Banque Misr – (S.A.E)

Summarized Separate Financial Statements

Together with Auditors' report for the financial year

Ended June 30, 2016

Wahid Abd ELGhaffar
BAKER TILLY
Public Accountants and consultants

Sameh Saad Mohamed Abd ELMegeed
Accountability State Authority (ASA)

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Wahid Abdel Ghaffar
Baker Tilly Wahid Abdel Ghaffar & CO.
Public Accountants and consultants

Sameh Saad Mohamed Abd El-megeed
Accountability State Authority (ASA)

AUDITORS' REPORT

ON THE SUMMERIZED FINANCIAL STATEMENTS

OF BANQUE MISR FOR THE YEAR ENDED JUNE 30, 2016

To : The Shareholders' of Banque Misr (S.A.E.)

We have audited the financial statements of Banque Misr (S.A.E) as of and for the year ended June 30, 2016 from which the accompanying separate summarized financial statements were derived in accordance with Egyptian Standards on Auditing and in the light of provision of applicable Egyptian laws and regulations. In our report dated January 10, 2017 we expressed an unqualified opinion on the bank's financial statements as of June 30, 2016 from which the accompanying summarized financial statements were derived.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived as of and for the year ended June 30, 2016.

For the better understanding of the Bank's financial position as of June 30, 2016 and the results of its operations for the year then ended, and the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

Cairo on : 27/02/2017

Auditors

Wahid Abdel Ghaffar
Baker Tilly Wahid Abdel Ghaffar & Co.
Public Accountants and consultants

BAKER TILLY
WAHID ABDEL GHAFFAR & CO.
PUBLIC ACCOUNTANTS & CONSULTANTS

Sameh

Sameh Saad Mohamed Abd El-megeed
Accountability State Authority (ASA)

Summary of Banque Misr separate financial statements extracted from bank Misr financial statements for the year ended June 30,2016

Separate Balance sheet as at June 30,2016

Amounts in EGP Thousands

	Note no	June 30,2016	June 30,2015
Assets			
Cash and balances with central banks		23,097,741	21,554,367
Due from banks		52,532,597	25,827,274
Treasury bills		72,047,855	89,813,835
Financial assets held for trading	(5)	2,212,211	315,709
Loans and advances to banks	(6)	434,897	236,809
Loans and advances to customers	(7)	127,946,188	63,807,209
Available for sale investments	(8)	130,801,137	109,334,663
Investments held to maturity	(8)	496,186	363,914
Investments in subsidiaries and associates		4,224,966	3,881,528
Other assets		15,437,862	15,334,195
Property,Plant,and Equipment		971,917	702,048
Total Assets		**430,203,557**	**331,171,551**
Liabilities and Shareholders' Equity			
Liabilities			
Due to banks		41,775,462	4,109,626
Customers' deposits	(9)	341,306,939	290,146,318
Other loans	(10)	8,997,510	3,321,867
Other liabilities		7,976,603	6,987,650
Other provisions	(11)	927,655	1,384,470
Deferred tax liabilities		415,704	249,114
Post retirement benefits liabilities	(12)	2,217,231	1,706,439
Total Liabilities		**403,617,104**	**307,905,484**
Shareholders' Equity			
Paid in capital	(13)	15,000,000	15,000,000
Reserves	(14)	6,079,597	4,084,150
Retained earnings		5,506,856	4,181,917
Total Shareholders' Equity		**26,586,453**	**23,266,067**
Total Liabilities and Shareholders' Equity		**430,203,557**	**331,171,551**
Contingent Liabilities and Commitments			
Liabilities for letters of guarantee, letters of credit and other commitments.		**25,760,044**	**22,910,555**

The accompanying notes are an integral part of these financial statements

Chief Financial Officer	Vice Chairman	Vice Chairman	Chairman
Sherif Samy Aguib	Akef El Maghraby	Ahmed Mohy El Deen Abo El ezz	Mohamed Mahmoud Eletreby

Auditors

Wahid Abd ElGhaffar	Sameh Saad Mohamed Abd ElMegeed
Baker Tilly Wahid Abdel Ghaffar & CO.	**Accountability State Authority(ASA)**
Public Accountants and consultants	

Banque Misr
Separate Income Statement
For The Financial Year Ended June 30,2016

Amounts in EGP Thousands

	Note no	June 30,2016	June 30,2015
Interest on loans and similar income		32,583,821	24,777,418
Interest on deposits and similar expense		(21,260,161)	(16,240,405)
Net interest income		**11,323,660**	**8,537,013**
Fee and commission income		2,231,641	1,866,154
Fee and commission expense		(66,410)	(15,185)
Net fee and commission income		**2,165,231**	**1,850,969**
Dividend income		465,341	398,680
Net trading income		106,992	367,944
Gains from financial investments		279,452	357,857
Impairment charge for credit losses		(331,592)	(131,057)
Administrative expenses		(4,381,362)	(3,623,101)
Other operating income (expenses)		562,318	39,389
Profit before income tax		**10,190,040**	**7,797,694**
Income tax (expense)		(4,683,184)	(3,615,777)
Net Profit for the year		**5,506,856**	**4,181,917**
Earnings per share (EGP/Share)	(15)	**1.69**	**1.60**

Banque Misr

Separate Statement of Changes in Shareholders' Equity

For the Financial Year Ended June 30,2016

Amounts in EGP Thousands

	Note no	Paid in Capital	Legal Reserve	General Reserve	Capital Reserve	Fair Value Reserve	Special Reserve	Banking Risks Reserve	Supportive Reserve	Fixed Assets Prices Increased Reserve	F.C Translation Differences Reserve	Retained Earnings	Total
Balance as of July 1, 2014		11,400,000	465,753	449,892	252,004	3,447,943	6,927	545,599	774,798	40,796	179,593	2,515,015	20,078,320
Dividends paid		-	-	-	-	-	-	-	-	-	-	(767,500)	(767,500)
Transferred to Reserves		-	248,655	219,310	28,462	-	-	44,803	1,206,285	-	-	(1,747,515)	-
Net change in fair value of available for sale investments (net of tax)		-	-	-	-	(169,900)	-	-	-	-	-	-	(169,900)
Foreign currency translation differences		-	-	-	-	-	-	-	-	-	(56,770)	-	(56,770)
Capital Increase		3,600,000	(671,331)	(669,202)	(280,466)	-	-	-	(1,938,205)	(40,796)	-	-	-
Net profit for the year		-	-	-	-	-	-	-	-	-	-	4,181,917	4,181,917
Balance as of June 30, 2015	13,14	15,000,000	43,077	-	-	3,278,043	6,927	590,402	42,878	-	122,823	4,181,917	23,266,067
Balance as of July 1, 2015		15,000,000	43,077	-	-	3,278,043	6,927	590,402	42,878	-	122,823	4,181,917	23,266,067
Dividends Paid		-	-	-	-	-	-	-	-	-	-	(1,075,000)	(1,075,000)
Transferred To Reserves		-	394,452	327,262	237,396	-	-	277,448	1,870,359	-	-	(3,106,917)	-
Net change in fair value of available for sale investments (net of tax)		-	-	-	-	(1,365,426)	-	-	-	-	-	-	(1,365,426)
Foreign currency translation differences		-	-	-	-	-	-	-	-	-	253,956	-	253,956
Net profit		-	-	-	-	-	-	-	-	-	-	5,506,856	5,506,856
Balance as of June 30, 2016	13,14	15,000,000	437,529	327,262	237,396	1,912,617	6,927	867,850	1,913,237	-	376,779	5,506,856	26,586,453

Banque Misr

Summarized Separate Statement of Cash Flows for the year ende June 30,2016

Amounts In EGP Thousands

	June 30,2016	June 30,2015
Net cash flows provided from operating activities	44,093,608	26,343,133
Net cash (used in) investing activities	(21,136,195)	(29,398,233)
Net cash flows Provided from financing activities	4,318,561	8,731
Net increase (decrease) in cash and cash equivalents during the year	**27,275,974**	**(3,046,369)**
Cash and cash equivalents at the beginning of the year	**29,735,208**	**32,781,577**
Cash and cash equivalents at the end of the year	**57,011,182**	**29,735,208**
Cash and cash equivalents are represented in :		
Cash and balances with central banks	23,097,741	21,554,367
Due from banks	52,532,597	25,827,274
Treasury bills	72,047,855	89,813,835
Balances with central banks (within the mandatory reserve percentage)	(18,624,689)	(16,590,338)
Due from banks (more than three months maturity)	(173,120)	(1,075,301)
Treasury bills and other government securities (more than three months maturity)	(71,869,202)	(89,794,629)
Cash and cash equivalents	**57,011,182**	**29,735,208**

Banque Misr

Summarized Statement of Separate Profit Appropriation

For the Financial Year Ended June 30,2016

According to the General Assembly Decision on February 27, 2017

Amounts in EGP Thousands

	June 30,2016	June 30,2015
Net Profit for the year	**5,506,856**	**4,181,917**
Deduct		
Gain on sale of property,plant,and equipment transferred to capital reserve	730,726	237,397
Gross Distributable Profit	**4,776,130**	**3,944,520**
Deduct		
Legal reserve	477,613	394,452
General banking risk reserve	815,070	277,448
Net Distributable Profit	**3,483,447**	**3,272,620**
Distributed as follows		
General Reserve	348,345	327,262
Supportive Reserve	1,797,602	1,870,358
Employees` share in profit	437,500	225,000
State share in profits	900,000	850,000
	3,483,447	**3,272,620**

BANQUE MISR - S.A.E

Summarized notes to the separate financial statements for the year ended June 30, 2016

1. General information

Banque Misr (S.A.E.) was established on April 3, 1920 as a commercial bank. The head office is located at 151, Mohamed Farid Street, Cairo.

The Bank carries out corporate, retail and investment banking in addition to Islamic banking through 511 branches in Arab Republic of Egypt and 5 branches in U.A.E. and one branch in City of Paris in the French republic. The number of employees at the balance sheet date is 14110 employees.

These financial statements were approved by the general assembly meeting on February 27, 2017.

2. Summary of accounting policies

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

A- Basis of preparation

These separate financial statements have been prepared in accordance with Egyptian financial Accounting standards issued in 2006 and its amendments and in accordance with the Central Bank of Egypt regulations approved by the board of directors on December 16, 2008 under the historical cost, as modified by the revaluation of financial assets held for trading and available for sale investments. According to the bank's statute, the financial year begins on the first of July and ends on June 30 and the financial statements are presented close to the nearest thousands of pounds.

B- Foreign currency translation

B/1 Functional and presentation currency

The separate financial statements are presented in Egyptian pound. Items included in the financial statements of each of the bank's foreign branches are measured using their functional currency, being the basic currency of economic environment in which the foreign branch operates.

B/2 Transaction and balances in foreign currencies

Each Branch maintains its accounting records in its Functional currency and transactions in other currencies are recorded during the financial year using the prevailing exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on the balance sheet date at the prevailing exchange rates. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:

- Net Trading Income. (Case of held-for-trading financial assets).
- Other operating revenues (expenses) for the remaining items.

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

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

- Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as available-for-sale financial assets are recognized directly in equity in the 'revaluation reserve of available-for-sale investments'.

B/3 Foreign Branches

For the purpose of translation into the Egyptian pound, Assets and liabilities of foreign branches are translated using the closing rate at the balance sheet date while items of income and expense are translated into the Egyptian pound at the rates prevailing at the dates of the transactions or average rates of exchange where these approximate to actual rates. Resulted valuation differences are recognized as (foreign currency valuation differences) under the equity caption. Also, valuation differences resulting from valuation of net investment in foreign branches, loans, financial instruments in foreign currency for net investment hedge for that item retained to equity caption. These valuation differences recognized as (other operating income (loss)) in income statement when these net investment disposed.

C- Revenue recognition

C/1 Interest income and expense

Interest income and expense for all financial instruments except for those classified as held-for-trading or designated at fair value are recognized in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.
The calculation includes all fees and points paid or received between parties to the contract that represents an integral part of the effective interest rate, transaction costs and all other premiums or discounts .

C/2 Fee and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided.
Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue, on a cash

basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that represent an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of that financial asset.
Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the bank are recognized when the syndication has been completed and the bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.
Fees and Commissions resulting from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction in the income statement.
Administrative and other services fees are recognized as income on a time proportionate basis over the lifetime of the service.
Fees charged for custodian services provided over long periods are recognized as income over the period during which the service is rendered.

C/3 Dividends Income

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

D- Treasury bills

Treasury bills are recorded at par value while discount (un-earned interest) is included in Credit Balances and Other Liabilities. Treasury bills are presented on the balance sheet net of unearned interest.

E- Purchase and resale agreements and Sale and repurchase agreements

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

F- Loans and advances to banks and customers

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

G- Impairment of financial assets

G/1 Financial Assets carried at amortized cost

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

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

- If the bank determines that an objective evidence of financial asset impairment exist that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

- If the bank determines that there is not an impairment loss based on the previous study then, the asset is added to the group.

- The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

G/2 Available-for-sale Investments

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. The Decrease Consider significant when it becomes 10% From cost of book value of the financial instrument and the decrease consider to be extended if it continue for period more than 9 months, and if the mentioned evidences become available then the accumulated loss to be post from the equity and disclosed at the income statement, impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

H- Financial assets held for trading

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future or if it is a part of a portfolio of identified financial instruments that are managed together for short-term profit taking. Financial assets held for trading are measured at fair value. Unrealized holding gains and losses are recognized in the income statement.

I-Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated as available for sale or do not fit into any other category of financial assets. Available for sale investments are measured at fair value. Unrealized holding gains and losses are included in a separate component of equity until the financial asset is sold or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in the income statement.

J- Held to maturity investments

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank management has the positive intent and ability to hold to maturity.

Debt investments held to maturity are measured at amortized cost using the effective interest method, which represent the nominal value of bonds plus the premium or deduct the discount. The premium is amortized by deduction on the income statement or the discount is amortized by addition to the income statement on (interest on loans and similar income) item by using the effective interest rate method. Thus, the nominal value and the nominal recoverable value become the same on the maturity date.

-The same method of valuation is used if the bonds have been purchased from the stock market with amount higher or lower than the nominal value (taking into consideration deducting the implicit interest that may be a part of acquisition cost of which belong to the period prior to the acquisition date and the seller did not get it).

-In case of bonds purchased in foreign currency, this bonds is valued using the prevailing exchange rates and the inclusion of valuation differences in the income statement in other operating revenues (expenses) prior to conduct adjustments relating to premium , discount, or determine impairment losses.

Banque Misr mutual funds certificates which the Bank is required by law to hold until fund liquidation are included in held to maturity investments according to Central Bank of Egypt rules and are measured at cost. Any decrease in redemption value below cost is recognized as impairment in the income statement. Impairment loss previously recognized is reversed in case of subsequent increase. The reversal cannot result in a carrying value greater than original cost.

K- Investments in subsidiaries and associates

Subsidiaries are entities (including special purpose entities) which Banque Misr exercises direct or indirect control over its financial and operating policies and usually has an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Bank has the ability to control the entity. Associates are entities over which Banque Misr exercises significant influence directly or indirectly, but without exercising control, generally the bank owns between 20% and 50% of the voting rights.

The purchase method is used to account for the acquisitions of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets, or/and asset given or/and equity instruments issued and loans assumed at the date of exchange, plus cost directly attributable to the acquisition. Net assets including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the Bank`s share fair value in the net assets acquired is recorded

as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item "Other operating income (expenses) ".

Accounting for subsidiaries and associates in these separate financial statements is recorded by using cost method. According to this method, investments recorded at cost of acquisition including goodwill if any and impairment losses are deducted. Dividends are recorded in the separate income statement when they are declared and the bank`s right to collect them has been established.

L- Derivative financial instruments and hedge accounting

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

M- Fixed assets & Depreciation

Fixed assets are recorded at historical cost less depreciation and impairment losses. Depreciation of Fixed assets is calculated using the straight-line method to allocate their residual values over estimated useful lives, as follows:

Buildings & constructions	5%	Vehicles	From 20% To 25%
Equipment	12.5%	Furniture	100%
IT equipment	From 25% To 100%	Fixtures	From 12.5% To 33.5%

N- Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and balances due from Central Bank of Egypt, current accounts with banks, and treasury bills maturing within 3 months from the acquisition date.

O- Post retirement benefits liabilities

Banque Misr granted its employees who work in local branches some benefits after they retired. This benefits considered one of other benefits that have been charged to expenses through employees years of service and recognized in the liability according to Egyptian Accounting Standards prevailed in 2006 and central bank rules prevailed in 2008.
Liabilities resulting from specified system benefits which employees have obtained at the end of financial year on the base of the present value of expected future cash flows by the actuarial using " **projected unit credit method** " which contains assumptions related to population sciences, employees turn over, interest rate , and inflation rate.
These benefits are represented in:

- **Post-retirement benefit (loyalty benefit)** it is paid for employee honoring for his role of serving the bank , and it is for employees who retired or completed their fixed term contract with a comprehensive monthly rewards. It is paid according to regulatory rules. It reaches 100 times of basic monthly salary on July 1, 2011.

- **The bank bore health care benefits for retirees and their unemployed wife's** such benefits are conditional on the stay of the employee in service until retirement age a completion of minimum period of service.

Banque Misr granted for its employees in foreign branches post retirement benefit according to united Arab Emirates (UAE) labor law with maximum 24 times of last basic salary and according to article of employees in banks assigned from Banque De France which differs from period of service and can be reached to 6 times basic monthly salary.

P- Other provisions

Other provisions are recognized when the bank has present legal or constructive obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.
In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group. The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.
When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expenses).
Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the estimated value of obligation is calculated.

Q- Income tax

Income tax on the profit or loss for the year and deferred tax are recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.
Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the balance sheet in addition to tax adjustments for previous years.
Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the balance sheet. Deferred tax assets of the bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

3- Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. And the most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.
The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.
Risk management is carried out by a risk department under policies approved by the Board of Directors. Risk department identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. In addition, risk department is responsible for the independent review of risk management and the control environment.

Capital Management

Capital adequacy and the use of regulatory capital are monitored periodically by the Bank's management through employing techniques based on the guidelines developed by the Basel Committee for Banking supervision. The required data is submitted to the Central Bank of Egypt on a quarterly basis.

Central bank Of Egypt requires the following:

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

Overseas branches are subject to the supervision rules regulating banking business in countries where they operate.

The bank has complied with all local capital requirements and in countries where its oversea branches work during the last two years. The Board of Central Bank of Egypt held on December 18, 2012 decided to approve the instructions of minimum capital adequacy in the context of applying Basel II.The following table summarizes the components of tier one capital, subordinated capital and capital adequacy ratio as at the end of current year ended June 30,2016 and comparative year according to CBE regulations issued on Basle II applications :

	June 30,2016	June 30,2015
Capital		
Tier 1 Capital	19,093,623	16,039,233
Tie2 Capital	3,400,225	3,616,901
Total Capital	**22,493,848**	**19,656,134**
Total risk weighted assets and contingent liabilities	**194,258,609**	**156,072,840**
Capital adequacy ratio	**11.58%**	**12.59%**

4- Critical accounting estimates and judgments

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

A. Impairment of loans and advances

The bank reviews its loans and *advances* portfolio, at least, on a quarterly basis to assess impairment. The bank uses its discretionary judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.

This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default.

On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on expertise.

B. Impairment of available for-sale equity investments

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

Amounts in EGP Thousand

	30/6/2016	30/6/2015
(5) Financial assets held for trading		
Debt instruments		
other debt securities	2,126,616	220,704
Total Debt instruments	**2,126,616**	**220,704**
Equity instruments		
Local Shares	79,761	88,451
Mutual fund certificates	5,834	6,554
Total Equity instruments	**85,595**	**95,005**
Total Financial assets held for trading	**2,212,211**	**315,709**
(6) Loans and advances to banks		
Term loans	446,707	247,873
Deduct : provision for loan losses	(11,810)	(11,064)
Total	**434,897**	**236,809**
(7) Loans and advances to customers		
(1) Retail		
Over draft	1,528,415	1,589,764
Credit card loans	223,609	180,883
Personal loans	13,522,069	8,390,053
Mortgages loans	806,935	226,885
Total retail	**16,081,028**	**10,387,585**
(2) Corporate loans (including loans to small businesses)		
Over draft	27,485,571	20,021,742
Direct loans	68,790,992	20,620,887
Syndicated loans	18,488,837	17,620,294
Other Loans	1,882,278	308,238
Total Corporate	**116,647,678**	**58,571,161**
Total loans and advances to customers(1+2)	**132,728,706**	**68,958,746**
Deduct: provision for loan losses	(4,646,795)	(5,009,130)
Deduct: unearned discount and interest in suspense	(135,723)	(142,407)
Net loans and advances to customers	**127,946,188**	**63,807,209**
Gross loans distributed to:		
Current	91,674,330	28,931,753
Non-Current	41,054,376	40,026,993
	132,728,706	**68,958,746**

Impairment from loans provision for customers

• Movement analysis of the Impairment provision of loans and advances for customers

Amounts in EGP Thousand

Item	30/6/2016			30/6/2015		
	Non Performing Loans	Performing Loans	Total	Non Performing Loans	Performing Loans	Total
Balance at beginning of the year	4,032,813	976,317	5,009,130	7,765,340	826,491	8,591,831
Transfers	0	0	0	3,846	8,428	12,274
Charge (Release)of Impairment from loans	264,742	69,588	334,330	53,734	167,573	221,307
Recoveries of loans previously written off	423,498	0	423,498	260,115	0	260,115
Foreign currency revaluation differences	166,605	91,885	258,490	136,215	(26,175)	110,040
Write-offs	(1,378,653)	0	(1,378,653)	(4,186,437)	0	(4,186,437)
Balance at the End of the year	**3,509,005**	**1,137,790**	**4,646,795**	**4,032,813**	**976,317**	**5,009,130**

Analysis of the Impairment provision of loans and advances for individual :-

Item	Individual				
	Overdrafts	Credit cards	Personal loans	Mortgages	Total
30/6/2016	98,433	959	69,498	8,382	177,272
30/6/2015	152,348	2,666	256,826	8,340	420,180

Analysis of the Impairment provision of loans and advances for individual :-

Item	Corporate				
	Overdrafts	Direct loans	Syndicated loans	Others Loans	Total
30/6/2016	2,075,579	1,005,124	1,312,149	76,671	4,469,523
30/6/2015	2,851,609	718,617	1,002,846	15,878	4,588,950

	30/6/2016	30/6/2015
	Amounts in EGP Thousand	
(8) Financial investments		
(A) Available for sale Investments		
Debt instruments - Listed	109,699,162	88,635,968
Equity instruments - Listed	7,963,292	9,027,177
Debt instruments - Unlisted	8,780,000	8,234,014
Equity instruments - Unlisted	4,358,683	3,437,504
Total available for sale investments (1)	**130,801,137**	**109,334,663**
B) Held to maturity Investment		
Debt instruments - Listed	137,007	29,250
Debt instruments - Unlisted	71,384	71,384
Equity instruments - Unlisted	287,795	263,280
Total held to maturity investments (2)	**496,186**	**363,914**
Total financial Investments (1+2)	**131,297,323**	**109,698,577**
Current	38,260,399	17,053,689
Non-current	93,036,924	92,644,888
Total financial Investments (1+2)	**131,297,323**	**109,698,577**

The following table analyzes movements on financial investments during the year:	**Available for sale investments**	**Held to maturity investments**
Beginning balance on 1 July , 2015	**109,334,663**	**363,914**
Additions	45,954,415	169,509
Deductions	(24,312,714)	(30,801)
Translation differences resulting from monetary foreign currency assets	1,323,374	-
Gains (losses) from fair value difference	(1,198,836)	-
Impairment charges	(299,765)	(6,436)
Balance at end of year 30-06-2016	**130,801,137**	**496,186**
Beginning balance on 1 July , 2014	79,537,575	503,902
Addition	46,725,905	29,250
Deduction	(16,836,945)	(166,691)
Translation differences resulting from monetary foreign currency assets	414,804	348
Gains (losses) from fair value difference	(151,310)	-
Impairment charges	(355,366)	(2,895)
Balance at end of year 30-06-2015	**109,334,663**	**363,914**

Amounts in EGP Thousand

	30/6/2016	30/6/2015
(9) Customers' Deposits		
Demand deposits	23,260,368	19,748,364
Call and time deposits	76,114,819	79,829,748
Saving certificates	127,076,600	85,698,151
Saving deposits	104,867,796	98,736,038
Other deposits	9,987,356	6,134,017
Total	**341,306,939**	**290,146,318**
Corporate deposits	92,004,225	90,020,833
Retail deposits	249,302,714	200,125,485
Total	**341,306,939**	**290,146,318**
Non-interest bearing balances	22,081,166	18,304,801
Variable interest rate balances	141,078,651	128,865,414
Fixed interest rate balances	178,147,122	142,976,103
Total	**341,306,939**	**290,146,318**
Current	230,139,149	217,759,369
Non current	111,167,790	72,386,949
Total	**341,306,939**	**290,146,318**

(10) Other Loans

Amounts in EGP Thousand

Items	Interest Rate	Matured Through Current Year	Balance as at 30/6/2016	Balance as at 30/6/2015
Denmark International Development Loan of Egyptian Holding Co. Silos & Storage - Fayoum	Nil	4,131	6,196	8,900
Qena / Menia / Beni Sweif Silos Complex	Nil	12,519	24,667	32,045
The Contract of development of small and medium-projects	7%	0	0	1,199
The Contract of development of a poultry	4%	108	108	539
C.B.E .Local Supportive Loan	Nil	0	1,569,445	1,397,984
C.B.E .Local Supportive Loan (Five years)	Nil	0	896,003	785,382
Long term loans for financing SMEs- future step	7%	17,000	17,000	51,000
Social fund loans-Bright future	8.50%	16,875	42,188	59,063
Long – term loans -Egyptian Company for refinancing	10.25%	2,944	16,111	17,444
Social fund loans- Enterprise Development Project	8.50%	10,000	30,000	40,000
Social fund loans- agriculture projects support	8.50%	28,000	89,000	70,000
Social fund loans- bedaia	8.50%	7,500	26,250	30,000
Long -term loans from foreign banks	with interest	0	3,994,900	0
Short-term loans from foreign banks	with interest	2,285,642	2,285,642	828,311
Total Other Loans			**8,997,510**	**3,321,867**
Current			2,384,719	920,753
Non current			6,612,791	2,401,114
Total Other Loans			**8,997,510**	**3,321,867**

(11) Other Provisions

Provision for legal claims and taxes	569,078	971,321
Provision for contingent liabilities	348,952	408,487
Other	9,625	4,662
Total	**927,655**	**1,384,470**

12- Post retirement benefits liabilities

Amounts recognized in the Balance sheet

Post retirement medical benefits	1,989,352	1,560,336
End of service benefits	227,879	146,103
Total	**2,217,231**	**1,706,439**

Amounts recognized in the income statement

Liabilities for post retirement medical benefits	539,820	483,133
Liabilities for end of service benefits	67,788	24,284
Balances at the end of the year	**607,608**	**507,417**

The main actuarial assumptions used by the bank are outlined below

Discount rate	11%	11%
Long term inflation rate	8%	8%

(13) Paid in capital and reserves

A. Authorized capital

Based on the extraordinary general assembly meeting on March 22 , 2015 The authorized capital has been increased from EGP 15 000 million to EGP 30 000 million.

B. Issued and paid-in capital

Based on the extraordinary general assembly meeting on March 22 , 2015, The paid-in capital has been increased by 3600 million through capitalization of reserves . Accordingly , the Issued and paid-in capital reached EGP 15000 million divided into 3000 million shares totally owned by the state with par value of EGP 5 per share. This increase registered in the banks records of Central Bank Of Egypt (CBE) and published in Egypt newspaper facts on April 12,2015 and registered in the commercial register on April 15,2015

(14) Reserves

- According to the Bank's statue , 10% of net profit is to be credited to legal reserve. Crediting legal reserve ceases when its balance reaches 100% of the paid-In capital.
- According to Central Bank of Egypt instructions, it is not allowed to use special reserves balances unless getting the central bank approval.

Amounts in EGP Thousand

Reserves	30/6/2016	30/6/2015
Legal reserve	437,529	43,077
General reserve	327,262	0
Capital reserve	237,396	0
Supportive reserve	1,913,237	42,878
Fair value reserve	1,912,617	3,278,043
Special Reserve	6,927	6,927
General Banking risk reserve	867,850	590,402
Financial statements translation differences Reserve	376,779	122,823
Total reserves	**6,079,597**	**4,084,150**

(15) Earnings per share

Net profit attributable to the shareholder (EGP thousand) (1)	5,069,356	3,956,917
Divided by weighted average number of shares (thousands of shares)(2)	3,000,000	2,469,370
Earnings per share (EGP)(1:2)	**1.69**	**1.60**

(16) Comparative figures

Comparative figures were reclassified to be consistent with current year presentation.

(17) Subsequent Events

On November 3, 2016 the Central Bank of Egypt issued a decision relating to the releasing of foreign currency exchange rate against the Egyptian pound, which resulted in a substantial increase in foreign currency exchange rates.