Bank of Alexandria

(Egyptian Joint Stock Company)

Financial statements
for the year ended 31 December 2013
And Auditors' Report

KPMG Hazem Hassan
Public Accountant & Consultants

Allied For Accounting & Auditing – E & Y
Public Accountant & Consultants

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Translation of financial statements originally issued in Arabic

Auditors' Report
To the Shareholders of Bank of Alexandria (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Alexandria (S.A.E) which comprise the balance sheet as at 31 December 2013 and the 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 Financial Statements

These financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and in light of the prevailing Egyptian laws , management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E) as of 31 December 2013, 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 the financial statements and measurement and recognition bases approved by its Boards of Directors on 16 December 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2013 no contravention of the central bank, banking and monetary institution law no.88 of 2003 and articles of incorporation were noted.

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

The financial information included in the Board of Directors' report which is prepared according to law no. 159 of 1981 and its executive regulations is in agreement with the books of the Bank insofar as such information is recorded therein.

Auditors

Emad Hafez Raghib
Allied for Accounting & Auditing (E&Y)

Hassan Basyoni Elbesha
KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo , 20 February 2014

(Egyptian Joint Stock Company)

Balance sheet

as at 31 December 2013

Assets	Note No.	31/12/2013 EGP 000	31/12/2012 EGP 000
Cash and due from Central Bank of Egypt	(16)	2 653 670	2 776 853
Due from banks	(17)	5 195 171	5 853 366
Treasury bills and other governmental notes	(18)	10 337 126	9 957 515
Loans and advances to banks	(19)	500 000	500 000
Loans and advances to customers	(20)	19 601 464	19 420 187
Financial assets classified at fair value through profit and loss	(21)	3 031	1 911
Financial investments :			
Available -for- sale	(22)	1 610 243	1 593 675
Held- to- maturity	(22)	94 501	212 328
Investments in associates	(23)	79 222	77 796
Intangible assets	(24)	25 194	23 606
Other assets	(25)	494 193	353 455
Investment property	(26)	51	51
Fixed assets	(27)	326 401	341 371
Total assets		**40 920 267**	**41 112 114**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(28)	286 313	463 113
Customers' deposits	(29)	33 924 373	33 466 748
Other loans	(30)	59 402	987 628
Other liabilities	(31)	960 561	941 084
Other provisions	(32)	478 121	423 516
Current income tax liabilities		87 322	22 808
Deferred tax liabilities	(33)	82 139	65 337
Retirement benefits obligations	(34)	501 857	451 075
Total Liabilities		36 380 088	36 821 309
Shareholders' equity			
Issued and paid-in capital	(35)	800 000	800 000
Reserves	(36)	1 255 710	1 069 599
Retained earnings	(36)	2 484 469	2 421 206
Total Shareholders' equity		**4 540 179**	**4 290 805**
Total liabilities and Shareholders' equity		**40 920 267**	**41 112 114**

The accompanying notes from page (6) to page (84) are an integral part of these financial statements and are to be read therewith.

Auditors' Report "attached"

Managing Director and Chief Operating Officer
Roberto Vercelli

Chief Financial Officer
Stefano Borsari

(Egyptian Joint Stock Company)

Income statement

for the year ended 31 December 2013

	Note No.	For the year ended 31/12/2013 EGP 000	31/12/2012 EGP 000
Interest and similar income	(6)	3 777 824	3 809 709
Interest and similar expense	(6)	(1 731 512)	(1 748 308)
Net interest income		2 046 312	2 061 401
Fee and commission income	(7)	361 916	306 687
Fee and commission expense	(7)	(16 995)	(8 809)
Net fee and commission income		344 921	297 878
Net income		**2 391 233**	**2 359 279**
Dividend income	(8)	33 757	28 046
Net income from financial assets classified at fair value through profit and loss	(9)	1 183	607
Net trading income	(10)	72 729	92 763
Gain on financial investments	(22)	9 816	8 181
Impairment loss on loans and advances	(13,20)	(282 151)	(427 994)
Administrative expenses	(11)	(1 264 012)	(1 156 677)
Other operating expenses	(12)	(39 074)	(57 713)
Net profit before income tax		923 481	846 492
Income tax expense	(14)	(262 367)	(221 427)
Net profit for the year		661 114	625 065
Earnings per share (EGP/share) - Basic	(15)	1.49	1.41

The accompanying notes from page (6) to page (84) are an integral part of these financial statements and are to be read therewith.

Managing Director and Chief Operating Officer	Chief Financial Officer
Roberto Vercelli	Stefano Borsari

(Egyptian Joint Stock Company)

Statement of changes in shareholders' equity

for the year ended 31 December 2013

	Note No.	Paid - in capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2011		800 000	977 379	1 931 728	3 709 107
Transferred to legal reserve	(36)	-	16 603	(16 603)	-
Transferred to other reserves	(36)	-	710	(710)	-
Profit appropriation of year 2011		-	-	(118 256)	(118 256)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	8 365	-	8 365
Net change in fair value of the available-for-sale investments	(36)	-	66 524	-	66 524
Net change in general banking risks reserve	(36)	-	18	(18)	-
Net profit for the year ended 31 December 2012		-	-	625 065	625 065
Balance as at 31 December 2012		**800 000**	**1 069 599**	**2 421 206**	**4 290 805**
Balance as at 31 December 2012		800 000	1 069 599	2 421 206	4 290 805
Transferred to legal reserve	(36)	-	30 984	(30 984)	-
Transferred to other reserves	(36)	-	5 389	(5 389)	-
Profit appropriation of year 2012		-	-	(561 081)	(561 081)
Bank's share in the fair value reserve of Investments in associates after the acquisition date		-	(811)	-	(811)
Net change in fair value of the available-for-sale investments	(36)	-	150 152	-	150 152
Net change in general banking risks reserve	(36)	-	397	(397)	-
Net profit for the year ended 31 December 2013		-	-	661 114	661 114
Balance as at 31 December 2013		**800 000**	**1 255 710**	**2 484 469**	**4 540 179**

The accompanying notes from page (6) to page (84) are an integral part of these financial statements and are to be read therewith.

Managing Director and Chief Operating Officer

Roberto Vercelli

Chief Financial Officer

Stefano Borsari

Statement of cash flows
for the year ended 31 December 2013

	For the year ended 31/12/2013 EGP 000	31/12/2012 EGP 000
Cash flows from operating activities		
Net profit before taxes	923 481	846 492
Adjustments to reconcile net profit to cash flows provided from operating activities		
Depreciation and amortization	63 271	78 508
Impairment of assets	282 151	427 994
Other provisions formed (reserved)	4 027	19 049
Net income from financial assets classified at fair value through profit and loss	(1 120)	(607)
Provisions used (other than loans provision)	(10 201)	(27 631)
Proceeds from amounts previously written-off	1 821	16
Foreign currencies revaluation differences of other provisions	10 059	4 281
Foreign currencies revaluation differences of other loans	-	43 065
Revaluation differences of financial investments (other than financial assets held -for- trading)	(2 523)	(1 454)
Revaluation differences of fair value reserves\available -for- sale investments	-	(22)
Interest income from treasury bills and bonds - impact of the recalculation of bonds by the amortized cost	(57)	(53)
Gains from sale of fixed assets	(2 604)	(5 390)
Dividend income	(33 757)	(28 046)
Gains on sale of investments (other than financial assets held -for- trading)	(9 816)	(9 169)
Impairment losses of investments (other than financial assets held -for- trading)	-	988
Losses of financial investments transferred from reserve of fair value account	111	130
Operating profits before changes in assets and liabilities used in operating activities	1 224 843	1 348 151
Net decrease (increase) in assets and (decrease) increase in liabilities		
Balance with Central Bank within the mandatory reserve percentage	321 205	362 272
Due from banks	153 721	(294 744)
Treasury bills and other governmental notes	8 086 565	(1 883 568)
Loans and advances to customers	(501 499)	(556 954)
Financial assets classified at fair value through profit and loss	-	(1 304)
Other assets	(67 679)	28 820
Due to banks	(176 800)	(396 571)
Customers' deposits	457 625	2 685 622
Other liabilities	19 477	330 585
Retirement benefits obligations	50 782	66 693
Paid taxes	(196 108)	(229 847)
Net cash flows provided from operating activities	9 372 132	1 459 155
Cash flows from investing activities		
Payments to purchase fixed assets and preparation of branches	(23 737)	(75 673)
Proceeds from sale of fixed assets	4 725	6 302
Proceeds from sale of financial investments other than financial assets held -for- trading	295 965	90 134
Payments to purchase financial investments other than financial assets held -for- trading	(21 645)	(47 333)
Payments to purchase intangible assets	(16 269)	(14 306)
Dividends Received	37 860	32 525
Net cash flows provided from investing activities	276 899	(8 351)
Cash flows from financing activities		
Payments of other loans	(928 226)	(13 916)
Dividends paid	(561 081)	(118 256)
Net cash flows used in financing activities	(1 489 307)	(132 172)
Net change in cash and cash equivalents during the year	8 159 724	1 318 632
Cash and cash equivalents at the beginning of the year	6 355 041	5 036 409
Cash and cash equivalents at the end of the year	14 514 765	6 355 041
Cash and cash equivalents are represented in the following (note no. 38):		
Cash and due from Central Bank	2 653 670	2 776 853
Due from banks	5 195 171	5 853 366
Treasury bills and other governmental notes	10 337 126	9 957 515
Balances with Central Bank within the mandatory reserve percentage	(1 724 797)	(2 046 002)
Deposits with banks with maturity more than three months *	(213 298)	(367 019)
Treasury bills and other governmental notes (with maturity more than 3 months)	(1 733 107)	(9 819 672)
Cash and cash equivalents	14 514 765	6 355 041

For the purpose of preparing the statement of cash flows the following amounts were eliminated:

EGP 000 12 004 from both payments to purchase fixed assets and the changes in debit balances, which represent the amounts, transferred from assets under constructions.

EGP 000 36 165 from both changes in debit balances and loans (assets reverted to the bank).

EGP 000 165 155 from both changes in fair value reserve and financial investments available for sale (investments valuation differences).

* From the date of acquisition.

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Managing Director and Chief Operating Officer
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Chief Financial Officer
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Bank of Alexandria

(Egyptian Joint Stock Company)

Profit Appropriation Statement (Proposed)

for the year ended 31 December 2013

	For the year ended	
	31/12/2013	**31/12/2012**
	EGP 000	**EGP 000**
Net profit for the year	661 114	625 065
Less:		
Capital gains transferred to reserve according to the law	(2 604)	(5 389)
Banking risk reserve	(764)	(397)
Net profit for the year available for distribution	657 746	619 279
Retained earnings at the beginning of the year	1 823 355	1 796 141
Total	**2 481 101**	**2 415 420**
Legal reserve	32 926	30 984
Shareholders' dividends	528 891	500 052
Employees' profit share	62 482	58 829
Board of directors' remuneration	2 070	2 200
Retained earnings	1 854 732	1 823 355
	2 481 101	**2 415 420**

The accompanying notes from page (6) to page (84) are an integral part of these financial statements and are to be read therewith.

Managing Director and Chief Operating Officer
Roberto Vercelli

Chief Financial Officer
Stefano Borsari

Bank of Alexandria
(Egyptian joint stock Company)
Notes to the financial statements
for the year ended 31 December 2013

1- General information

Bank of Alexandria renders retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 210 branches and banking units, and employs 5 309 staff members as of 31 December 2013.

- Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank. On 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued and paid-in capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of SanPaolo I.M.I has been amended to Intesa Sanpaolo S.P.A.
- Bank of Alexandria currently performs its activities under the provisions of the Central Bank, Banking Sector, and Monetary law No. 88/2003.
- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa Sanpaolo S.P.A capital share decreased to 70.25%.

2- Summary of accounting policies

Following are the significant accounting policies applied in the preparation of the financial statements. These policies have been consistently applied for all periods presented unless otherwise stated.

A- Basis of preparation of financial statements

The financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) issued in 2006 and their amendments and in accordance with the instructions of the Central Bank of Egypt (CBE), approved by its Board of Directors on 16 December 2008 that are compliant with the standards referred; to under the historical cost convention, as modified by revaluation of financial assets, liabilities held for trading, financial assets and liabilities classified at inception at fair value through profit and loss, available for sale financial investments and all financial derivatives contracts.

The financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws.

B- Associates

Associates are entities over which the bank exercises a direct or indirect influence without reaching the extent of control. Normally the bank holds ownership equities ranging between 20% and 50% of the voting rights.

Purchase method of accounting has been applied for the bank's acquisition of companies. The acquisition cost is measured by fair value or the equivalent value offered by the bank for acquired assets and/or issued shareholders' equity's instruments and/or obligations the bank incurred and/or obligations the bank accepted on behalf of the acquired company to complete the acquisition process at the date of the exchange process, plus any costs that can be directly attributed to the acquisition process. Net assets including acquired defined potential obligations are measured at fair value at the acquisition date regardless of the minority's rights existence. The excess of the acquisition cost over the fair value of the bank's share in the net assets is considered goodwill. And if there is a decrease in the acquisition cost below the net fair value referred to, the difference shall be recorded directly in the income statement within the item of "Other operating income" (expenses).

The associates in the bank's independent financial statements are accounted by the equity method. In addition, dividend payouts are debited in the fair value of the investment when approved.

C- Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risk and returns, different from those that are related to other business segments. A geographical segment is related to providing products and services within the same economic environment subject to risk and returns different from those that are related to other geographical segments that operate in a different economic environment.

D- Foreign currencies translation

D-1 Functional and presentation currency:

The bank's financial statements presented to the nearest thousand Egyptian pounds, which represents the bank's functional and presentation currency.

D-2 Transactions and balances in foreign currencies

- The bank holds its accounts in the Egyptian pound. Transactions in foreign currencies during the fiscal year are recorded using the prevailing exchange rates at the date of the transaction. Balances of assets and liabilities with monetary nature in foreign currency are reevaluated at the end of the year using the prevailing exchange rates at that date. The gains and losses resulting from settlement of such transactions, as well as the differences resulting from the re-evaluation, are recognized in the income statement among the following items:

- Net trading income or net income on the financial instruments classified at inception in fair value through the profit and loss of assets / liabilities held for trading or those classified at inception in fair value through profit and loss according to their type.
- Shareholders' equity of financial derivatives which are eligible for qualified hedge for cash flows or eligible for qualified hedge for net investment.
- Other operating income (expenses) for the remaining items.
- Changes in the fair value of the financial instruments with monetary nature in foreign currencies, classified as investments available for sale (debt instruments), are analyzed into evaluation differences resulting from changes in the amortized cost of the instruments, differences resulting from changes in the prevailing exchange rates or differences resulting from the changes in the instrument's fair value. The evaluation differences resulting from the changes in the amortized cost are recognized in the income statement within "Interest income and similar income". The differences relating to exchange rates changes are recognized in "Other operating income (expenses)", whereas the change in the fair value (fair value reserve/financial investments available for sale) are recognized within shareholders' equity.

- The revaluation differences resulting from items other than those with the monetary nature include the gains and losses resulting from the change of the fair value such as the equity instruments held in fair value through profit and loss. The revaluation differences resulting from equity instruments classified as financial investments available for sale are recognized within the fair value reserve in the shareholders' equity.

E- Financial assets

The bank classifies financial assets among the following categories: financial assets classified at fair value through profit and loss, loans and receivables, financial investments held to maturity and financial investments available for sale. The management determines the classification of its investments at initial recognition.

E-1 Financial assets classified at fair value through profit and loss:

This category includes financial assets held for trading and assets classified at inception at fair value through profit and loss.

- A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking. Further, derivatives are classified as held for trading.
- Financial assets are classified at inception at the fair value through profit and loss in the following cases:
  - When such classification reduces the measurement inconsistency that could arise from handling the related derivative as held for trading at the time of the valuation of the financial instrument in the place of the derivative at amortized cost for loans and facilities to banks and customers, and issued debt instruments;
  - When some investments, such as investments in equity instruments are managed, and valuated at fair value according to the investment strategy or risk management and reports are prepared for the top management on this basis;
  - The financial instruments such as held debt instruments, which contain one or more embedded derivatives that strongly affect cash flows are classified through fair value through profit and loss.
- Profits and losses resulting from changes in the fair value of the financial derivatives that managed in conjunction with the assets and liabilities classified at inception at fair value through profit and loss are recorded in the income statement under "Net income from financial instruments classified at inception at fair value through profit and loss".
- No reclassification for any derivative from the financial instruments valuated at fair value through profit and loss is made during the period in which it is held or its validity period. In addition, any instrument from the financial instruments valuated at fair value through profit and loss, is not reclassified if it has been classified by the bank at its initial recognition as an instrument valuated at fair value through profit and loss.

E-2 Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable payment that are not quoted in an active market, with the exception of:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit and loss.
- Assets classified as available for sale at initial recognition.
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than creditworthiness deterioration.

E-3 Held -to- maturity financial investments

Held to maturity investments represent non- derivative financial assets with fixed or determinable amount of payment and with a fixed maturity date, which the bank's management has the intention and the ability to hold and maintain until the date of maturity. The whole group is to be reclassified as available for sale in case the bank sells a significant part of assets held to maturity except in cases of necessity.

E-4 Available -for- sale investments

Available for sale investments are non-derivative financial assets the bank has the intention to hold and maintain for an indefinite period. Such assets may be sold in response to needs for liquidity or to changes in interest rates, exchange rates, or equity prices.

The following shall be adopted concerning financial assets:

- Purchase and sale transactions of the financial assets classified at fair value through profit and loss, of the held-to-maturity financial investments and of the available-for-sale investments shall be recognized in the ordinary way on the trade date on which the bank is committed to purchase or sell the asset.
- The financial assets which are not classified at inception at fair value through profit and loss shall be recognized at fair value plus the transaction costs, whereas financial assets classified at inception at fair value through profit and loss are recognized only at fair value with the transaction costs associated to those asset being reported in the income statement under "Net Trading Income" item.

- Financial assets shall be derecognized when the contractual right validity to receive cash flows from the asset expires or when the bank transfers most of risk and returns associated with the ownership to a third party. Financial liabilities are derecognized when they expire by either discharging, cancellation, or the expiration of the contractual period.

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

- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit and loss shall be recognized in the income statement in the period in which they are made, while the gains and losses arising from changes in the fair value of the available for sale investments shall be directly recognized in shareholders' equity statement, until the asset is derecognized or impaired. In which case, the cumulative profit and losses previously recognized in shareholders' equity statement shall be recognized in the income statement.

- Income calculated at the amortized cost method and gains and losses on foreign currencies related to the assets with monetary nature classified as available-for-sale assets shall be recognized in the income statement. Dividends resulting from equity instruments classified as available for sale shall be recognized in the income statement when the right of the bank to receive payment is established.

- Fair value of the investments quoted in active markets shall be defined pursuant to the current Bid Prices. In case there is no active market for the financial assets or the current Bid Prices are unavailable, the bank shall define the fair value by using one of the valuation methods. This includes either using arm's length transactions, discounted cash flow analysis, options pricing models or other valuation methods commonly used by market traders. In case the bank is unable to estimate the fair value of equity instruments classified as available for sale, their value shall be measured by cost after deducting any impairment in value.

- The bank shall reclassify the financial asset previously classified within the group of financial instruments available for sale and within the definition of loans and receivables (bonds or loans) by transferring the same from the group of available for sale instruments to the group of loans and receivables or to financial assets held-to-maturity as the case may be, when the bank has the intention and the ability to hold and maintain these assets through the near future or until maturity date. The reclassification shall be made at fair value on the date of reclassification. Any gains or losses related to these assets, which previously recognized within shareholders' equity shall be treated as follows:

1- In case of the reclassification of financial assets with fixed maturity date, the gains or losses shall be amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate method. Any value difference based on the amortized cost and the value based on maturity date shall be amortized over the remaining lifetime of the financial asset by using the effective interest rate method. Later, in case of any impairment in the financial asset value, any gains or losses previously recognized directly among shareholders' equity shall be recognized in the profit /loss statement.
2- In case of the financial asset that has an unfixed maturity date, the gains or losses shall remain within shareholders' equity until the asset is sold or disposed, and then be recognized within profit /loss statement. Later, in case of any impairment in the asset's value, any gains or losses previously recognized directly in shareholders' equity shall be recognized in the profits and losses as well.

- If the bank adjusts its estimates of payments or receivables, the book value of the financial asset (or the group of financial assets) shall be settled in a way that reflects the actual cash flows and the adjusted estimates, provided that the book value is recalculated by calculating the present value of future cash flows estimated by the actual return rate of the financial instrument. The result of the settlement shall be recognized as revenue or expenses in the profit and loss.

- In all cases, if the bank reclassifies a financial asset according to the abovementioned and on a subsequent date it raises its estimates of future cash receivables due to an increase in recovered cash, then the impact of this increase shall be recognized as an adjustment of the actual rate of return from the date of the estimates change and not as a settlement to the asset's book balance on the date of estimates change.

F- Offsetting of financial instruments

Financial assets and liabilities are offset in case the bank has a legal right in force to undertake the offsetting of the recognized amounts and it intends to settle the amounts on a net basis or to receive the asset and settle the liability simultaneously.

The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase shall be presented based on the net basis in the balance sheet within the item of treasury bills and other governmental notes.

G- Financial Derivatives

Derivatives shall be recognized at fair value at the date of the entering into its contract and subsequently be re-measured at fair value. The fair value is defined either from the quoted market prices in the active markets, recent market transactions, or valuation techniques such as discounted cash flow models and options pricing models, as appropriate. All derivatives shall be recognized within the assets if their fair value is positive or within the liabilities if their fair value is negative.

H- Interest income and expense

Interest income and expense of all interest-bearing financial instruments, except those classified as held-for-trading or which been classified at inception at fair value through profit and loss shall be recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate method.

The effective interest rate is the method to calculate the amortized cost of a financial asset or liability and to distribute the interest income or expenses over the related instruments' lifetime. The actual rate of return is the rate used to discount the estimated future cash flows of expected payments or receivables during the expected lifetime of the financial instrument or shorter period of time when appropriate in order to reach accurately the book value of a financial asset or liability. When the effective rate of return is calculated, the bank estimates cash flows by considering all the contractual terms and conditions of the financial instrument's contract (for example accelerated repayment options) and not to consider the future credit losses. The method of calculation includes all fees paid or received by and between the contract's parties, which are considered part of the effective interest rate. The cost of transaction includes any premiums or discounts.

When loans or receivables are classified as non-performing or impaired ones as the case may be, the related interest income shall not be recognized nor recorded as off-balance sheet items. However, such interest income shall be recognized under the revenue item pursuant to the cash basis according to the following:

H-1 As for consumer loans, mortgage loans for personal housing and small loans for economic activities, when the interest income is collected and after arrears are fully recovered.

H-2 As for corporate loans, the cash basis shall be also applied, as the return rose according to loans' rescheduling contract terms until payment of 25% of the rescheduling installments and at a minimum of 1 year of regular payments. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan and included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling, which is not included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

I- Fee and commission income

Fees due from servicing the loan or facility shall be recognized in the income when performing the service, while the fee and commission income related to non-performing or impaired loans or receivables shall not be recognized, as it shall be on off- balance sheet of the financial statements. Then it shall be recognized within the income pursuant to the cash basis when the interest income is recognized according to item (h-2). As for fees, which represent an integral part of the actual return of the financial assets in general, they shall be treated as an amendment to the effective rate of return.

Commitment fees on loans shall be postponed, if there is a probability that these loans will be withdrawn, taking into account that these fees which the bank receives are a compensation for the constant intervention to acquire the financial instrument. Then they shall be recognized by amending the effective rate of return on the loan. When the period of commitment expires without the loan being issued by the bank, these fees shall be recognized within the income at the expiry of the commitment's validity.

Fees on debt instruments measured at fair value shall be recognized within revenue at the initial recognition. Fees on the promotion of the syndicated loans shall be recognized within revenue when the promotion process is completed and the bank does not retain any portion of the loan or if the bank retains a portion for itself earning of the actual rate return which is available to other participants as well.

Fees and commission resulting from negotiations or the participation in negotiations on a transaction in favor of a third party shall be recognized within the income statement- such as the arrangement of the acquisition of shares or other financial instruments, or the acquisition or selling of premises- when the specific transaction is completed. The administrative consultations fees and other services are normally recognized based on the distribution over time relative to the service performance period. However, the financial planning management fees and conservation services fees, which are provided for long periods of time, are recognized over the period during which the service is performed.

J- Dividend income

Dividend income shall be recognized when the right to receive such income is established.

K- Purchase and resale agreements and sale and repurchase agreements

The financial instruments sold under repurchase agreements within the assets of the balances of treasury bills and other governmental notes in the balance sheet. Whereas, the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the balance sheet. The difference between the sell price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate method.

L- Impairment of financial assets

L-1 Financial assets recorded at amortized cost

At reporting dates, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of assets shall be considered impaired and impairment losses shall be recognized when there is objective evidence on the impairment as a consequence of an event or more events that occurred after the initial recognition of the asset and such (Loss Event) affects the reliability of the estimated future cash flow of the financial asset or the group of financial assets.

The indicators that the bank considers to determine the existence of objective evidence on impairment losses include the following:

- Significant financial difficulties that face the borrower / debtor;
- Breach of the terms of the loan facility, such as the stopping of repayments;
- Expectation of the declaration of the borrower's bankruptcy, the entering into the liquidation lawsuit or the restructuring of the granted finance;
- Deterioration of the competitive position of the borrower;
- Granting privileges or concessions by the bank to the borrower for legal or economic reasons related to the latter's financial difficulties, which the bank may not accept granting the same in ordinary circumstances;
- The impairment of the collateral's value;
- The deterioration of the credit situation and positions.

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product.
The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

Further, the bank first assesses whether there is objective evidence of impairment exists for each individual financial asset if it represents significance. The assessment is made individually or collectively for the financial assets that are not significant on an individual basis. In this regard, the following shall be taken into account:

- If the bank identifies there is no objective evidence on the impairment of a financial asset assessed separately whether it has a significance of its own or not, then this asset shall be added to the group of financial assets with similar credit risk features for assessment together to estimate impairment pursuant to historic default ratios.
- If the bank identifies the existence of objective evidence of impairment of a financial asset assessed separately, then this asset shall not be included in the group of assets for which impairment losses are assessed on a collective basis.
- If the aforementioned assessment resulted in the non-existence of impairment losses, then the asset is included in the group.

The amount of impairment loss provision shall be measured by the difference between the asset's book value and the present value of expected future cash flows discounted by applying the original effective interest rate of the asset, future credit losses not incurred should not be included in the above. The book value of the asset shall be reduced by using the impairment losses provision's account and the impairment charge on credit losses, shall be recognized in the income statement.

If the loan or investment held to maturity date bears a variable interest rate, then the discount rate applied to measure any impairment losses, shall be the effective interest rate pursuant to the contract on determining the existence of objective evidence of the impairment of the asset. For practical purposes, the bank may measure the impairment loss value on the basis of the instrument's fair value by applying the quoted market rates. As for collateralized financial assets, the present value of the future cash flows expected from the financial asset shall be credited. Besides, these flows which result from the implementation and selling of the collateral after deducting the expenses related thereto shall be credited.

For the purposes of the estimation of impairment on group basis, the financial assets are pooled in groups of similar characteristics in terms of credit risk, based on classification process conducted by the bank, taking into consideration the type of asset, the industry, the geographical location, the collateral type, the position of arrears, and the other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets, as they are deemed an indicator of the debtors' ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

Upon estimating the impairment of a group of the financial assets based on historical default ratios, the future cash flows of the group shall be estimated based on the contractual cash flows of the banks' assets and the amount of historical losses of these assets with similar credit risk characteristics of these assets held by the bank. The amount of historical losses shall be adjusted based on the current disclosed data in a way that reflects the impact of the current conditions which did not occur in the period over which the amount of historical losses has been identified. Besides, this will cause that the effects of the conditions that existed in the historical periods but no longer exists be cancelled.

The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time; for example, changes in unemployment rates, real estate prices, the position of repayments and any other factors indicating changes in the likelihood of loss in the group and its amount. The bank conducts a periodic review of the method and assumptions used to estimate future cash flows.

L-2 Financial investments available-for-sale

On each reporting date, the bank estimates whether there is objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale or financial investment held to maturity. In the case of the existence of investments in equity instruments classified as available-for-sale investments, the significant or prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset or not.

The decline shall be considered as a significant one, when it reaches 10% of the book value cost and the decline shall be considered as a prolonged one if it continues for more than 9 months. If the mentioned evidence is available, then the accumulated loss shall be carried over from shareholders' equity to the income statement. The impairment in value recognized in the income statement concerning equity's instruments shall not be reversed, if a later increase in the fair value occurs. Meanwhile, in case the fair value of debt instruments classified available-for-sale instruments has increased, and has been found possible to objectively link the mentioned increase to an event that took place after the recognition of impairment in the income statement, then the impairment shall be reversed through the income statement.

M- Investments Property

Investments property represent lands and buildings the bank owns in order to obtain rental revenues or capital appreciation. Consequently, these investments do not include the real estate assets where the bank practices its business and activities or the assets reverted to the bank in settlement of debts. The same accounting method applied for fixed assets, shall be applied for investments property.

N- Intangible assets

N-1 Computer software

Expenditure on the development or maintenance of the computer software shall be recognized when being incurred in the income statement. Expenditures associated directly with specific software under the bank's control which are expected to generate economic benefits exceeding their cost for more than a year shall be recognized as intangible asset. The direct expenses include the cost of the staff involved in the software development, in addition to an adequate share of related overheads.

Expenditure which leads to the increase or expansion in the performance of computer software beyond their original specifications shall be recognized as a development cost and shall be added to the cost of original software.

The cost of the computer software shall be amortized over their expected useful life with a maximum of three years starting from the year 2010.

N-2 Other intangible assets

Other intangible assets represent intangible assets other than goodwill and computer software (for example but not limited to trademark, licenses, and benefits of rental contracts).

The recognition of other intangible assets, at their acquisition cost, shall be recognized and amortized on the straight-line method or based on the economic benefits expected from these assets over their estimated useful life. Concerning the assets which do not have a finite useful life, they shall not be subject to amortization; however, they shall be annually assessed for impairment and the value of impairment, (if any), shall be charged to the income statement.

O- Fixed assets

Lands and buildings are mainly represented in head office premises, branches, and offices. All fixed assets shall be disclosed at historical cost minus accumulated depreciation and impairment losses. The historical cost includes expenses directly attributable to the acquisition of the fixed assets' items.

Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to allocate the cost over the useful life of the asset in a way that the remaining carrying value would equal to its residual value as follows:

Buildings and constructions	20 years
Elevators	10 years
Leased Improvements	4 years or leasing period, whichever is less
Office furniture	10 years
Machinery	10 years
Means of transport	5 years
Computers / core banking system	5 years
Fittings and fixtures	10 years

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of 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 shall be determined by comparing the net proceeds at book value. Gains (losses) shall be included within other operating income (expenses) in the income statement.

P- Impairment of non-financial assets

Assets other than goodwill, which do not have a finite useful life, shall not be subject to amortization and shall be reviewed annually to determine whether there is any indication of impairment. Impairment of depreciable assets shall be assessed, whenever there are events or changes in conditions suggesting that the book value may not be redeemable.

The impairment loss shall be recognized and the asset's value shall be reduced by the in the asset's book value over its net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. For purposes of the estimation of impairment, the asset shall be linked to the smallest available cash-generating unit. On the date of the preparing the financial statements, the non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement.

Q- Finance Lease

Finance lease is accounted for pursuant to law 95 for the year 1995 on leasing; if the lease contract gives the lessee the right to purchase the asset on a fixed date for a fixed amount and the contract's period represents more than 75% of the asset's expected useful life at least or the present value of total rental payments represents is not less than 90% of the asset value. Other leasing contracts shall be considered operational leasing ones.

Q-1 Lease

With regard to financial leasing contracts, the lease cost including the maintenance cost of leased assets shall be recognized within the expenses in the income statement for the period in which it has been incurred. If the bank decides to exercise the right of the purchase of leased assets, then the cost of the purchasing right shall be capitalized as fixed assets and amortized over the expected remaining useful life of the asset in the same way applied to similar assets.

Payments under the operational leasing minus any discounts granted by the lessor shall be recognized within expenses in the income statement by applying the straight-line method over the period of contract.

R- Cash and cash equivalents

For the purpose of the representation of the cash flow statement, cash and cash equivalents shall include the balances with maturity not exceeding three months from the date of the acquisition, and cash and balances at the Central Bank of Egypt, other than those that are deemed within the compulsory reserve, due from banks, treasury bills and other governmental notes.

S- Other provisions

The restructuring costs and legal claims' provision shall be recognized when there is a legal or a present indicative obligation due to previous events, and it is also likely that the situation shall require the utilization of the bank's resources to settle the mentioned obligations with the provision of a reliable estimation of the obligation's value being possible.
When there are similar obligations, the cash outflow that can be used in settlement shall be identified, taking into consideration this set of liabilities. The related provision shall be recognized even if there is a little possibility that an outflow with respect to any one item is included in the same class of obligations.

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

T- Employees' benefits

T-1 Retirement benefits obligations

The bank manages a variety of retirement benefit plans which are often funded through payments that are defined based on periodical actuarial calculations and are made to insurance companies and other specialized funds. The bank has defined benefits and defined contribution plans.

Defined benefit plans: these are retirement rules, which specify the amount of the retirement benefits that the employee will be granted by the end of the period of service. This benefit normally depends on one factor or more such as age, years of services and income.

The recognized liability in the balance sheet with regards to defined benefit plans is represented in the present value of the defined benefit liabilities at the reporting date, after deducting the fair value of the retirement plans' assets and debiting (crediting) unrealized actuarial reconciliations of profits (losses), as well as the cost of additional benefits related to prior service terms.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the defined benefit plans (future cash flows expected to be paid) annually. The present value of the identified plans liability is determined through deducting these expected future cash flows to be paid by using the rate of return of high quality corporate bonds or the rate of return of the government bonds in the same currency to be used in payment of the benefits and which have almost the same maturity period of the related obligations of the retirement benefits.

Gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions shall be calculated, and such gains shall be deducted from (the losses shall be added to) the income statement, if they do not exceed 10% of the plan assets' value or 10% of the defined benefits' liability whichever is higher. In case gains (losses) rise above the mentioned percentage, then the increase shall be deducted (added) in the income statements over the average of the remaining years of service.

Past service costs shall be immediately recognized in the income statement within administrative expenses, unless the introduced changes on the retirements' plans are conditional on that employees must be in service for a specified period of time (vesting period). In which case, the past service costs shall be amortized by the straight-line method over the vesting period.

Defined contribution plans: These are pension schemes pursuant to which the bank pays fixed contributions to an independent entity while there is no legal or constrictive commitment on the bank to pay further contributions, if the entity has not established sufficient assets to pay all the employees' benefits related to their service whether in current or previous periods.

Regarding the defined contribution plans, the bank pays contributions according to the retirement's insurance regulations in the public and private sectors on either mandatory or voluntary contractual basis and the bank has no further obligations following the payment of contributions. These contributions shall be recognized within the employees' benefit expenses when maturing (vesting). Paid contributions paid in advance shall be recognized within assets to the extent where the advance payment reduces future payments or cash refund.

T-2 Liabilities of other post-service's benefits

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age, and completes a minimum period of service. The expected costs of these benefits are matured (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the item T-1.

U- Income tax

The income tax on the year's profits or losses include the tax of the current year and the deferred tax and shall be recognized in the income statement, with the exception of the income tax on the items of shareholder's equity, which is directly recognized within shareholders' equity.

The income tax shall be recognized based on the net profit subject to tax through the application of the applicable tax rates at the date of preparing the balance sheet, in addition to the tax adjustments related to previous years.

Deferred tax arising from temporary timing differences between the book value of assets and liabilities calculated according to the accounting principles, as well as its values shall be recognized according to the tax principles. . Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates enacted or substantively enacted by the end of the reporting year.

The deferred tax assets shall be recognized when profits to be subject to tax in the future are likely to be generated, through which this asset can be utilized. The deferred tax shall be decreased with the portion from which the expected taxable benefit will not be achieved over the coming years. In case of the increase of the expected taxable benefits, the deferred tax assets shall be increased within the limit of previous reduction in the value of deferred tax assets.

V- Borrowing

Loans obtained by the bank shall be recognized at inception at fair value minus the cost of the loan obtaining. Subsequently, the loans shall be measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate shall be recognized to the income statement.

The fair value of the portion that represents a liability regarding bonds convertible into shares shall be defined by applying the market equivalent rate of return of non- convertible bonds. This liability shall be recognized by the amortized cost method until conversion or maturity of bonds. The remaining proceeds shall be charged to the conversion option included within shareholders' equity in net value after deduction of the income tax effect.

The preferred shares that either carry mandatory coupons, or are redeemed at a defined date or according to the shareholders' option, shall be included within the financial liabilities and be presented in the item of "Other loans." The dividends of these preferred shares shall be recognized in the income statement under "Interest expense on deposits and similar charges" item based on the amortized cost method and by using the effective rate of return.

W- Capital

W-1 Cost of capital

The issuance expenses, directly attributable to the issuance of new shares or shares against the acquisition of an entity, or the issuance of options shall be presented as a deduction from the shareholders' equity in net proceeds after taxes.

W-2 Dividends

Dividends shall be recognized through deducting the same from shareholders' equity in the period where the General Assembly meeting shareholder approves these dividends. They include the employees' share in profits and the remuneration of the board of directors prescribed by the article of association of the bank and the law.

X- Custody activities

The bank practices custody services, which leads to owning or managing private assets of individuals, trust funds, or post service benefits funds. These resulting assets and profits shall be excluded from the financial statements, as they not considered among the bank's assets.

Y- Comparative figures

Comparative figures shall be reclassified whenever it is necessary to conform to the changes in the adopted presentation of the current period/year.

3- Financial risk management

The bank is exposed to a variety of financial risk, while it practices its business and activities, and the acceptance of risk is considered the basis of financial business. Some risk aspects or a combination of risk are analyzed, assessed, and managed. The bank targets to achieve adequate balance between the risk and return, and to minimize likely adverse impacts on its financial performance. The most important types of risk are credit risk, market risk, liquidity risk and other operating risks. Market risk includes the risk of foreign exchange rates, interest rates and the other pricing risks.

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.

Risk management is carried out by Risk Management Division in the light of the policies approved by the Board of Directors. Risk division identifies, assesses, and hedges against the financial risk in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole, in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risk, and the use of derivatives and non-derivatives financial instruments. In addition, Risk division is responsible for the periodic review of risk management and control environment independently.

A- Credit risk

The bank is exposed to credit risk, which is the risk of default of one party on its obligations. Credit risk is considered as the most important risk the bank faces. Thus, the top management carefully manages risk exposure. Credit risk is mainly represented in lending business from which activities of loans and facilities arise, and in investment activities which cause that the bank's assets include debt instruments. Credit risk is also found in the financial instruments off- balance sheet, such as loan commitments. The credit risk management team in the division, which reports to the board of directors, top management as well as heads of business units, conducts mainly all operations related to the management and control of the credit risk.

A-1 Measurement of credit risk

- **Loans and facilities to banks and customers**

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

  - Probability of default of the customer or a third party on 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 involve the measurement of credit risk which reflects the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may contradict with the impairment charge according to the Egyptian Accounting Standard no. (26), which depends on losses realized at the reporting date (realized losses model) and not on expected losses (Note A/3).

- The bank estimates the probability of default at the level of every customer by applying internal rating methods to rate the creditworthiness of the different categories of customers in details. These methods have been developed for internal rating and the statistical analysis are taken into account together with the personal reasoning of credit officials to reach the adequate rating. The bank's customers have been divided into four categories of creditworthiness rating. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects how probable default of each category is, which mainly means that credit positions move among mentioned categories pursuant to the change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever required. Further, the bank periodically assesses the performance of the creditworthiness rating methods and how they are able to predict default cases.

The bank's internal classification categories:

Classification	**The classification's Indication**
1	Performing loans
2	Regular watching
3	Watch list
4	Nonperforming loans

- The position exposed to default depends on the amounts the bank expects to be outstanding amounts when the default takes place; for example, as for a loan, the position is the nominal value while for commitments, the bank enlists all already withdrawn amounts in addition to these amounts expected to be withdrawn until the date of default, if it happens.
- Loss given default or loss severity each represents the bank's expectations of the loss to the extent when claiming repayment of debt if the default occurs. Expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's seniority and availability guarantees or other credit mitigation.

- **Debt instruments, treasury bills and other bills**

Concerning debt instruments and bills, the bank uses the external foreign rating such as the rating of "Standard and Poors" or of similar agencies to manage credit risk. If such ratings are not available, then the bank applies similar methods to those applied to credit customers. Investment in securities, financial papers, and bonds shall be considered as a way to gain a better credit quality and maintain a readily available source to meet funding requirements at the same time.

A-2 Risk Mitigation Policies

The bank manages, mitigates, and controls credit risk concentration at the level of debtor, groups, industries, and countries.

The bank structures the levels of credit risk tolerance by placing limits for the risk tolerance in relation to each borrower or a class of borrowers, and at the level of economic activities and geographical sectors. Such risk shall be constantly monitored and controlled and shall be subject to reviews on an annual basis or more frequently if necessary. Limits of credit risk at the level of borrower/ the group / producer, the sector and the country shall be quarterly approved by the board of directors.

Lines of credit for any borrower including banks shall be divided into sub-lines which include in- and off- the balance sheet amounts and daily risk limit related to trading items such as forward foreign exchange contracts. Actual amounts shall be compared daily with the mentioned limits.

Credit risk exposure is also managed by the regular analysis of the present and the potential borrowers' ability to fulfill their obligations and by amendment of the lending lines when appropriate.

Following are some methods to mitigate risk:

- **Collateral**

  The bank shall set a range of policies and controls to mitigate credit risk. Among these implemented methods is to obtain a security against the extended funds. The bank shall set guide rules for defined types of acceptable collateral.

  Main types of collateral against loans and facilities include the following:

  - Mortgage.
  - Mortgage of business assets such as equipment and goods.
  - Mortgage of financial instruments such as debt instruments and equity.

Longer-term finance and lending to corporate are often secured, while credit facilities granted to retail customers are generally unsecured. To reduce credit loss to its minimum level, the bank seeks to get additional collateral from the concerned parties as soon as indicators of impairment in a loan or facility appear.

Collateral held as a security against assets other than loans and facilities; determined by the nature of the instrument, and debt instruments and treasury bills are normally unsecured with the exception of asset-backed securities and the similar instruments backed by a securities portfolio.

- **Derivatives**

  The bank maintains control procedures over the net open positions for derivatives i.e. the difference between purchase and sale contracts at the level of value and period. The amount exposed to credit risk is at any time defined at the fair value of the instrument that achieves benefit to the bank i.e. an asset that has a positive fair value and represents a small portion of the contractual (nominal) value adopted to express for the volume of outstanding instruments. This credit risk is managed as a part of the aggregate lending line granted to the customer together with the expected risk due to market changes.

  Collateral or other security is not usually obtained against credit risk exposures in these instruments, except where the bank requires that collateral be taken as margin deposits from the counterparties.

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

- **Master Netting Arrangements**

  The bank mitigates the credit risk by entering into Master Netting Arrangements with counterparties that represent a signification volume of transaction. In general, these arrangements do not result in conducting offset between balance sheet assets and liabilities because these settlements are always conducted on a gross basis. However, the credit risk associated to the contracts which serve the bank's interest is reduced through master netting arrangements, as in case of default, all amounts with the counterparty are settled by clearance.

  The bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can be substantially changed within a short period, as it is affected by each transaction subject to these arrangements.

- **Credit related commitments**

The primary purpose of credit related commitments is to ensure the availability of funds to the customer at demand. Guarantees and standby letters of credit also carry the same credit risk related to loans. Documentary and commercial letters of credit which are issued by the bank on behalf of its customer to grant a third party the right of withdrawal from the bank within the limit of certain amounts and under predefined conditions – are collateralized by the underlying shipments of goods and consequently carry a lesser degree of risk, compared to direct loans.

The commitments for granting credit represent the unutilized part of the authorized limit to grant loans, guarantees, or documentary letters of credit. The bank is exposed to a potential loss that represents the amount equal to the total of unutilized commitments as concerning credit risk arising from credit granting commitments. Nevertheless, the amount of loss that is likely to occur is below the unutilized commitments, as most credit granting commitments represents potential liabilities of customers who have defined credit specifications. The bank monitors the duration until maturity date of credit commitments, as long term commitments have a higher degree of credit risk, compared to short-term commitments.

A-3 Impairment policies and provisions

The internal systems of aforementioned assessments (note no. A-1) focus to a great extent on the planning of the credit quality, from the starting point of the recognition of lending and investment activities. However, the impairment losses incurred at the reporting date are only recognized for purpose of the preparation of financial statements based on objective evidence, which refers to impairment pursuant to the disclosure below in light of the implementation of different methods.

The impairment loss provision included in the balance sheet at the end of the fiscal year is derived from the four internal ratings; however, the majority of the provision results from the last two ratings. The following table shows the percentage for the items within the balance sheet relate to loans and facilities and the relevant impairment for each of the bank's internal ratings:

Bank's Assessment	31/12/2013		31/12/2012	
	Loans and advances %	Impairment loss provision %	Loans and advances %	Impairment loss provision %
1-Performing loans	16.70	2.68	19.63	2.71
2-Regular watching	68.98	34.18	65.53	20.02
3-Watch list	6.30	7.75	5.08	11.41
4-Non performing loans	8.02	55.39	9.76	65.86
	100	100	100	100

The tools of internal rating help the management define whether there is objective evidence on the existence of impairment pursuant to the Egyptian Accounting Standard no. 26 and depending on the following indicators the bank has defined:

- Great financial difficulties facing the borrower or debtor;
- Breach of the loan agreement's terms such as the non-payment;
- Expectation of the borrower's bankruptcy, entrance into liquidation case, or restructuring of the finance granted;
- Deterioration of the competitive position of the borrower;
- For economic or legal reasons related to the borrower's financial difficulties, the bank grants privileges and concessions to the borrower, which may not be approved thereby in normal circumstances;
- Deterioration of the collateral's value;
- Deterioration of the credit situation.

The bank's policies require review of all financial assets, which exceed defined relative importance at least annually or more if necessary. The impairment charge is to be defined to accounts that have been assessed on an individual basis by assessing the realized loss at the reporting date on each individual case and is to be applied individually to all accounts that have relative importance. The assessment usually includes the outstanding collateral with a reconfirmation of the possibility to realize the collateral as well as the expected collections from these identified accounts being made. The impairment loss provision shall be made on the basis of a group of homogeneous assets by using the available historical experience, personal discretion, and statistical methods.

A-4 The General Model for Measurement of Banking Risk

In addition to the four-creditworthiness ratings shown in (note no. A-1), the management also prepares ratings in the form of more detailed subgroups, which are in line with the requirements of the Central Bank of Egypt (CBE). Assets exposed to credit risk shall be rated in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, business and activities, financial position and regularity of payments thereof.

The bank calculates the provision required for the impairment of these assets exposed to credit risk, including credit related commitments based on defined rates set by the Central Bank of Egypt. In case the impairment loss provision required according to Central Bank of Egypt's rules exceeds the provisions as required for the purposes of the preparation of the financial statements according to the Egyptian Accounting Standards (EAS), that excess shall be debited to retained earnings and carried to the general reserve for banking risk in the shareholders' equity section. Such reserves shall be regularly adjusted, by any increase or decrease so that the reserve shall always be equal to the amount of increase between the two provisions. Such provision shall not be subject to distribution.
Following is an indication of corporate credit worthiness categories according to internal rating principles, compared to the rating principles of the Central Bank of Egypt, and of the required provision percentages for the impairment of assets exposed to credit risk:

Central Bank Of Egypt's rating	Rating's meaning	Provision's ratio required	Internal Rating	Meaning of Internal Rating
1	Low risk	Zero	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 follow up
7	Watch List	5%	3	Special follow up
8	Substandard	20%	4	Nonperforming loans
9	Doubtful	50%	4	Nonperforming loans
10	Bad debt	100%	4	Nonperforming loans

A/5 The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the Balance Sheet:

	31/12/2013 EGP 000	31/12/2012 EGP 000
Treasury bills and other governmental notes	10 337 126	9 957 515
Loans and advances to banks	500 000	500 000
Loans and advances to customers		
Loans to individuals (Retail):		
Overdraft accounts	651 820	565 914
Credit cards	44 786	38 052
Personal loans	10 258 851	9 025 362
Mortgage	32 599	51 269
Corporate loans :		
Overdraft accounts	3 746 549	4 467 810
Direct loans	4 709 012	4 712 434
Syndicated loans	2 557 564	3 112 166
Other loans	1 303	1 912
Financial investments :		
Debt instruments	933 059	1 133 398
Other assets	147 535	146 306
Total	**33 920 204**	**33 712 138**

Credit risk exposures of off-balance sheet items:

	31/12/2013 EGP 000	31/12/2012 EGP 000
Financial guarantees	1 270 852	576 324
Letters of credit	563 193	301 039
Letters of guarantee	1 028 480	1 108 131
Total	**2 862 525**	**1 985 494**

- The previous table represents the maximum limit of exposure as at 31 December 2013 and as at 31 December 2012, without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet.

As illustrated in the previous table 66.3 % of the maximum Limit exposed to credit risk arises from loans and advances to banks and customers versus 66.7 % as at 31/12/2012 whereas investments in the debt instruments represent 2.8% versus 3.4 % as at 31/12/2012.

The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities, and debt instruments portfolios based on the following:

- 2.3 % of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/ average risks) versus 1.1 % as at 31/12/2012 .
- 75.4 % of the loans and advances' portfolio is free from any delays or impairment indicators versus 80 % as at 31/12/2012 .
- The mortgages covered by collaterals, represent an important group in the portfolio.
- The loans and advances that have been assessed on an individual basis reach EGP 1 724 749 thousand as at 31/12/013 versus EGP 2 084 298 thousand as at 31/12/2012. Formed from it an 78.2% as a provision versus 82 % as at 31/12/2012.
- The bank applied more conservative selecting process when extending loans and advances during the year.
- More than 98.4 % as at 31/12/2013 versus 98 % as at 31/12/2012 , of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

A/6 Loans and advances

The following is the position of loans and advances' balances as regarding creditworthiness:

	EGP 000		EGP 000	
	31/12/2013		31/12/2012	
	Loans and advances to customers	**Loans and advances to banks**	**Loans and advances to customers**	**Loans and advances to banks**
With no past dues or impairment	16 580 319	500 000	17 589 332	500 000
With past dues but not subject to impairment	3 697 416	--	2 301 289	--
Subject to impairment	1 724 749	--	2 084 298	--
Total	**22 002 484**	**500 000**	**21 974 919**	**500 000**
Less: Impairment loss provision	(2 401 020)	--	(2 554 732)	--
Net	**19 601 464**	**500 000**	**19 420 187**	**500 000**

- The total impairment loss on loans and advances; reached EGP 2 401 020 thousand as of 31 December 2013 versus EGP 2 554 732 thousand as of 31 December 2012, including EGP 1 348 804 thousand as of 31 December 2013 versus EGP 1 709 346 thousand as of 31 December 2012, of which represents the impairment of individual loans and the remaining amounting to EGP 1 052 216 thousand versus EGP 845 386 thousand representing the impairment losses on a group basis of the credit portfolio. (Notes no. 19 and 20) include further information on the impairment losses provision of loans and advances to banks and customers.

Loans and advances with no past dues or impairment:

The creditworthiness of the loans and advances portfolio with no past dues or impairment is assessed with reference to the internal assessment adopted by the bank.

EGP 000

31/12/2013

Assessment	Retail				Corporate				Net loans and advances to customers	Net loans and advances to Banks
	Debit Current account	Credit Cards	Personal Loans	Mortgage	Debit Current account	Direct Loans	Syndicated Loans	Other Loans		
1- Performing	--	--	--	--	1 187 280	477 497	717 708	80	2 382 565	500 000
2- Regular Watching	560 936	29 082	8 082 670	--	1 130 246	973 263	1 381 589	174	12 157 960	--
3- Watch List	--	--	1 888	--	94 327	966 374	69 402	791	1 132 782	--
Total	**560 936**	**29 082**	**8 084 558**	**--**	**2 411 853**	**2 417 134**	**2 168 699**	**1 045**	**15 673 307**	**500 000**

- The guaranteed loans; are not considered subjected to impairment for the non-performing loans after taking into consideration the probability of collecting this guarantees.

EGP 000

31/12/2012

Assessment	Retail				Corporate				Net loans and advances to customers	Net loans and advances to Banks
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Direct Loans	Syndicated Loans	Other Loans		
1- Performing	--	--	--	--	1 498 299	1 670 960	936 210	82	4 105 551	500 000
2- Regular Watching	481 900	24 864	7 171 953	41 104	1 101 210	1 363 493	1 774 280	278	11 959 082	--
3- Watch List	--	--	1 096	--	174 222	470 670	133 662	391	780 041	--
Total	**481 900**	**24 864**	**7 173 049**	**41 104**	**2 773 731**	**3 505 123**	**2 844 152**	**751**	**16 844 674**	**500 000**

Loans and advances with past dues but are not subject to impairment

These are loans and advances with delays up to 90 days but are not subject to impairment unless there is other information to the contrary a loan and advances to customers with past dues but not subject to impairment and the fair value of their collaterals are represented in the following:

EGP 000

31/12/2013

	Retail				Corporate		Net loans and advances to customers
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Direct Loans	
Past dues up to 30 days	1 230	5 875	1 116 386	19 049	--	1 673 652	2 816 192
Past dues more than 30 days to 60 days	40 139	1 949	135 103	1 483	46 602	355 049	580 325
Past dues more than 60 days to 90 days	29 980	1 122	33 671	4 320	36 714	49 888	155 695
Total	**71 349**	**8 946**	**1 285 160**	**24 852**	**83 316**	**2 078 589**	**3 552 212**
The fair value of collaterals	--	--	--	--	**15 095**	**248 403**	**263 498**

EGP 000

31/12/2012

	Retail				Corporate		Net loans and advances to customers
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Direct Loans	
Past dues up to 30 days	1 177	4 731	868 534	3 928	1 263	764 122	1 643 755
Past dues more than 30 days to 60 days	36 538	1 596	149 590	588	18 481	55 421	262 214
Past dues more than 60 days to 90 days	28 856	743	47 384	1 526	19 074	197 009	294 592
Total	**66 571**	**7 070**	**1 065 508**	**6 042**	**38 818**	**1 016 552**	**2 200 561**
The fair value of collaterals	--	--	--	--	**11 280**	**259 328**	**270 608**

At the first recognition of loans and advances, the fair value of collaterals evaluated based on the same financial assets evaluation methods used, and in subsequent period to the fair value; updated by the market prices or the similar assets' prices.

Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 1 724 749 thousand as at 31/12/2013 versus EGP 2 084 298 thousand as at 31/12/2012.

Herein below, is the analysis of the net value of loans and advances subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

EGP 000

31/12/2013

	Retail				Corporate		Total loans and advances to customers
	Overdraft account	Credit Cards	Personal Loans	Mortgage	Overdraft account	Syndicated Loans	
Balance	1 856	5 537	285 961	6 978	1 142 744	281 673	**1 724 749**
Provision	(1 788)	(1 527)	(188 204)	(4 619)	(946 890)	(205 776)	**(1 348 804)**
Net	**68**	**4 010**	**97 757**	**2 359**	**195 854**	**75 897**	**375 945**
The fair value of collaterals	215	--	563	--	64 073	--	64 851

EGP 000

31/12/2012

	Retail				Corporate		
	Overdraft account	**Credit Cards**	**Personal Loans**	**Mortgage**	**Overdraft account**	**Syndicated Loans**	**Total loans and advances to customers**
Balance	1 887	4 922	324 346	2 666	1 581 245	169 232	2 084 298
Provision	(1 791)	(1 955)	(190 395)	(1 769)	(1 371 804)	(141 632)	(1 709 346)
Net	**96**	**2 967**	**133 951**	**897**	**209 441**	**27 600**	**374 952**
The fair value of collaterals	47	--	558	--	106 169	--	106 774

Restructured Loans & Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs , amending and postponing repayment. The policies of restructuring application depend on indicators or standards which refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 705 845 thousand as at 31/12/2013 versus EGP 114 960 thousand as at 31/12/2012.

	31/12/2013 EGP 000	**31/12/2012 EGP 000**
Corporate		
Overdraft account	17 497	--
Direct loans	687 921	114 960
Other Loans	427	--
	705 845	114 960

A/7 Debit instruments, treasury bills and other governmental notes:

The following table represents an analysis of debt instruments, treasury bills and other governmental notes at the end of the financial year based on the assessment of Standard & Poor's rating or its equivalent:

EGP 000

	Treasury bills and other governmental notes	**Investments in Securities**	**Total**
AAA	--	42 558	42 558
+A to - A	--	45 214	45 214
Less than - A	10 337 126	765 488	11 102 614
Unclassified	--	79 799	79 799
Total	**10 337 126**	**933 059**	**11 270 185**

A/8 Acquisition of collaterals

During the present financial year, the bank has obtained assets by acquiring their collateral as follows:

	EGP 000
Type of assets	**Book value**
Land	22 789
Buildings	12 961
Other	414
Total	**36 164**

Acquired assets are sold whenever practicable, and are recorded under the "Other Assets" item in the balance sheet.

A/9 The concentration of financial assets' risks exposed to credit risk

Geographical segments

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment as at 31 December 2013.

EGP 000

31/12/2013	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	10 337 126	--	--	10 337 126
Loans and advances to banks	500 000	--	--	500 000
Loans and advances to customers				
- Loans to individuals (Retail)				
Overdraft accounts	287 762	221 889	142 169	651 820
Credit cards	41 305	2 249	1 232	44 786
Personal loans	3 611 285	3 825 468	2 822 098	10 258 851
Mortgage	28 868	2 088	1 643	32 599
Loans to corporate				
Overdraft accounts	1 916 998	1 442 979	386 572	3 746 549
Direct loans	4 320 408	314 412	74 192	4 709 012
Syndicated loans	2 353 503	204 061	--	2 557 564
Other loans	1 188	97	18	1 303
Financial Investments				
Debt instruments	933 059	--	--	933 059
Other assets	116 209	23 513	7 813	147 535
Total as at 31/12/2013	**24 447 711**	**6 036 756**	**3 435 737**	**33 920 204**
Total as at 31/12/2012	**25 011 935**	**5 729 598**	**2 970 605**	**33 712 138**

Business Segment

The following represents an analysis of the most important boundaries of credit risk at book value, distributed according to the customers' business and activities.

EGP 000

31/12/2013	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	--	--	--	--	10 337 126	--	--	10 337 126
Loans & advances to Banks	500 000	--	--	--	--	--	--	500 000
Loans & advances to customers:								
Loans to individuals (Retail)								
Overdraft accounts	--	--	--	--	--	--	651 820	651 820
Credit cards	--	--	--	--	--	--	44 786	44 786
Personal loans	--	--	--	--	--	--	10 258 851	10 258 851
Mortgage	--	--	--	--	--	--	32 599	32 599
Loans to Corporate								
Overdraft accounts	13 757	695 583	237 388	896 473	3 129	1 900 219	--	3 746 549
Direct loans	19 390	2 027 227	1 276 649	336 249	431	1 049 066	--	4 709 012
Syndicated loans	--	1 497 915	86 589	48 576	357 124	567 360	--	2 557 564
Other loans	--	282	413	475	--	133	--	1 303
Financial Investments								
Debt instruments	54 501	40 000	--	--	767 418	71 140	--	933 059
Other assets	17 569	3 327	--	--	31 032	38 922	56 685	147 535
Total as at 31/12/2013	**605 217**	**4 264 334**	**1 601 039**	**1 281 773**	**11 496 260**	**3 626 840**	**11 044 741**	**33 920 204**
Total as at 31/12/2012	**659 754**	**5 298 664**	**1 682 515**	**1 548 914**	**11 451 233**	**3 366 155**	**9 704 903**	**33 712 138**

B- **Market Risk**

The bank 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 as each of them is exposed to the market's general and specific movements as well as to the changes in the sensitivity level of market prices or rates such as interest rates, foreign exchange rates and the equity instruments' prices. The bank separates exposures to market risk either held for trading or held for non-trading portfolios.

The management of market risk resulted from trading, non-trading activities are centralized in the market risk department in the bank and market risks reports are submitted to the board of directors and heads of business units on a regular basis.

The trading portfolios include these positions resulting from the bank's direct dealing with customers or with the market. Whereas, the non-trading portfolios, arise mainly from management of the return rate of assets and liabilities related to retail transactions. These portfolios include the foreign exchange risks and equity instruments resulted from investments available for sale.

B-1 Methods of Measuring Market Risk

As part of the market risk management the bank, enters into interest rate swaps in order to balance the risk associated with the debt instruments and long term loans with fixed interest rate incase the fair value option is applied. The following are the most important measurement methods applied to control the market risk.

- **Value at Risk**

  The bank apply "value at risk" method for trading and non trading portfolios in order to estimate the market risk of outstanding positions and the maximum limit of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for "value at risk" which the bank can accept for trading and non-trading separately and monitored daily by the Market Risk department in the bank.

  Value at risk is a statistical estimate of the potential movements of the present portfolio due to market's adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (99%) consequently there is a statistical probability of (1%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess these historical changes in rates, prices, and indicators directly on current positions, a method known as historical simulation. Actual outputs should be monitored and controlled on a regular basis to measure the integrity of the assumptions and factors applied to calculate value at risk.

  The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk; are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial year ended 31 December 2013 amounted to EGP 2 758 thousand, versus EGP 9 040 thousand during the comparative year.

The quality of value at risk model; is continuously monitored by reinforcing testing to reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

Stress Testing

Stress testing gives an indicator of the potential size of losses, which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analysis of defined scenarios. The market risk department undertakes Stress testing to include the stress testing of risk factors where a set of extreme movements is applied on each risk category. There is also stress testing applied on emerging markets, which are subject to extreme movements, and special stress testing that includes potential events, which may affect certain centers or regions such as what can happen in a region currency peg break. The senior management and board of directors monitor and review the results of stress testing.

B/2 Summary of value at risk

Total value at risk according to the risk type

	EGP 000			EGP 000		
	31/12/2013			31/12/2012		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	2 758	5 089	1 356	9 040	18 622	3 148
Total value at risk	**2 758**	**5 089**	**1 356**	**9 040**	**18 622**	**3 148**

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

Value at risk of the trading portfolio according to the risk type

	EGP 000			EGP 000		
	31/12/2013			31/12/2012		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	7 290	13 673	86	11 782	16 349	3 789
Total value at risk	**7 290**	**13 673**	**86**	**11 782**	**16 349**	**3 789**

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

Value at risk of the non-trading portfolio according to the risk type

	EGP 000			EGP 000		
	31/12/2013			31/12/2012		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	11 214	16 337	7 113	7 978	10 535	1 224
Total value at risk	**11 214**	**16 337**	**7 113**	**7 978**	**10 535**	**1 224**

The bank did not estimate exchange rate risk & equity instruments risk as the data is not available.

The increase in the value at risk, especially interest rate risk, related to the increase in the sensitivity of interest rates in international financial markets.

The previous results of value at risk calculated separately and independently from the concerned positions and historical movements of markets. Total values at risk for trading and non-trading do not form the bank's value at risk given the correlation between the types of risks and types of portfolios and the subsequent diverse impacts.

B/3 The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors have set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at 31 December 2013. The following table includes the book value of financial instruments distributed into its component currencies:

The concentration of currency risk of financial instruments

EGP 000

	EGB	USD	Euro	GBP	Other Currencies	Total
As at 31/12/2013						
Financial assets						
Cash and balances with Central Bank of Egypt	2 541 504	88 932	12 666	2 543	8 025	**2 653 670**
Due from banks	2 919 998	1 693 241	385 235	139 145	57 552	**5 195 171**
Treasury bills and other governmental notes	10 337 126	--	--	--	--	**10 337 126**
Loans and advances to banks	500 000	--	--	--	--	**500 000**
Loans and advances to customers	16 215 505	3 213 887	119 096	1	52 975	**19 601 464**
Financial assets classified at fair value through profit and loss	--	--	3 031	--	--	**3 031**
Financial Investments						
- Available -for- sale	1 446 648	163 296	299	--	--	**1 610 243**
- Held-to-maturity	94 501	--	--	--	--	**94 501**
Total financial assets	**34 055 282**	**5 159 356**	**520 327**	**141 689**	**118 552**	**39 995 206**
Financial liabilities						
Due to banks	14 681	224 036	1 996	794	44 806	**286 313**
Customers' deposits	28 502 562	4 725 829	489 134	139 909	66 939	**33 924 373**
Other loans	59 402	--	--	--	--	**59 402**
Total financial liabilities	**28 576 645**	**4 949 865**	**491 130**	**140 703**	**111 745**	**34 270 088**
Net of financial position	**5 478 637**	**209 491**	**29 197**	**986**	**6 807**	**5 725 118**
Credit related commitments	**1 288 470**	**603 263**	**944 613**	**--**	**26 179**	**2 862 525**
As at 31/12/2012						
Total financial assets	**32 969 100**	**6 382 420**	**715 697**	**140 997**	**107 621**	**40 315 835**
Total financial liabilities	**27 762 976**	**6 220 181**	**689 124**	**141 141**	**104 067**	**34 917 489**
Net of financial position	**5 206 124**	**162 239**	**26 573**	**(144)**	**3 554**	**5 398 346**
Credit related commitments	**977 319**	**334 870**	**667 179**	**--**	**6 126**	**1 985 494**

B/4 Interest rate risk

The bank is exposed to the impact of the fluctuations in the levels of interest rates prevailing in the market, include the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of the mentioned instrument. Whereas the interest rates 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 occur. The board of directors set limits for the level of difference in the re-pricing of interest rate that the bank can maintain and treasury 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 distributed based on the price of re-pricing dates or maturity dates whichever is sooner:

EGP 000

As at 31/12/2013	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and balance with Central Bank of Egypt	--	--	--	--	--	2 653 670	**2 653 670**
Due from banks	3 929 824	442 406	213 298	--	565 253	44 390	**5 195 171**
Treasury bills and other governmental notes	3 510 566	6 426 137	400 423	--	--	--	**10 337 126**
Loans and advances to banks	--	500 000	--	--	--	--	**500 000**
Loans and advances to customers	5 799 880	1 494 983	3 783 250	7 458 645	873 618	191 088	**19 601 464**
Financial assets classified at fair value through profit and loss	3 031	--	--	--	--	--	**3 031**
Financial Investments							
- Available for sale	10 408	1 724	15 589	1 343 319	239 203	--	**1 610 243**
- Held-to-maturity	13 333	--	26 667	54 501	--	--	**94 501**
Other financial assets	--	--	--	--	--	157 287	**157 287**
Total financial assets	**13 267 042**	**8 865 250**	**4 439 227**	**8 856 465**	**1 678 074**	3 046 435	40 152 493

As at 31/12/2013	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial liabilities							
Due to banks	143 530	--	441	--	--	142 342	**286 313**
Customers' deposits	16 579 751	1 815 825	2 668 299	8 572 626	27 519	4 260 353	**33 924 373**
Other loans	--	--	--	59 402	--	--	**59 402**
Other financial liabilities	--	--	--	--	--	130 439	**130 439**
Total financial liabilities	**16 723 281**	**1 815 825**	**2 668 740**	**8 632 028**	**27 519**	**4 533 134**	**34 400 527**
The interest gap re-pricing	**(3 456 239)**	**7 049 425**	**1 770 487**	**224 437**	**1 650 555**	**(1 486 699)**	**5 751 966**
As at 31/12/2012							
Total financial assets	**11 914 641**	**4 900 937**	**10 713 264**	**7 563 507**	**2 178 325**	**3 201 568**	**40 472 242**
Total financial liabilities	**17 091 355**	**2 712 973**	**4 285 094**	**7 484 270**	**27 495**	**3 486 407**	**35 087 594**
The interest gap re-pricing	**(5 176 714)**	**2 187 964**	**6 428 170**	**79 237**	**2 150 830**	**(284 839)**	**5 384 648**

C- Liquidity risk

The liquidity risk is the risk that the bank is unable to meet its commitments associated with its financial obligations at maturity date and replacing the funds that withdrawn; and that may result of failure in meeting obligations related to repayment of the depositors funds or meeting the borrowing commitments.

- **Liquidity risk management**

  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 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 overdraft accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Financing approach**

  Liquidity resources; reviewed by a separate team in the Assets and Liabilities management department of the bank to provide a wide variety of currencies, geographical regions, resources, products, and maturities.

- **Non derivative cash flows**

  The following table represents the cash flows payable by the method of non-derivative financial liabilities distributed based on remaining period from the contractual maturities on the balance sheet's date. The amounts presented in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk based on expected undiscounted cash flows and not the contractual ones.

EGP 000

31/12/2013	Up to 1 month	1-3 months	More than 3 months – 1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	285 895	--	441	--	--	**286 336**
Customers' deposits	20 489 059	1 851 336	2 927 739	10 484 136	40 915	**35 793 185**
Other loans	--	--	--	59 402	--	**59 402**
Other financial liabilities	130 439	--	--	--	--	**130 439**
Total financial liabilities according to contractual maturity date	**20 905 393**	**1 851 336**	**2 928 180**	**10 543 538**	**40 915**	**36 269 362**
Total financial assets according to contractual maturity date	**11 579 838**	**10 607 713**	**4 554 479**	**9 495 251**	**2 225 036**	**38 462 317**

EGP 000

31/12/2012	Up to 1 month	1-3 months	More than 3 months - 1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	430 202	--	402	--	--	**430 604**
Customers' deposits	20 283 309	2 759 809	3 902 759	8 741 298	43 655	**35 730 830**
Other loans	--	--	676 915	322 377	--	**999 292**
Other financial liabilities	170 105	--	--	--	--	**170 105**
Total financial liabilities according to contractual maturity date	**20 883 616**	**2 759 809**	**4 580 076**	**9 063 675**	**43 655**	**37 330 831**
Total financial assets according to contractual maturity date	**14 951 086**	**4 860 438**	**9 947 313**	**7 995 975**	**1 893 891**	**39 648 703**

The assets available to meet all liabilities and to hedge commitments related to loans include cash and balances with Central Bank, due from banks, treasury bills and other governmental bills and loans and facilities to banks and customers. In the normal course of business, a proportion of customer loans contractually repayable within one year extended. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

Off-balance sheet items:-

The following is according to Note no. (39)

EGP 000

31/12/2013	Less than 1 year	1-5 years	Total
Financial guarantees, accepted bills and other financial facilities	2 862 525	--	2 862 525
Commitments on operational leasing contracts	1 827	1 894	3 721
Capital commitments due to fixed assets' acquisition	18 018	--	18 018
Capital commitments due to holding shares	--	42 626	42 626
Total	**2 882 370**	**44 520**	**2 926 890**

EGP 000

31/12/2012	Less than 1 year	1-5 years	Total
Financial guarantees, accepted bills and other financial facilities	1 985 494	--	1 985 494
Commitments on operational leasing contracts	2 385	4 839	7 224
Capital commitments due to fixed assets' acquisition	17 442	--	17 442
Capital commitments due to holding shares	--	39 214	39 214
Total	**2 005 321**	**44 053**	**2 049 374**

D- The fair value of financial assets and liabilities

D-1 Financial instruments measured at fair value by applying valuation methods

The change in estimated fair value by applying valuation methods has reached EGP 60 233 thousand in the financial year ended 31 December 2013 versus EGP 40 537 thousand in the financial year ended 31 December 2012, with an increase of EGP 19 696 thousand .

Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities, not presented in the bank's balance sheet at fair value:

EGP 000

	31/12/2013		31/12/2012	
	Book value	Fair value	Book value	Fair value
Financial Assets				
Due from banks	5 195 171	5 195 171	5 853 366	5 853 366
Loans and advances to banks	500 000	500 000	500 000	500 000
Loans and advances to customers				
- Current balances	9 585 877	9 585 877	9 203 149	9 203 149
Financial investments				
- Equity instruments Available - for- sale	--	--	95	95
-Held-to-maturity	94 501	104 050	212 328	219 517
Financial liabilities				
Due to banks	286 313	286 313	463 113	463 113
Customers' deposits				
- Current balances	9 950 745	9 950 745	12 026 593	12 026 593
Other loans	59 402	59 402	987 628	987 628

Due from banks

The fair value of the Due from banks is the book value where all Due from banks mature within a year.

- **Loans and advances to banks**

  Loans and advances to banks 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 for collection. Cash flows discounted by adopting the current market rate to determine the fair value.

- **Loans and advances to customers**

  Loans and advances presented in net after discounting the impairment loss provision. Loans and advances to customers; are divided to current and non-current balances and the book value of current balances is equal to the fair value but it is difficult to obtain the fair value of non-current balances.

- **Investments in financial securities**

  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 banks**

  The fair value of the due to banks is the book value where all due to banks mature within a year.

- **Customers' deposits**

  Customers' deposits are divided to current and non-current balances and the book value of current balances is equal to the fair value while could not obtain the present value of non-current balances.

E- Capital Management

The bank's objectives behind managing capital which include other elements in addition to the shareholders equity shown in the balance sheet are represented in the following:

- Comply with the legal capital requirements in Arab Republic of Egypt and in countries where the bank's branches operate.

- Protect the bank's ability to continue as going concern and enabling it to continue in generating return to shareholders and other parties that deals with the bank.
- Maintain a strong capital base that supports the growth of business.

  Capital adequacy and capital utilizations according to the regulator requirements (the Central Bank of Egypt in Arab Republic of Egypt); are reviewed and monitored daily by the bank's management through models, which depend on the guidelines of Basel Committee for Banking Supervision. Required information is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires each bank to do the following:

- Maintain an amount of EGP 500 million as a minimum limit of issued and paid-up-capital.

- Maintain a percentage between capital elements and asset and contingent liabilities elements weighted by risk equals to or exceeds 10%.

  The overseas bank's branches outside Egypt are subject to the supervision rules regulating banking business in the countries where they operate.

  In accordance with the requirements of Basel II, the numerator of the capital adequacy ratio consists of the following two tiers:

Tier One:

A. Ongoing capital :

Consists of issued and paid in capital , legal , statutory and capital reserve and retained earnings (retained losses) excluding the following :-

- Treasury Shares
- Good Will
- Bank investments in financial companies (Banks and Companies) and insurance companies [more than 10% or more of the company's issued capital].
- Increase in all bank investments where each investment individually is less than 10% of the company's issued capital for the value of 10% of ongoing capital after regulatory amendments (capital base before excluding investments in financial companies and insurance companies).

The following elements are not considered :-

- Fair value reserve of AFS financial investments (If negative)
- Foreign currency translation differences reserve (If negative)

  Where the above items are deducted from Basic capital if the balance is negative while it's not considered if it is positive.

B. Additional ongoing capital :

It consists of permanent non-cumulative preferred shares, quarterly profit (loss), minority rights and the difference between the nominal value and the current value of supplementary loans (deposits).

Interim profits is recognized only after approval of the auditor and the General Assembly approval of the distributions and the approval of CBE, interim losses are deducted without conditions.

Tier Two:

Consist of the following:-

- 45% of the increase in fair value of the book value of financial investments (AFS fair value reserve if positive, HTM financial investments, investments in associates and subsidiaries).
- 45% of the special reserve .
- 45% of positive foreign currency translation differences reserve .
- Hybrid financial instruments
- Supplementary loans (deposits)
- Impairment loss provision of loans and contingent liabilities (must not exceed 1.25% of the total credit risk of performing assets and contingent liabilities weighted by risk weights, Thus, the provision should be sufficient to meet the obligations for which the provision is allocated).

Exclusions of 50% of Tire 1 and 50% Tire 2 :

- Investments in non-financial companies (each individual) 15% or more of Basic ongoing capital of the bank before the regulatory amendments.
- Total value of bank investments in non-financial companies (each individual) less than 15% of core ongoing capital before regulatory amendments, these investments must exceed (collectively) 60% of ongoing capital of the bank before the regulatory amendments.
- Securitization portfolio
- The share (in general banking risks reserve) of assets reverted to the Bank in settlement of debts.

When calculating the total numerator of capital adequacy, it should be noted that supplementary loans (deposits) must not exceed 50% of Tier 1 after exclusions.

Assets and contingent liabilities are likely weighted by credit risk weights, market risk and operating risks.

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional capital ratios and capital adequacy according to Basel II requirements at the end of 31/12/2013, 31/12/2012:-

	Basel II	
	31/12/2013	**31/12/2012**
	EGP 000	**EGP 000**
Capital		
Tier one (Ongoing basic capital)		
Share capital	800 000	800 000
General reserve	29 312	29 312
Legal reserve	311 053	280 069
Other reserves	698 816	693 512
Retained profits	1 797 225	1 770 376
Total ongoing basic capital	**3 636 406**	**3 573 269**
Tier two (Supplementary basic capital)		
Equivalent to general risks provisions	283 273	345 453
45% of the Special reserve	--	9 450
45% of the increase in the fair value over book value of financial investment without held -for- trading investment	105 979	36 707
Total supplementary basic capital	**389 252**	**391 610**
Total capital	**4 025 658**	**3 964 879**
Risk weighted assets and contingent liabilities:		
Credit Risk	22 661 803	23 770 126
Market Risk	23 590	867 030
Operation Risk	3 407 320	2 999 090
Total risk weighted assets and contingent liabilities	**26 092 713**	**27 636 246**
Capital adequacy ratio (%)	**15.43 %**	**14.35 %**

4- The significant accounting estimates and assumptions

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

A) Impairment loss on loans and advances

The bank reviews the portfolio of loans and advances to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets. Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both 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 experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 57 633 thousand of the formed provisions.

B) Impairment of investments in equity instruments available for sale:

The bank determines the impairment in available for sale equity instruments, when there is a significant or prolonged decline in their fair value below its cost. This determination whether the decrease is significant or prolonged depends on a discretionary judgment. To reach this judgment, the bank estimates- among other factors- the normal volatility of the share price. Additionally, there could be impairment if there is evidence on the existence of deterioration in the company's financial position, in which investments are injected, or in its operating and financing cash flows, in the industry's or the sector's performance, or in changes in technology.

If the full decline in the fair value below the cost is considered significant or prolonged decline, then the bank will suffer an additional loss of EGP 60 249 thousand , which represents the transfer of the negative balance of fair value reserve to the income statement.

C) Fair value of derivatives

Fair values of derivative financial instruments not quoted in active markets are determined by using valuation methods. When these methods are used to determine the fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them. All such models have been approved before being used and after being tested to ensure that their results reflect actual data and prices that can be compared with the market to the extent that is deemed practical. Reliable data is only used in these models ; however; areas such as credit risk related to the bank and counterparties, volatility or correlations require the management to use estimates. Changes in assumptions surrounding these factors may affect the fair value of the disclosed financial instruments.

D) Financial investments held to maturity

The non-derivative financial assets with fixed or determinable payments and maturity dates are classified as financial investments held to maturity. This classification requires to a great extent the application of discretionary judgment. To reach such decision, the bank evaluates its willingness and ability to hold these investments until maturity. If the bank fails to hold these investments until maturity date, with the exception of special cases such as the sale of an insignificant amount near maturity, then these investments, which were classified as held–to-maturity investments, shall be reclassified as available-for-sale investments. Consequently, these investments are measured by fair value instead of the amortized cost, in addition to the suspension of the classification of any investments under the mentioned item.

If the classification of investments held to maturity is suspended, then the book value will be adjusted by an increase of EGP 9 549 thousand to reach the fair value through recording a corresponding entry in the fair value reserve within shareholders' equity statement.

E) Income tax

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

5- Segment analysis

A - Business segment analysis

Business segment includes operational processes, as well as assets used in providing banking services and management of their related risk and return that are different from those of other business segments. It includes related to segment analysis of these operations in accordance with type of banking business as mentioned in the following:

Large, medium and small enterprises (SMEs)

They include the activities of current accounts, deposits, overdraft accounts, loans, credit facilities and financial derivatives.

Investments

It include the activities of companies' mergers, the purchase of investments; the financing of company restructuring and financial instruments.

Retail

They include the activities of current and savings accounts, deposits, credit cards, personal loans, and mortgage loans.

Other activities

They include other types of banking business activities such as treasury management.

Transactions between the segmental activities are made in accordance with the bank's ordinary course of business and include operational assets and liabilities as presented in the bank's balance sheet.

EGP 000

31/12/2013	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental business activity						
Business activity income	907 497	457 407	77 024	3 923 173	(1 099 937)	4 265 164
Business activity expenses	(750 305)	(350 036)	(81 381)	(3 328 908)	1 520 706	(2 989 924)
Results of activity business	157 192	107 371	(4 357)	594 265	420 769	1 275 240
Unclassified expenses	--	--	--	--	(351 759)	(351 759)
Profit before income tax of the year	157 192	107 371	(4 357)	594 265	69 010	923 481
Income tax	--	--	--	--	(262 367)	(262 367)
Profit for the year	157 192	107 371	(4 357)	594 265	(193 357)	661 114

31/12/2013	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Assets and liabilities according to business activity as at 31/12/2013						
Business activity Assets	7 997 298	1 505 958	1 036 225	11 027 080	19 353 706	40 920 267
Business activity liabilities	2 225 025	2 498 913	40 580	28 971 318	7 184 431	40 920 267
Other items of business segment						
Depreciations	--	--	--	--	(63 271)	(63 271)
Impairment and other provisions on income statement	--	--	--	--	(286 178)	(286 178)

31/12/2012	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Revenue and expenses according to segmental business activity						
Business activity income	303 369	58 248	4 240	432 035	3 462 208	4 260 100
Business activity expenses	(206 045)	90 142	(3 257)	(308 330)	(2 655 088)	(3 082 578)
Results of activity business	97 324	148 390	983	123 705	807 120	1 177 522
Unclassified expenses	--	--	--	--	(331 030)	(331 030)
Profit before income tax of the year	97 324	148 390	983	123 705	476 090	846 492
Income tax	--	--	--	--	(221 427)	(221 427)
Profit for the year	97 324	148 390	983	123 705	254 663	625 065
Assets and liabilities according to segmental activity as at 31/12/2012						
Business activity assets	9 163 172	1 324 224	1 038 373	8 932 790	20 653 555	41 112 114
Business activity liabilities	2 323 687	3 264 820	237 984	27 117 470	8 168 153	41 112 114
Other items of business segment						
Depreciations	--	--	--	--	(78 508)	(78 508)
Impairment and other provisions on income statement	--	--	--	--	(447 043)	(447 043)

b-Geographical Segment Analysis

31/12/2013	Cairo	Alex. , Delta and Sinai	Upper Egypt	EGP 000 Total
Income and expenses according to geographical segment				
Geographical segment Income	2 987 956	785 531	491 677	4 265 164
Geographical segment expense	(1 948 028)	(926 829)	(466 826)	(3 341 683)
Profit before income tax of the year	1 039 928	(141 298)	24 851	923 481
Income tax	(262 367)	--	--	(262 367)
Profit for the year	777 561	(141 298)	24 851	661 114
Assets and liabilities according to geographical segment				
Geographical segment assets	31 991 623	5 475 404	3 453 240	40 920 267
Geographical segment liabilities	19 438 004	13 852 601	7 629 662	40 920 267
Other items of geographical segment				
Depreciations	(63 271)	--	--	(63 271)
Impairment and other provisions on income statement	(286 178)	--	--	(286 178)

31/12/2012	Cairo	Alex., Delta and Sinai	Upper Egypt	EGP 000 Total
Income and expenses according to geographical segment				
Geographical segment income	3 155 488	687 802	416 810	4 260 100
Geographical segment expenses	(2 097 505)	(865 306)	(450 797)	(3 413 608)
Profit before income tax of the year	1 057 983	(177 504)	(33 987)	846 492
Income tax	(221 427)	--	--	(221 427)
Profit of the year	836 556	(177 504)	(33 987)	625 065
Assets and liabilities according to geographical segment as at 31/12/2012				
Geographical segment assets	33 363 233	4 837 003	2 911 878	41 112 114
Geographical segment liabilities	21 383 011	12 876 713	6 852 390	41 112 114
Other items of geographical segment				
Depreciations	(78 508)	--	--	(78 508)
Impairment and other provisions on income statement	(447 043)	--	--	(447 043)

6- Net interest income

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Interest income on loans and similar income:		
Loans and advances:		
- Banks	49 429	49 562
- Customers	2 231 946	2 128 577
	2 281 375	2 178 139
Treasury bills and bonds	1 119 060	1 413 042
Current accounts and deposits	361 108	193 631
Investments in debt instruments	16 281	24 897
	3 777 824	3 809 709
Interest expense on deposits and similar charges:		
Current accounts and deposits:		
- Banks	(280)	(717)
- Customers	(1 722 699)	(1 720 939)
	(1 722 979)	(1 721 656)
Other loans	(8 533)	(26 652)
	(1 731 512)	**(1 748 308)**
Net	**2 046 312**	**2 061 401**

7- Net fee and commission income

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Fees & commission income:		
Fee and commission related to credit	153 251	131 466
Fee on the financing services (corporate)	187	313
Trust and custody fee	6 768	6 989
Other fees	201 710	167 919
	361 916	306 687
Fee and commission expenses		
Other fees	(16 995)	(8 809)
	(16 995)	**(8 809)**
Net	**344 921**	**297 878**

8- Dividend income

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Available-for-sale securities	33 607	27 546
Held-to-maturity securities	150	500
	33 757	**28 046**

9 - Net income from financial assets classified at fair value through profit and loss

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Net income from :-		
Equity instruments	1 183	607
	1 183	**607**

10 - Net trading income

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Foreign currency transactions:		
Profits of trading in foreign currencies	55 527	58 191
Profits of trading debt instruments	17 202	34 572
	72 729	92 763

11- Administrative expenses

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Employees cost		
- Wages and salaries	(801 499)	(709 485)
- Social insurance	(38 256)	(31 144)
Pension cost		
- Defined-benefit plans (Note no.34)	(72 793)	(85 020)
	(912 548)	**(825 649)**
Other administrative expenses	(351 464)	(331 028)
	(1 264 012)	**(1 156 677)**

12- Other operating expenses

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Revaluation losses of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss	(23 736)	(33 053)
Gains on disposal of assets reverted to the bank in settlement of debts	231	--
Gains on sale of property and equipment	2 604	5 389
Rents	(17 129)	(17 584)
Operating and finance lease	(2 120)	(2 133)
Reversal of other provisions (Note no. 32)	(4 027)	(19 049)
Others	5 103	8 717
	(39 074)	**(57 713)**

13- Impairment losses on customer loans

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Loans and advances to customers (Note no. 20)	(284 058)	(429 740)
Financial investments held to maturity (Note no. 22)	1 907	1 746
	(282 151)	**(427 994)**

14- Income tax expenses

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Current taxes	(260 622)	(222 280)
Deferred income taxes (Note no. 33)	(1 745)	853
	(262 367)	**(221 427)**

15- Basic earnings per share *

Basic earnings per share (EPS) are calculated by dividing net profit attributable to shareholders by the weighted average of ordinary shares issued during the period after excluding the average of shares the bank repurchased and are held among treasury shares, if any.

	For the year ended 31/12/2013 EGP 000	For the year ended 31/12/2012 EGP 000
Net profit for the year	661 114	625 065
Board members' remuneration	(2 070)	(2 200)
Employees' profit share (in net profit of the year)	(62 482)	(58 829)
Shareholders' share in net profit of the year (1)	596 562	564 036
The weighted average of the ordinary issued shares (2) "shares in thousands"	400 000	400 000
Basic earnings per share (in EGP) (1:2)	1.49	1.41

* Diluted earnings per share have not been calculated as the bank has issued a single class of shares (ordinary shares).

16- Cash and due from Central Bank of Egypt

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Cash	928 873	730 851
Balances at central bank within the obligatory reserve ratio	1 724 797	2 046 002
	2 653 670	**2 776 853**
Non- interest bearing balances	2 653 670	2 776 853

17- Due from Banks

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Current accounts	154 436	89 081
Deposits	5 040 735	5 764 285
	5 195 171	5 853 366
Central banks other than the obligatory reserve	3 356 112	2 592 895
Local banks	143 093	1 310 374
Foreign banks	1 695 966	1 950 097
	5 195 171	5 853 366
Balances without interest	44 390	38 344
Balances with fixed return	5 150 781	5 815 022
	5 195 171	5 853 366
Current balances	4 629 918	5 280 456
Non-current balances	565 253	572 910
	5 195 171	5 853 366

18- Treasury bills and other governmental notes

	31/12/2013 EGP 000	31/12/2012 EGP 000
Treasury bills due 91 days	8 737 225	142 000
Treasury bills due 182 days	1 409 000	4 792 550
Treasury bills due 273 days	344 800	3 792 850
Treasury bills due 364 days	7 375	1 715 452
Unearned income	(161 274)	(485 337)
Total	**10 337 126**	**9 957 515**

19- Loans and advances to banks

	31/12/2013 EGP 000	31/12/2012 EGP 000
Term loans	500 000	500 000
Non - current balances	**500 000**	**500 000**

This amount is represented in the loan granted to the Arab African International Bank (AAIB) according to the loan contract dated 5 February 2007. The principal loan will be fully repaid at the end of loan period which is 7 years. The loan is subject to a constant annual interest rate of 9.75%.

20- Loans and advances to customers

	31/12/2013 EGP 000	31/12/2012 EGP 000
Retail		
– Overdraft accounts	651 820	565 914
– Credit cards	44 786	38 052
– Personal loans	10 258 851	9 025 362
– Mortgage loans	32 599	51 269
Total (1)	**10 988 056**	**9 680 597**
Corporate including small loans for economic activities		
– Overdraft accounts	3 746 549	4 467 810
– Direct loans	4 709 012	4 712 434
– Syndicated loans	2 557 564	3 112 166
– Other loans	1 303	1 912
Total (2)	**11 014 428**	**12 294 322**
Total loans and advances to customers (1+2)	**22 002 484**	**21 974 919**
less: Impairment loss provision	(2 401 020)	(2 554 732)
Net	**19 601 464**	**19 420 187**

	31/12/2013 EGP 000	31/12/2012 EGP 000
Distributed to:		
– Current balances	9 585 877	9 203 149
– Non-current balances	10 015 587	10 217 038
	19 601 464	**19 420 187**

Impairment loss provision

An analysis of the movement in the impairment loss provision for loans and advances to customers according to types:

31/12/2013	Retail				
	Overdraft accounts EGP 000	Credit Cards EGP 000	Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the beginning of the year	17 347	3 151	652 854	3 226	676 578
Impairment loss for the year	2 123	195	145 657	2 162	150 137
Amounts written-off during the year	--	(892)	(7 205)	--	(8 097)
Amounts recovered during the year *	--	294	70	--	364
Differences in revaluation of foreign currencies	(3)	--	--	--	(3)
Balance at the year end	19 467	2 748	791 376	5 388	818 979

31/12/2013	Corporate				
	Overdraft accounts EGP 000	Direct Loans EGP 000	Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the beginning of the year	1 445 820	190 759	240 414	1 161	1 878 154
Impairment loss for the year	65 187	22 286	62 737	(16 289)	133 921
Amounts written-off during the year	(469 662)	--	--	--	(469 662)
Amounts recovered during the year *	5 438	--	--	--	5 438
Differences in revaluation of foreign currencies	8 743	244	9 817	15386	34 190
Balance at the year end	1 055 526	213 289	312 968	258	1 582 041
Total provision					**2 401 020**

* From amounts that have been previously written off.

31/12/2012			Retail		
	Overdraft accounts	Credit Cards	Personal Loans	Mortgage loans	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance at the beginning of the year	1 448	4 325	407 547	3 134	416 454
Impairment loss for the year	15 898	(1 051)	252 247	92	267 186
Amounts written-off during the year	--	(396)	(6 940)	--	(7 336)
Amounts recovered during the year *	--	273	--	--	273
Differences in revaluation of foreign currencies	1	--	--	--	1
Balance at the year end	17 347	3 151	652 854	3 226	676 578

31/12/2012			Corporate		
	Overdraft accounts	Direct Loans	Syndicated Loans	Other Loans	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance at the beginning of the year	1 708 703	58 765	134 660	5 101	1 907 229
Impairment loss for the year	(62 568)	125 262	103 840	(3 980)	162 554
Amounts written-off during the year	(208 141)	--	--	--	(208 141)
Differences in revaluation of Foreign currencies	7 826	6 732	1 914	40	16 512
Balance at the year end	1 445 820	190 759	240 414	1 161	1 878 154
Total Provision					**2 554 732**

* From amounts that have been previously written off.

21- Financial assets classified at fair value through profit and loss

	31/12/2013 EGP 000	31/12/2012 EGP 000
Equity instruments at fair value		
Listed in the market	3 031	1 911
Total Equity instrument at fair value	3 031	1 911
Total Financial assets classified at fair value through profit and loss	**3 031**	**1 911**

22- Financial investments

	31/12/2013 EGP 000	31/12/2012 EGP 000
Available-for-sale financial investments		
Debt instruments at fair value		
– Listed on the market	813 274	895 786
– Unlisted on the market	25 284	25 284
Equity instruments at fair value		
– Unlisted on the market	771 685	672 605
Total available for sale financial investments (1)	**1 610 243**	**1 593 675**
Financial investments held to maturity		
Debt instruments		
– Listed on the market	40 000	50 000
– Unlisted on the market	54 501	162 328
Total Financial investments held to maturity (2)	**94 501**	**212 328**
Total of Financial investments (1+2)	**1 704 744**	**1 806 003**
– Current balances	828 258	945 394
– Non-current balances	876 486	860 609
	1 704 744	**1 806 003**
– Debt instrument with fixed interest	816 027	990 315
– Debt instrument with variable interest	117 032	143 083
	933 059	**1 133 398**

	Available-for-sale investments	Held-to-maturity investments	Total
	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2013	**1 593 675**	**212 328**	**1 806 003**
Additions	427	21 218	21 645
Disposals (sale/ redemption)	(151 538)	(140 952)	(292 490)
Difference in valuation of monetary assets denominated in foreign currencies	2 523	--	2 523
Loss from changes in fair value (Note no.36/c)	165 156	--	165 156
Less: Impairment losses provision	--	1 907	1 907
Balance as at 31/12/2013	**1 610 243**	**94 501**	**1 704 744**
Balance as at 1/1/2012	**1 538 466**	**225 857**	**1 764 323**
Additions	888	46 445	47 333
Disposals (sale/ redemption)	(23 941)	(61 720)	(85 661)
Valuation difference of monetary assets dominated in foreign currencies	1 454	--	1 454
Loss from changes in fair value (Note no.36/c)	76 808	--	76 808
Add: Impairment losses provision	--	1 746	1 746
Balance as at 31/12/2012	**1 593 675**	**212 328**	**1 806 003**

The bank did not reclassify available-for-sale (debit instruments) within treasury bills and other eligible government bills. Further, the bank did not transfer any amounts from AFS investments to the items of loans and advances, and assets held to maturity.

Gains from financial investments

	For the year ended 31/12/2013	For the year ended 31/12/2012
	EGP 000	EGP 000
Gain on sale of available–for-sale financial investments	31	458
Impairment loss of available–for-sale equity instruments	--	(988)
Gain from sale of financial investments held to maturity	3 444	4 015
Gain from financial investments in associates	6 341	4 696
	9 816	**8 181**

The settlement of the impairment loss provision of the financial investments held to maturity:

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Balance at the beginning of the year	(1 967)	(3 713)
Impairment losses on loans during the year	1 907	1 746
Balance at the end of the year	**(60)**	**(1 967)**

23- Investments in associates

Banks contribution in associates are as follows:-

31/12/2013	Total shareholders' equity	Bank's share percentage	Bank's share in shareholders' equity
	EGP 000	%	EGP 000
Misr International Towers Co.	142 135	27.86	39 593
Misr Alexandria Financial Investment Fund Co.	158 516	25.00	39 629
United Company for Valves (Butterfly)	--	25.00	--
	300 651		**79 222**

31/12/2012	Total shareholders' equity	Bank's Share Percentage	Bank's share in shareholders' equity
	EGP 000	%	EGP 000
Misr International Towers Co.	136 968	27.86	38 154
Misr Alexandria Financial Investment Fund Co.	158 568	25.00	39 642
United Company for Valves (Butterfly)	--	25.00	--
	295 536		**77 796**

The financial data and information of associates is as follows:

31/12/2013	**Country of the Head Office Company's	Balance Sheet date	Company's Assets	***Company's Liabilities (without shareholders' equity)	Company's Revenues	***Profits (losses) of the company	Share Percentage
			EGP 000	EGP 000	EGP 000	EGP 000	%
Misr International Towers Co.	Egypt	30/9/2013	170 702	28 567	20 320	13 626	27.86
Misr Alexandria Financial Investment Fund Co.	Egypt	30/9/2013	161 409	2 893	12 680	11 102	25.00
United Company for Valves (Butterfly)	Egypt	31/12/2007	3 770	16 561	--	(182)	25.00
			335 881	**48 021**	**33 000**	**24 546**	

31/12/2012	** Country of the Head Office Company's	Balance Sheet date	Company's Assets	*** Company's Liabilities (without shareholders' equity)	Company's Revenues	*** Profits (losses) of the company	Share Percentage
			EGP 000	EGP 000	EGP 000	EGP 000	%
Misr International Towers Co.	Egypt	30/9/2012	163 199	26 231	18 111	11 183	27.86
Misr Alexandria Financial Investment Fund Co.	Egypt	30/9/2012	160 009	1 441	9 047	7 949	25.00
United Company for Valves (Butterfly)	Egypt	31/12/2007	3 770	16 561	--	(182)	25.00
			326 978	**44 233**	**27 158**	**18 950**	

** Financial data and information for associates including the total amounts of assets, liabilities, revenues and profit or losses are disclosed.

*** It includes the effect of decision of dividend payout (The Board members' and the employees' share).

24- Intangible assets

31/12/2013	Computer software programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	108 267	655	108 922
Additions	16 269	--	16 269
Total cost	**124 536**	**655**	**125 191**
Amortization at the beginning of the year	(84 884)	(432)	(85 316)
Amortization for the year	(14 654)	(27)	(14 681)
Accumulated amortization	**(99 538)**	**(459)**	**(99 997)**
Net book value at the year end	**24 998**	**196**	**25 194**

31/12/2012	Computer Software Programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	93 961	655	94 616
Additions	14 306	--	14 306
Total cost	**108 267**	**655**	**108 922**
Amortization at the beginning of the year	(47 967)	(406)	(48 373)
Amortization for the year	(36 917)	(26)	(36 943)
Accumulated amortization	**(84 884)**	**(432)**	**(85 316)**
Net book value at the year end	**23 383**	**223**	**23 606**

25- Other assets

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Accrued revenues	139 645	149 116
Prepaid expenses	33 969	34 224
Payments under purchase of fixed assets	2 273	4 412
Assets reverted to the Bank in settlement of debts (after deducting impairment)	150 991	116 752
Deposits with others	2 940	3 224
Others	252 708	182 959
	582 526	**490 687**
Less: Provisions for doubtful amounts	(88 333)	(137 232)
	494 193	**353 455**

26- Investment property

31/12/2013	Land	Buildings	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	51	197	248
Total cost	**51**	**197**	**248**
Depreciation at beginning of the year	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
Net book value at the year end	**51**	**--**	**51**

31/12/2012	Land	Buildings	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	51	197	248
Total cost	**51**	**197**	**248**
Depreciation at the beginning of the year	--	(197)	(197)
Accumulated depreciation	--	(197)	(197)
Net book value at the year end	**51**	**--**	**51**

27- Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2012					
Costs	124 317	26 158	81 992	266 636	499 103
Accumulated depreciation	(68 596)	(18 026)	(45 687)	(201 620)	(333 929)
	55 721	**8 132**	**36 305**	**65 016**	**165 174**
Additions	139 601	9 918	19 241	49 914	218 674
Disposals	(392)	(140)	(326)	(896)	(1 754)
Depreciation for the year	(8 902)	(3 943)	(8 652)	(20 068)	(41 565)
Disposals' accumulated depreciation	86	140	33	583	842
Net Book value as at 31/12/2012	**186 114**	**14 107**	**46 601**	**94 549**	**341 371**

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2013					
Costs	263 526	35 936	100 907	315 654	716 023
Accumulated depreciation	(77 412)	(21 829)	(54 306)	(221 105)	(374 652)
	186 114	**14 107**	**46 601**	**94 549**	**341 371**
Additions	7 616	2 622	7 580	17 923	35 741
Disposals	--	(123)	(24)	(7 911)	(8 058)
Depreciation for the year	(10 858)	(5 167)	(8 992)	(23 573)	(48 590)
Disposals' accumulated depreciation	--	1	6	5 930	5 937
Book value as at 31/12/2013	**182 872**	**11 440**	**45 171**	**86 918**	**326 401**
Balance as at 31/12/2013					
Costs	271 142	38 435	108 463	325666	743 706
Accumulated depreciation	(88 270)	(26 995)	(63 292)	(238748)	(417 305)
Net book value	**182 872**	**11 440**	**45 171**	**86 918**	**326 401**

There are assets leased under law No. 95 of 1995 which are represented in rented equipment's from a third party:

	31/12/2013
	EGP 000
Total contractual leasing payments	10 599
Total value at cost on the end of lease contract	Not specified
Average useful life	5 year
Annual leasing payments	2 120

28- Due to banks

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Current accounts	152 717	136 610
Deposits	133 596	326 503
	286 313	**463 113**
Local banks	179 575	160 257
Foreign banks	106 738	302 856
	286 313	**463 113**
Balances without interest	142 342	104 185
Balances with fixed interest	143 971	358 928
	286 313	**463 113**
Current balances	286 313	463 113

29- Customers' deposits

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Demand deposits	4 828 495	3 648 471
Term and notice deposits	3 574 894	5 267 179
Certificates of deposits and savings	10 858 889	10 220 150
Savings deposits	14 343 839	13 982 212
Other deposits	318 256	348 736
	33 924 373	**33 466 748**
Corporate deposits	4 915 661	6 189 118
Retail deposits	29 008 712	27 277 630
	33 924 373	**33 466 748**
Balances without interest	4 260 353	3 212 117
Balances with variable interest	25 950 797	24 927 251
Balances with fixed interest	3 713 223	5 327 380
	33 924 373	**33 466 748**
Current balances	9 950 745	12 026 593
Non-current balances	23 973 628	21 440 155
	33 924 373	**33 466 748**

Customers' accounts include deposits of EGP 896 163 thousand as at 31/12/2013 versus EGP 698 314 thousand as at 31/12/2012. These deposits represent collateral of customer loans, documentary credits, and letter of guarantees. Deposits' fair value approximately equals the current fair value of such deposits.

30- Other loans (long term loans)

	Interest Rate %	31/12/2013 EGP 000	31/12/2012 EGP 000
Arab International Bank loan	Libor 3,6 month + 1.85, 2.4	--	947 850
Social Development Fund loan	6.25	--	100
Loan within the framework of the Agricultural Sector Development Program	3.5: 4.5	59 402	39 678
Total long term loans		**59 402**	**987 628**
Current balances		34 109	22 091
Non-current balances		25 293	965 537
		59 402	**987 628**

The bank has fulfilled all of its loan obligations in terms of the principal amount, interest or any other terms and conditions during the current period and the comparative year.

31- Other liabilities

	31/12/2013 EGP 000	31/12/2012 EGP 000
Accrued interest	130 439	170 105
Prepaid revenues	29220	23 611
Accrued expenses	96 423	118 009
Creditors	79950	101 281
Remittances of Egyptian workers in Iraq – Due to customers	66 080	85 328
Other credit balances	558 449	442 750
	960 561	**941 084**

32- Other provisions

	31/12/2013 EGP 000	31/12/2012 EGP 000
Balance at the beginning of the year	423 516	422 703
Differences in valuation of foreign currencies	10 059	4 281
charged to income statement	4 027	19 049
Amounts redeemed	1 821	16
The utilized amounts during the year	(10 201)	(27 631)
Transfers from doubtful amounts (Other assets)	48 899	5 098
Balance at the end of the year	**478 121**	**423 516**

A provision of an amount of EGP 167 076 thousand has been made at 31/12/2013 to meet contingent liabilities and contractual commitments that amount to EGP 2 862 525 thousand, versus to EGP 170 464 thousand as at 31/12/2012 to meet contingent liabilities and contractual commitments that amount to EGP 1 985 494 thousand.

33- Deferred tax liabilities

- The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 25% for the present 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.
- Deferred tax assets resulting from other provisions shall not be recognized.

Following are the balances and the movement in deferred tax assets and liabilities:

A- Recognized deferred tax liabilities

	Deferred tax liabilities	
	31/12/2013 EGP 000	31/12/2012 EGP 000
Fixed assets (depreciation)	(11 301)	(9 556)
Fair value differences	(70 838)	(55 781)
Total deferred tax liability	**(82 139)**	**(65 337)**

* The effective tax rate shall be calculated to reflect the average tax rates applied in Egypt in addition to those applied to profits the banks' foreign branches. Thus, this average shall be a weighted one by each unit's profit of the bank's units.

The movement of deferred tax liabilities:

	31/12/2013 EGP 000	31/12/2012 EGP 000
Balance at the beginning of the year	(65 337)	(54 863)
Additions	(16 802)	(10 474)
Balance at the end of the year	**(82 139)**	**(65 337)**

The deferred tax recorded directly in equity:

	31/12/2013 EGP 000	31/12/2012 EGP 000
Fair value differences	(70 838)	(55 781)
	(70 838)	**(55 781)**

B- Unrecognized deferred tax assets:

	Deferred tax assets	
	31/12/2013 EGP 000	31/12/2012 EGP 000
Other provisions (other than impairment loss, provision on customers' loans and income tax provision and performing contingent liabilities provision)	88 680	90 474
Carried forward tax losses	--	499 371
Total deferred tax asset	**88 680**	**589 845**

Deferred tax assets related to the abovementioned items have not been recognized, due to the lack of reasonable assurance to benefit from them in the near future.

34- Retirement benefits obligations

	31/12/2013 EGP 000	31/12/2012 EGP 000
Liabilities included in the financial position for:		
Post-retirement Medical benefits	501 857	451 075
	501 857	**451 075**

Liabilities recognized in the income statement:	For the year ended 31/12/2013	For the year ended 31/12/2012
	EGP 000	EGP 000
Post-retirement Medical benefits	72 793	85 020
	72 793	**85 020**

The balances in the financial position are presented as follows:

	31/12/2013	31/12/2012
	EGP 000	EGP 000
The present value of funded obligations	644 346	548 963
Unrealized actuarial losses *	(142 489)	(97 888)
The liabilities in the balance sheet	**501 857**	**451 075**

The movement in liabilities during the year is represented in the following:

	31/12/2013	31/12/2012
	EGP 000	EGP 000
The balance at the beginning of the year	451 075	384 382
Current service cost	8 956	9 227
Interest cost	60 386	64 800
Actuarial losses	3 451	10 993
Paid benefits	(22 011)	(18 327)
Balance at the end of the year	**501 857**	**451 075**

The recognized amounts in the income statement are presented as follows:

	For the year ended 31/12/2013	For the year ended 31/12/2012
	EGP 000	EGP 000
Current service cost	8 956	9 227
Interest cost	60 386	64 800
Actuarial losses	3 451	10 993
Balance at the end of the year	**72 793**	**85 020**

* Whereas actuarial losses are higher than 10% of the total liabilities, then the amortized amount has been recognized in the income statements.

The principal actuarial assumptions used are presented as follows:

	31/12/2013	31/12/2012
Discount rate	%11	%11
Previous service cost inflation rate (pre-retirement)	% 9	% 9
Future service assumption cost inflation rate	%11	%11
Mortality assumption	90 mortality cases every year	90mortality cases every year
Employee turnover	%0.5	%0.5

35- Capital

	No. of Shares (In millions)	Ordinary Shares	Total
		EGP 000	EGP 000
Balance at the beginning of the year	400	800 000	800 000
Balance at the end of the year	400	800 000	800 000

- The bank's authorized capital amounts to EGP 1000 million.
- The issued and subscribed capital amounts to EGP 800 million, divided into 400 million shares with a par value of EGP 2 each and it has been fully subscribed and paid.
- In its session held on March 22nd, 2006, the Bank's Ordinary General Meeting (OGM) has approved some amendments to Bank's Articles of Association. It approved that the issued and paid – in capital becomes EGP800 million divided into160 million shares with a par value of EGP 5 each.
- On February 23rd, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees and the subtraction program is not implemented yet.
- In its session held on March 26th, 2008, the bank's Extraordinary General Meeting (EGM) approved the splitting of shares with a percentage of 1:2.5 ; and issued and paid-in capital accordingly amounts to EGP 800 million divided into 400 million shares with a par value of EGP 2 per share.

Therefore, the bank's issued and subscribed capital is divided as follows:

	Shareholders %	No. of Shares (000)	Nominal value Shares EGP 000
Intesa Sanpaolo S.P.A	70.25	281 000	562 000
International Finance Corporation I.F.C	9.75	39 000	78 000
The Ministry of finance (The share of State)	20.00	80 000	160 000
	% 100	400 000	800 000

36- Reserves and retained earnings

	31/12/2013 EGP 000	31/12/2012 EGP 000
Legal reserve	311 053	280 069
General reserve	29 312	29 312
Special capital reserve	410 308	404 919
Fair value reserve/financial investments available for sale	165 510	15 358
Other reserves	289 188	289 188
Bank's contribution in fair value reserve of associates Subsequent to acquisition date	28 788	29 599
General banking risk reserve	551	154
Specific reserve	21 000	21 000
Total reserves	**1 255 710**	**1 069 599**

The movement in reserves is as follows:

(36/a) Legal reserve

	31/12/2013 EGP 000	31/12/2012 EGP 000
Balance at the beginning of the year	280 069	263 466
Formed from the financial year's profits 2011,2012	30 984	16 603
Balance at the end of the year	**311 053**	**280 069**

According to the Bank's Articles of Association, 5% of the annual net profit shall be retained to make the legal reserve, and shall stop retaining profit for the legal reserve balance when it reaches 50% of the issued and paid – in capital.

(36/b) Special capital reserve

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Balance at the beginning of the year	404 919	404 209
Formed from the financial year's profits 2011,2012	5 389	710
Balance at the end of the year	**410 308**	**404 919**

- No amounts shall be distributed from the balance of the special capital reserve expect after obtaining the approval of the Central Bank of Egypt (CBE).

(36/c) Fair value reserve/ financial investments available for sale

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Balance at the beginning of the year	15 358	(51 166)
Net losses from change in fair value (Note no.22)	165 156	76 808
Net gains transferred to income statement resulting from disposals	111	130
Valuation differences of reserve in foreign currencies	--	(22)
The impact on the reserve after calculating the bonds by the amortized cost	(58)	(53)
Impairment loss provision for investments	--	988
Deferred tax liability (Note no.33)	(15 057)	(11 327)
Balance at the end of the year	**165 510**	**15 358**

(36/d) Retained earnings

The movement in retained earnings	31/12/2013	31/12/2012
	EGP 000	EGP 000
Balance at the beginning of the year	2 421 206	1 931 728
Change in general banking risk reserve	(397)	(18)
Net profits of the current year	661 114	625 065
Profits of employees' share in financial year 2011/2012	(58 829)	(31 545)
Board of directors' members remuneration for financial year 2011/2012	(2 200)	(2 200)
Transferred to legal reserve	(30 984)	(16 603)
Transferred to Special capital reserve	(5 389)	(710)
Shareholders' dividends in financial year 2011/2012	(500 052)	(84 511)
Balance at the end of the year	**2 484 469**	**2 421 206**

37- Dividend

Dividend is not recorded until it is approved by the General Assembly of Shareholders . The Board of Directors in accordance with the Bank's Bylaws propose to the Assembly scheduled to be held on 26 March 2014 a distribution to the Shareholders of an amount of EGP 528 891 thousand ; and the Board of Directors has to distribute an amount of EGP 62 482 thousand for employees as a share in profits and the amount of EGP 2 070 thousand as remuneration for members of the Board of Directors (the actual distributions amounted of EGP 58 829 thousand for employees and the amount of EGP 2 200 thousand as remuneration to the members of the Board of Directors for the previous year) and not recognized in these presented financial statements resolution . And the dividend recorded for shareholders' and employees' share in profits and Board of Directors members remuneration in equity distribution of retained earnings in the year ended 31 December 2013.

38- Cash and cash equivalents

For the presentation of the cash flows statement, cash and cash equivalents include the following balances with maturities of no later than three months from the acquisition date.

	31/12/2013	31/12/2012
	EGP 000	EGP 000
Cash and due from Central Bank of Egypt (Note no.16)	928 873	730 851
Due from banks (Note no. 17)	4 981 873	5 486 347
Treasury bills and other governmental notes (Note no. 18)	8 604 019	137 843
	14 514 765	**6 355 041**

39- Contingent liabilities and commitments:

a) Legal Claims

There are a number of cases filed against the bank on December 31, 2013, and the balance of the claims' provision amounted to EGP 186 508 thousand.

b) Capital commitments

1- Financial investments

The value of the capital commitments related to financial investments which are not required to be paid until 31 December 2013 amounted to USD 6 143 thousand according to the following:

Available - for - sale investments (foreign currency)	Investment value	Paid amount	Remaining amount and not requested
		USD 000	
Horus Fund for Investment in Agricultural and Food Sector	3 496	3 353	143
African Bank for Import and Export (Afrexim)	10 000	4 000	6 000
	13 496	**7 353**	**6 143**

2- Fixed assets and fittings and fixtures of branches

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 18 018 thousand on December 31, 2013, versus EGP 17 442 thousand on December 31, 2012. The Top Management has got sufficient confidence in generating revenues and providing the finance required to cover these commitments.

c) Commitments related to loans, guarantees, and facilities

The bank's commitments related to loans, guarantees and facilities are represented in the following:

	31/12/2013 EGP 000	31/12/2012 EGP 000
Accepted documentation	123 501	77 816
Letters of guarantee	2 299 332	1 684 455
Letters of credit "import"	394 022	152 097
Letters of credit "export"	45 670	71 126
Total	**2 862 525**	**1 985 494**

d) Commitments on operational leasing contracts:

The total of minimum lease payments on irrevocable operational leasing contracts is as follows:

	31/12/2013 EGP 000	31/12/2012 EGP 000
Not more than one year	1 827	2 385
More than one year but less than five years	1 894	4 839
Total	**3 721**	**7 224**

40- Transactions with related parties

- The bank is a subsidiary of the Parent Bank (Intesa Sanpaolo Bank - Italy), in which it owns 70.25% of the ordinary shares, whereas the remaining percentage (29.75%) is owned by other shareholders.
- The bank has entered into many transactions with the related parties within the context of its normal business. These transactions include loans, deposits, as well as foreign currency swaps. There are no transactions with the Parent Company*, except the payment of dividends for ordinary shares.
- The transactions and the balances of the related parties at the end of the fiscal period are as follow:

A) Deposits from related parties:

	31/12/2013	31/12/2012
	EGP 000	**EGP 000**
Due to customers		
Deposits at the beginning of the year	18	17
Deposits at the end of the year	**18**	**17**

B) Transactions with the Parent Bank (Intesa Sanpaolo Bank)

	31/12/2013	31/12/2012
	EGP 000	**EGP 000**
Due from banks	547 378	428 324
Debit balances and other assets	2 889	1 123
Due to banks	10	388
Credit balances and other liabilities	621	562

C) Board of Directors and the Top Management Benefits

The monthly average amount of the 20 biggest employees' salaries for the current year is amounted to EGP 2 453 thousand as at 31 December 2013 versus EGP 2 286 thousand as at 31 December 2012.

* Any transactions with the Parent Company or the companies, which may exercise influence or control in a direct or indirect way over the bank are disclosed (Transactions with the Parent Bank (Intesa Sanpaolo Bank).

41- Mutual funds

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.

These funds, which are managed by EFG- Hermes Fund Management Company, are as follows:

A) Bank of Alexandria Mutual Fund No.1 (with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of EGP 300 million (after increasing the capital of the mutual fund on March 26th, 2006 with an amount of EGP 100 million). 50 thousand certificates were allocated to the Bank to undertake the fund's activity after Clause (6) of the prospectus was amended under the approval of the Capital Market Authority (CMA), in order that the percentage be amended to 2% instead of 5% under Article No. 150 by the Ministerial Decree No. 209 for year 2007 from the capital market law executive regulations.

The Bank investments in the fund amounted to a number of 136 thousand certificates (including certificates of activity undertaking), with a redeemable value of EGP 26.65 million as at 31 December 2013.

The redeemable value of the certificate as at 31 December 2013 amounted to EGP 195.59 and the outstanding certificates at that date reached 736 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 3 524 thousand as at 31 December 2013, which were presented under the item of "Fee and commission income" in the income statement.

B) Bank of Alexandria's Monetary Mutual Fund (with daily-accumulated return in Egyptian pound)

The certificates of the fund reached 20 million certificates with an amount of EGP 200 million. As the fund is an open fund, the Bank adjusts its allocated percentage on a daily basis.

The Bank investments in the fund amounted to a number of 2.38 million certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 46 million as at 31 December 2013.

The redeemable value of the certificate amounted to EGP 19.50 as at December 31, 2013, and the outstanding certificates at that date reached 118 947 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 9 226 thousand as at 31 December 2013, which were presented under the item of "Fee and commission income" in the income statement.

C) **Bank of Alexandria Fixed Income Fund (with quarterly return)**

The certificates of the fund reached 10 million certificates with an amount of EGP 100 million. 500 thousand certificates have been allocated to the Bank to undertake the fund's activity according the Article No. 150 of the executive regulations of the Capital Market Law No. 95/1992. It is worth mentioning that the fund is an open-ended fund with a quarterly return.

The Bank investment in the fund amounted to 500 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 7. 16 million as at 31 December 2013.

The redeemable value of the certificate amounted to EGP 14.32 as at December 31, 2013,and the outstanding certificates at that date reached 6 157 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 274 thousand as at December 31, 2013 which were presented under the item of "Fee and commission income" in the income statement.

Managing Director and Chief Operating Officer	Chief Financial Officer
Roberto Vercelli	Stefano Borsari