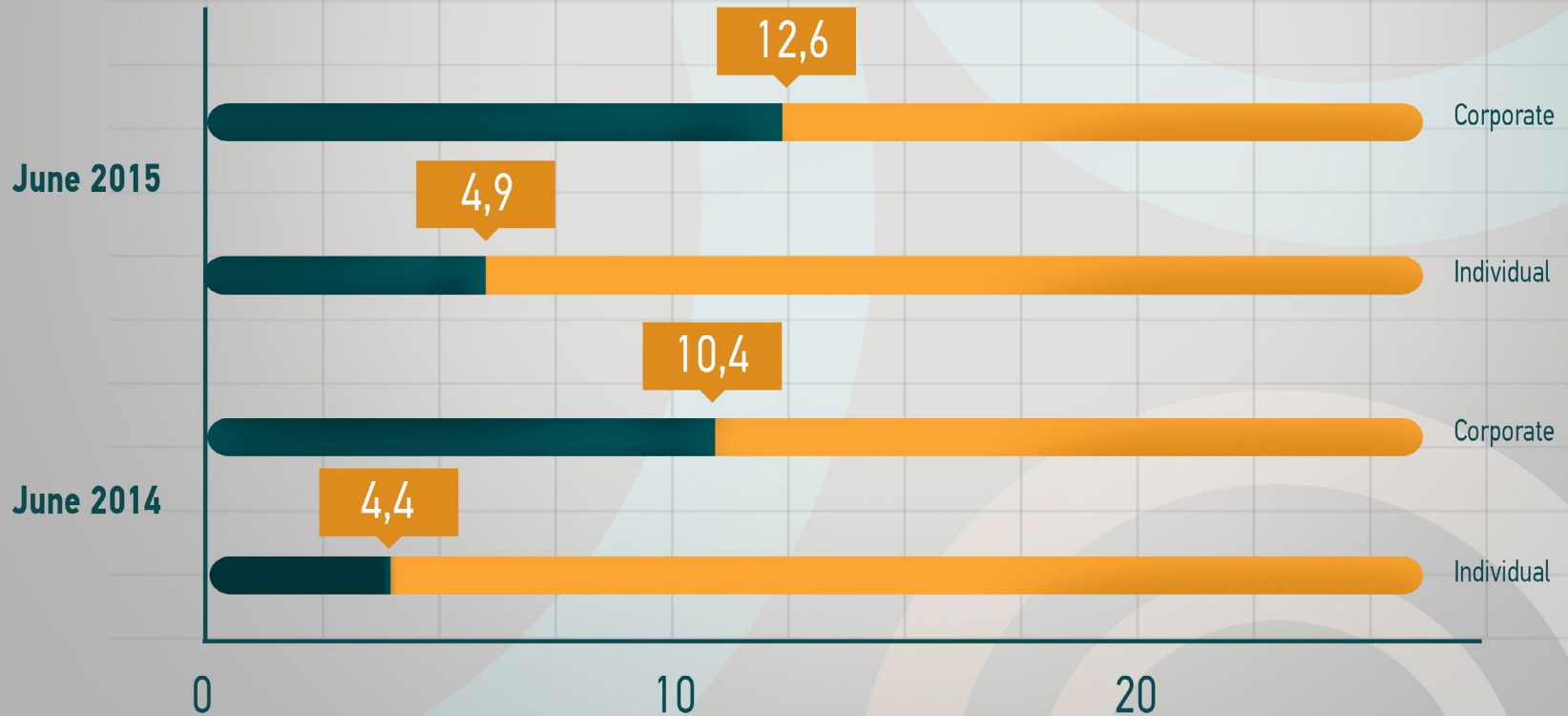




## Customer Deposits Distribution

2015		2014	
Corporate	Individuals	Corporate	Individuals
12,6	4,9	10,4	4,4

Amounts in billions EGP





## Total Loans and Advances Growth

30/06/2015	30/06/2014	Growth Amount	Growth Rate
10 billion	9,1 billion	0,9 billion	10%

Amounts in billions EGP





## Shareholder Growth

30/6/2015	30/6/2014	Growth Amount	Growth Rate
2,4 billion	2,3 billion	0,1 billion	7 %

Amounts in billions EGP



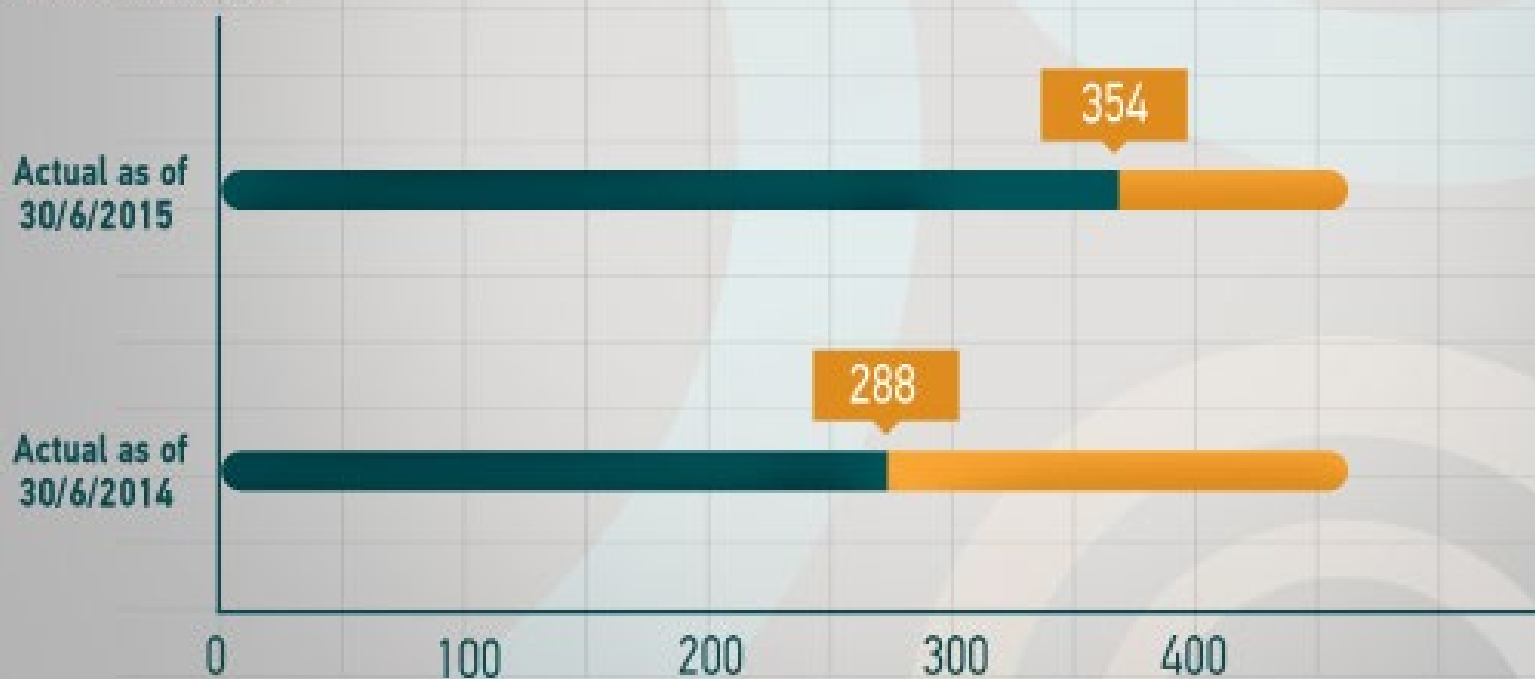




## Net Profit Growth

30/06/2015	30/06/2014	Growth Amount	Growth Rate
354 Million	288 Million	66 Million	23 %

Amounts in millions EGP





## Net Income from Fees & Commissions Growth

30/06/2015	30/06/2014	Growth Amount	Growth Rate
188 Million	154 Million	34 Million	22%

Amounts in millions EGP





## Net Interest Income Growth

Net Interest Income  
June 2015 - June 2014

EGP millions



June 2014



June 2015

Increase 29%



## Commissions & Other Income Growth

Commissions & other income  
June 2015 - June 2014

EGP millions



June 2014

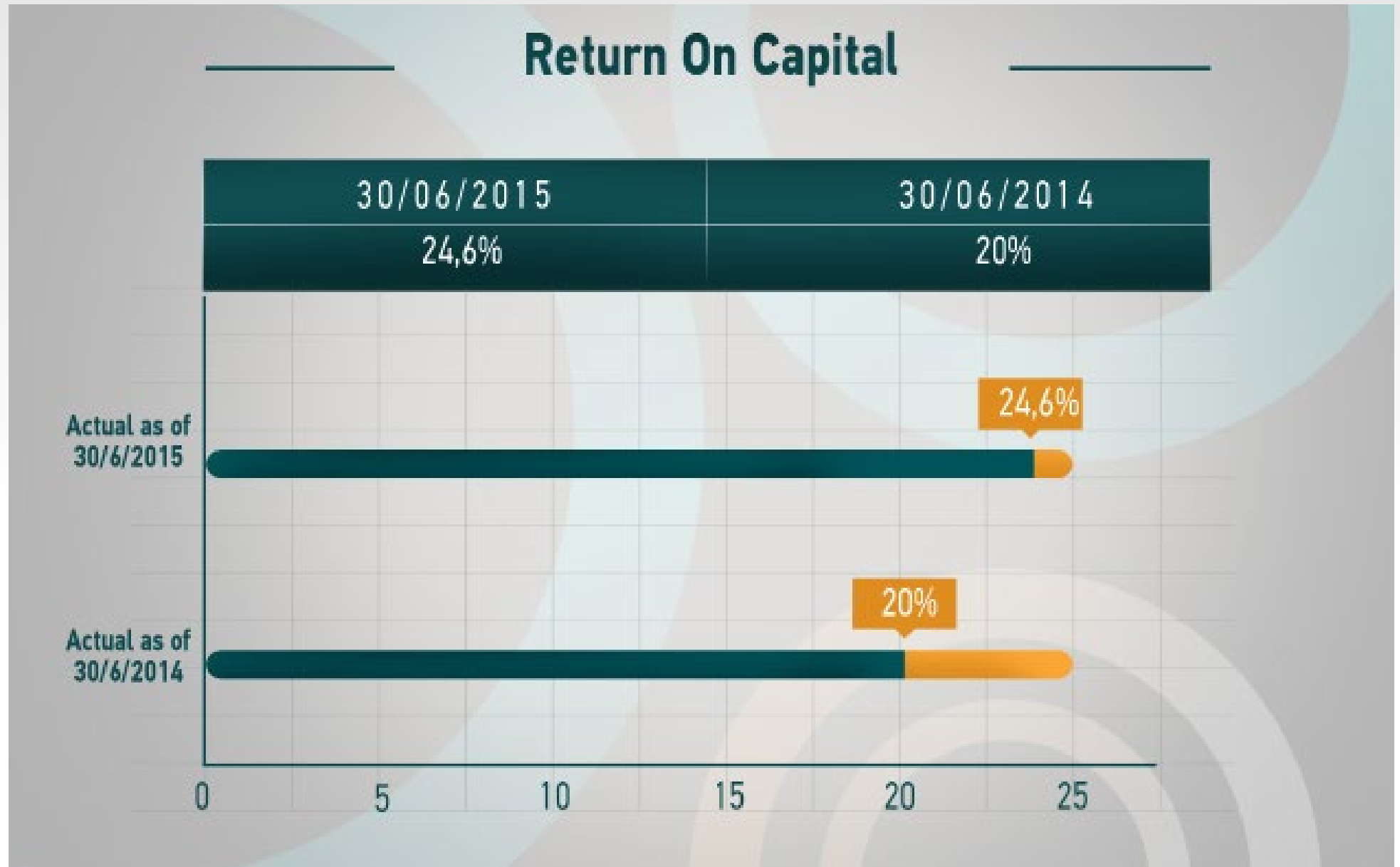


June 2015

Increase 19%

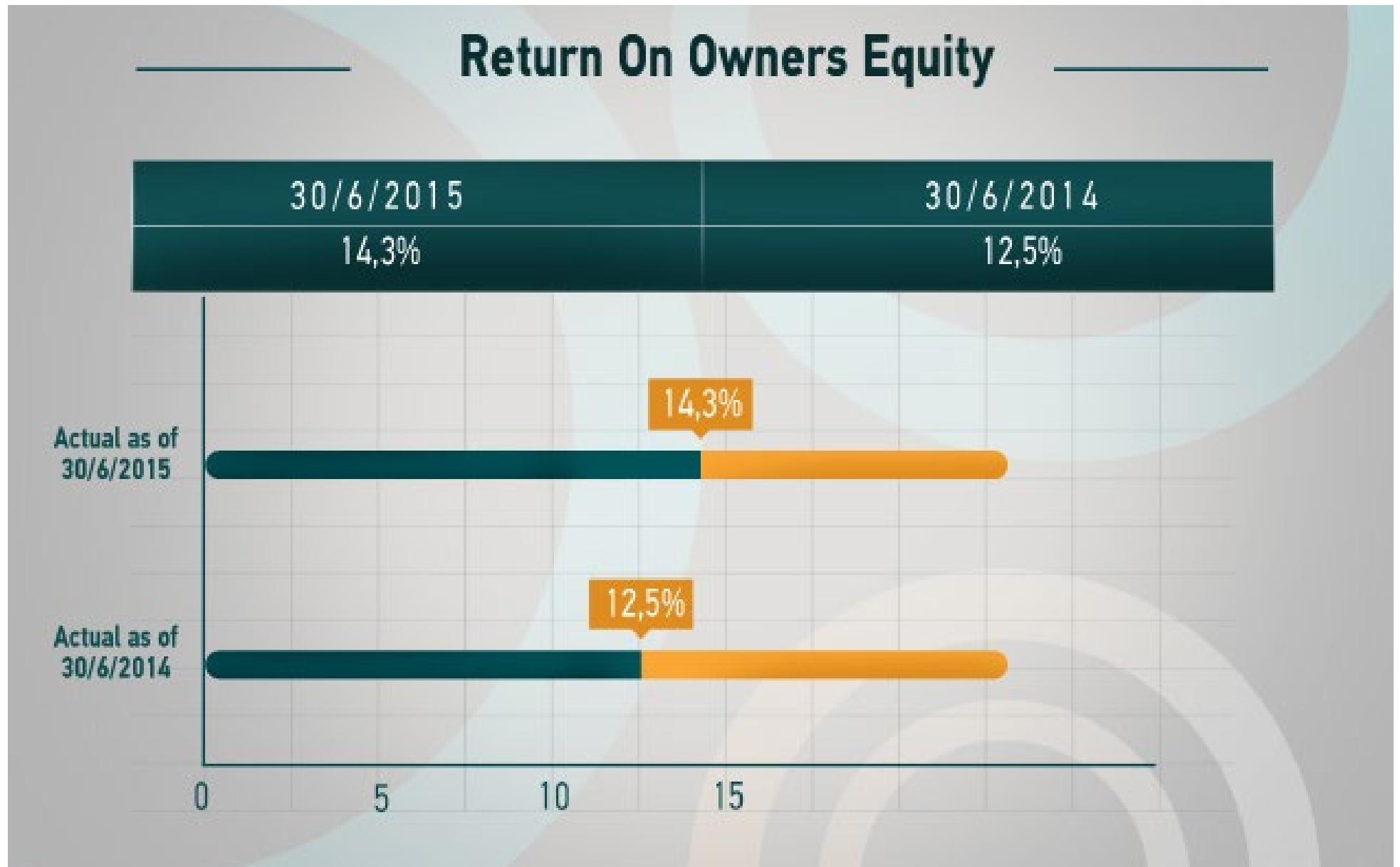


## Return On Capital





## Return On Owners Equity





## Return On Assets





## Capital Adequacy Ratio







# Business Strategy

[◀ Back To Index ..](#)



## International Relations:

**The International Relations Sector -IR-** continuously endeavors to build and maintain a solid base of foreign and local correspondents to fulfill its clients' requirements. In its efforts to maximize the Bank's profitability, the International Relations Sector explores and identifies new quality bank relationships focusing on target markets as stipulated by the Bank's strategy for growth.

**It also uses its correspondents' network** – banks and financial institutions – to expand its capabilities across countries beyond traditional payments and trade finance to further enhance the Bank's profitability.

**The IR sector continues to act as a liaison** for solving any problem issues arising between EBE clients and related Banks worldwide.

**Furthermore**, IR sector has successfully procured funding resources by means of bilateral loans to further boost the funding base of the Bank.

**It worthwhile mentioning** that for the third year in a row and in view of EBE's outstanding payments performance, the Bank has successfully fulfilled American and European correspondents' requirements regarding straight - through - processing (STP) thus earning their related annual awards.



## Corporate Lending Project Financing and Syndicated Loans:

1. Maintained confidence of non-exporting corporate clients, through supporting and providing them constantly with the needed foreign currency funds for importing activities.
2. Funding an exceptional exporting customers base with a wide and innovative array of financial schemes in line with the nation growth strategy which aims for:
  - Effectively and efficiently covering local market needs.
  - Creating new employment opportunities.
  - Exporting manufactured goods instead of exporting raw materials with no added value.
  - Providing foreign currency to the local market.

### Accomplishments of Corporate Lending Project Financing and Syndicated Loans in 2014/2015:

1. Our customer base has increased by nearly 6% through the fiscal year 2014-2015.
2. Expanding our direct portfolio with nearly EGP 1.1 billion with a 15.4% growth rate.
3. The industrial sector contributes to 68% of the corporate lending Project Financing and Syndicated Loan portfolio.
4. The outstanding balance of the Syndicated Loan portfolio reached EGP 1.9 billion by the end of the fiscal year 2014-2015.
5. The Syndicated Loan sector is specialized in funding mega industrial companies, the industrial sector contributes to 57% of the Syndicated Loan portfolio, while the service sector contributes to 43% of the Syndicated Loan portfolio.



• Accordingly, the strategy of corporate lending, project financing and syndicated loans during 2015-2016 will be as follows:

- Optimum utilization of credit facilities granted to existing clients and attracting potential exporting clients while maintaining and improving the portfolio's quality.
- Focusing on short-term facilities both direct and indirect that enhances foreign trade.
- Enhancing the integration between EBE and its subsidiary company (Export Credit Guarantee Company OF Egypt) through increasing the volume of cross selling.



One of the projects financed by the Bank



## Small and Medium Size Enterprises:

**SMEs** are considered one of the main propellers of economic growth and increasing employment capacities in developed and developing countries, they provide self-employment opportunities thus increasing employment rate as they need relatively low startup capital costs.

**SMEs** are considered the veins of major heavy industries as they provide them with all their components, thus helping to enhance economic growth in both developed and developing countries.

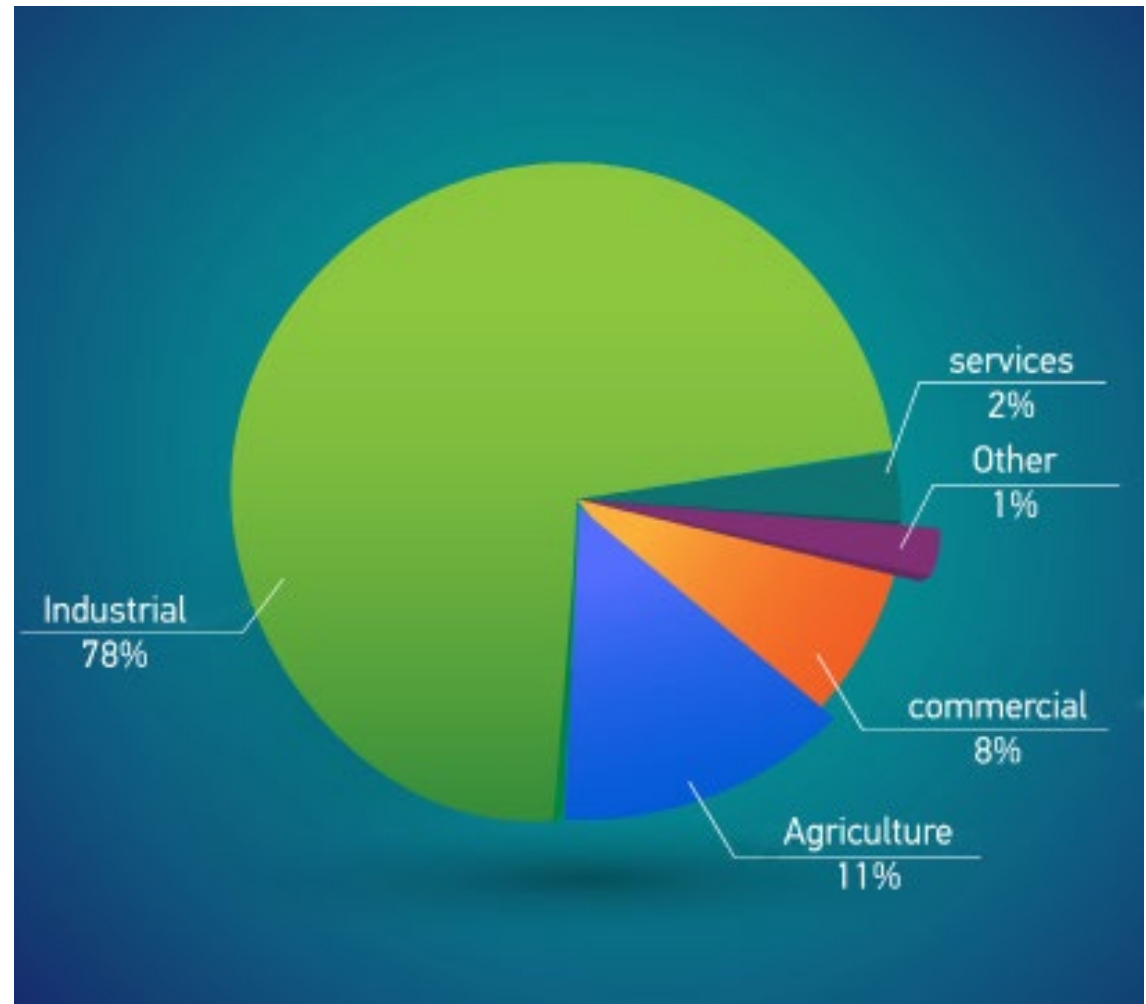
**SMEs** are the main locomotive for all industries since they represent 90% of the total operating companies contributing to 50% of GDP and providing 66% of the employment market.

As part of the leading role played by the banking sector in supporting **the SMEs** sector as well as providing the appropriate finance, EBE had the leading position among other banks to tap SMEs sector through signing an agreement in 2005 with IFC, the arm of the world bank providing technical assistance, risk assessment vehicles, setting policies, credit analysis procedures in addition to training programs for employees.

**Moreover** in 2011 EBE has signed an agreement with National Bank of Egypt to take part in the Danish Fund granted to finance environmental projects to help the SMEs to meet the environmental requirements.

**EBE's** interest in supporting and developing the SME's sector reflected by the increase in the SME's portfolio ( direct / indirect ) which witnessed an amount of EGP 571 million as at 30/6/2015 versus to EGP 465 million as at 30/6/2014 with growth rate of 23% knowing that this increase is distributed among various economic sectors.

The below chart gives an insight of the SMEs portfolio distribution among different economic sectors:





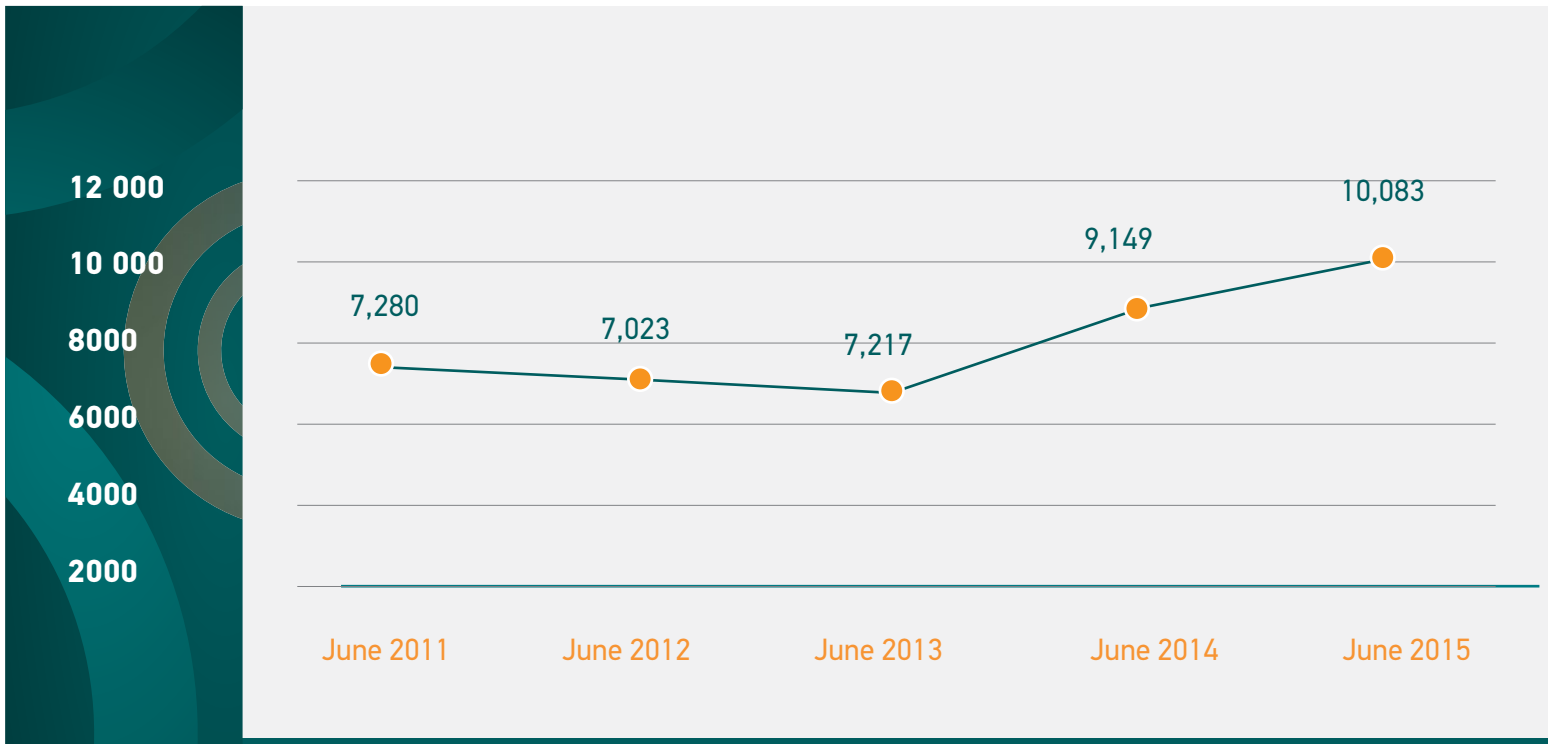
## Facilities and Loans Portfolio:

Facilities and Loans Portfolio increased from EGP 9,1 billion as of June 2014 to EGP 10 billion as of June 2015, by EGP 0,9 billion at a rate of 10,2%.

The Following table shows the development of Facilities and Loans Portfolio over past years:

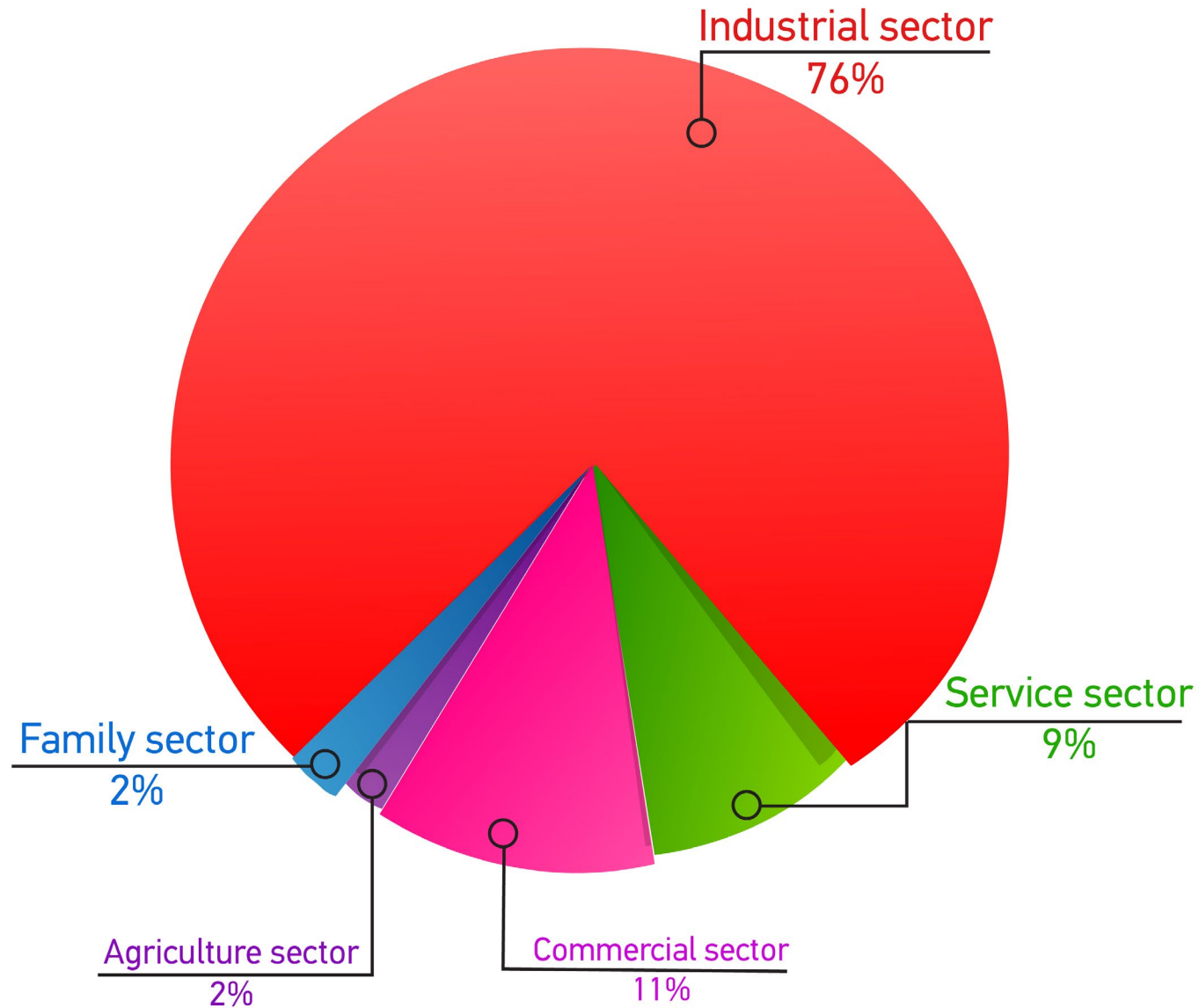
Amounts in EGP million

Description /Years	June 2011	June 2012	June 2013	June 2014	June 2015
Facilities and Loans Portfolio	7,280	7,023	7,217	9,149	10,083





The following chart shows the portfolio diversification according to the concentration of each economic sector as of 30/06/2015:





## Investment Activities:

### 1. Equity Participations:

**As of 30/6/2015, net direct investments in stocks, non-governmental bonds, and private equity funds amounted to EGP 1.8 billion. And within the scope of its prudent investment policy, which the Bank continued during this year also, EBE took part in two strategic investments:**

**[1]** The capital increase of African Export Import Bank, being one of the most important Financial Institutions that support intra-African and extra-African trade.

**[2]** The capital increase of “Tasneef”. A company that provides credit investigation and consultancy services pertaining to SMEs. EBE believes that this company will play a major role in the expansion of finance provided to SMEs.

On another note, some of EBE’s investments in private equity funds have reached a stage of maturity. Divestments concluded during the reported fiscal year achieved an effective annual yield in the vicinity of 38%.







## 2. Mutual Funds :

### **A- Export Development Bank of Egypt first mutual fund (The Expert fund ):**

The fund is one of the authorized banking activities under the capital market law No. 95 for the year 1992 and its executive regulations, HC for securities and investment is managing this fund, the fund certificates reached 1million certificate at foundation worth of EGP 100 million, out of these, 50,000 of the certificates were allocated to the Bank to undertake the funds' activity (with EGP 100 nominal value). The number of the outstanding certificates on the date of financial position was 522,815 certificates as the number of owned certificates by the Bank reached 79,191 certificates. The redemption value per certificate as of June 30th, 2015 amounted to EGP 75.43 and according to the funds' management contract and its prospectus, the Bank shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank, total commissions as at June 30th, 2015 including well performance commission amounted to EGP 700 Thousand presented under the item of "fee and commission income/other fees" caption in the income statement.

### **B - Export Development Bank of Egypt Fund -The Second - The Monetary:**

The fund is one of the authorized banking activities under the capital market law No. 95 for the year 1992 and its executive regulations, Rasmala Egypt Asset Management is managing this fund, the fund certificates reached 286746 thousand certificates at foundation worth of EGP 286746 thousand out of these 143,400 of the certificates were allocated to the Bank to undertake the funds' activity (with EGP 100 nominal value). The number of the outstanding certificates on the date of financial position was 2,610,807 as the number of owned certificates by the Bank reached 74,695 certificates. The redemption value per certificate as of June 30th,2015 amounted to EGP 208.2526 and total commissions amounted to EGP 2069 thousand as at June 30th, 2015 presented under the item of "fee and commission income/ other fees" caption in the income statement.

### **C- Export Development Bank of Egypt Fund - The Third:**

The fund is one of the authorized banking activities under the capital market law No. 95 for the year 1992 and its executive regulations; Prime Investments Asset Management is managing this fund, the fund certificates reached 612,501certificates at foundation worth of EGP 61250 thousand out of these 50,000 of the certificates were allocated to the Bank to undertake the funds' activity (with EGP 100 nominal value). The number of the outstanding certificates at the date of financial position was 417,136 certificates as the number of owned certificates by the Bank reached 50,000 certificates. The redemption value per certificate as of June 30th, 2015 amounted to EGP 136.2467 and total commissions amounted to EGP 353 thousand as at June 30th, 2015 presented under the item of "fee and commission income/ other fees" caption in the income statement.



## Treasury:

- In primary dealers field, the Bank achieved a volume of acceptance in Ministry of Finance auctions for Treasury securities during the fiscal year 2014/2015 amounting to EGP 15.13 billion which represents 123% of the required quota as per our share as a primary dealer in addition to commissions from primary dealer's activity that reached EGP 1.1 million.
- As to governmental securities secondary trading, profits reached EGP 2.6 million for the fiscal year 2014/2015.
- Treasury bonds & bills portfolio witnessed a growth of 37% rising from EGP 6.4 billion as of 30/06/2014 to EGP 8.8 billion at the end of June 2015.
- Foreign exchange profitability reached EGP 27.4 million during the fiscal year 2014/2015.



## Central Banking Operations:

Export Documentary credits were advised to the Bank's clients with a total amount of EGP 1,6 billion, part of which (EGP 453 million represents 28%) has been confirmed.

This ratio is one of the highest ratios in the level of Egyptian banks in confirming Export Documentary credits.

This reflects directly the ability of the Bank and existing competencies in the central banking operations to bear responsibilities, and take the risk of non-payment of the shipping documents value to the Egyptian exporters for reasons related to documents and its compliance with terms and conditions of the documentary credit. Export Shipping Documents has been negotiated through the Bank during this period with a total amount of EGP 3 billion.

The Bank discounted Export shipping documents with a total amount of EGP 82 million, paid to the exporters before maturity dates, in order to encourage exporters to get shipping documents value immediately after completion of the shipment process without waiting for the receipt of proceeds.

Improve the technical aspects for the foreign trade & documentary credits processes by joining staff of the central banking operations to the multinational training courses (Certificate for Documentary Credit Specialists - CDCS), which achieved 100% successes.





## Branches Network and Retail Banking:

**It is worth mentioning** that the Bank's future vision is to provide banking products and services at the level of unique and high quality of the services' standards which will fulfill all the desires and needs of customers.

**In addition**, in order to achieve this vision, the Bank presents all of its activity through widespread network of branches covers most regions and provinces all over the country, as well as many of ATMs located over unique and vital places, commercial centers and branches. Moreover, out of the keenness of the Bank to be present near the customers to easily provide its banking services and products to them through the following:

**-Branches Network:** Where the number of branches operating at the time being are 26 branches divided geographically to five regional areas, which are: East Cairo - West Cairo - Giza - Alexandria - Delta.

And where the strategic direction of the Bank aims to expand and spread branches in the near presence of customers, it is planned to reach 31 branches by the last quarter of 2015, after opening the branches under constructions to cover most areas all over the country, these branches are located in: 5th settlement, New Cairo, 90 street - North Investors Area, New Cairo - Port Said - Assiout - Nasr City. Moreover, it is also expected to open 11 new branches during the next year in different locations within the country.





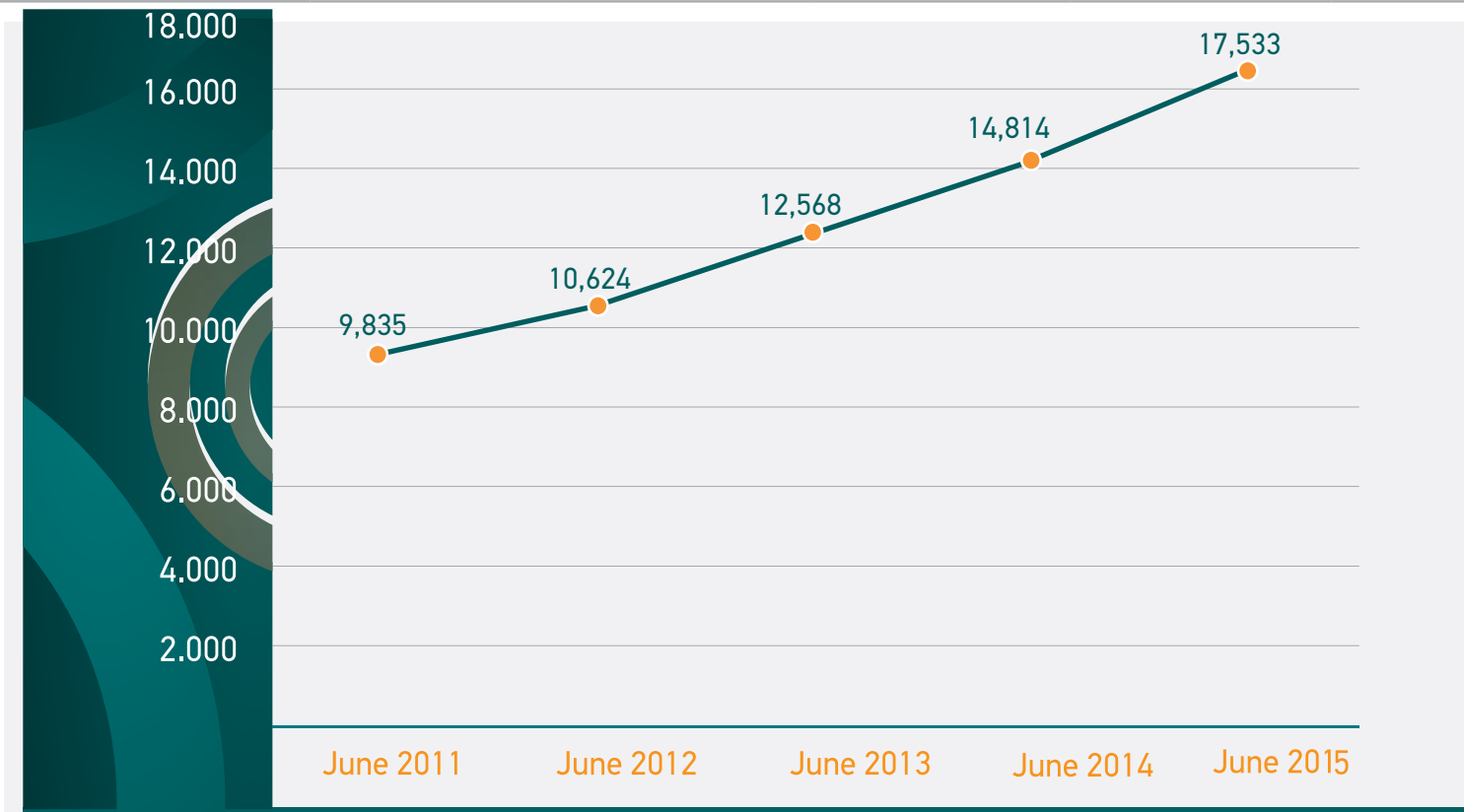
## Customer deposits:

customer deposits increased from EGP 14,8 billion as of June 2014 to 17,5 billion as of June 2015 by EGP 2,7 billion at a rate of 18.35%

The Following table shows the development of customers' deposits over the past years:

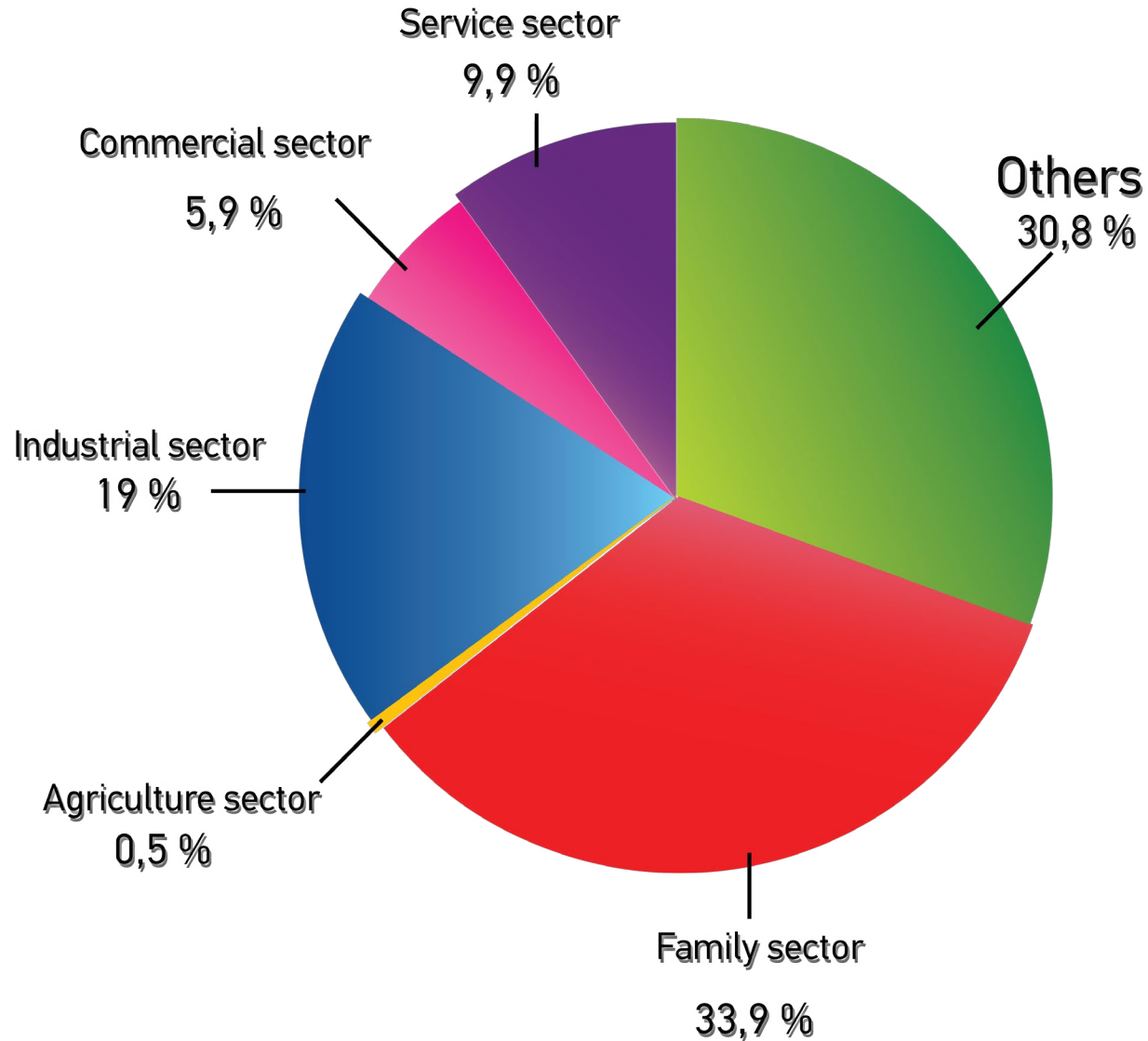
Amounts in EGP million

Description/Years	June 2011	June 2012	June 2013	June 2014	June 2015
Customers' Deposits	9,835	10,624	12,568	14,814	17,533





The following chart shows the distribution of the Bank's customers according to the economic sector as of 30/06/2015:





**-ATMs:** We've already increased our ATMs to reach 36 machines at the time being and it is expected to be increased over the next year (2015/2016) to reach 50 machines.

**-Banking Services and Products:** However, in terms of the Bank's keenness on customer satisfaction to meet different needs we're providing a wide variety of banking products and services developed with competitive prices made especially for our customers, for example: deposits - savings certificates in various currencies and tenors - many types of mutual funds - saving accounts - Credit Cards - Debit Cards - Call Center - in the process to start e-banking services.... Etc.

### **Mortgage Finance:**

Besides, the Bank starts to activate the initiative of the Central Bank of Egypt for mortgage finance for low and middle income customers while the bank is targeting to finance this activity up to the amount of EGP 25 million during the next year, and this in the light of the keenness of the Bank and his belief in social responsibility which lies upon himself to contribute to the revitalization of the real estate market and support the needs of the low and middle-income clients to get housing units at supported interest rates.





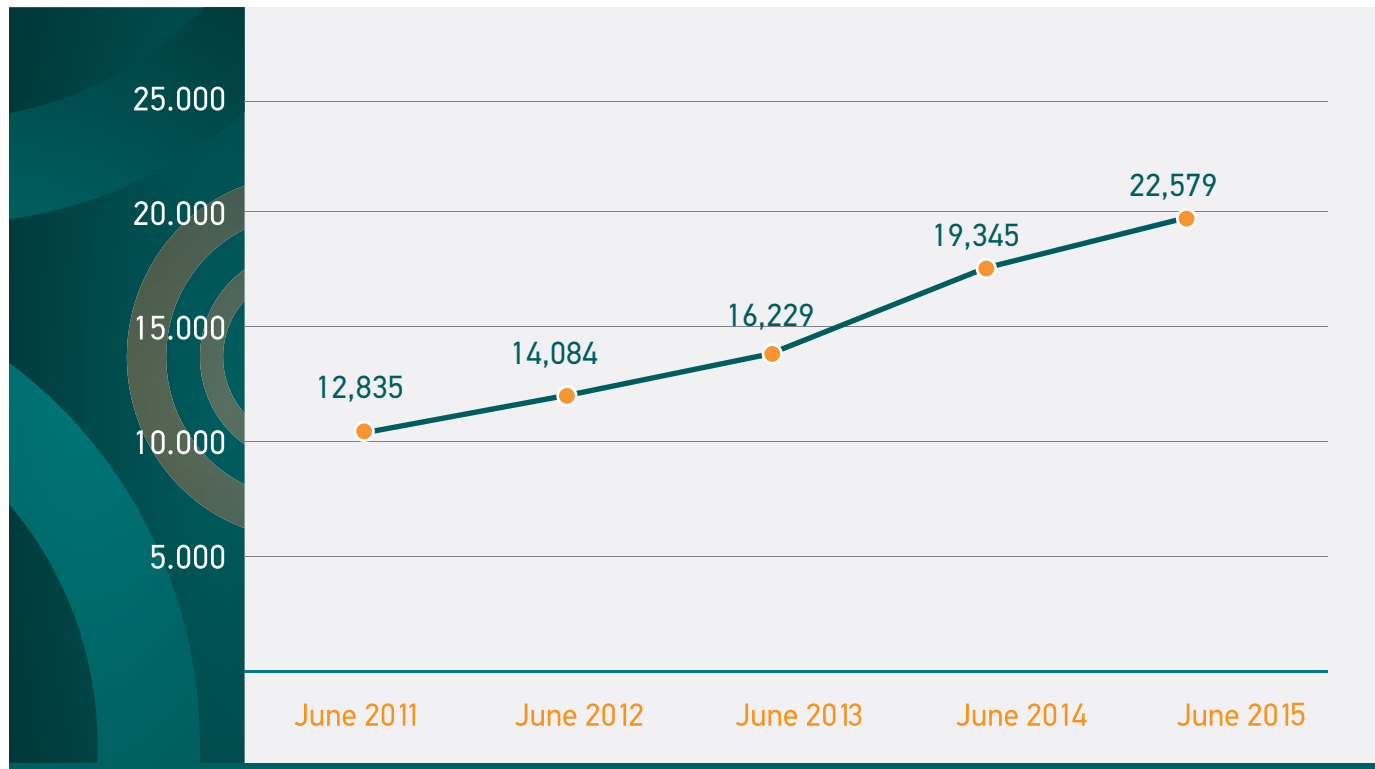
## Assets:

Total Assets increased from EGP 19,3 Billion as of June 2014 to EGP 22,6 Billion as of June 2015, an increase by EGP 3,2 billion at a rate of 16,70%.

The following table shows the development of total assets over the past years:

Amounts in EGP million

Description/Years	June 2011	June 2012	June 2013	June 2014	June 2015
Total Assets	12,835	14,084	16,229	19,345	22,579







## Value Added:

The following statement shows the value added during the financial year ended at June 30, 2015:

Item	In EGP thousands
Salaries and Wages	148,038
Rent	3,042
Deposits and borrowing costs (locally)	927,117
Current Activity surplus	462,986
Net Value added	1,541,183
Depreciation	22,643
<b>Total Value added</b>	<b>1,563,826</b>



## Governance:

Governance is the set of rules and practices that direct the relationship between the Board of Directors, the management, shareholders and other stakeholders. Authorities and responsibilities of each party are set by Governance rules.

Governance defines the method adopted by the Board of Directors and the management to guide business and daily activities.

### Effective Governance Outlines:

#### A. Board of Directors:

In line with Governance rules, the Board of Directors, in addition to running the Bank's daily business activities, is in charge of setting governance policies concerning conflict of interest, disclosure and transparency, code of ethics and whistleblower policy.

The Board is thus establishing a balance between the Bank's liabilities towards the shareholders and protecting depositors' and other stakeholders' interests.

This is in addition to:

1. Setting strategies and objectives.
2. Preparing balance sheets and the profit and loss statements etc., and set the profits appropriations.
3. Prepare the budget, organization charts and set the regulations of the employees' structure including salaries, bonuses, incentives and benefits.
4. Follow-up the regular reports about the Bank's activities in general .
5. Providing the auditors with all necessary documentation.
6. Preparation and presentation of financial statements of the Bank on a regular basis.
7. Ensuring that the Bank's business activities are safely and properly implemented in view of applicable laws and regulations.





## B. Board of Directors Committees:

In view of the importance of implementing Governance requirements, the Bank has formed the following Board Committees:

- **Audit Committee:** Follow-up the activities of the Internal Control and Audit Department of the Bank, review and discuss the regular reports, the financial indicators of the Bank with the external auditors as well as the reports related to the compliance and Anti-Money laundering reports.
- **Risk Committee:** Follow-up the Risk Management functions in the Bank, review and follow-up the compliance to the policies, strategies and regulations set by the Risk Management Group.
- **Executive Committee:** Its role is to evaluate the operational, reputational and financial risks that exists throughout the entire bank, studies the loans and facilities risks and takes the decisions in line with the credit policies and regulations.
- **Governance, Nominations, Payroll and Remuneration Committee:** Makes regular assessments about the governance system in the Bank, review the annual report of the Bank in terms of transparency and other governance matters, studies the CBE annotations on the governance systems of the Bank, and also reviews the policies related to salaries and bonuses making sure that the Bank maintains a regular review to the criteria of the staff performance appraisals.



## Governance, Compliance and International Standards

- **Governance, Compliance and International Standards Sector has always been a core value of the Bank. The Sector is responsible for the compliance framework and its implementation throughout the Bank and for promoting a high level of awareness of compliance requirements.**
- **Its mission is to ensure that the Bank has a robust system for identification and management of compliance requirements for all jurisdiction regulations. By so doing, Governance, Compliance and International Standards Sector aims to protect the Bank from the risk of violating of the laws and regulations at the Bank, country and international level. That in turn, helps in the mitigation and management of legal and reputational risks facing the Bank.**

### Accordingly, the Sector's role consists of the following:

- Identification, assessment and monitoring of the compliance risks associated with the Bank's business activities.
- Advising Senior Management on applicable laws, rules and standards.
- Monitoring compliance with policies by performing regular and comprehensive compliance risk assessment, testing and reporting findings on regular basis to the Board of Directors and Senior Management.
- Assessing the appropriateness of internal procedures and guidelines with constant follow up on any identified deficiencies.
- Monitoring external transfers to ensure that all transactions' parties are not listed on the international as well as local sanctions' lists.
- Reviewing new products and services prior to their launch to ensure compliance with prevailing regulatory laws and regulations.
- Implementing and monitoring Anti-money laundering and Terrorism financing procedures through the utilization of a Risk Based Approach.
- Complying with the Foreign Account Tax Compliance Act (FATCA) requirements within the required timeframe as well as participating in the preparation of the relevant policies, procedures and IT System.
- Coordination with the Human Resources on setting training plans to train the staff on Anti-Money Laundering and Terrorism Financing activities.



**Regarding corporate governance, Governance, Compliance and International Standards Sector is monitoring the Bank's compliance with regulatory requirements for the following:**

- Ownership Structure
- General Assembly
- Board of Directors
- Board Committees
- Disclosure & Transparency
- Corporate Social Responsibility
- Auditors

**This in addition to:**

- 1 - Monitoring the Bank's compliance with Conflict of Interest Policy.
- 2 - Ensuring that behavioral standards of conduct are properly met in the institution through the implementation of the Bank's Code of Ethics.
- 3 - Whistle blowing on malpractices and protecting the whistle blower.





## Operational Risk Management:

**Operational Risk** is the risk of loss resulting from inadequate or failed internal processes, systems, human factors or from external event in addition to legal risks.

**Operational Risk** is managed through a consistent framework designed based on transparency, management accountability and independent oversight, to enable the Bank to determine risk profiles, identify early warning signs, and key causes related to risks to promptly define mitigating measures and ensure proper reporting structure and duly oversight.

To **monitor, mitigate** and control operational risks, the framework is supported by a set of comprehensive policies and procedures, subject to regular reviews, for assessing and communicating operational risks and ensuring the effectiveness of controls' setup, raising required awareness to deal and comply with regulatory changes, and tackle risks arising due to changing economic and political environments.

The **Operational Risk** management function performs systematic risk analyses, root cause analyses, timely reporting of envisaged problems and regular assessment and review of loss and incident database, while monitoring and tracking external events occurring in the banking industry to ensure the establishment of proactive set of controls and actions.

**EBE's approach** encompass but not limited to the use of KRIs, RCSA in addition to other supporting means to identify areas with high risk potential and determine appropriate risk mitigating measures.



The **Framework** facilitates effective communication and mitigation of operational risk both within and across business lines. As new products/services are developed, operational risks are considered in conjunction with the designing and development of related business processes.



## Basel II:

During the fiscal year 2014/2015, in accordance with the CBE Basel II directives, EBE fulfilled all requirements for reporting. The operational risk function tracks the integrity of the compilation process of the required risk information, historical losses as reported by each business line and functional area. The OR losses are adequately monitored and maintained at the minimum tolerance levels in 2014/2015.

## Information Security Risk:

Information security and the protection of customer data are a priority for EBE. During the fiscal year 2014/2015, measures were taken to strengthen controls for information security risks through a set of administrative and system controls.

## Information Technology Risks:

During Fiscal Year 2014/2015 the IT Risk team managed in coordination with the Information Systems and Technology division to develop a setup for effective mitigation plans/actions, heading towards a robust platform for consistent control assessment and closely monitoring technical risks.

## Risk Governance:

EBE maintains and implements a well-designed risk governance framework, in accordance with the CBE governance mandates.

The Board Risk Committee periodically oversees the Bank's overall operational risk profile and internal control functions, and reviews Operational Risk Management reports, major risk exposures and control effectiveness.

The Operational Risk Management committee regularly reviews and reports risk trends, key risk indicators, business risk profiles and follow ups on mitigation plans. In addition, the Internal Audit Division conducts a risk based independent assessment of the activities carried out at the business levels and reports directly to the Board Audit Committee of the Bank.

## Market Risk Management:

Market Risk is the risk of Loss resulting from unfavorable movements in the value of financial instruments arising from changes in the level and market volatility of interest rates, foreign exchange rates, equities, and other securities.

EBE maintains a consistent framework designed along with a set of policies and procedures to ensure that the overall market risk is comprehensively captured, adequately reported and effectively managed. The Bank classifies sources of market risks into trading and non-trading portfolio risks, which are managed at various organizational levels.



EBE approach in managing Market Risk exposures rests on a consistent set of management processes that drive risk identification, assessment, control and monitoring, to facilitate business growth and profits maximization within a controlled and transparent risk management framework, using robust measurement, limit setting, reporting and oversight, stress testing and scenario analysis.

The MRM function checks, tracks the potential impacts of market price movements on Banks' positions, portfolios and capital requirements and drives scenarios, assesses and reviews the effectiveness of and adherence to a set of risk limits.

## Recovery and swap assets:

**During the financial year 2014/2015 EBE succeeded in the following:-**

- 1) Settlement and rescheduling with 10 clients with debts amounted EGP 140 million resulted in collections EGP 109 million.
- 2) Collections of EGP 7 million from clients whose debts have written off.
- 3) Collect installments of EGP 28 million during this year from settlements already concluded in previous years.
- 4) Collection marginal interest of EGP 8.5 million and added to revenue.

This has resulted in achieving a surplus in impairment provision of EGP 72 million, which was used to support other clients' provisions during this year.

## Banking Investigation:

**The Banking Investigation Department supports the competitive advantage of our Bank through:**

- Providing high quality investigation reports, covering the needs of related departments. This in turn positively affected our Bank performance during the period from 1/7/2014 to 30/6/2015.
- Meeting the needs of various departments taking into consideration the high quality agreed – upon services.





## Legal Affairs:

Legal Affairs Department has a key role in the preparation of contracts and all documents as soon as the competent authority grants its decision, corresponding to this role another important role which is pursuing insolvent customers in case of non-carrying out their obligations specified in the contracts liberated with them.

Legal services made by the legal department aims at two types of customers:

**First internal customers:** they are all branches and departments of the Bank, where they are given legal service, which answers their various inquiries and overcome obstacles, which reached around 250 legal advice.

In addition to the above-mentioned roles, the role of the legal department extends to being a legal adviser for all companies and entities which the Bank enters in its foundation.

**The second type of customers** are the Bank insolvent customers, who are being prosecuted in case of non-committing to the conditions and duties agreed upon in contracts with them.

**In addition to** the above-mentioned roles, the role of the legal department extends to being a legal adviser for all companies and entities which the Bank enters in its foundation.

**Within the important** and basic role of the Banking process, the legal affairs department has achieved over the past year significant results on all the above-mentioned levels, where it was able to obtain a 29 verdicts in favor of our Bank, with a total amount of USD 7,063,800 and an amount of EGP 19 million, on the contrary, there's no verdict issued against the Bank, and there also was issued verdicts of rejection of cases against the Bank claiming it to pay around EGP 79 million. The Legal Department was able, as a result of judicial pressure to compel a considerable sum of insolvent customers to apply to the Bank for the settlement of their debits due and as a result of that, settlement contracts were signed with a total amount of EGP 133,858,000.

**Moreover**, we cannot neglect the important role played by the Legal Affairs Department in obtaining guarantees for the insurance and guarantee of facilities and loans granted to customers, whether the guarantees are in the form of commercial mortgages or real-estate mortgages or maritime mortgages or other guarantees, and the Legal Affairs Department over the past year has made commercial mortgages with a total amount of EGP 76,943,700 , and USD 1,129,495 as well as real estate mortgages with a total amount of EGP 658 million, and USD 20 million.

**The role of the legal** department is not just an assisting administration but it also extended their work to be a producing revenues administration, which have been achieved by providing legal services to subsidiaries or by obtaining fees from customers as a result of drafting contracts, the Legal Department has been able to achieve revenue over the past year amounted to EGP 98 thousands.

## Internal Audit:

- The internal audit is an independent, objective and consultant activity. It was designed to add value, improve and develop the Bank's business by understanding the major risks, to examine and assess the efficiency and effectiveness of the risk management system and internal control procedures.



- Internal audit finalized implementing the plan approved by the audit committee to monitor and review business of sectors, branches, and various departments of the Bank thus preparing audit reports to submit them to concerned sectors, Bank's management and audit committee.
- Enrollment of sector employees in auditing had numerous training courses according to the training plan and business.

## Information Technology:

### Achievements of 2014/2015:

- Providing new backup communication technology (3G) all over bank branches.
- Implementing new branches infrastructure.
- Improving Bank IT Infrastructure.
- Service Level Agreements between IT & Bank Departments.
- Enhancing security Infrastructure.
- Provide Security awareness sessions.
- Upgrade backup & Recovery system.
- Enhance RTO (Recovery time objective) between main site and Disaster Recovery site.
- Upgrade Data Storage Infrastructure.





## New Services, projects and goals for 2015/2016:

- Improving Bank IT Infrastructure in Main site & Disaster recovery site and raising its efficiency.
- Internet Banking Service with all kinds of online and interactive bill payment tools based on high level security system
- Enterprise Risk Management system.
- Enhancing Security Infrastructure with the latest technologies.
- Complete DR services.
- Main Data center Preparation & Reallocation in new HQ at 5th Avenue.
- Implementing Virtualization technologies.
- Historical Data Migration.
- BALM System
- Human resources system.
- Cost & Profit Center.





## Human Resources:

Human Resources Strategy for 2014/2015 was to serve as the catalyst for the Bank's employees' commitment and success through our core values and to ensure a diverse, qualified, healthy, and highly motivated workforce focused on achieving the critical outcomes, through the development and administration of cost-effective and results-oriented policies, services, and practices. All through the year, a number of initiatives and projects were put in place to ensure the implementation of this strategy:

### Recruitment:

On the recruitment side, we focused on internal recruitment to provide various opportunities for growth and career advancement to our staff. By "promoting from within" in most of the key positions and through internal transfers to offer new exposure of cross functioning.

However, external job postings still took place to attract mainly fresh graduates as part of our corporate social responsibility for providing employment opportunities to youth. The main channels used were employment fairs, social media like LinkedIn, Facebook, etc. as well as summer internship program. We have succeeded in attracting 13 fresh graduates and 5 experienced calibers.

It is worth mentioning too that 47 employees have left the service; 20 retired, 25 resigned and 2 passed away. Having total employees of 812 in 30/6/2015 with average age of 42.

The Board of Directors' remunerations distributed from 1 / 7 / 2014 until 30 / 6 / 2015 is EGP 6,720,000 and the totals of the highest 20 salaries in the Bank from 1 / 7 / 2014 until 30 / 6 / 2015 it is EGP 12,128,995.

### Training:

Training department aimed at delivering appropriate training based on the gaps identified in the knowledge and skills of our staff members. This year, we managed to continue the team building courses for staff which aimed to build a strong team and to enhance the spirit of "one team ..... one dream", by the end of this year 16 % of our staff would have attended the course. We have also continued to provide sales courses to our front line staff to reach 90% attending sales courses. In accordance with our strategy to provide, sufficient training that enhances our team skills and knowledge we managed to provide 877 courses for 417 team members with a total cost of approximately EGP 1,100,000.



Annual Staff Gathering

## Health Care Services:

The contract between the bank and the medical service provider was renewed. Human Resources is pursuing permanent follow up to ensure maintaining and improving the level of service provided. The contract maintained the coverage for a staff member with a ceiling of EGP 20,000 and EGP 10,000 for his family with a pool of EGP 500,000 for critical cases coverage.

**In addition**, the Bank provides international medical coverage for some functional levels and allows any other staff member to have the membership at their own expenses with the bank's corporate rate. In case of retirement, the staff member can continue the membership on his/ her own expense. The Bank continues its benefit to the retired staff and their spouse with a ceiling of EGP 20,000 for the retired staff and EGP 10,000 for the spouse as well as a pool of EGP 50,000 to critical cases for retired staff.

The Bank also ensures providing the medical coverage to the family of any employee who died during his service including the following:

- Spouse unless got married
- Children until graduation, work, marriage or age of 26 for male, whichever closer.



## Corporate Social Responsibility and Business Community Support

**This year**, the Bank continued to participate in different activities organized by the Chambers of Industries and Commerce as well as the Businessmen Associations, this is through attending or sponsoring exhibitions, forums, seminars, conferences and roundtables, locally and internationally. The Bank provides financial support to such chambers and organizations through memberships and participating in their different events in order to remain an active member among these communities. During this year, the Bank was keen to know about all new implications in the fields of international trade and global economy.

**In order to develop** and improve business relationship with businessmen and exporters, the Bank, continuously, coordinates with the Ministry of Trade and Industry as well as some specialized centers. The Bank always gives priority to introduce itself to local and international business communities, to open new markets for Egyptian products and to facilitate the process of commercial trade through the Business to Business (B2B) events organized by these associations, such as The American Chamber of Commerce, Canadian Chamber of Commerce, The Arab Academy for Banking and Financial Services, Union of Arab Banks, El Wafaa' Association, Federation of Egyptian Banks, Egyptian Banking Institute, Egyptian Capital Market Authority, The Egyptian Exchange, Misr for Central Clearing, Depositary and Registry, Egyptian Businessmen Association, Arab Union for Industrial Exports Development, Lawyers Syndicate, as well as the Arab Investors Union.

**In Line with** its strategy to introduce the Egyptian export community, mostly manufacturers from different sectors to key export service providers in Egypt, the Bank was keen to participate in Egypt's first "Exporters Souk: Connecting to Export Resources", organized by The USAID/Egypt-funded Trade Facilitation Project (TFP), where the Bank seized the opportunity to present its different services and financial products. The purpose was to help Egyptian exporters expand sales by providing an opportunity for them to meet providers of key export services in Egypt in a "business forum" or "souk" format, through networking, data-collection and raising awareness about key resources to expand export sales. Moreover, the Bank also participated in the forum regarding "the problems and obstacles from the export control perspective and the suggested solutions to increase exports' volume".



**As part of** its role towards the community development and corporate social responsibility, and in order to contribute in solving the unemployment issue, the Bank participated in some employment fairs, such as “Investalent” organized by Egyptian Stock Exchange, as well as the annual employment fair organized by the German University in Cairo.

**Furthermore,** and in order to disseminate financial awareness to children and youth, the Bank participated in the Global Money Week 2015 “Shaping the Future”, an initiative by the Egyptian Banking Institute, in partnership with the Ministry of Education, the Ministry of Youth, and some international schools, where branches visits and workshops were conducted to different universities and schools’ students.

**Additionally,** as part of the Bank’s corporate social responsibility, the Bank believes in participating to the development of the Egyptian Economy, especially in this critical period that the country faces, where the organizations altogether should give a hand to help. That is why the Bank financially contributed to the fund “Tahia Misr”, considering this a way to get the local economy from its crises in order to achieve the desired growth.





Branches:

[◀ Back To Index ..](#)





NILE



SHUBRA



SHERATON



El Sheikh ZAYED



MAADI



## Head Office :

108, Mohy El Din Abou El Ezz St., Dokki, Giza, Egypt  
P.O.Box : 38 El Agouza - Post Code : 12311  
Phone : (+202) 37619006 (5 lines)  
Fax : (+202) 33385940 - 33385938

## Cairo

### Cairo Branch :

10, Talaat Harb St., (Evergreen Building), Cairo, Egypt.  
P.O.Box : 2096 Ataba - Post Code : 11511  
Phone : (+202) 25777003 (5 lines)  
Fax : (+202) 25790394

### El Orouba Branch :

1 El Obour Building, Salah Salem, Cairo Egypt  
P.O.Box : 9050 Nasr City Post Code : 11371-  
Code 11765  
Phone : (+202) 24049993 - 22625477 (9 lines)  
Fax : (+202) 22625465 - 24037546

### Zamalek Branch :

9 Shafik Mansour St., Zamalek.  
P.O.Box : 21 Guzira  
Phone : (+202) 27355411- (+202) 27362162  
Fax : (+202) 27367471- (+202) 27355121

### Heliopolis Branch :

11, El Hegaz St. Heliopolis  
P.O.Box : 5974 Heliopolis West - Post Code : 11771  
Phone : (+202) 24532236 - (+202) 24531994  
Fax : (+202) 24558125

### El Nasr Branch :

4, El Nasr road, Makram Ebaid Intersection,  
Nasr City, ( no. 3 , 4)  
P.O.Box : 8093 Nasr City - Post code : 11371  
Phone : (+202) 22758456 / 8159 / 7756 / 7366 / 6696  
Fax : (+202) 22758976

### Saint Fatima Branch :

78 Abdel Aziz Fahmy St., Saint Fatima Square,  
Heliopolis  
P.O.Box : 3021 Al Horya Heliopolis - Post Code : 11361  
Phone : (+202) 26438760 / 61 / 62 / 64  
Fax : (+202) 25790391

### Nasr City Branch (soon):

Abdel Razek El Sanhoury St., Nasr City, Cairo-Egypt.

### Madinaty Branch :

Unit ( 7 ) Ground Floor, Companies & Banks Building  
Madinaty City  
P.O.Box : 65 Madinaty - Post Code : 19511  
Phone : (+2010) 25555246 / 47 / 48 / 49  
Fax : (+202 ) 25790393

### Fifth Settlement (soon) :

78, El Tasseen Road, 5th Settlement, New cairo

### Sheraton Heliopolis Branch:

9 Mohamed Naguib Axis, North Investors Area,  
Stella Compound, 1st Settlement, New Cairo  
P.O.Box : 2096 Ataba - Post Code : 11511  
Phone : (+202) 25308092- 25308091  
Fax : (+202) 25308010

### Maadi Branch :

7 & 8 Lasellky St., New Maadi, Cairo, Egypt  
P.O.Box : 2096 Ataba - Post Code : 11511  
Phone : (+202) 29177047 - 29705627  
Fax : (+202) 29706710

### Maadi Branch :

7 & 8 Lasellky St., New Maadi, Cairo, Egypt  
P.O.Box : 2096 Ataba - Post Code : 11511  
Phone : (+202) 29177047 - 29705627  
Fax : (+202) 29706710

### Shoubra Branch :

17, Dawlatyan St. Shoubra, Cairo – Egypt  
P.O. Box: 2096 Ataba - Postal Code: 11511  
Phone : (+202) 21960146 / 7  
Fax : (+202) 21960448



## Giza

### Mossadek Branch :

71 Mossadek St., Dokki, Giza.  
P.O.Box : 575 El Orman - Post Code : 12311  
Phone : (+202) 33386810 - 33386812  
Fax : (+202) 33386813 - 33386814

### Faisal Branch :

43, El Malek Faisal St., Giza Egypt.  
P.O.Box : 5 El Ahram - Post Code : 12556  
Phone : (+202) 37423570 / 76 / 96 / 97  
Fax : (+202) 37423603

### Nile Branch :

6 Ibn EL Arhab St., Giza. Egypt  
P.O.Box : 262 El Orman - Post Code : 11612 EL Dokky  
Phone : (+202) 35711852  
Fax : (+202) 35711769

### Sheikh Zayed Branch :

Unit No. 28, Zone No. 31, Entrance 2  
Axis of Crazy Water, Sheikh Zayed, October.  
P.O.Box : 40 District 1, Sheikh Zayed - Post Code : 12588  
Phone : (+202) 38518391  
Fax : (+202) 38518392

## Alex

### Roushdy Branch :

16, Syria St.,Roushdy,, Alexandria, Egypt  
P.O.Box : 91 Sidi Gaber - Post Code : 21311  
Phone : (+203) 5450018/19  
Fax : (+203) 5450009

### Smouha Branch :

Continental Tower, Fowzy Moaz St., cross road 295, Smouha.  
P.O.Box : 331 Sidi Gaber - Post code : 21311  
Phone : (+203) 4293700 / 800 - 4204077 - 4268393  
Fax : (+203) 4201177

### Sidi Bishr Branch :

557.El Geish Road , Cross Sidi Bishr St.,  
Montazah, Alexandria.  
P.O.Box : 170 Saraya – Post Code : 21411  
Phone : (+203) 5522061 / 2 / 3  
Fax : (+203) 5522065

### Alexandria Branch

95, Road 26 July, Borg El Selsela,  
Alexandria, Egypt  
P.O.Box : El Messala  
Phone : (+203) 4868488 (8 lines)  
Fax : (+203) 4869206

### Borg El Arab Branch:

Services Area, 5th Mogawra,  
1St Residential District, Borg El Arab,  
Alexandria  
P.O.Box : 137 Borg El Arab - Post Code :  
23121  
Phone : (+203) 4599511-15  
Fax : (+203) 4599510



## Industrial Zones

### Obour Branch :

City Club, Fence No 6, 7, 8 Obour City, Egypt  
P.O.Box : 171 El Obour City - Post Code : 11828  
Phone : (+202) 46105071- 46105072- 46105074  
Fax : (+202) 46105073

### 10th Of Ramadan Branch :

Block#2 , Banks zone,  
City Centre MC1, 10th of Ramadan  
P.O.Box : 220 Mogawra 9 - Post Code : 44637  
Phone : (+2015) 356140 - 6  
Fax : (+2015) 356141

### 6th Of October Branch :

Part 3/1 Center Axis Bank District 6th October  
P.O.Box : 6th October  
Phone : (+202) 38330599- 38330577  
Fax : (+202) 38330570

## Other Govenorates

### Mansoura Branch :

Raga El Rahman Tower (A) El Mashaya el Soflya St.,  
Corner of Hagrass St., Mansoura City.  
P.O.Box : 392 Mansoura – Post Code : 35511  
Phone : (+2050) 2200313 / 14  
Fax : (+2050) 2200311

### Damietta Branch :

Saad Zaghloul Basha St., No. (3) Corniche El Nil  
The first Section of Damietta, Damietta Governorate.  
P.O.Box : 90 Post Office Damietta - Post Code : 34511  
Phone : (+2057) 2228635 / 39 / 41  
Fax : (+2057) 2228641

### Tanta Branch :

23 AL Geish St., Sheeta St., Corner,  
AL Galil Tower Plasa, Tanta City  
P.O.Box : 177 - Post Code : 31111  
Phone : (+2040) 3328175 - 3311332  
Fax : (+2040) 3328157

### Assiut Branch (soon) :

62 Tanzeem El Gomhoreya Street  
Phone : (+2088)2283794 - 2283793  
Fax : (+2088) 2283795

### Port Said Branch (soon) :

70 Gamal Abdel Nasser Street  
P.O.Box : 177 - Post Code : 31111  
Phone : (+2040) 3328175 - 3311332  
Fax : (+2040) 3328157



## Financial Indicators

[← Back To Index ..](#)

Originally issued in Arabic  
Translation of Auditors' report

## **Auditors' REPORT**

Export Development Bank of Egypt

On the Separate Financial Statements as at June 30, 2015

To the shareholders of Export Development Bank of Egypt

### **Report on the separate financial statements**

We have audited the accompanying separate financial statements of Export Development Bank of Egypt (S.A.E.), which comprise the separate balance sheet as at June 30, 2015 and the separate 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 Separate Financial Statements**

These separate financial statements are the responsibility of Bank's management.

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Central Bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements and its amendments, including amendments that relates to financial investments issued on December 16, 2008 and in light of the prevailing Egyptian laws, management responsibility includes, designing , implementing internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatements, 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 separate financial statements based on our audit. We conducted our audit in accordance with 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 about whether the separate financial statements are free from significant and material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material and significant misstatements 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 separate financial statements presentation.

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

## Opinion

**In our opinion**, the separate financial statements, referred to above, present fairly, in all material respects, the separate financial position of the Export Development Bank of Egypt (S.A.E) as of June 30, 2015 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 of financial statements issued on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

## Report On Other Legal and Regulatory Requirements

**According to** the information and explanations given to us – during the financial year ended June 30, 2015 no contravention of Central Bank, Banking and Monetary Institution law No. 88 of 2003 and the Bank law No.95 of 1983.

The Bank maintains proper books of accounting, which include all that is required by the law and by the statutes of the Bank; the separate financial statements are in agreement thereto.



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

## Banks’ Auditors

Abdel Nasser Hassan Younes	DR. Farid Fawzy
Central Auditing Organization	Fellow of ESAA - EFSA No. 130 R A A NO. 10197 Moore Stephens Egypt

Cairo, October 18, 2015





## Export Development Bank of Egypt (S.A.E.)

### Separate Balance Sheet

As at June 30, 2015

		June 30, 2015	June 30, 2014
	Note	EGP	EGP
<b><u>Assets</u></b>			
Cash and due from Central Bank of Egypt	(14)	1,018,817,925	703,503,611
Due from banks	(15)	777,406,738	1,179,552,812
Treasury Bills and other Governmental Notes	(16)	3,893,045,037	2,585,733,553
Trading Financial Assets	(17)	14,800,729	5,733,132
Loans and advances to customers	(18)	9,305,522,631	8,353,958,956
Financial Derivatives	(19)	297,829,924	88,563,798
<b><u>Financial Investments:</u></b>			
-Available for Sale	(20)	5,391,619,419	4,486,859,493
-Held to Maturity	(20)	35,912,440	35,132,440



Financial Investments in Subsidiaries and Associated co.	(21)	1,143,882,111	1,143,882,111
Intangible Assets	(22)	1,588,651	2,519,001
Other Assets	(23)	465,824,150	527,211,717
Fixed Assets	(24)	218,413,241	218,828,816
Investment Property	(25)	3,352,331	3,728,509
Deferred Tax	(26)	11,081,488	10,136,876
<b>Total Assets</b>		<b>22,579,096,815</b>	<b>19,345,344,825</b>
<b><u>Liabilities and Shareholders' Equity</u></b>			
<b><u>Liabilities</u></b>			
Due to banks	(27)	1,493,327,086	1,472,828,680
Customers' Deposits	(28)	17,532,808,567	14,814,466,394
Financial Derivatives	(19)	299,091,472	87,691,123
Other Loans	(29)	386,998,955	328,609,904
Other Liabilities	(30)	332,874,850	287,370,967
Other Provisions	(31)	64,969,530	50,034,079
<b>Total Liabilities</b>		<b>20,110,070,460</b>	<b>17,041,001,147</b>



<b><u>Shareholders' Equity</u></b>			
Paid up Capital	(32)	1,440,000,000	1,440,000,000
Reserves	(32)	539,942,050	525,486,781
Retained Earnings	(32)	489,084,305	338,856,897
<b>Total Shareholders' Equity</b>		<b>2,469,026,355</b>	<b>2,304,343,678</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>22,579,096,815</b>	<b>19,345,344,825</b>

- The accompanying note from (1) to (38) are an integral part of these financial statements.
- Auditors report attached .

<b>Mohamed Ismail AlShareef</b> Chairman		<b>Mohamed Ibrahim El Hadidy</b> Head of Financial Control Sector	
<b>Bank's Auditors</b>			
Abdel Nasser Hassan Younes		DR. Farid Fawzy	
Central Auditing Organization		Fellow of ESAA - EFSA No. 130 -R A A No. 10197 Moore Stephens Egypt	



## Export Development Bank of Egypt (S.A.E.)

### Separate Income Statement

For the year ended June 30, 2015

		June 30, 2015	June 30, 2014
	Note	EGP	EGP
Interest and Similar Income	(5)	1,645,596,889	1,372,318,626
Deposits and Similar Expenses	(5)	(1,001,715,791)	(873,381,485)
<b>Net Interest Income</b>		<b>643,881,098</b>	<b>498,937,141</b>
Fees and Commissions Income	(6)	192,789,388	157,898,042
Fees and Commissions Expenses	(6)	(5,024,547)	(3,989,813)
<b>Net Income from Fees &amp; Commissions</b>		<b>187,764,841</b>	<b>153,908,229</b>
Dividends Income	(7)	16,160,959	19,852,815



Net Trading Income	(8)	15,046,600	41,220,501
Profit (Loss) from Financial Investments	(20)	6,061,457	22,751,480
Impairment (Charge) of Credit Losses	(11)	(44,778,191)	(34,362,098)
Administrative Expenses	(9)	(295,515,801)	(280,934,394)
Other Operating Income (expense)	(10)	(18,249,288)	(14,510,605)
<b>Net Profit before Tax</b>		<b>510,371,675</b>	<b>406,863,069</b>
Income Tax	(12)	(157,170,063)	(127,658,932)
Deferred tax		944,612	8,487,162
<b>Net profit for the year</b>		<b>354,146,224</b>	<b>287,691,299</b>
Earnings per share	(13)	<u>2.17</u>	<u>1.77</u>

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



## Export Development Bank of Egypt (S.A.E.)

### Separate Cash Flow Statement

For the year ended June 30, 2015

		June 30, 2015	June 30, 2014
	Note	EGP	EGP
<u>Cash Flows from Operating Activities</u>			
Net Profit before Income Tax		510,371,675	406,863,069
<u>Adjustments to reconcile net profit to cash provided from operating activities:</u>			
Fixed Assets Depreciation	(24)	21,247,278	24,500,701
Intangible Assets Amortization	(22)	1,019,893	5,776,753
Investment Property Depreciation	(25)	376,178	376,177
Reversal - Impairment of Credit Losses	(11)	44,778,191	34,362,098
AFS Investments Impairment	(20)	22,263,605	20,220,011
Reversal - Impairment of other Provisions	(31)	33,575,074	24,105,344
Capital Profits	(10)	(78,102)	(2,304,148)



HFT investments revaluation differences	(8)	(430,618)	(5,979,790)
AFS investments exchange revaluation differences	(20)	(9,452,771)	(863,313)
HTM investments exchange revaluation differences	(20)	(780,000)	(261,400)
Foreign currencies revaluation differences of provisions (other than provision for loans)	(31)	(243,724)	(199,794)
<b>Operating profit before changes in assets and liabilities used in operating activities</b>		<b>622,646,679</b>	<b>506,595,708</b>
<b><u>Net decrease (increase) in Assets &amp; Liabilities</u></b>			
Due from banks		(300,411,579)	150,419,849
Treasury bills and other governmental notes		(1,168,240,134)	121,662,141
Trading financial assets		(8,636,979)	34,727,902
Loans and advances to customers		(996,341,866)	(1,942,341,304)
Financial Derivatives (Net)		(2,134,223)	(760,379)
Other assets		20,137,473	122,294,317
Due to banks	(27)	20,498,406	463,359,992
Customers' deposits	(28)	2,718,342,173	2,246,587,322



Other liabilities	(30)	43,275,212	82,285,477
Income tax paid	(12)	(157,170,063)	(127,658,932)
Other provisions		(18,395,899)	(13,420,500)
<b>Net cash Flows provided from operating activities</b>		<b>777,837,646</b>	<b>1,643,751,593</b>
<u>Cash Flows from Investing activities</u>			
Purchase of fixed assets and branches improvements		20,418,392	(44,943,439)
Capital Profits	(10)	78,102	2,304,148
AFS Financial investments purchases	(20)	(2,361,069,180)	(2,191,656,940)
Proceeds from redemption of AFS Financial investments	(20)	1,425,963,543	1,463,044,450
HTM Financial investments purchases	(20)	0	(488,641)
Proceeds from redemption of HTM Financial investments	(20)	0	3,361,056
Financial investments in subsidiaries and associated co.		0	(224,676,300)
Purchase of intangible assets	(22)	(89,543)	(2,222,181)
<b>Net cash Flows (used in) investing activities</b>		<b>(914,698,686)</b>	<b>(995,277,847)</b>
<u>Cash Flows from financing Activities</u>			





Net proceeds (repayments) from debt instruments & other loans	(29)	58,389,051	(54,136,439)
Paid Dividends		(169,700,000)	(77,604,800)
Net cash flows (used in) financing activities		(111,310,949)	(131,741,239)
Net (decrease) increase in cash and cash equivalents during the year		(248,171,989)	516,732,507
Cash and cash equivalents at the beginning of the year		1,231,466,674	714,734,167
Cash and cash equivalents at the end of the year		983,294,685	1,231,466,674
<u>Cash and cash equivalents are represented in:</u>			
Cash and due from Central Bank of Egypt	(14)	1,018,817,925	703,503,611
Due from banks	(15)	777,406,738	1,179,552,812
Treasury bills and other governmental notes	(16)	4,008,800,910	2,644,481,580
Balances with Central bank of Egypt (Mandatory reserve)	(14)	(952,001,328)	(651,589,749)
Treasury bills and other governmental notes with maturities more than three months	(16)	(3,869,729,560)	(2,644,481,580)
Cash and cash equivalents at the end of the year		983,294,685	1,231,466,674

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



## Separate Changes in Shareholders' Equity Statement

For the year ended June 30, 2015

June 30, 2014	Capital	General Banking Risk Reserve	General Banking Risk Reserve Acquired Assets	Legal Reserve	General Reserve	Reserve of revaluation of available for sale investments	Special Reserves	Capital Reserves	Retained Earnings	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance at the beginning of the year	1,440,000,000	106,340,193	6,785,209	45,573,419	172,516,846	25,891,565	35,118,940	1,909,735	144,197,474	1,978,333,381
Net profit for the year	0	0	0	0	0	0	0	0	287,691,299	287,691,299
Dividends paid	0	0	0	0	0	0	0	0	(77,604,800)	(77,604,800)
Transferred to legal reserve	0	0	0	14,071,503	0	0	0	0	(14,071,503)	0
Transferred to General Banking Risk Reserve Acquired Assets	0	0	1,355,573	0	0	0	0	0	(1,355,573)	0
Net change in available-for-sale investments	0	0	0	0	0	115,923,798	0	0	0	115,923,798
Balance at the end of the year	<b>1,440,000,000</b>	<b>106,340,193</b>	<b>8,140,782</b>	<b>59,644,922</b>	<b>172,516,846</b>	<b>141,815,363</b>	<b>35,118,940</b>	<b>1,909,735</b>	<b>338,856,897</b>	<b>2,304,343,678</b>



## Separate Changes in Shareholders' Equity Statement

For the year ended June 30, 2015

June 30, 2015	Capital	General Banking Risk Reserve	General Banking Risk Reserve Acquired Assets	Legal Reserve	General Reserve	Reserve of revaluation of available for sale investments	Special Reserves	Capital Reserves	Retained Earnings	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance at the beginning of the year	1,440,000,000	106,340,193	8,140,782	59,644,922	172,516,846	141,815,363	35,118,940	1,909,735	338,856,897	2,304,343,678
Net profit for the year	0	0	0	0	0	0	0	0	354,146,224	354,146,224
Dividends paid	0	0	0	0	0	0	0	0	(169,700,000)	(169,700,000)
Transferred to Capital Reserve	0	0	0	0	0	0	0	2,304,148	(2,304,148)	0
Transferred to legal reserve	0	0	0	28,538,715	0	0	0	0	(28,538,715)	0
Transferred to Banking Risk Reserve-Assets acquired	0	0	3,375,953	0	0	0	0	0	(3,375,953)	0
Net change in available-for-sale investments	0	0	0	0	0	(19,763,547)	0	0	0	(19,763,547)
<b>Balance at the end of the year</b>	<b>1,440,000,000</b>	<b>106,340,193</b>	<b>11,516,735</b>	<b>88,183,637</b>	<b>172,516,846</b>	<b>122,051,816</b>	<b>35,118,940</b>	<b>4,213,883</b>	<b>489,084,305</b>	<b>2,469,026,355</b>



## Export Development Bank of Egypt (S.A.E.) Separate Profit Appropriation Statement

For the year ended June 30, 2015

	June 30, 2015	June 30, 2014
	EGP	EGP
Net Profit for the year	354,146,224	287,691,299
<u>Less:</u>		
Profit From selling fixed assets transferred to capital reserve	(78,102)	(2,304,148)
General Banking Risks Reserve – Acquired Assets	(4,075,885)	(3,375,953)
<u>Add:</u>		
General Banking Risks Reserve – Selling of Acquired Assets	0	0
Net Profit for the year – available for appropriation	349,992,237	282,011,198
<u>Add:</u>		
Accumulated Profit at the beginning of the year	134,938,081	51,165,598
<b>Total</b>	<b>484,930,318</b>	<b>333,176,796</b>



<u>Distributed as follows:</u>		
Legal reserve	35,406,812	28,538,715
Dividends to the shareholders	144,000,000	136,800,000
Employees' profit share	35,415,000	27,300,000
Board of Directors' remuneration	6,720,000	5,600,000
Accumulated profit at the end of the year	263,388,506	134,938,081
<b>Total</b>	<b>484,930,318</b>	<b>333,176,796</b>



## Export Development Bank Of Egypt (S.A.E.)

### Notes to the Separate Financial Statements

For the year ended June 30, 2015

#### 1 General Information

**Export Development Bank of Egypt** (Egyptian Joint Stock Company) was established on July 30, 1983 under Law No. 95 of 1983 and its articles of association in the Arab republic of Egypt, The head office located in Giza at 108, Mohy El Din Abu El Ezz Street, Dokki the bank is listed in the Egyptian stock exchange (EGX). The objective of the Bank is to encourage, develop Egyptian export activities, and assist in developing agricultural, industrial, and commercial and service exporting sectors, also to provide all investment banking services in local and foreign currencies through its head office and twenty six branches. The financial year starts from July first every year ending at June 30 of the next year.

These Financial statements have been submitted by board of directors in October 12, 2015.

#### 2 Summary of Significant Accounting Policies

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

##### 2.1 Basis of Preparation of the Financial Statements

**The financial statements have been prepared in accordance with Egyptian Accounting 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 Standards referred to, and have been prepared under the historical cost modified by the revaluation of trading, financial assets and liabilities held for trading, and assets and liabilities originally classified as at fair value through profit or loss, financial investments available for sale and all derivatives contracts. The unconsolidated preparation of these financial statements was according to relevant domestic laws.**

**The Bank also prepared consolidated financial statements of the Bank and its subsidiaries in accordance with Egyptian Accounting Standards, the subsidiaries companies are entirely included in the consolidated financial statements and these companies are the companies that the bank which - directly or indirectly - has more than half of the voting rights or has the ability to control the financial and operating policies of an enterprise,**



**regardless of the type of activity, the consolidated financial statements of the Bank can be obtained from the Bank's management. The investments in subsidiaries and associate Companies are disclosed in the standalone financial statements of the Bank and its accounting treatment is at cost after deducting the impairment losses from it.**

**The separate financial statements of the Bank should be read with its consolidated financial statements, for the period ended on June 30, 2015 to get complete information on the Bank's financial position, results of operations, cash flows and changes in ownership rights.**

## 2.2 - Subsidiaries and Associates

### (a) Subsidiaries

Subsidiaries are all entities over which the Bank has owned directly or indirectly the power 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.

### (b) Associates

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

The Accounting for subsidiaries and associates in the unconsolidated financial statements are recorded by cost method, investments are recognized by the cost of acquisition including any good will, deducting impairment losses in value, and recording the dividends in the income statement in the adoption of the distribution of these profits and evidence of the bank right to collect it.

## 2.3 - Segment Reporting

A business segment is a group of assets and operations related to 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

### (a) Functional and Presentation Currency

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

### (b) Transactions and Balances in Foreign Currencies

- The bank hold accounts in Egyptian pounds and prove transactions in other currencies during the financial year on the basis of prevailing exchange rates at the date of the transaction, and re-evaluation of balances of assets and liabilities of other monetary currencies at the end of the financial period on the basis of prevailing exchange rates at that date, and is recognized in the list Gains and losses resulting from the settlement of such transactions and the differences resulting from the assessment within the following items:
  - Net trading income or net income from financial instruments classified at fair value through profit and loss of assets / liabilities held for trading or those classified at fair value through profit and loss according to type.
  - Shareholders' equity of financial derivatives which are eligible qualified hedge for cash flows or eligible for qualified hedge for net investment.
  - Other operating revenues (expenses) for the rest of the items.
- Changes in the fair value of monetary financial instruments denominated in foreign currencies and classified as available for sale investments (debt instruments) are analyzed into valuation differences resulting from changes in amortized cost of the instrument, translation differences arising from changes in foreign exchange rates and differences resulting from changes in the fair value of the instrument. Valuation differences are recognized in profit or loss to the extent they relate to changes in amortized cost and changes in exchange rates which are reported in the income statement under the line items 'revenues from loans and similar activities' and 'other operating revenues (expenses)' respectively. The remaining differences resulting from changes in fair value of the instrument are carried to 'reserve for cumulative change in fair value of available for sale investments' in the equity section.
- Valuation differences resulting from measuring the non-monetary financial instruments at fair value include gains and losses resulting from changes in fair value of those items. Revaluation differences
- arising from the measurement of equity instruments classified as at fair value through profit or loss are recognized in the income statement, whereas the revaluation





differences arising from the measurement of equity instruments classified as available for sale financial investments are carried to 'reserve for cumulative change in fair value of available for sale investments' in the equity section.

## 2.5 Financial Assets

The Bank classifies its financial assets in the following categories:

Financial assets classified as at fair value through profits or loss, loans and receivables, held to maturity financial assets, and available for sale financial assets. The Bank's classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Management determines the classification of its investments at initial recognition.

### (a) Financial Assets classified at Fair Value through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

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

### Financial Assets are designated at Fair Value through Profit or Loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and debt securities in issue'
- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.
- Profits and losses resulted from changes in the fair value of the financial derivatives which are managed in conjunction with the assets and liabilities classified at inception fair value through profit and loss are recorded in the income statement within "net income from financial instruments classified at inception at fair value through profit and loss" item.



- Any derivative from the financial instruments group evaluated at fair value through profit and loss is not to be reclassified during the year of holding it or during its validity period. In addition, any instrument from financial instruments group evaluated at fair value through profit and loss is not to be reclassified if the mentioned instrument has been allocated by the bank at initial recognition as an instrument to be evaluated at fair value through profit and loss.

## (b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the bank intends to sell immediately or in the short term, which are classified as held for trading, or those that the bank upon initial recognition designates as at fair value through profit or loss; (b) those that the bank upon initial Recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

## (c) 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 to maturity. If the Bank were to sell a significant amount of held to-maturity assets, the entire category would be reclassified as available for sale unless in the necessary cases.

## (d) Available-for-sale Financial Investments

Available-for-sale investments are non-derivative financial assets with intention 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 is applied to Financial Assets

- Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.
- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.



- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.
- Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.
- Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are recognized in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the accumulative gain or loss previously recognized in equity is recognized in profit or loss.
- Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the bank’s right to receive payment is established.
- The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, or no current demand prices available the Bank establishes fair value using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If the bank had been unable to estimate the fair value of equity instruments classified available for sale, value is measured at cost less any impairment in value.
- The Bank reclassify the financial asset which classified as a financial instruments available for sale, which left the definition of loans and debts (bonds or loans), to be classified to the group of loans and receivables or financial assets held to maturity - all as the case - when available Bank has the intent and ability to hold these financial assets in the foreseeable future or until maturity and reclassification to be booked by fair value at reclassifications date, and not process any profits or losses on those assets that have been recognized previously in equity and in the following manner:

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

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



- If the Bank to adjust its estimates of payments or receipts are the settlement of the carrying amount of the financial asset (or group of financial assets) to reflect the actual cash inflows and the adjusted estimates to be recalculated book value and then calculates the present value of estimated future cash flows at the effective yield of the financial instrument and is recognized settlement recognized as income or expense in the profit and loss.
- In all cases, if the bank re-tab financial asset in accordance with what is referred to The Bank at a later date to increase its estimate of the proceeds of future cash result of the increase will be recovered from the cash receipts, is the recognition of the impact of this increase in settlement of the interest rate effective from the date of change in the estimate and not in settlement of the balance of the original notebook in the history of change in the estimate.

## 2.6 Offsetting Financial Instruments

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

And the clauses of agreements to buy treasury bills with a commitment to re-sale agreements and sale of treasury bills with a commitment to re-purchase on a net basis within the balance sheet item, treasury bills and other government papers.

## 2.7 Derivative Financial Instruments and Hedge Accounting

- Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from :
- Quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
- Embedded derivatives, such as the 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 or loss as part of “net trading income”. Embedded derivatives are not split if the Bank chooses to designate the entire hybrid contact as at fair value through profit or loss.
- The accounting treatment used to recognize changes in fair value of derivatives depends on whether or not the derivative is designated as a hedging instrument under hedge accounting rules and on the nature of the hedged item. The Bank designates certain derivatives as either:
  - Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge)
  - Hedging relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).



- Hedging for net investment in foreign operations relating to future cash flows attributable to a recognized (net investment hedge).
- Hedge accounting is used for derivatives designated in a hedging relationship when the criteria are met.
- The Bank documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of hedged items.

## 2.7.1 Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify 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'. The effective portion of changes in the fair value of the currency swaps are recognized in the 'net trading income'. Any ineffectiveness is recognized in profit or loss in 'net trading income'.

When the hedging instrument no longer qualified for hedge accounting, the adjustment to the book value of a hedged item is amortized which are accounted for using the amortized cost method, by charging to the profit and loss to the maturity. The adjustments made to the book value of the hedged equity instrument remains in the equity section until being excluded.

## 2.7.2 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives designated and effective for cash flow hedge shall be recognized in equity while changes in fair value relating to the ineffective portion shall be recognized in the income statement in "net trading income".

Amounts accumulated in equity are transferred to income statement in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "net trading income".

When a hedged item becomes due or is sold or if hedging instrument no longer qualifies for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and shall only be recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately to income statement. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item that is measured at amortized cost is amortized to profit or loss over the period to maturity.



## 2.7.3 Net Investment Hedge

**Accounting for** net investment hedge is the same for cash flows hedge. Profit or loss from hedging instrument related to the effective portion of the hedge to be recognized in Equity, while it is recognized in the income statement directly for hedging instrument not related to the effective portion. Accumulated profit or loss in equity to be transferred to the income statement upon disposal of foreign transactions.

## 2.7.4 Derivatives that do not qualify for Hedge Accounting

**Interest on** and changes in fair value of any derivative instrument that does not qualify for hedge accounting is recognized immediately in the income statement in “net trading income” line item. However, gains or losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in “net income from financial instruments designated at fair value through profit or loss”.

## 2.8 Interest Income and Expense

**Interest income** and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized within ‘interest income’ and ‘interest expense’ in the income statement using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

- 1- When collected and after recovery of all arrears for retail loans, personal loans, real estate loans for personal housing and loans to small business.
- 2- For corporate loans, interest income is also recognized on the cash basis, according to which interest earned during the periods subsequent to reschedule agreements does not start to accrete on the loan principal until the Bank collects 25% of the rescheduled installments and after payments of the installments continue to be regular for at least one year. if the customer is always paying at his due dates the interest calculated is added to the loan balance which makes revenues (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.



## 2.9 Fees and Commissions Income

**Fees and commissions** charged by the Bank for servicing a loan are recognized as revenue as the services are provided. Recognition of such fees and commission in profit or loss ceases when a loan becomes non-performing or is impaired in which case fees and commission income is rather marginalized and carried off the balance sheet. Recognition of such fees and commissions as revenues continues on the cash basis when the relevant interest income on the financial instrument is recognized since they are generally treated as an adjustment to the effective interest rate on the financial asset.

If it is probable that the Bank will enter into a specific lending arrangement, the commitment fee received is regarded as compensation for an ongoing involvement with the acquisition of a financial instrument and, together with the related transaction costs, is deferred and recognized as an adjustment to the effective interest rate. If the commitment expires without the Bank making the loan, the fee is recognized as revenue on expiry.

A syndication fee received by the Bank that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants) is compensation for the service of syndication. Such a fee is recognized as revenue when the syndication has been completed. Fees and commissions resulting from direct negotiations or participation in such negotiations for the benefit of or on behalf of another party, such as those earned on the allotment of shares or other financial assets to a client or acquisition or disposal of entities for a client, are recognized as revenue when the specific transaction has been completed.

Administrative and other services fees are recognized as income on a time proportionate basis over the lifetime of the service.

Fees charged for financial planning services and custodian services provided over long periods are recognized as income over the period during which the service is rendered.

## 2.10 Dividend Income

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

## 2.11 Purchase and resale agreements, sale and repurchase agreements

The financial instruments sold, subject to repurchase agreements, are reported as additions to the balance of treasury bills and other governmental notes in the assets side at the balance sheet, whereas the liability (purchase and resale agreement) is reported in the balance sheet as a deduction therefrom. Difference between the sale price and repurchase price is recognized as a return throughout the period of the arrangement using the effective interest rate method.



## 2.12 Impairment of Financial Assets

### (a) Assets carried at amortized cost

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

- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- 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; and
- Downgrading below investment grade level.

The **objective evidence** of impairment loss for group of financial assets is the clear data indicate to a decline can be measured in future cash flows expected from this group since its initial recognition, although not possible to determine the decrease of each asset separately, for example increasing the number of failures in payment for One of the banking products.

The **estimated period** between a losses occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant 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.
- Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment





of impairment.

- If no impairment losses result from the previous assessment of impairment in this case the asset 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 factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank.

## ( b ) Assets classified as available for sale

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 or



held to maturity 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.

The Decrease Consider significant cause it become 10% From cost of book value and the decrease consider to be extended if it continue for period more than 9 months, and if the mentioned evidences become available then the accumulated loss to be post from the equity and disclosed at the income statement, impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

## 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 does 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 fixed assets.

## 2.14 Intangible Assets

### 2.14.1 Software

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income Statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. Direct costs include the will generate future economic benefits that exceed its cost within more than one year. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads. Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond its original specification Cost of computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed three years.

### 2.14.2 Other Intangible Assets

Other intangible assets represent intangible assets other than software programs (they include but not limited to trademark, licenses, and benefits of rental contracts). The other intangible assets are recorded at their acquisition cost and are amortized on the straight-line method or based on economic benefits expected from these assets over their estimated useful life. Concerning the assets which do not have a finite useful life, they are not subject to amortization they are annually assessed for impairment, while value of impairment (if any) is charged to the income statement.



## 2.15 Fixed Assets

Lands and buildings are mainly represented in head office, branches and offices premises. All fixed assets are disclosed at historical cost less accumulated depreciation and impairment losses. The historical cost includes expenditures that are directly attributable to the acquisitions of the fixed assets' items.

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

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

Premises and constructions	40 years
Fixtures and air conditions	5 years
Safes	50 years
Copiers and fax	8 years
Vehicles and means of transportation	5 years
Electric appliances	10 years
Mobile phones	3 years
Telephone networks, fire extinguishers	10 years
Computers and computers' software	3 years
Furniture	10 years
Decorations	4 years



The residual value and useful lives of the fixed assets are reviewed on the each balance sheet date and they are adjusted whenever it is necessary. Depreciated assets are reviewed for purposes of determining extent of impairment when an event or change in conditions occurs suggesting that the book value may not be recovered. Consequently, the book value of the asset is reduced immediately to the asset's net realizable value in case increasing the book value over the net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets are determined by comparing the net proceeds at book value. Gains (losses) are included within other operating income (expenses) in the income statement.

## 2.16 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.17 Leases

### ( a ) Being lessee

Lease payments made under operating leases, net of any discounts received from the lessor, are recognized in profit or loss on a straight-line basis over the term of the contract.

### ( b ) Being lesser

Assets leased out under operating lease contracts are reported as part of the fixed assets in the balance sheet and are depreciated over the expected useful lives of the assets, on the same basis as other property assets. Lease rental income is recognized net of any discounts granted to the lessee, using the straight line method over the contract term.

## 2.18 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, They include cash and balances due from Central Bank of Egypt (other than those under the mandatory reserve), balances due from banks, treasury bills and other governmental notes.



## 2.19 Other Provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions which negated the purpose of wholly or partly repaid within the item other operating income (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation which become due after one year from the financial statement date using appropriate rate for the due date (without being affected by effective tax rate) which reflect time value of money, and if the due date is less than one year we calculate the estimated value of obligation but if it have significant impact then it calculated using the current value.

## 2.20 Financial Guarantees

A financial guarantee contract is a contract issued by the Bank as security for loans or debit current accounts due from its clients to other entities that requires the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. These financial guarantees are presented to the banks, corporations and other entities on behalf of the bank's clients. When a financial guarantee is recognized initially, the Bank shall measure it at its fair value that is directly attributable to the issue of such financial guarantee.

The amount initially recognized less, when appropriate, cumulative amortization of security fees recognized in the income statement using the straight-line method over the term of the guarantee and the best estimate for the payments required to settle any financial obligation resulting from the financial guarantee at the balance sheet date such estimates are made based on experience in similar transactions and historical losses as supported by management judgment. Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (costs) in the income statement.

## 2.21 Employees' Benefits

### 2.21.1 Retirement Obligations

The Bank has employees insurance fund, it was founded at the first of July 2000 under the law of 54 for the year 1975 and its executive regulations for the purpose of granting insurance and compensation benefits for the members. This fund rules and modifications are applied to all the Bank staff in the head office and its branches in Arab Republic of Egypt.

The Bank is committed to lead to the fund monthly and annual subscriptions in accordance with the Rules of the Fund and its amendments, and there are no obligations



to the Bank following the payment of additional contributions. Contributions are recognized in expenses of employee benefits when due. The recognition of contributions paid in advance as an asset to the extent that its payment to the reduction of future payments or cash refund.

## 2.22 Income Taxes

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

Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the 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 not 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.

## 2.23 Borrowing

Borrowing is recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, 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.

## 2.24 Capital

### 2.24.1 Capital Issuance Cost

Cost of issuance of new shares, issuance of shares to effect an acquisition, or issue of share options, net of tax benefits, are reported a deduction from equity.

### 2.24.2 Dividends

Dividends are recognized when the general assembly of shareholders approves them. Dividends include the employees' profit share and the board of directors' remuneration as prescribed by the Bank's articles of association and the corporate law.

### 2.24.3 Treasury Stocks

The Bank didn't deal on the treasury stocks, and in case of purchasing treasury stocks the purchased amount is deducted from shareholders' equity till its cancellation and in case of selling or reissuing these stocks all collected amounts will be added to shareholders' equity.



## 2.25 Trust Activities

The Bank practices trust activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans. These assets and related income are excluded from the Bank's separate financial statements, as they are assets not owned by the Bank.

## 2.26 Comparatives Figures

Comparative figures are reclassified, where necessary, to conform with changes in the current year presentation

## 3. Financial Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. And 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 analyses these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a 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

### ( a ) Loans and advances to banks and customers

To measure credit risk related to loans and advances extended to banks and customers, the Bank examines the following three components:

- Probability of default of the customer or others in fulfilling their contractual obligations.
- The current position and the likely expected future development from which the Bank can conclude the balance exposed to default (Exposure at default).
- Loss given default.

The daily activities of the Bank’s business involves of measurement for credit risk which reflect the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may interfere with the impairment charge according to the Egyptian Accounting Standard no. (26), which depends on losses realized at the balance sheet’s date (realized losses models) and not on expected losses.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate.

Clients of the Bank are segmented into four rating classes.

The Bank’s rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

### Bank’s Internal Ratings Scale:

Bank’s internal ratings scale	Bank’s rating Description of the grade
1	Performing loans
2	Regular watching
3	Watch list
4	Nonperforming loans





And the loans expose to default depend on the banks expectation for the outstanding amounts when default occur. example, as for a loan position is the nominal value while for commitments the bank enlists all already drawn amounts besides these amounts expected to be withdrawn until the date of default, if it happens.

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.

### ( b ) Debt instruments and treasury and other bills

For debt instruments and bills, external rating such as Standard & Poor's rating or their equivalents are used by bank Treasury for managing 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 for gaining 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:

### ( a ) 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.

### ( b ) 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 where their fair value is positive), 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.

### ( c ) 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.



## (d) 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 systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities.

In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements 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 shown in the balance sheet at the year-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom two grades. The table below shows the percentage of the Bank's in balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:



Bank's rating	June 30,2015		June 30,2014	
	Loans and advances	Impairment provisions	Loans and advances	Impairment provisions
Performing loans	80.21%	15.23%	72.16%	15.49%
Regular watching	8.79%	3.40%	15.83%	4.97%
watch list	3.60%	8.85%	1.83%	1.33%
Non-performing loans	7.40%	72.55%	10.18%	78.21%
	100%	100%	100%	100%

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

- Cash flow difficulties experienced by the borrower
- 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, for economic, legal reasons, or financial difficulties facing the borrower
- Deterioration in the value of collateral
- Deterioration in 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 individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied



to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided portfolios of homogenous assets by using the available historical experience, experienced judgment and statistical techniques.

### 3.1.4 Pattern of measuring the General Banking Risk

In addition to the four categories of measuring credit worthiness discussed in disclosure 3.1.1.a the management makes small groups more detailed according to the CBE rules. Assets facing credit risk are classified to detailed conditions relying greatly on customer's information, activities, financial position and his regular payments to his debts.

The Bank calculates the provisions needed for assets impairment in addition to credit regulations according to special percentages determined by CBE.

In the case of increase of impairment loss provision needed according to CBE than that for purposes of making the financial statements according to the EAS, the general banking risk reserve is included in owners' equity deducted from the retained earning with this increase, this reserve is modified with periodic basis with the increase and decrease, which equals the increase in provisions and this reserve is not distributed.

And this are categories 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	Description	Provision %	Internal Rating	Internal Description
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 Debt	100%	4	Non-performing loans



## 3.1.5 Maximum exposure to Credit Risk before collateral held

### Balance sheet items exposed to credit risks

	June 30, 2015	June 30, 2014
	EGP	EGP
Treasury Bills and other governmental notes	4,019,404,560	2,644,481,580
<u>Trading financial assets:</u> Debt instruments	14,800,729	0
Loans and Advances to customers	10,083,413,257	9,149,207,888
Financial Derivatives	297,829,924	88,563,798
<u>Financial Investments:</u> AFS and HTM debt instruments	4,944,844,002	4,020,049,464
Other assets	465,824,150	527,211,717
<b>Total</b>	<b>19,826,116,622</b>	<b>16,429,514,447</b>



## Off Balance Sheet items exposed to Credit Risk

	June 30, 2015	June 30, 2014
	EGP	EGP
Letter of guarantee	779,875,089	790,892,480
Letter of Credit (Import)	252,345,935	278,781,041
Letters of credit (Export-confirmed)	35,329,330	222,978,850
Shipping documents (Export)	86,431,925	113260118
Outstanding forward contracts	(1,255,970)	875,116
<b>Total</b>	<b>1,152,726,309</b>	<b>1,406,787,605</b>





## 3.1.6 Loans and Advances

Balances of Loans and Advances in terms of credit risk rating are as follows:

	June 30, 2015 EGP	June 30, 2014 EGP
Neither have arrears nor impaired	9,298,290,825	8,187,521,567
Have arrears but not impaired subject to impairment	42,000,558 743,121,874	30,919,220 930,767,101
<b>Total</b>	<b>10,083,413,257</b>	<b>9,149,207,888</b>
Less: impairment loss provision	(777,890,626)	(795,248,932)
<b>Net</b>	<b>9,305,522,631</b>	<b>8,353,958,956</b>



## Loans and Advances neither have Arrears nor Impaired

The credit quality of loans and Advances that do not have arrears and which are not subject to impairment is assessed by reference to the Bank's internal rating.

Rating	Loans and Advances to customers (EGP) – June 30, 2015		
	Retail	Corporate	Total loans and advances to customers
Performing loans	185,902,405	8,229,675,401	8,415,577,806
Regular watching	0	882,713,019	882,713,019
<b>Total</b>	<b>185,902,405</b>	<b>9,112,388,420</b>	<b>9,298,290,825</b>

Rating	Loans and Advances to customers (EGP) – June 30, 2014		
	Retail	Corporate	Total loans and advances to customers
Performing loans	207,301,727	7,812,854,687	8,020,156,414
Regular watching	0	167,365,153	167,365,153
<b>Total</b>	<b>207,301,727</b>	<b>7,980,219,840</b>	<b>8,187,521,567</b>



## Loans and Advances have Arrears but are not subject to Impairment

These are loans and facilities with past-due installments but are not subject to impairment, unless information has otherwise indicated. Loans and facilities to customers which have arrears but are not subject to impairment are analyzed below:

	Corporates	
	Direct loans (EGP)	
	June 30, 2015	June 30, 2014
Arrears up to 30 days	3,107,972	1,440,672
Arrears from 30 to 60 days	16,917,751	9,804,890
90 days arrears	21,974,835	19,673,658
<b>Total</b>	<b>42,000,558</b>	<b>30,919,220</b>



## Loans and Advances which are Individually Impaired

### Loans and Advances to customers

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 743,121,874.

The breakdown of the gross amount of individually impaired loans and advances held by the Bank, are as follows:

Corporates (EGP)		
	June 30, 2015	June 30, 2014
Loans which are individually impaired	743,121,874	930,767,101
Collaterals fair value	251,259,976	387,270,941



## Restructured Loans and Advances:

Restructuring activities include rescheduling 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, especially customer loans. Renegotiated loans totaled at the end of the period

## Renegotiated Loans totaled at the end of the Financial Year:

Loans and advances to customers corporates	June 30, 2015 EGP thousands	June 30, 2014 EGP thousands
Direct loans	177,119	164,900



## 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 at the end of the financial year based on Standard & Poor's ratings or their equivalent:

EGP Thousands

Financial invest-ments	June 30, 2015		June 30, 2014	
	Treasury bills and other Gov. notes	Financial Investments	Treasury bills and other Gov. notes	Financial Investments
AAA	0	68,965	0	103,448
AA- to AA+	0	23,174	0	25,684
A- to A+	0	27,455	0	35,625
Lower than A-	3,893,045	4,810,190	2,585,734	3,841,012
<b>Total</b>	<b>3,893,045</b>	<b>4,929,784</b>	<b>2,585,734</b>	<b>4,005,769</b>



## 3.1.8 Concentration of Risks of Financial Assets exposed to Credit Risks

### 3.1.8.1 (Geographical segments)

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting period.

The gross amount of all financial assets is segmented into the geographical regions of the Bank's clients:

	Arab Republic of Egypt		Total
	Cairo	Alex and Delta	
Treasury bills and other governmental notes	4,019,404,560	0	4,019,404,560
Gross Loans and advances to customers:			
Personal loans	147,466,195	38,436,210	185,902,405
Corporate Loans	8,779,230,208	1,118,280,644	9,897,510,852
Impairment Loss Provision-Individual	0	0	0
Impairment Loss Provision-Corporate	(697,801,227)	(80,089,399)	(777,890,626)
Net Loans and advances to customers	8,228,895,176	1,076,627,455	9,305,522,631
Available for sale financial investments:			
Debt instruments	4,929,783,802	0	4,929,783,802
Held to Maturity financial investments:			
Debt instruments	15,060,200	0	15,060,200
<b>Total</b>	<b>17,193,143,738</b>	<b>1,076,627,455</b>	<b>18,269,771,193</b>



## 3.1.8.2 (Industry Segments)

EGP Thousands

	Financial institutions	Manufacturing institutions	Government sector	Other activities	Total
Treasury Bills and other governmental notes	0	0	4,019,405	0	4,019,405
<u>Trading financial assets:</u>					
Debt instruments	0	0	14801	0	14801
Loans and advances to customers	23479	7,682,603	1165514	1,211,817	10,083,413
Financial derivatives	297,830	0	0	0	297,830
<u>Financial investments:</u>					
Debt instruments	21,095	0	4,912,154	11595	4,944,844
<b>Total</b>	<b>342,404</b>	<b>7,682,603</b>	<b>10,111,874</b>	<b>1,223,412</b>	<b>19,360,293</b>

## 3.2 Market Risks

The Bank is exposed to market risk represented in volatility in fair value or future cash flows resulted from changes in market prices. Market risk arise from the open positions of interest rates, currency rates and the equity instruments, the management of market risk resulted from trading, non-trading activities are centralized in the market risk department in the Bank.



## 3.2.1 Foreign Exchange Rate Volatility Risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The board of directors set limits for foreign exchange risk at the total value of positions at the end of the day and during the day when timely control is exercised.

The following table summarizes the Bank's exposure to the risks of fluctuations in foreign exchange rates at the end of the reporting period. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

June 30, 2015	EGP	USD	GBP	EUR	Other currencies	Total
<b>Financial Assets</b>						
Cash and due from central banks	993,087,433	17,133,575	2,014,619	5,575,255	1,007,043	1,018,817,925
Due from banks	20,942,123	713,320,400	17,415,953	14,806,806	10,921,455	777,406,738
Treasury bills and other governmental notes	3,029,379,221	721,374,161	0	142,291,655	0	3,893,045,037
Trading financial investments	14,800,729	0	0	0	0	14,800,729
Loans and advances to customers	5,292,478,038	3,654,863,661	9,698,828	344,462,961	4,019,142	9,305,522,631
Financial derivatives	0	0	94,535,888	203,294,036	0	297,829,924
Available for sale investments	5,036,692,814	354,757,250	0	169,356	0	5,391,619,419
Held to maturity investments	20,852,240	15,060,200	0	0	0	35,912,440
Other financial assets	458,313,686	6,822,373	46,108	641,980	3	465,824,150
<b>Total financial assets</b>	<b>14,866,546,284</b>	<b>5,483,331,620</b>	<b>123,711,396</b>	<b>711,242,050</b>	<b>15,947,644</b>	<b>21,200,778,994</b>
<b>Financial Liabilities</b>						
Due to banks	270,083,620	1,007,152,290	590,849,300	152,890,556	4,115,691	1,493,327,086
Customers deposits	13,185,988,157	3,752,916,532	64,256,742	518,080,452	11,566,683	17,532,808,567
Financial derivatives	0	299,091,472	0	0	0	299,091,472
Other loans	86,112,500	267,824,922	0	33,061,533	0	386,998,955
Other financial liabilities	272,201,901	57,444,039	277,955	2,916,655	34,301	332,874,850
<b>Total financial liabilities</b>	<b>13,814,386,178</b>	<b>5,384,429,255</b>	<b>123,619,626</b>	<b>706,949,196</b>	<b>15,716,675</b>	<b>20,045,100,930</b>
<b>Net balance</b>	<b>1,052,160,106</b>	<b>98,902,364</b>	<b>91,770</b>	<b>4,292,854</b>	<b>230,969</b>	<b>1,155,678,063</b>



## 3.2.2 Interest Rate Risk

The Bank is exposed to impact of fluctuations in the levels of interest rates prevailing in the market that is the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to change in the interest rate of the mentioned instrument. Whereas the interest rate is fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in interest rates in the market.

The interest margin may rise due to these changes but still the profits may decrease if unexpected movements occurred. The board of directors sets limits for the level of difference in the re-pricing of interest rate that the Bank can maintain and Risk department in the Bank daily monitors this.

The following table summarizes the extent of the Bank's exposure to the risk of fluctuations in interest rates that includes the book value of financial instruments divided based on the price of re-pricing dates or maturity dates whichever is sooner:

EGP Thousands

June 30, 2015	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 3 years	More than 3 years	Interest free	total
<b>Financial assets</b>							
Cash and due from central banks	0	0	0	0	0	1,018,818	1,018,818
Due from banks	342,393	0	435,014	0	0	0	777,407
Treasury bills and other governmental notes	0	148,635	3,744,410	0	0	0	3,893,045
Trading financial investments	0	0	0	0	14,801	0	14,801
Financial derivatives	0	297,830	0	0	0	0	297,830
Loans and advances to customers	69,310	1,185,651	4,146,081	1,270,231	2,634,250	0	9,305,523
Available for sale investments	5,846	0	1,181,927	2,328,272	1,875,574	0	5,391,619
Held to maturity investments	0	0	0	15,060	20,852	0	35,912



Other financial assets	0	0	0	0	0	465,824	465,824
<b>Total financial assets</b>	<b>417,549</b>	<b>1,632,116</b>	<b>9,507,431</b>	<b>3,613,563</b>	<b>4,545,477</b>	<b>1,484,642</b>	<b>21,200,779</b>
<u>Financial liabilities</u>							
Due to banks	1,355,527	137,800	0	0	0	0	1,493,327
Customers deposits	8,209,570	3,065,698	1,850,337	4,126,615	280,589	0	17,532,809
Other loans	193	226,316	136,178	23,409	903	0	386,999
Financial derivatives	0	299,091	0	0	0	0	299,091
Other financial liabilities	0	0	0	0	0	332,875	332,875
<b>Total financial liabilities</b>	<b>9,565,290</b>	<b>3,728,905</b>	<b>1,986,515</b>	<b>4,150,023</b>	<b>281,492</b>	<b>332,875</b>	<b>20,045,101</b>
<b>Net balance</b>	<b>(9,147,741)</b>	<b>(2,096,789)</b>	<b>7,520,916</b>	<b>(536,460)</b>	<b>4,263,985</b>	<b>1,151,767</b>	<b>1,155,678</b>



## 3.3 Liquidity Risk

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

### Liquidity Risk Management Process

- The processes of liquidity risk control carried by Assets and Liabilities management department in the bank include the following:
- The daily funding is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes replenishment of funds as they mature or is borrowed by customers. The Bank maintains an active presence in the global money markets to ensure achievement of this target.
- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and profile the debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively. The starting point for these projections is represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

Assets and Liabilities management department controls the unmatched medium term assets management, the level and type of the unutilized portion of loans' commitments, the extent of utilizing debit current accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

### Financing Approach

Liquidity resources are reviewed by a separate team from treasury department of the Bank to provide a wide variety of currencies, geographical regions, resources, products, and maturities.

Assets available to meet all liabilities and cover loan commitments include cash, balances with central banks, balances due from banks, treasury bills and other governmental notes, and loans and facilities to banks and clients. Maturity term of percentage of loans to clients that are maturing within a year is extended in the normal course of the Bank's business. Moreover, some debt instruments, treasury bills and other governmental notes are pledged to cover liabilities. The Bank has the ability to meet unexpected net cash flows through selling securities, and finding other financing sources.



## 3.4 Fair Value of Financial Assets and Liabilities

The following table summarizes the carrying amount and fair value of financial assets and liabilities that are not stated in the balance sheet at fair value:

	Book value (EGP)	Fair value (EGP)
<b>Financial Assets</b>		
Due from banks	777,406,738	777,406,738
Loans and advances to customers	10,083,413,257	10,083,413,257
<u>Financial investments:</u>		
Held to maturity	35,912,440	35,912,440
<b>Financial liabilities</b>		
Due to banks	1,493,327,086	1,493,327,086
Customer's deposits	17,532,808,567	17,532,808,567
Other loans	386,998,955	386,998,955

### 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 are represented in loans other than deposits with banks.

The expected fair value for loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by adopting the current market rate to determine the fair value.



## Loans and Advances to Customers

Loans and Facilities are net of provisions for impairment. The estimated fair value of loans and facilities 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

Investments in financial securities in the previous table include only held to maturity bearing assets. Available for sale assets are assessed at fair value with the exception of equity instruments which the Bank has been unable to evaluate their fair value to a reliable extent. The fair value of financial assets held to maturity is determined based on market rates or prices obtained from brokers. If these data are unavailable then the fair value is assessed by applying the financial markets' rates for negotiable financial securities with similar credit features, maturity dates as well as similar rates.

## Due to other Banks and Customers

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

## 3.5 Capital Management

The Bank's objectives when managing capital, which consists of another items in addition of owner's equity stated in balance sheet are:

- To comply with the capital requirements in Egypt.
- To safeguard the Bank's ability to continue as an ongoing concern so that it can continue to provide returns for shareholders and stakeholders.
- To maintain a strong capital base to support the development of its business.
- Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Central Bank Of Egypt, for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

### Central Bank Of Egypt requires the following:

- Hold the minimum level of the issued and paid up capital of LE500 Million.
- Maintaining a percentage between capital elements and asset and contingent liabilities elements weighted by risk equals to or exceeds 10%. The numerator of the capital adequacy ratio consists of the following two tiers:



## **Tier One:**

Represented in basic capital which consists of paid-in-capital (after deducting the book value of treasury shares), retained profits and reserves from profit appropriation with the exception of general banking risk reserve less any goodwill previously recognized or any carried over losses and 20% of intangible assets and deferred taxes.

## **Tier Two**

Supplementary Capital consists of equivalent of the general risks provision related to creditworthiness bases issued by the Central Bank Of Egypt and not exceeding 1.25% of the total risk weighted assets and contingent liabilities, subordinated loans / deposits' term which exceed 5 years (with amortization of 20% of their value each year of the last five years of their term) and 45% of the increase between fair value and book value of financial investments available for sale, held to maturity and associates and subsidiaries.

When calculating the total numerator of the capital adequacy ratio it should be taken into consideration that the supplementary capital does not exceed in any way the basic capital and that subordinated loans (deposits) do not exceed half of the basic capital.

Asset at risk are weighted ranging from zero up to 100% classified in accordance with the nature of the debit side of each asset, to reflect the related credit risks, while taking into consideration cash collaterals. Same treatment is applied on off- balance amounts after making adjustments to reflect the contingent nature and probable losses of these amounts.

The Bank has complied with all local capital requirements at June 30, 2015 the following table summarizes the components of basic and supplementary capital and capital adequacy ratios as at 30/6/2015.



## According to Basel II:

EGP Thousands

	June 30, 2015	June 30, 2014
Capital	2,044,847	1,954,655
<u>Tier one (Basic capital):</u>		
Paid up capital	1,440,000	1,440,000
Reserves	267,224	236,178
Retained profits	144,569	56,908
Uncontrollable interest	57	56
Total deduction from Basic capital	(21,617)	(9,838)
<b>Total basic capital</b>	<b>1,830,233</b>	<b>1,723,304</b>
<u>Tier two (Supplementary capital):</u>		
45% of special reserve	10,098	10,098
45% of the increase in the fair value over book value of held to maturity financial investment and investments in subsidiaries and associated companies	54,923	63,817
Impairment provision for loans and regular contingent liabilities	149,592	157,437
<b>Total supplementary capital</b>	<b>214,613</b>	<b>231,352</b>





<u>Risk weighted assets and contingent liabilities :</u>		
Total credit risk	11,968,909	15,876,655
Total market risk	161,905	84,260
Total operational risk	1,100,315	866,814
<b>Total</b>	<b>13,231,130</b>	<b>16,827,729</b>
(%) Capital adequacy ratio*	15.45%	11.62%

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

## 4. The significant accounting estimates and assumptions

The Bank applies estimates and assumptions, which affect the amounts of assets and liabilities to be disclosed within the following financial year. Estimates and assumptions are continuously assessed based on historical experience and other factors as well, including the expectations of future events, which are considered reasonable in the light of available information and surrounding circumstances.

### (a) Impairment Loss on Loans and Advances

The Bank reviews the loans and advances portfolio on at least a quarterly basis to assess impairment. The Bank applies personal judgment when determine the necessity of recording the impairment charges to the income statement so as to know if there is any reliable data which refer to the existence of a measurable decline in the expected future cash flows of the loans portfolio even before being acquainted with the decline at the level of each loan in the portfolio. These evidences may include observable data, which refer to the occurrence of a negative change in the ability of a portfolio of borrowers to repay the Bank, or local or economic circumstances related to default in the Bank's assets. On scheduling future cash flows, the management use estimates based on prior experience of losses of assets with credit risk characteristics in the presence of objective evidences that refer to impairment similar to those included in the portfolio. The method and assumptions used in estimating the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on expertise.



### ( b ) Impairment in Equity Instruments Investments available for sale

The Bank determine impairment in equity's instruments' investments available for sale when there is a significant or prolonged decline in their fair value below their cost.

Determining whether the decrease is significant or prolonged depends on personal judgment. To reach this judgment the Bank estimates- among other factors- the usual volatility of the share price. Additionally, there could be impairment if there is evidence on the existence of deterioration in the financial position of the invested company or in its operating and financing cash flows or if there is deterioration in the industry's or sector's performance or in case of changes in technology.

### ( c ) The Fair Value of Derivatives

The fair values of financial instruments, which are not listed in active markets, is identified by applying valuation methods. When such methods are used to identify fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them.

### ( d ) Financial Investments held - to- maturity

The non-derivative financial assets with payments and maturity dates that are fixed or determinable are classified as financial investments held to maturity, and this classification requires to a great extent the application of personal judgment and to reach such decision the Bank evaluates the intention and ability to hold these investments until maturity. If the Bank fails to hold these investments until maturity date, with the exception of very special cases such as selling an insignificant amount near maturity, then these investments, which were classified held to maturity, should be reclassified available for sale investments. Consequently, these investments shall be measured by fair value and not by amortized cost in addition to suspension of classifying any investments under the mentioned item.

### ( e ) Income Taxes

The Bank records the liabilities of the expected results of tax examination according to estimates of the probability of the emergence of additional taxes. When there is, a variance between the final result of taxes and the amounts previously recorded then these variances will affect the income tax and deferred tax provision for the year in which the variance has been identified.



## 5. Net Interest Income

	June 30, 2015	June 30, 2014
	EGP	EGP
<u>Interest From Loans and Similar Income:</u>		
Loans and Facilities for Customers	772,139,022	627,730,051
Treasury Bills	261,159,098	274,049,230
Treasury Bonds	555,841,678	414,023,191
Bonds	14,625,112	31,681,185
Deposits and Current Accounts	41,831,979	24,834,969
	1,645,596,889	1,372,318,626
<u>Cost of Deposit and Similar Costs:</u>		
<u>Deposits and Current Accounts:</u>		
Banks	(47,287,400)	(35,932,347)
Customers	(945,156,185)	(827,485,835)
Other loans	(9,272,206)	(9,591,171)
REPO	0	(372,132)
	(1,001,715,791)	(873,381,485)
<b>Net</b>	<b>643,881,098</b>	<b>498,937,141</b>



## 6. Net Income from Fees and Commissions

	June 30, 2015	June 30, 2014
	EGP	EGP
<u>Fees and commissions income:</u>		
Fees and commission related to credit	185,266,852	145,753,054
Custody Fees	609,618	693,178
Other Fees	6,912,918	11,451,810
	192,789,388	157,898,042
<u>Fees and Commissions Expenses:</u>		
Other fees paid	(5,024,547)	(3,989,813)
	(5,024,547)	(3,989,813)
<b>Net</b>	<b>187,764,841</b>	<b>153,908,229</b>



## 7. Dividend Income

	June 30, 2015	June 30, 2014
	EGP	EGP
Mutual funds	0	39,596
Financial investments available for sale	4,096,732	4,494,554
Financial investments held to maturity	0	79,191
Associates and Subsidiary companies	12,064,227	15,239,474
<b>Total</b>	<b>16,160,959</b>	<b>19,852,815</b>



## 8. Net Trading Income

	June 30, 2015	June 30, 2014
	EGP	EGP
Profit (losses) from foreign exchange	27,412,518	30,482,238
Profit (losses) from currencies swap contracts	(483,661)	570,884
Profit (losses) from currencies swap contracts revaluation	(12,317,187)	3,463,700
Profit arising from sale of trading investments	4,312	723,889
Valuation differences of trading investments	430,618	5,979,790
	15,046,600	41,220,501

## 9. Administrative Expenses

	June 30, 2015	June 30, 2014
	EGP	EGP
<u>Staff Costs</u>		
- Salaries and Wages*	(148,037,641)	(137,236,045)
- Social insurance	(6,613,165)	(6,129,818)
<u>Pension costs</u>		
- Defined contribution scheme	(17,727,258)	(17,605,022)
- Defined benefits scheme	(19,788,003)	(17,940,415)
<u>Other Administrative expenses</u>		
- Operations expenses	(33,845,971)	(26,028,337)
- Communications expenses	(6,641,758)	(6,217,249)
- Business expenses	(5,847,101)	(5,701,455)
- Stationary expenses	(1,511,301)	(1,474,624)
- Service expenses	(33,236,433)	(32,143,688)
- Depreciation expenses	(22,267,170)	(30,457,741)
<b>Total</b>	<b>(295,515,801)</b>	<b>(280,934,394)</b>

\*Average monthly total salaries of highest 20 employees for the period from 1 July 2014 till 30 June 2015 were EGP 1011 thousands .



## 10. Other Operating Income (expenses)

	June 30, 2015	June 30, 2014
	EGP	EGP
Profit (Loss) resulting from revaluation of foreign currency balances of assets and liabilities of monetary nature other than those held for trading or originally classified at fair value through profit and loss	1,731,040	(8,268,635)
Collected Telex, Swift, Postage, Printed matters & Photocopy	11,055,974	9,484,999
Legal service income	98,000	115,380
( Charges ) release of other provisions	(33,575,074)	(23,651,022)
Capital profits	78,102	2,304,148
Miscellaneous income	7,116,729	7,193,868
Miscellaneous expenses	(4,754,059)	(1,689,343)
	(18,249,288)	(14,510,605)





## 11. Impairment ( charge ) of Credit Losses

	June 30, 2015	June 30, 2014
	EGP	EGP
Loans and Advances to Customers	(44,778,191)	(34,362,098)
	(44,778,191)	(34,362,098)

## 12. Income Tax Expense

	June 30, 2015	June 30, 2014
	EGP	EGP
Accrued and paid treasury bills and bonds income tax	(157,170,063)	(127,658,932)
	(157,170,063)	(127,658,932)



## 13. Earnings Per Share

	June 30, 2015	June 30, 2014
	EGP	EGP
Net profit for the year	354,146,224	287,691,229
Board member's bonus	(6,720,000)	(5,600,000)
Staff Profit Sharing	(35,415,000)	(27,300,000)
Shareholder's Share in Profit	312,011,224	254,791,299
Average number of shares	144,000,000	144,000,000
<b>Earnings Per Share</b>	<b>2.17</b>	<b>1.77</b>

## 14. Cash and due from Central Bank of Egypt

	June 30, 2015	June 30, 2014
	EGP	EGP
Cash on hand	66,816,597	51,913,862
Due from Central Bank of Egypt (mandatory reserve)	952,001,328	651,589,749
<b>Total</b>	<b>1,018,817,925</b>	<b>703,503,611</b>
<b>Non - interest bearing balances</b>	<b>1,018,817,925</b>	<b>703,503,611</b>



## 15. Due from Banks

	June 30, 2015	June 30, 2014
	EGP	EGP
Current Accounts	88,507,792	51,479,541
Deposits	688,898,946	1,128,073,271
	<b>777,406,738</b>	<b>1,179,552,812</b>
Central Bank	435,013,877	923,394,615
Local Banks	25,812,222	5,776,391
Foreign Banks	316,580,639	250,381,806
	<b>777,406,738</b>	<b>1,179,552,812</b>
Non - Interest bearing balances	88,507,792	51,479,541
Fixed Bearing Balances	688,898,946	1,128,073,271
Current Balances	<b>777,406,738</b>	<b>1,179,552,812</b>
Total	<b>777,406,738</b>	<b>1,179,552,812</b>



## 16. Treasury Bills and other Governmental Notes

	June 30, 2015	June 30, 2014
	EGP	EGP
Treasury Bills And Other Governmental Notes	3,893,045,037	2,585,733,553
	3,893,045,037	2,585,733,553
<u>Represented in:</u>		
91 days Maturity	149,675,000	0
182 days Maturity	482,900,000	53,350,000
364 days Maturity	3,386,829,560	2,591,131,580
	4,019,404,560	2,644,481,580
<u>Subtract:</u>		
Unearned Income	(126,359,523)	(58,748,027)
<b>Total</b>	<b>3,893,045,037</b>	<b>2,585,733,553</b>



## 17. Trading Financial Assets

	June 30, 2015	June 30, 2014
	EGP	EGP
<u>Debt instruments :</u>		
Treasury bonds 2025 maturity	14,800,729	0
<u>Mutual Funds:</u>		
Egyptian Arab Land Bank - Fixed Income	0	5,733,132
	14,800,729	5,733,132



## 18. Loans and overdrafts for customers

	June 30, 2015	June 30, 2014
	EGP	EGP
Discounted Documents	104,058,396	122,939,386
Loans to Customers	9,965,759,175	8,994,017,522
Acquired Assets Debtors	13,595,686	32,250,980
<b>Total</b>	<b>10,083,413,257</b>	<b>9,149,207,888</b>
<u>Less: impairment loss provision</u>	<u>(777,890,626)</u>	<u>(795,248,932)</u>
<b>Net</b>	<b>9,305,522,631</b>	<b>8,353,958,956</b>



## Loans Provisions Analysis:

	June 30, 2015			June 30, 2014		
	Specific Provisions	Collective Provisions	Total	Specific Provisions	Collective Provisions	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Balance at the beginning of the year	649,938,041	145,310,891	795,248,932	659,695,004	111,325,451	771,020,455
Formed during the year	44,778,191	0	44,778,191	20,255,000	14,107,098	34,362,098
Collections from loans previously written-off	0	7,411,712	7,411,712	0	4,674,697	4,674,697
Reclassifications between provisions	(55,753,833)	55,753,833	0	(13,803,733)	13,803,733	0
Transferred from (to) other provisions	0	3,366,331	3,366,331	(1,343,966)	0	(1,343,966)
Foreign currency revaluation difference	7,886,366	2,727,048	10,613,414	7,155,317	1,399,912	8,555,229
Used Provision during the year	(83,527,954)	0	(83,527,954)	(22,019,581)	0	(22,019,581)
Balance at the end of the year	563,320,811	214,569,815	777,890,626	649,938,041	145,310,891	795,248,932



## 19. Financial Derivatives

The financial derivatives reported in the separate financial statements for the year ended June 30, 2015 equivalent amounted to 297,830 thousands EGP in Assets against equivalent amounted to 299,091 thousands EGP in in the liabilities, to cover bank currency position.

## 20. Financial Investment

	June 30, 2015	June 30, 2014
	EGP	EGP
a. <u>Available for Sale Investment</u>		
<u>Debt Instruments-Fair Value:</u>		
Listed in Stock Market	4,929,783,802	4,005,769,264
<u>Equity Instruments-Fair Value:</u>		
Listed in Stock Market	6,495,365	10,397,770
Unlisted in Stock Market	455,340,252	470,692,459
<b>Total available for Sale Investment ( 1 )</b>	<b>5,391,619,419</b>	<b>4,486,859,493</b>
b. <u>Held to Maturity Investment</u>		
<u>Debt Instruments at Amortized Cost:</u>		
Unlisted in Stock Market	15,060,200	14,280,200
<u>Mutual funds:</u>		
Certificates of Mutual Funds issued according to determined percentages	20,852,240	20,852,240





Total held to Maturity Investment ( 2 )	35,912,440	35,132,440
Total Financial Investments ( 1+2 )	5,427,531,859	4,521,991,933
Current Balances	4,936,279,167	4,005,769,264
Non-current Balances	491,252,692	516,222,669
	5,427,531,859	4,521,991,933
Fixed interest Debt Instruments	4,860,818,345	3,902,321,048
Variable Interest Debt Instruments	84,025,657	117,728,416
Total	4,944,844,002	4,020,049,464



	AFS Financial Investments	HTM Financial Investments	Total
Beginning balance at (01-07-2013)	3,661,679,903	37,743,455	3,699,423,358
Additions	2,191,656,940	488,641	2,192,145,581
Deductions (selling-redemptions)	(1,463,044,450)	(3,361,056)	(1,466,405,506)
Exchange revaluation differences	863,313	261,400	1,124,713
Profit (loss) from change in fair value	115,923,798	0	115,923,798
Impairment Losses	(20,220,011)	0	(20,220,011)
<b>Ending balance at (30-06-2014)</b>	<b>4,486,859,493</b>	<b>35,132,440</b>	<b>4,521,991,933</b>
Beginning balance at (01-07-2014)	4,486,859,493	35,132,440	4,521,991,933
Additions	2,361,069,180	0	2,361,069,180
Deductions (selling-redemptions)	(1,425,963,543)	0	(1,425,963,543)
Changes in treasury bonds' unearned income	2,228,670	0	2,228,670
Foreign Exchange revaluation differences	9,452,771	780,000	10,232,771
Profit (loss) from change in fair value	(19,763,547)	0	(19,763,547)
Impairment Losses	(22,263,605)	0	(22,263,605)
<b>Ending balance at (30-06-2015)</b>	<b>5,391,619,419</b>	<b>35,912,440</b>	<b>5,427,531,859</b>



## Profit (losses) from Financial Investment

	June 30, 2015	June 30, 2014
	EGP	EGP
Profit from selling available for Sale Investment	25,767,282	40,418,846
(Losses) from Impairment of available for Sale Stocks	(22,263,605)	(20,220,011)
Profit from selling Treasury Bills	1,874,953	2,245,453
Profit from selling Treasury Bonds	682,827	307,192
<b>Total</b>	<b>6,061,457</b>	<b>22,751,480</b>



## 21. Financial Investment in Subsidiaries and Associated Companies

	June 30, 2014	%	June 30, 2013	%
	EGP		EGP	
a. <u>Participations in subsidiaries companies' capital</u>				
Egypt capital holding company	339,983,000	99.995	339,983,000	99.995
The international holding for financial investments	249,975,000	99.99	249,975,000	99.99
Egyptian company for exports guarantee	176,382,811	70.553	176,382,811	70.553
BETA Financial holding	136,986,300	99.99	136,986,300	99.99
United technical and engineering company (UTECH)*	0	95.035	0	95.035
	903,327,111		903,327,111	
b. <u>Participations in Associated companies' capital</u>				
Egyptian company for real estate	152,865,000	39.5	152,865,000	39.5
A BETA for real estate investment	87,690,000	39.5	87,690,000	39.5
	240,555,000		240,555,000	
<b>Total</b>	<b>1,143,882,111</b>		<b>1,143,882,111</b>	

\* The united technical and engineering company is fully impaired in our books.



## Financial information's about subsidiaries companies' as of June 30, 2015:

EGP thousands

Company name	Total assets	Total liabilities excluding equity	Total revenues	Net income
Egyptian Company for Exports Guarantee	494,968	148,632	57,113	33,511
Egypt Capital Holding Company	348,673	201	2,485	1,401
The International Holding for Financial Investments	256,564	20	1,865	1,674
BETA Financial Holding	137,868	184	1,289	684



## 22. Intangible Assets

	June 30, 2015	June 30, 2014
	EGP	EGP
Net Book Value at the beginning of the year	32,322,394	33,836,013
Additions	89,543	2,222,181
Deductions	0	(3,735,800)
<b>Net Book Value at the end of the year</b>	<b>32,411,937</b>	<b>32,322,394</b>
Accumulated Amortization at the beginning of the year	29,803,393	27,762,440
Amortization Expense	1,019,893	5,776,753
Deductions Accumulative Amortization	0	(3,735,800)
<b>Accumulated Amortization at the end of the year</b>	<b>30,823,286</b>	<b>29,803,393</b>
<b>Net Intangible Assets at the end of the year</b>	<b>1,588,651</b>	<b>2,519,001</b>

## 23 . Other Assets

	June 30, 2015	June 30, 2014
	EGP	EGP
Accrued Revenues	209,051,213	201,291,141
Prepaid Expenses	27,090,924	7,111,592
Advances for purchase of Fixed Assets	151,240,494	109,990,399
Acquired Assets (Net)*	29,602,763	29,865,644
Insurances and Trusts	1,868,597	1,867,700
Suspense Assets	4,605,609	1,265,920
Suspense Assets - Taxes	33,168,438	33,878,455
Commissions Under Collection	42,909	3,839
Bonds Amortization	9,153,203	141,937,027
<b>Total</b>	<b>465,824,150</b>	<b>527,211,717</b>

\*Valuation of the assets acquired by the Bank in settlement of debts is recorded in accordance with the related Central Bank of Egypt's regulations. In case the assets' fair value falls below the value at which such assets have been acquired by the Bank on the balance sheet date, the difference is charged to other expenses in the income statement. In case of an increase in the fair value, such increase is recognized in the income statement to the extent of revaluation losses recognized in the income statement for previous financial periods.



	June 30, 2015	June 30, 2014
	EGP	EGP
Accrued Income for Medium Term Loans	44,317,949	35,713,762
Accrued Income for due from Banks	125,345	917,994
Accrued Income for Financial Investments	164,607,919	164,659,385
	209,051,213	201,291,141





## 24. FIXED ASSETS (NET)

June 30, 2015	Land	Premises	Computers	Vehicles	Fixture and improvements	Equipment	Furniture	Others	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost at the beginning of the year	48,484,283	164,813,878	41,829,235	5,024,946	114,893,217	7,296,053	6,012,162	5,042,162	393,395,936
Additions during the year	0	7,245,000	928,871	868,000	9,865,346	1,236,133	296,155	441,100	20,880,605
Disposals during the year	0	(117,926)	(480,885)	(239,400)	(696,716)	(537,318)	(420,542)	(517,295)	(3,010,082)
Cost at the end of the year (1)	48,484,283	171,940,952	42,277,221	5,653,546	124,061,847	7,994,868	5,887,775	4,965,967	411,266,459
Accumulated depreciation at the beginning of the year	0	35,873,978	38,025,740	4,714,820	86,981,923	3,820,448	3,432,561	1,717,650	174,567,120
Depreciation charged for the year	0	4,428,998	2,648,887	348,662	12,661,960	596,956	469,758	92,057	21,247,278
Accumulated depreciation for disposals	0	(117,926)	(480,810)	(239,399)	(696,390)	(497,507)	(420,431)	(508,717)	(2,961,180)
Accumulated depreciation at the end of the year (2)	0	40,185,050	40,193,817	4,824,083	98,947,493	3,919,897	3,481,888	1,300,990	192,853,218
Net book value at the end of the year (1-2)	48,484,283	131,755,902	2,083,404	829,463	25,114,354	4,074,971	2,405,887	3,664,977	218,413,241
Net book value at the beginning of the year	48,484,283	128,939,900	3,803,495	310,126	27,911,294	3,475,605	2,579,601	3,324,512	218,828,816

## 25. Investment Property

	June 30, 2015	June 30, 2014
	EGP	EGP
Book value at the beginning of the year	5,461,849	5,461,849
Additions during the year	0	0
Disposals during the year	0	0
<b>Book value at the end of the year</b>	<b>5,461,849</b>	<b>5,461,849</b>
Accumulated depreciation at the beginning of the year	1,733,340	1,357,163
Depreciation	376,178	376,177
<b>Accumulated depreciation at the end of the year</b>	<b>2,109,518</b>	<b>1,733,340</b>
<b>Net book value at the end of the year</b>	<b>3,352,331</b>	<b>3,728,509</b>



## 26. Deferred Tax Assets

Deferred income tax was calculated based on the deferred tax differences according to the liability method using an effective tax rate for the current fiscal year. Deferred tax assets resulting from carried forward tax losses shall not be recognized unless future taxable profits, through which carried forward taxable losses can be utilized, are likely to be proven. Clearing between deferred tax assets and liabilities is made in case of there is a legal justification for offsetting between current tax on assets and liabilities and also when deferred income tax belong to the same tax authority, the following table represents deferred tax assets and liabilities :

	June 30, 2015	June 30, 2014
	EGP	EGP
Deferred tax – provisions for contingent liabilities	3,346,811	3,930,339
Deferred tax – other provisions	813,399	813,399
Fixed assets	6,921,278	5,393,138
	<b>11,081,488</b>	<b>10,136,876</b>



## 27. Due to Banks

	June 30, 2015	June 30, 2014
	EGP	EGP
Current Accounts	85,034	85,919
Deposits	1,493,242,052	1,472,742,761
	1,493,327,086	1,472,828,680
Local Banks	1,214,713,386	1,382,828,680
Foreign Banks	278,613,700	90,000,000
	1,493,327,086	1,472,828,680
Non-Interest Bearing Balances	85,034	85,919
Fixed Interest Bearing Balances	1,493,242,052	1,472,742,761
	1,493,327,086	1,472,828,680
Current Balances	1,493,327,086	1,472,828,680
Total	1,493,327,086	1,472,828,680



## 28. Customers Deposits

	June 30, 2015 EGP	June 30, 2014 EGP
Demand Deposits	4,688,149,160	2,573,172,986
Time Deposits	8,572,445,684	8,335,212,821
Saving Deposits and Certificates of Deposit	3,927,489,924	3,578,830,672
Other Deposits	344,723,799	327,249,915
	<b>17,532,808,567</b>	<b>14,814,466,394</b>



## 29. Other Loans

Particulars	Maturity date	Rate %	Balances as of	Balances as of
			June 30, 2015 (EGP)	June 30, 2014 (EGP)
National Investment Bank loan (Twelfth)	30-Jun-15	6%	0	25,000,000
Arab Trade Financing Program	24-Dec-15	-	169,427,250	81,084,761
Commercial International Bank (ASDP)	29-Dec-15	4.15%	80,387,500	132,837,500
European Investment Bank loan – 2 \$	15-Mar-17	0.67%	15,566,572	24,600,577
European Investment Bank loan – 2 EURO	15-Mar-17	0.43%	33,061,533	63,887,066
UBAE Bank	28-Jul-15	1.86%	82,831,100	0
Environment support sector – Danish awarding	19-May-19	0.75%	5,725,000	1,200,000
			<b>386,998,955</b>	<b>328,609,904</b>
Current Balances			332,645,850	157,837,500
Non-current Balances			54,353,105	170,772,404
			<b>386,998,955</b>	<b>328,609,904</b>



## 30. Other Liabilities

	June 30, 2015	June 30, 2014
	EGP	EGP
Accrued Interest	109,607,819	98,606,868
Prepaid Revenues	9,274,561	11,484,611
Accrued Expenses	82,365,122	62,972,442
Accrued Taxes and Insurances	4,227,287	6,708,029
Sundry Credit Balances	127,400,061	107,599,017
<b>Total</b>	<b>332,874,850</b>	<b>287,370,967</b>



## 31. Other Provisions

June 30, 2015

	Balance at the beginning of the year	Formed during the year	Foreign currencies revaluation differences	Reclassification between provisions	Release (charge)Provisions no longer required	Transferred from(to)other sources	Provision used during the year	Balance at the end of the year
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Provision for Claims	36,766,284	33,575,074	1,963	0	(57,000)	300,000	(15,760,017)	54,826,304
Provision for Contingent Liabilities	13,267,796	0	241,760	(3,366,331)	0	0	0	10,143,226
<b>Total</b>	<b>50,034,080</b>	<b>33,575,074</b>	<b>243,724</b>	<b>(3,366,331)</b>	<b>(57,000)</b>	<b>300,000</b>	<b>(15,760,017)</b>	<b>64,969,530</b>





June 30, 2014

	Balance at the beginning of the year	Formed during the year	Foreign currencies revaluation differences	Reclassification between provisions	Release (charge) Provisions no longer required	Transferred from(to)other sources	Provision used during the year	Balance at the end of the year
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Provision for Claims	27,824,334	23,651,022	658	454,322	(72,466)	0	(15,091,587)	36,766,283
Provision for Contingent Liabilities	11,724,695	0	199,136	1,343,965	0	0	0	13,267,796
<b>Total</b>	<b>39,549,029</b>	<b>23,651,022</b>	<b>199,794</b>	<b>1,798,287</b>	<b>(72,466)</b>	<b>0</b>	<b>(15,091,587)</b>	<b>50,034,079</b>

## 32 Capital and Reserves

### 32.1 Capital

The authorized capital amounted to LE. 2,000,000,000. The issued and paid up capital amounted to LE. 1,440,000,000 as of June 30, 2015, distributed over 144,000,000 common shares with a par value of EGP 10 each.

### 32.2 Reserves

In accordance with the Bank's statute, a 10% of annual net profit is transferred to the legal reserve; such transfer is possible to be ceased when the legal reserve reaches 50% of issued capital.

Reserves on June 30, 2015 represented in the following:

	June 30, 2015	June 30, 2014
	EGP	EGP
General Banking Risk Reserve	106,340,193	106,340,193
Banking Risk Reserve – Acquired Assets	11,516,735	8,140,782
Legal Reserve	88,183,637	59,644,922
General Reserve	172,516,846	172,516,846
Fair Value Reserve-Available for Sale Investment	122,051,816	141,815,363
Special Reserve	35,118,940	35,118,940
Capital Reserve	4,213,883	1,909,735
<b>Total</b>	<b>539,942,050</b>	<b>525,486,781</b>
<u>Reserves are as follows:</u>		
A - General Banking Risk Reserve		
- Beginning balance	106,340,193	106,340,193
	<b>106,340,193</b>	<b>106,340,193</b>
B - Banking Risk Reserve – Acquired Assets		
- Beginning Balance	8,140,782	6,785,209
- Transferred to Banking Risk Reserve – Acquired Assets	3,375,953	1,355,573
	<b>11,516,735</b>	<b>8,140,782</b>

C - Legal Reserve		
- Beginning Balance	59,644,922	45,573,419
- Transferred from Retained Earnings	28,538,715	14,071,503
	<b>88,183,637</b>	<b>59,644,922</b>
D – General Reserve		
- Beginning Balance	172,516,846	172,516,846
	<b>172,516,846</b>	<b>172,516,846</b>
E - Special Reserve		
- Beginning Balance	35,118,940	35,118,940
	<b>35,118,940</b>	<b>35,118,940</b>
F - Capital Reserve		
- Beginning Balance	1,909,735	1,909,735
- Transferred from Retained Earnings	2,304,148	0
	<b>4,213,883</b>	<b>1,909,735</b>
G - Fair Value Reserve - available for Sale Investment		
- Beginning Balance	141,815,363	25,891,565
- Transferred from Retained Earnings	(19,763,547)	115,923,798
	<b>122,051,816</b>	<b>141,815,363</b>
<b>Total reserves at the end of the year</b>		
	<b>539,942,050</b>	<b>525,486,781</b>
H - Retained Earnings		
- Beginning Balance	338,856,897	144,197,474



- Net Profit of the year	354,146,224	287,691,299
- Previous year Dividends	(169,700,000)	(77,604,800)
- Transferred to Reserves	(34,218,816)	(15,427,076)
<b>Total</b>	<b>489,084,305</b>	<b>338,856,897</b>

### 33. Shareholders' Dividends

Dividends are recognized when the general assembly of shareholders approves them. Dividends include the employees' profit share and the board of directors' remuneration by deducting from the retained earnings as of June 30, 2014.

### 34. Cash and Cash Equivalent

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

	June 30, 2015	June 30, 2014
	EGP	EGP
Cash and due from Central Bank of Egypt	66,816,597	51,913,862
Due from Banks	777,406,738	1,179,552,812
Treasury Bills and other Governmental Notes	139,071,350	0
<b>Total</b>	<b>983,294,685</b>	<b>1,231,466,674</b>



## 35. Contingent Liabilities and Commitments

### (a) Legal Claims

There are a number of existing cases filed against the Bank in 30/6/2015 without provision as it's not expected to make any losses from it.

### (b) Capital Commitments

The capital commitments for the financial investment reached on the date of financial position EGP 174,165 thousands as follows:

(EGP Thousands)

	Investment value	Paid	Remaining
- Available for sale financial investments	366,570	242,400	124,170
- Financial investments in associates co.	299,970	249,975	49,995
<b>Total</b>	<b>666,540</b>	<b>492,375</b>	<b>174,165</b>



## (c) Loans, Facilities and Guarantees Commitments

	June 30, 2015	June 30, 2014
	EGP	EGP
Letters of Guarantee	779,875,089	790,892,480
Letters of Credit (import)	252,345,935	278,781,041
Letters of Credit (export-confirmed)	35,329,330	222,978,850
Customers Acceptances	86,431,925	113260118
Outstanding Forward Contracts	(1,255,970)	875,116
	1,152,726,309	1,406,787,605



## 36. Related Party Transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, and foreign currency transactions.

Related party transactions are represented as follows:

<b>a. <u>Subsidiary and Associated Companies:</u></b>		
	June 30, 2015	June 30, 2014
	EGP	EGP
<u>Assets:</u>		
Loans and advances to customers	13,742,474	23,192,132
<u>Liabilities:</u>		
Customers' deposits	42,490,788	23,108,649
<b>b. <u>Shareholders:</u></b>		
	June 30, 2015	June 30, 2014
	EGP	EGP
<u>Assets:</u>		
Due from banks	1,862,381	1,582,875
<u>Liabilities:</u>		
Due to banks	128,011,700	70,000,000
Other loans	0	25,000,000
Customers' deposits	1,785,351,869	630,114,000
<b>c. <u>Board of directors benefits:</u></b>		
	June 30, 2015	June 30, 2014
	EGP	EGP
Wages and short term benefits	7,274,907	6,874,651



## 37. Tax Status

- The Bank is subject to law No. 95 of 1983 and its amendments, so it is exempted from corporate tax for five years starting from the subsequent year to the startup of operations, which was February 3, 1985. Therefore, starting from the year 1990/1991, the Bank was subjected to corporate tax.
- The Bank's branch at 10<sup>th</sup> of Ramadan City started its activity during 1989/1990, and obtained an approval of ten years tax exemption for the branch starting January 1, 1990.
- The Bank's branch at 6<sup>th</sup> of October City started its activity during 1997, and obtained an approval of ten years tax exemption for the branch starting July 1, 1997 till June 30, 2007.
- The Bank has paid all of its Corporate & Movable Taxes up to June 30, 2005 based on a mutual final agreement with the Tax Authority (Large Taxpayer Center), as to years 2005/2006, 2006/2007 have been examined resulted in null as to corporate tax & other tax bases have been transferred to internal committee.
- According to the decision of the dispute settlement committee which stated that the Bank has the right not to be subjected to corporate tax on capital issuance premium of year 1997.
- The Stamp Tax has been examined till 31/7/2006 for the majority of Bank branches and the remaining branches are under examination. The Bank has paid all stamp taxes as per Taxes claims.
- All tax liabilities related to salary income tax have been settled till year 2000, tax authority examined the period from 1/1/2000 till 31/12/2004, the tax appeal committee decision for this period has resulted in resolving the major conflicts in the Bank's favor and other items will be objected. Salary income tax for year 2005 has been examined and the Bank objected to the contents and arrangements are currently taking place to transfer the issue to the internal committee.
- The Bank is charging tax provision and providing tax declarations and committed with all laws concerning this aspects.





## 38. Mutual Funds

### (a) Export Development Bank of Egypt First Mutual Fund (The Expert Fund).

The fund is one of the authorized banking activities under the capital market law No. 95 for the year 1992 and its executive regulations, HC for securities and investment is managing this fund, the fund certificates reached 1 million certificate at foundation worth of L.E.100 million, out of these, 50 thousand of the certificates were allocated to the bank to undertake the funds' activity (with EGP 100 nominal value).

The number of the outstanding certificates on the date of balance sheet was 522,815 certificates as the number of owned certificates by the bank reached 79,191 certificates. The redemption value per certificate as of June 30, 2015 amounted to EGP 57.43 and according to the funds' management contract and its prospectus, the bank shall obtain fee and commission for supervision on the fund and other managerial services rendered by the bank, total commissions as at June 30, 2015 amounted to EGP 700 thousands presented under the item of "fee and commission income/other fees" caption in the income statement.

### (b) Export Development Bank of Egypt Fund -The Second - The Monetary:

The fund is one of the authorized banking activities under the capital market law No. 95 for the year 1992 and its executive regulations, Rasmala Egypt Asset for management is managing this fund, the fund certificates Reached 2,867,466 certificates at foundation worth of EGP 286746 thousand out of these 143,400 of the certificates were allocated to the bank to undertake the funds' activity (with L.E. 100 nominal value). The number of the outstanding certificates on the date of balance sheet was 2610807 as the number of owned certificates by the bank reached 74,695 certificates. The redemption value per certificate as of June 30, 2015 amounted to EGP 208.2526 total commissions amounted to EGP 2069 thousands as at June 30, 2015 Presented under the item of "fee and commission income/other fees" caption in the income statement.

### (c) Export Development Bank of Egypt Fund - The Third - Fixed Income Instruments:

The fund is one of the authorized banking activities under the capital market law No. 95 for the year 1992 and its executive regulations; Prime Investments Asset Management is managing this fund, the fund certificates Reached 612,501 certificates at foundation worth of EGP 61250 thousand out of these 50,000 of the certificates were allocated to the bank to undertake the funds' activity (with L.E. 100 nominal value). The number of the outstanding certificates at the date of balance sheet was 417,136 certificates as the number of owned certificates by the bank reached 50,000 certificates. The redemption value per certificate as of June 30, 2015 amounted to EGP 136.2467 total commissions amounted to EGP 353 thousands as at June 30, 2015 Presented under the item of "fee and commission income/other fees" caption in the income statement.



## Export Development Bank of Egypt (S.A.E.)

### Consolidated Balance Sheet

As at June 30, 2015

	Note	June 30, 2015	June 30, 2014
		EGP	EGP
<u>Assets</u>			
Cash and due from Central Bank of Egypt	(12)	1,018,831,369	703,503,611
Due from Banks	(13)	777,414,889	1,179,552,812
Treasury Bills and other Governmental Notes	(14)	4,345,578,927	3,038,600,560
Trading Financial Assets	(15)	82,195,657	86,124,797
Loans to Customers	(16)	9,304,498,455	8,336,163,882
Financial Derivatives	(17)	297,829,924	88,563,798
<u>Financial Investments:</u>			
Available for sale	(18)	5,402,681,003	4,503,992,767
Held to Maturity	(18)	164,366,759	35,132,440
Financial Investments in Subsidiaries and Associated co.	(19)	6,875,000	6,875,000
Intangible Assets	(20)	1,588,651	2,519,001



Other Assets	(21)	534,421,326	597,708,410
Fixed Assets	(22)	359,632,779	364,461,256
Investment Property	(23)	305,702,258	306,054,816
Deferred Tax	(24)	11,081,488	10,136,876
<b>Total Assets</b>		<b>22,612,698,485</b>	<b>19,259,390,026</b>
<u>Liabilities and shareholders' equity</u>			
<u>Liabilities</u>			
Due to Banks	(25)	1,493,327,086	1,472,828,680
Customers' Deposits	(26)	17,490,317,779	14,791,357,745
Financial Derivatives	(17)	299,091,472	87,691,123
Debt Instruments	(27)	50,000,000	50,000,000
Other Loans	(28)	386,998,955	328,609,904
Other Liabilities	(29)	567,323,437	416,989,281
Other Provisions	(30)	94,688,054	78,724,317
Deferred Tax	(31)	4,968,590	5,220,177
<b>Total Liabilities</b>		<b>20,386,715,373</b>	<b>17,231,421,227</b>
<u>Shareholders' equity</u>			
Paid up Capital	(32)	1,440,000,000	1,440,000,000
Reserves	(32)	339,409,133	317,461,503



Retained Earnings		328,203,258	156,974,451
		2,107,612,392	1,914,435,954
Non-Controlling Interests		118,370,720	113,532,845
<b>Total Shareholders' equity</b>		<b>2,225,983,112</b>	<b>2,027,968,799</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>22,612,698,485</b>	<b>19,259,390,026</b>

**Mohamed Ismail AlShareef**

Chairman

**Mohamed Ibrahim El Hadidy**

Head of Financial Control Sector

**Bank's Auditors**

Abdel Nasser Hassan Younes

DR. Farid Fawzy

Central Auditing Organization

Fellow of ESAA - EFSA No. 130

## Export Development Bank of Egypt (S.A.E.)

### Consolidated Income Statement

For the year ended 30, June 2015

		June 30, 2015	June 30, 2014
		EGP	EGP
Interest and Similar Income	(5)	1,700,773,672	1,420,127,609
Interest and Similar Expenses	(5)	(1,003,124,251)	(871,399,828)
Net Interest Income		697,649,421	548,727,781
Fees and Commissions Income	(6)	204,496,180	166,262,989
Fees and Commissions Expenses	(6)	(7,829,273)	(6,801,499)
Net Income from Fees & Commissions		196,666,907	159,461,490
Dividends Income	(7)	4,234,492	4,664,704
Net Trading Income	(8)	19,496,937	48,258,035



Profit (Loss) from Financial Investments	(18)	6,987,540	22,751,480
Impairment of Credit Losses	(9)	(44,778,191)	(34,362,098)
Administrative Expenses	(10)	(306,746,649)	(292,372,331)
Other Operating (expense) Income	(11)	(16,002,279)	(15,712,729)
<b>Net Profit before Tax</b>		<b>557,508,179</b>	<b>441,416,332</b>
Income Tax		(169,904,463)	(142,203,746)
Deferred tax		880,731	8,327,864
<b>Net Profit for the year</b>		<b>388,484,447</b>	<b>307,540,450</b>
<u>Represented in:</u>			
Bank's Shareholders' Equity		377,955,565	298,191,909
Non-Controlling Interests		10,528,882	9,348,541
<b>Net Profit for the year</b>		<b>388,484,447</b>	<b>307,540,450</b>



## Export Development Bank Of Egypt (S.A.E.)

### Notes to the Consolidated Financial Statements (summary)

For the year ended June 30, 2015

#### **I. General Information**

Export Development Bank of Egypt (Egyptian Joint Stock Company) was established on July 30, 1983 under Law No. 95 of 1983 and its articles of association in the Arab republic of Egypt, The head office located in Giza at 108, Mohy El Din Abu El Ezz Street, Dokki the bank is listed in the Egyptian stock exchange (EGX). The objective of the Bank is to encourage, develop Egyptian export activities, and assist in developing agricultural, industrial, and commercial and service exporting sectors, also to provide all investment banking services in local and foreign currencies through its head office and twenty six branches. The financial year starts from July first every year ending at June 30 of the next year.

These Consolidated Financial statements have been submitted by board of directors in October 12, 2015.

#### **2. Summary of Significant Accounting Policies**

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

##### **2.1 Basis of preparation Consolidated Financial Statements**

The financial statements have been prepared in accordance with Egyptian Accounting 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 Standards referred to, and have been prepared under the historical cost modified by the revaluation of trading, financial assets and liabilities held for trading, and assets and liabilities originally classified as at fair value through profit or loss, financial investments available for sale and all derivatives contracts. The unconsolidated preparation of these financial statements was according to relevant domestic laws.

The bank also prepared consolidated financial statements of the Bank and its subsidiaries in accordance with Egyptian Accounting Standards, the subsidiaries companies are entirely included in the consolidated financial statements and these companies are the companies that the bank which - directly or indirectly – has more than



half of the voting rights or has the ability to control the financial and operating policies of an enterprise, regardless of the type of activity, the consolidated financial statements of the Bank can be obtained from the Bank's management. The investments in subsidiaries and associate companies are disclosed in the standalone financial statements of the bank and its accounting treatment is at cost after deducting the impairment losses from it.

## **2.2 Basis of consolidation**

### **(a) Subsidiaries**

- Subsidiaries are all entities over which the bank has owned directly or indirectly the power 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.
- The group fully consolidates its subsidiaries from the effective date in which control is obtained till such control ceases to exist.
- The financial statements of the indirect.





Subsidiary companies consolidated by the Bank (the holding co.) represented in the following as at June 30, 2015:

	June 30, 2015	%	June 30, 2014	%
	EGP		EGP	
Export Credit Guarantee Company of Egypt	176,382,811	70.55	176,382,811	70.55
International holding for financial investments	249,975,000	99.95	249,975,000	99.95
Egypt Capital Holding Company	339,983,000	99.99	339,983,000	99.99
BETA Financial holding	136,986,300	99.99	136,986,300	99.99
Egyptian company for real estate investments	152,865,000	39.50	152,865,000	39.50
A BETA for real estate investment	87,690,000	39.50	87,690,000	39.50
Egypt Capital for real estate investments	2,500	0.05	2,500	0.05
Egyptian tourism development company	6,769	0.01	5,491	0.01

The Touristic Investment Company (Sahl Hashish) represents an indirect investment that has been consolidated.



## (b) Associates

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

The Accounting for subsidiaries and associates in the unconsolidated financial statements are recorded by cost method, investments are recognized by the cost of acquisition including any good will, deducting impairment losses in value

### 2.3 Segment reporting

A business segment is a group of assets and operations related to 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.

## 3. Financial Investment in Subsidiary and Associates

	June 30, 2015	June 30, 2014
	EGP	EGP
Philae Company for Floating Hotels	6,875,000	6,875,000
	6,875,000	6,875,000

## 4. Paid Up Capital and Reserves

### 4.1 Capital

The authorized capital amounted to EGP 2,000,000,000. The issued and paid up capital amounted to EGP 1,440,000,000 as of June 30, 2015, distributed over 144,000,000 common shares with a par value of EGP 10 each.

### 4.2 Reserves

In accordance with the Bank's statute, a 10% of annual net profit is transferred to the legal reserve; such transfer is possible to be ceased when the legal reserve reaches 50% of issued capital. Reserves on June 30, 2015 represented in the following:

	June 30, 2015	June 30, 2014
	EGP	EGP
General banking risk reserve	106,340,193	106,340,193
Banking risk reserve – acquired assets	11,516,735	8,140,782
Legal reserve	46,833,282	15,628,705
General reserve	14,415,254	12,298,755
Fair value reserve-available for sale investment	120,970,846	138,024,393
Special reserve	35,118,940	35,118,940
Capital reserve	4,213,883	1,909,735
	<b>339,409,133</b>	<b>317,461,503</b>



Export Development Bank of Egypt

Annual Report **2014 - 2015**

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