ANNUAL REPORT 2014

Bank Audi

Bank Audi sae
Annual Report
2014

PUSHING FORWARD

"Bank Audi's
holistic goal
is to build on all
aspects of our
success and progress
by working alongside
our stakeholder partners.
This can only be attained by
pushing ahead to the edge of
every development lifecycle with
clear vision and a committed team
of people.
Our balanced objectives, like
the key elements of life,
support our
continuous
movement
forward".

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Moving forward with our Customers, as TIME waits for no one

Overview

1- Overview

A. The Chairman's Statement

I am delighted to present Bank Audi sae 2014 Annual Report as it signifies an important milestone in the lifecycle of our Bank. The year 2014 saw the completion of the second phase of our strategic plan and we have now formulated and are pushing forward to meet the new challenges for the next stage of the Bank's development. As we approach the tenth anniversary of Bank Audi sae, I have increasing confidence that not only have we built the Bank on the right foundations for a fully fledged financial institution but that we have the necessary drive, talent and know-how to stretch even further than we might have originally envisaged.

Despite continued uncertainties and disruptions in Egypt, throughout the region and globally, we have remained steadfast in following our Vision, Mission and Values that direct our strategic objectives. Not only do we see ourselves as having the potential to be acknowledged as a top tier private sector Bank in Egypt, but also one with clear differentiation through applying evolving banking models as well as a balanced and customer centric approach. Change has become the new norm and Bank Audi sae has proven its ability to manage change effectively by paying due attention to the balance of the key elements of success in banking and life. Our achievements reflect a commitment to look ahead with our stakeholder partners. By listening and learning from a growing relationship with them, we seek to intertwine the meeting of their and our financial lifecycle requirements.

When I look back, it is with modest pride that I assess what has been achieved at Bank Audi sae. From a starting asset base of EGP 314 million in 2005, by the end of 2014 the Bank had exceeded EGP 30 billion in assets. In doing so, we maintained a healthy credit portfolio through sound and skilled risk management, which in turn facilitated our net profit after tax in 2014 reaching EGP 444 million. From 6 branches we have grown to a total of 34 branches at the end of 2014, with a further outreach of 104 ATM's. Our liquidity and capital adequacy have remained strong and our increasing efficiency was reflected by our cost to income ratio which reached 36.47% at the end of 2014.

Despite the heritage that we have created in such a short time, we are not complacent and our management teams have developed detailed plans to manage the challenges and exploit the opportunities that we see ahead, as we continue to push forward. Among these are a major technology transformation programme and the growing contribution of our newer lines of business alongside the further development of our talent pool of staff and applying the use of the Bank's increasing knowledge for the benefit of its customers. We are also pushing ahead with new branch and e-channel models that we see fitting the future interplay of physical and digital banking that reflects modern financial services as applied to the demands of our different customers.

Our optimism in meeting challenges and creativity in product solutions and service quality tailored to the changing requirements of our customer segments captures the fundamental essence and provides a key building block for our Bank's future development. We are convinced that our values will underpin our balanced approach to everything we try to do and become. Accordingly, I would like to express my thanks to our dedicated management team and staff who have proven they can deliver the Bank's plans, whether in stressed or growth environments. Finally, I can assure our stakeholder partners that together we will continue to strive to enhance and sustain the Bank's performance during the challenges and opportunities that no doubt lie ahead for us all in Egypt.

Hatem Sadek

Chairman & Managing Director

B. Vision, Mission & Values.

Bank Audi sae Vision:

To be the Egyptian partner of choice to Bank with, Work for and Invest in.

Bank Audi sae Mission:

To deliver a superior level of service and provide easy access to innovative & tailored products and services for targeted segments through user appropriate modular channels, and the sharing of our knowledge by highly trained and innovative staff, working in meritocracy, so as to provide sustainable value to our stakeholders and community.

Bank Audi sae Values:

Transparency

Ensure open communication with all stakeholders to maintain trust, integrity, and accountability.

Human Capital

Promote diversity, provide equal opportunity, reward talent and value teamwork.

Heritage

Enhance Bank Audi sae reputation by building on our track record and contribution.

Quality

Strive for excellence and professionalism in everything we do.

Civic Role

Be good citizens in the communities in which we live and work.

Innovation

Encourage creativity and continuous development.

C. The Bank Audi Group

Founded in 1830, the Bank was incorporated in its present form in 1962 as a private joint stock company with limited liability (Société Anonyme Libanaise) with a duration of 99 years. In January 2014, the name of the Bank was changed to Bank Audi sal.
The initial shareholders of the Bank were members of the Audi family, together with certain Kuwaiti investors. Since 1983, the shareholder base has expanded and currently is comprised of more than 2,500 holders of Common Shares and Global Depositary Receipts (representing Common Shares). The Global Depositary Receipts evidencing the Common Shares are listed on both the Beirut Stock Exchange and the London Stock Exchange, and the Bank's Common Shares are listed on the Beirut Stock Exchange.

Bank Audi sal is a universal bank with a presence in 13 countries. In addition to its historic presence in Lebanon, Switzerland and France, the Group currently operates in Jordan, Egypt, Syria, Saudi Arabia, Qatar, Sudan, UAE (through a representative office in Abu Dhabi), Monaco and Turkey.

According to figures published by Bankdata, based on unaudited financial statements of banks operating in Lebanon provided to Bankdata by such banks, Bank Audi sal ranked first amongst Lebanese banks in terms of total assets, shareholders' equity, customers' deposits, loans and advances and net profits.

Bank Audi sal has one of the largest branch networks in Lebanon, with 80 branches (75 operating) covering the Greater Beirut area and other strategic regions in Lebanon, as well as, through its foreign subsidiaries, a substantial network of 114 branches in the MENA region (outside of Lebanon), including 34 branches in Egypt plus 13 branches in Jordan, 22 branches in Syria and 45 branches in Turkey. The Bank has two principal subsidiaries in Lebanon, two principal subsidiaries in Europe, as well as an asset management company in Monaco, six principal subsidiaries in the MENA region outside Lebanon and a principal subsidiary in Turkey.

Since 2005, the Bank has undertaken significant regional expansion and has the fourth largest coverage among the top 15 Arab banking institutions in the MENA region with operations in 13 countries, excluding Lebanon, through a network of branches and subsidiaries developed mainly through green-field operations. As a result of this regional expansion, an increasing percentage of the Bank's assets are contributed by its operations outside Lebanon.

In 2013, the Bank was granted a license by the Central Bank of Iraq to open seven branches and launch banking. Subject to political and economic conditions, the Bank currently intends to launch banking operations in Iraq in the short term.

The Bank Audi Group has more than 6,000 staff of which less than half are employed in Lebanon.

Group Consolidated Activity Highlights: as at end December 2014:-

- US$ 42 billion of assets
- US$ 35.8 billion of customers' deposits
- US$ 17.1 billion of loans to customers
- US$ 3.3 billion of shareholders' equity
- US$ 350 million of net profits for 2014
- US$ 8.6 billion of assets under management

Bank Audi Group's performance in 2014 confirmed the suitability of the Group's diversification strategy to the prevailing operating environment and its aptness for growth, with 42% of consolidated net profits and almost half of total assets in entities outside Lebanon. This reinforced the Group's ranking among the top 20 Arab banking groups.

The Group believes that it benefits from:

- A strong franchise in commercial banking activities, with a diversified loan portfolio, including borrowers comprising leading enterprises in Lebanon, along with a number of leading corporate relationships from the MENA region and Turkey;
- A strong franchise in retail banking, with a full range of retail products and services offered in the countries in which the Bank has retail banking operations;
- A leading position in private banking, servicing the needs of high net-worth individuals through its subsidiaries in Switzerland, Lebanon, Qatar and Saudi Arabia and its representative office in the United Arab Emirates;
- A leading position in domestic and regional capital markets' activities, with strong trading operations in Lebanon, Egypt and Turkey.

Overall, the Group remains focused on the key objective of further developing the Bank as a fully-integrated, pan-regional group, which will continue to rank among the largest regional players. The Bank's strategy is focused around its main business lines of commercial and private banking.

D. Key Financial Highlights

Bank Audi sae is driven by an uncompromising mission to build lasting relationships with clients who share our aspiration for being partners by mutual choice. We see a key part of our contribution to this affinity partnership being based around our values and the creation of value. We strive for professionalism, innovation, and quality of service. Through the sharing of information and applying our knowledge and capabilities, we try to meet the changing financial service needs of our clients. In this way, the Bank's management and staff aspire to apply our values to make each day better than the day before.

In 2014, which witnessed the completion of the second phase of the Bank's strategic development plan, we have again delivered financial performance that should be considered above expectation, given the market environment that has persisted. This financial performance is recorded in the financial statements and notes to our 2014 accounts and further explained in the section on our 2014 achievements. Below are some key highlights:

Bank Audi sae reported a net profit of EGP 444.7 million in 2014, a rise of 19.8% compared to 2013. Net Interest Income increased by 14.7% (y-o-y) to reach EGP 819.2 million in 2014; in addition, net fees and commissions increased by 29.6% to reach EGP2 11.9 million in 2014. Total assets grew by 35% to reach EGP30.6 billion at end of December 2014, compared to EGP 22.6 billion at end of December 2013. Gross loans increased to EGP 12.9 billion at end of December 2014, compared to EGP 11 billion at end of December 2013. Customer Deposits grew as well to reach EGP 27.2 billion at end of 2014, compared to EGP 19.8 billion a year earlier.

Key Indicators:

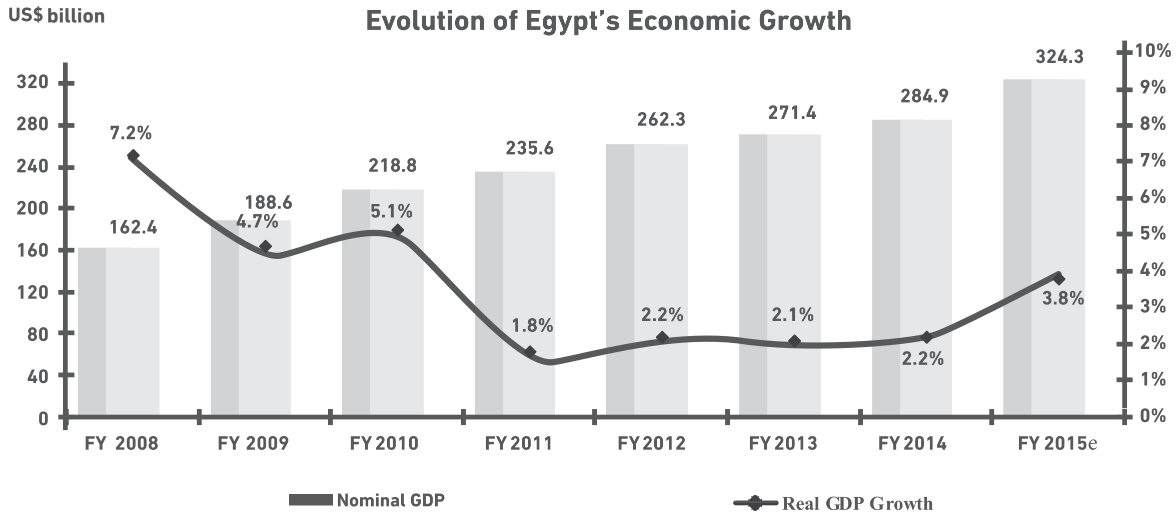
In EGP Million as of end of December	2010	2011	2012	2013	2014
Total Assets	15,677	17,796	18,889	22,650	30,572
Total Loans & Advances	7,111	7,883	9,395	10,784	12,635
Customer Deposits	13,715	15,697	16,218	19,773	27,183
Net Income Before Tax & Provisions	238	293	438	551	663
Net Profit IFRS	174.6	127.5	251	371	445
No. of Branches	32	32	32	33	34
No. of ATMs	79	72	81	89	102

Bank Audi sae Market Share:

Bank Audi sae Market Share % as at end of December	2010	2011	2012	2013	2014
Total Assets	1.22%	1.36%	1.31%	1.34%	1.55%
Total Loans & Advances	1.57%	1.60%	1.83%	1.98%	2.01%
Total Deposits	1.45%	1.60%	1.49%	1.51%	1.75%

E. Egypt Macroeconomic Perspective

It is a moment of opportunity for Egypt as stated by the IMF. The economy has begun to recover after four years of slow activity. Policies implemented so far, along with a return of confidence, are starting to produce a turnaround in economic activity and investment. On the back of a 2.2% growth during 2014, triggered by manufacturing, construction and the Suez Canal, the IMF is projecting growth will reach 3.8% in FY 2014/2015. While the economy is still operating way below potential output, it is closing part of its cyclical output gap with output growth now exceeding population growth at large.



Sources :IMF, Bank Audi's Group Research Department

Improved confidence on the political and economic course underpinned by a "Road Map" with well-defined landmarks, combined with the large financial support from the GCC countries, has shored up investor sentiment. The equity market continues its rally, bond spreads have narrowed, and capital inflows have started to recover. Consumer confidence in Q3 of 2014 increased by four points (as compared to the previous quarter), to an index of 85. Tourist arrivals increased by about 30% in Q3 of 2014 as compared with the same period of 2013. There are also signs that foreign investors are returning to the Egyptian market as indicated by the positive net purchases of Egyptian equities in the latter months of 2014, with the stock market index surging by 32% in 2014. In parallel, five-year CDS spreads contracted by 275 bps from the end of 2013 to reach 329.9 bps, outlining an improvement in the market perception of the Egyptian country risk at large.

While a more secure political order, since the election of President El-Sisi in May 2014, has shored up investor sentiment leading to a pickup in economic activity in the latter part of 2014, the modest recovery yet remains fragile. Improved security and ambitious structural reforms are needed to put the economy on a high and sustainable growth path to create much-needed jobs in the private sector and reduce the high unemployment rate.

At the fiscal level, the Egyptian authorities have begun to take the action needed to achieve their objectives. They have begun bold subsidy and tax reforms, are pursuing a disciplined monetary policy, expanding social policies, and have initiated wide range regulatory and administrative reform efforts to improve the business environment and boost investment. The new government has introduced several measures to enhance tax and non-tax revenues and has reduced fuel subsidies. Fiscal consolidation in the current fiscal year is designed so as to minimize the adverse impact on growth by accelerating spending on education, health, and infrastructure and creating room for private sector development. The measures already taken by the authorities demonstrate their commitment to reform, with measures yielding about

2.5% of GDP having already been approved, curbing the budget deficit ratio from 14% to 11% in FY 2014/2015.

At the monetary level, overall conditions were relatively stable over the past year. The year 2014 ended with an exchange rate of 7.15 Egyptian Pounds per US$, a slight depreciation of 2.8% per annum. The year did not witness pressure on the gross FX reserves, which barely moved from US$ 17.1 billion in December 2013 to US$ 15.3 billion in December 2014. Still, the IMF believes that a more flexible exchange rate policy focused on achieving a market-clearing rate and avoiding real appreciation would improve the availability of foreign exchange, strengthen competitiveness, support exports and tourism, and attract foreign direct investment.

At the banking sector level, the banking system has been resilient amidst a tough operating environment. The Central Bank of Egypt has appropriately reinforced the supervisory framework by strengthening regulations, further developing on-site and off-site supervision, and advancing implementation of Basel II and III. While capital adequacy ratios remain comfortable, rates of return on assets and on capital have trended upwards, largely due to high yields on holdings of government securities. Non-performing loans have been declining as a share of total loans, provisioning ratios increased and liquid assets to total assets remain comfortable. Banks remain well funded because of their strong deposit base, which is continuing to increase by a double digit rate annually, supported by remittances from Egyptians working abroad.

In details, banking activity was indeed favorable in 2014. Banks operating in Egypt posted an activity growth of +16.9% between end of 2013 and the end of 2014. Deposits and loans were up by 18.6% and 14.3%, respectively. Deposits in foreign currency increased by 4.7% during 2014 compared to a growth of 22.8% in local currency deposits over the same period.

The aggregated net profits of eleven listed banks of the sector rose by 15.8% in US$ terms during the first nine months of 2014, suggesting a reinforcement of banking sector profitability at large.

Our Governance is like AIR; it encompasses and supports every step we take forward

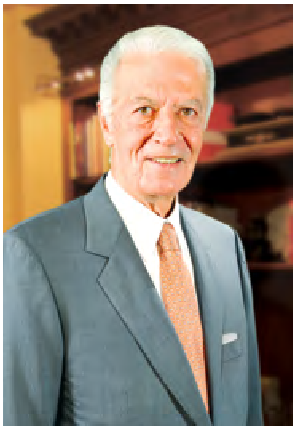
Corporate Governance

2- Corporate Governance

A. Board of Directors

Members	Status	Executive Committee	Corporate Governance, Nomination& Remuneration Committee	Risk Committee	High Credit Committee	Audit Committee
Mr. Hatem A. SADEK Chairman & Managing Director	Executive	✓ ■	✓(Invitee)	✓	✓	
Mr. Mohamed A. FAYED Deputy Chairman & Managing Director	Executive	✓		✓	✓	
Mr. Yehia K. YOUSSEF Deputy Managing Director	Executive	✓	✓(Invitee)			✓(Invitee)
Mr. Raymond W. AUDI	Non - Executive					
Dr. Freddy C. BAZ	Non - Executive		✓	✓ ■		
Dr. Marawan M. GHANDOUR	Non - Executive		✓ ■			✓ ■
Mr. Samir N. HANNA	Non - Executive				✓ ■	
Mr. Maurice H. SAYDE	Independent					✓
Dr. Mohamed E. TAYMOUR	Independent		✓	✓		✓
Mr. Ahmed F. IBRAHIM	Secretary of the Board					
■ Chairperson						

Mr. Hatem A. Sadek
Chairman & Managing Director since May 2006



Mr. Hatem Sadek graduated with a BSc in Economics & Political Science from Cairo University.

He started working in 1964 as an assistant to the Chief Executive Officer in the Information Bureau of the President of Egypt.

Between 1968 and 1974, Mr. Sadek became Manager of the Research Center for Strategic Studies and editor at Al Ahram newspaper. He then joined the Bureau of the Secretary General of the League of Arab States for one year.

Mr. Hatem Sadek's banking career started in 1976 when he established Arab Bank PLC regional office and branches in Egypt and held the position of Senior Executive VP & Chief Country Manager; in addition to Chairman of the Strategic Planning Committee for the Arab Bank worldwide between 2000-2001.

Mr. Hatem Sadek then moved to Misr International Bank (MIBank) in 2001 where he held the position of Deputy Executive Chairman of MIBank as well as Deputy Chairman, Supervisory Board of MIBank Europe Gmbh, Frankfurt, Germany. From 2003 till 2005, he was MIBank's Executive Chairman where he launched and supervised MIBank's 5-year total restructuring program, until the Bank was acquired by Nationale Société Generale in September 2005.

Mr. Hatem Sadek then became Consultant to Banque Misr's Board of Directors for Change and Restructuring Programs before joining Bank Audi sae in 2006 as Chairman & Managing Director.

He is also a Board Member of Odeabank A.Ş Turkey, a subsidiary of Bank Audi sal.

Mr. Mohamed A. Fayed
Deputy Chairman & Managing Director since October 2014

Mr. Mohamed Fayed has 25 years experience in banking, diversified in two leading local and multinational banks in Egypt, namely Banque Misr and Misr International Bank (acquired by Nationale Société Generale Bank then later acquired by Qatar National Bank). He was the Executive Vice Chairman of Banque Misr, the second largest Bank in Egypt from June 2010 until September 2014, in charge of all Lines of Business including Corporate Banking & Syndications, Treasury & Capital Markets, Financial Institutions, Islamic Banking, Retail Banking, 500 Branches, Investment Banking, Information Technology and all overseas subsidiaries. His major target during the last 4 years was to boost the Bank's businesses' activities in all areas, managing over 12,000 employees, which led to a remarkable growth of 52% in total footing, 226% in net profit and total assets reached around US$ 40 billion. This was attributed to his restructuring of the business model (corporate identity, branches, services, developed products, distributing channels, IT systems and applications). From 2003 until 2014, he successfully managed and closed several landmark transactions with total investments exceeding EGP 300 billion in various economic sectors with a great value for the economy. Additionally, he was the Vice Chairman of Misr Bank Europe – Germany and Board Member in Bank Misr Liban, Member of the Canadian Chamber and the American Chamber of Commerce.

Mr. Mohamed Fayed helped Banque Misr to reach the 4th ranking for the first time on Bloomberg League table as a mandated lead arranger. He was also a Board Member representing Banque Misr in different corporates, Egyptian Real Estate Asset Management and Investment, Nile Fund for Investment & Development, Egyptian Mortgage Refinance Co., Misr Financial and Investment Co. Mr. Mohamed Fayed started his career back in 1989, when he joined Misr International Bank and remained for 18 years in the Corporate Banking Sector with a wide experience in Corporate Finance, Project Finance, Syndicated Loans, Acquisition Finance, Corporate Bonds, Securitization, Restructuring, and Islamic Finance. Additionally, he played a principal role during the acquisition of Misr International Bank by Nationale Société Generale Bank, being an active member of the committee in charge of the sale of the bank.

Mr. Yehia K. Youssef
Deputy Managing Director since June 2011

Mr. Yehia Youssef has a track record in the Banking Sector for over 30 years. In 1978, Mr. Yehia Youssef started his career in Misr International Bank where he held leading positions across various banking activities.

He played a major role in the restructuring of Misr International Bank among other accomplishments covering all banking areas. Following 28 years of notable achievements at Misr International Bank, Mr. Yehia Youssef joined Bank Audi sae as Chief Operating Officer (COO) in 2006 with a leading role in the start-up operation of the bank. Mr. Yehia Youssef continues to play a critical role at Bank Audi sae holding a Deputy Managing Director post and in May 2011, he was elected by the Board as Executive Board Member.

Mr. Yehia Youssef also represents The Group as a Board Member in National Bank of Sudan, as well as Head of the Audit Committee.

Mr. Yehia Youssef holds a BA in Accounting from Cairo University and has attended many conferences, seminars and trainings locally and internationally in diversified banking areas.

Mr. Raymond W. Audi
Board Member since April 2006

Mr. Raymond Audi acts as Chairman of the Board of Directors and General Manager for Bank Audi since December 2009. He had also served as Chairman of the Board of Directors and General Manager from 1998 through 2008, resigning from this position when he was appointed Minister of the Displaced in the Lebanese government. Mr. Audi resumed his position as Chairman of the Board of Directors effective December 22, 2009.

He started his banking career in 1962, together with his brothers and with prominent Kuwaiti businessmen, he founded Bank Audi building on a successful long-standing family business.

Mr. Raymond Audi has played an active role in leading Bank Audi through both prosperous and challenging times to its current status as a widely recognized leading Lebanese and regional bank. He served as President

of the Association of Banks in Lebanon in 1994.
Mr. Raymond Audi is the recipient of several honors and awards, including, in July 2007, an Honorary Doctorate in Humane Letters from the Lebanese American University.

Dr. Freddie C. Baz
Board Member since April 2006

Dr. Freddie Baz joined Bank Audi in 1991 as advisor to the Chairman and founded the Secretariat for Planning and Development. As the Group Chief Financial Officer and Strategy Director of the Bank, he now has overall authority over the finance and accounting, MIS and budgeting functions throughout the Group, and is responsible for the development of the Group strategy. He is a member of the Board of Directors and the Group Chief Financial Officer and Strategy Director of the Bank. He is also the Chairman of the Board of Directors of Bank Audi France sa, a fully owned subsidiary of Bank Audi, and a member of the Board of Directors of several affiliates of Bank Audi.
Furthermore, Dr. Freddie Baz is the Managing Director of Bankdata Financial Services WLL which publishes Bilanbanques, the only reference in Lebanon that provides an extensive structural analysis of all banks located in Lebanon.
Dr. Freddie Baz holds a State PhD degree in Economics from the University of Paris I (Panthéon – Sorbonne).

Dr. Marwan M. Ghandour
Board Member since April 2006

Dr. Marwan Ghandour has been an independent member of the Board of Directors since March 2000 & the Vice-Chairman of the Board of Directors since December 2009.

He is also a previous Vice-Governor of the Central Bank of Lebanon. He held this position between January 1990 and August 1993, with primary responsibilities in the area of monetary policy. During this period, he was also a member of the Higher Banking Commission and various other government committees involved in economic policy. In this capacity, he liaised with different international institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS). From 1995 until July 2011, Dr. Marwan Ghandour served as Chairman and General Manager of Lebanon Invest sal, a leading financial services group in the region whose holding company merged with Bank Audi in 2000. He also served as Chairman of the Board of Directors of Audi Investment Bank sal, a fully owned subsidiary of Bank Audi, from 2005 until December 2011. He was elected Chairman of the Board of Directors of Banque Audi (Suisse) sa in March 2011 and Vice-Chairman of the Board of Directors of Odeabank A.Ş. in Turkey in June 2012. He also serves as member of the Board of Directors of several affiliates of Bank Audi.

Dr. Marwan Ghandour holds a PhD in Economics (Econometrics) from the University of Illinois
(Post doctorate research at Stanford University).

Mr. Samir N. Hanna
Board Member since April 2006

Mr. Samir Hanna joined Bank Audi in January 1963. He held several managerial & executive positions across various departments in Bank Audi. He was appointed General Manager of Bank Audi in 1986 and member of its Board of Directors in 1990. In the early 1990s, he initiated and managed the restructuring and expansion strategy of Bank Audi, transforming it into a strong banking powerhouse offering universal banking products and services including Corporate, Commercial, Retail, Investment and Private Banking. He grew the Bank to its current position as the largest Bank in Lebanon (and among the top 20 Arab banking groups), with presence in 13 countries, consolidated assets exceeding USD 36 billion, consolidated deposits exceeding USD 31 billion, and group staff headcount exceeding 6,000 employees. Mr. Samir Hanna is also the Chairman of Odeabank A.Ş. in Turkey and a member of the Board of Directors of several affiliates of Bank Audi. He currently serves as the Group Chief Executive Officer and the Chairman of its Group Executive Committee, and heads all aspects of the Bank's Executive Management.

Mr. Maurice H. Saydé
Board Member since June 2011

Mr. Maurice Saydé is a prominent Lebanese Banker, a previous member of the Lebanese Banking Control Commission and a previous member of the Higher Banking Commission of the Lebanese Central Bank. Mr. Maurice Saydé started his banking career in 1962 at the Banque de Syrie et du Liban where he remained until 1966, when he joined the Banking Control Commission. He moved to Crédit Libanais sal in 1970 and was appointed its General Manager in 1985.
He remained in this position until his appointment, in 1990, as member of the Banking Control Commission and member of the Higher Banking Commission of the Lebanese Central Bank. He occupied these positions until 1998.
Since then, he has acted as Group Advisor to the Audi Group notably on Corporate Risk Management and was elected member of the Board of Directors of Bank Audi and Chairman of its Group Audit Committee from June 2006 until July 2008.
Since then he has acted as Advisor to the Board of Directors of Bank Audi for Audit Committee matters.

Dr. Mohamed E. Taymour
Board Member since June 2011

Dr. Mohamed Taymour is Chairman of Pharos Holding, an investment bank that includes Brokerage, Asset Management, Advisory Activities, and Private Equity. Dr. Mohamed Taymour was founder and Chairman of EFG Hermes, helping to transform it from a start-up into the largest non-bank financial services firm in the Middle East. Dr. Mohamed Taymour has worked as a consultant for both the Egyptian government and private institutions on a variety of assignments related to capital markets. He has held senior positions in investment banking and development banking institutions in Egypt and Kuwait. Prior to establishing EFG Hermes, he was head of the Projects Division at the Arab Fund for Economic and Social Development in Kuwait.
Dr. Mohamed Taymour has been a prominent member of the American Chamber of Commerce in Egypt since 1988, serving as Chair of the Investment Committee from 1991 to 1997 and Chair of the Stock Exchange Committee from 1998 to 2002. In 2003, and again in 2005, he was elected as a member of the AmCham Board of Governors.
He was the Chairman of the Egyptian Center for Economic Studies from 2007-2009. The Center is a think tank covering local developmental issues. In addition to his duties as Chairman at Pharos Holding, Dr. Taymour is Chairman of the Egyptian Capital Market Association.

Dr. Mohamed Taymour earned his undergraduate degree in Industrial Engineering from Cairo University and earned a Doctorate degree in system analysis from Thayer School of Engineering, Dartmouth College, USA, 1970.

B. Governance

Corporate Governance Statement

Introduction

Bank Audi sae is committed to operate with a clearly defined governance framework that is constantly adjusted and tailored to align with strategic and organizational changes. Through this ever-evolving framework, the Board of Directors balances its role of providing strategic direction and risk oversight with setting the tone to maintain a culture of ethical business conduct that is embedded at every level of the organization. At Bank Audi sae, we place significant value on the Board's independent judgment which is considered as the linchpin of effective corporate governance in line with Bank Audi's core value for effective leadership.

As a means to ensure that the Bank's business model is well settled within the Bank, the Board of Directors continues to ensure the communication of our values and vision to our employees. With a deep understanding of Egypt's unique market, the regulatory environment, business opportunities, business continuity and key strategic risks, the Board of Directors allocates the appropriate time for determining and managing the emerging issues that could affect the Bank in the future. In doing so, it considers, understands, and approves the process implemented by management to effectively identify, assess, and respond to the organization's strategic risks.

One way the Bank sought to build on and preserve this culture is by issuing the Corporate Governance Guidelines, which were approved by the Board on March 18th, 2013 and is reviewed on a regular basis. The Corporate Governance Guidelines constitute a key building block of the Bank's governance framework. They are comprehensive and address matters such as Board responsibilities, structure (composition and size) and functioning, Directors' qualifications and independence, the Board's access to members of Management, as well as remuneration and nomination principles.

Compliance Statement

Bank Audi sae is subject to the Central Bank of Egypt's Corporate Governance Code. During the year of 2014, the Bank has in all respects complied with the provisions of the Code and its voluntary recommendations.

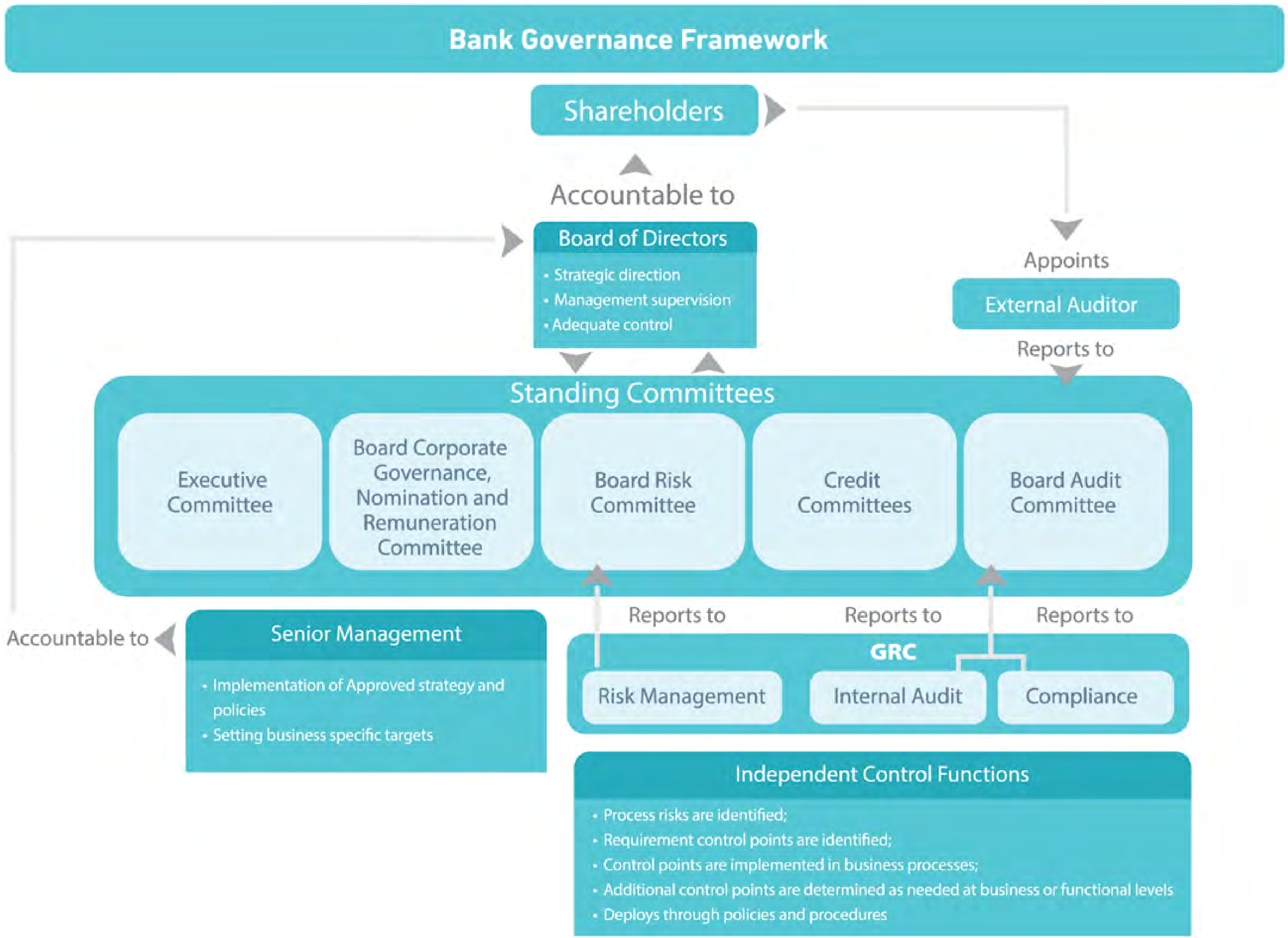
Risk-intelligent Framework

Bank Audi sae's governance framework provides for clearly defined authorities and delegations that enable the Board to maintain effective control, but also as a basis for sustainable business practices. In this framework, the Board establishes structures and processes to fulfill board responsibilities that consider the perspectives of investors, regulators, and management among other internal and external stakeholders. Throughout this framework, the Board provides guidance to management in the development of strategic priorities and plans that align with the Mission and Vision of the Bank and the interest of its stakeholders.

The Board has set forth the appropriate mechanisms and processes to monitor management's effectiveness in executing the approved strategic plans.

The framework maintains accountability of the Board's role in exercising appropriate oversight of the governance process. It also warrants management's responsibility for implementing the policies and procedures through which governance occurs within the organization.

The governance model is designed to ensure effective controls are in place to appropriately identify and monitor the Bank's strategic, operational, financial, and compliance risk exposures in the context of the risk appetite and tolerances that have been formulated through a collaborative process between the Board and management.



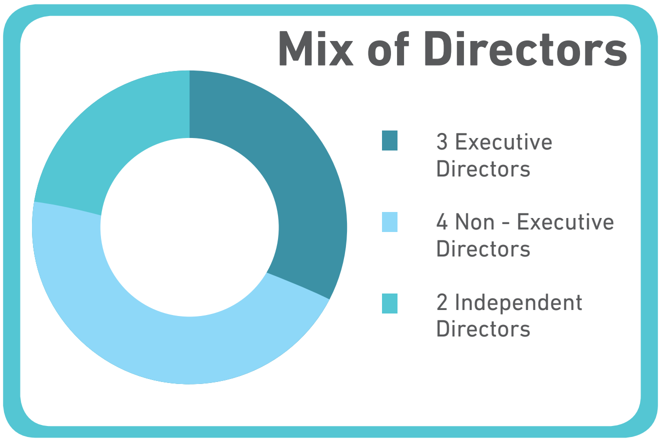
Bank Governance Framework
Shareholders
Accountable to
Board of Directors
• Strategic direction
• Management supervision
• Adequate control
Appoints
External Auditor
Reports to
Standing Committees
Executive Committee
Board Corporate Governance, Nomination and Remuneration Committee
Board Risk Committee
Credit Committees
Board Audit Committee
Accountable to
Senior Management
• Implementation of Approved strategy and policies
• Setting business specific targets
Reports to
Reports to
Reports to
GRC
Risk Management
Internal Audit
Compliance
Independent Control Functions
• Process risks are identified;
• Requirement control points are identified;
• Control points are implemented in business processes;
• Additional control points are determined as needed at business or functional levels
• Deploys through policies and procedures

Board Composition

The Board's current composition reflects appropriate industry knowledge and diversity of experiences and backgrounds that are necessary for the successful operation of the Bank. This comes as a result of the Board's dedication to selecting its members and leadership through an inclusive, independent, and thoughtful process, aligned with the Bank's Strategy. The Board's Corporate Governance, Nomination and Remuneration Committee ("CGNRC") is delegated the authorities to actively help the Board optimize its governance effectiveness by fine-tuning the Board's own make-up, structures and operations to enhance the Board's ability to deliver value to the Bank. The CGNRC plays a central role in building and managing the Board's effectiveness through its responsibility for attracting, evaluating, developing and retiring directors. The strategy for formulating Board composition takes into account the Bank's purpose, business strategies, capabilities and relationships.

The Bank has a unitary board structure with a balanced mixture of executive, non-executive and independent directors. The Board functions effectively and is considered to be of an appropriate size for the Bank, taking into account, among other considerations, the need to have sufficient directors to structure Board Committees appropriately, fulfil regulatory requirements as well as the need to adequately address the Board's succession plans. Non-Executive Directors bring diverse perspectives to Board deliberations, provide value-driven insights and constructive challenging of the views of Executive Directors.

The Board understands that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The Board members' collective experience and expertise provide a balanced mix of attributes for it to fulfil its duties and responsibilities.



Changes to the Board's composition in 2014

Mr. Abdullah Al-Hobayb resigned from the Board effective May 19th 2014
Mrs. Fatma Lotfy resigned from the Board effective July 21st 2014
Mr. Mohamed Fayed was appointed as an Executive Director effective October 2014

Board Role: Sustainable Strategic Value

The Board is the caretaker of the Bank's strategic Aims, Vision, and Values. It provides entrepreneurial leadership to management within a framework of prudent controls which enables risk to be assessed and managed appropriately. It assesses whether the necessary financial and human resources are, and will continue to be, in place to enable the Bank to meet its objectives. In fulfilling its role, the Board has adopted a Business Strategy for the next 4 years which addresses key strategic goals and external threats and opportunities in each of the Bank's functional units.

The Directors of the Board continue to provide impeccable leadership as a result of a core belief in the significance of sustainability, development and business continuity. For that reason, the Board continues to undertake effective succession planning for directorships and key management roles which is addressed through a robust program of performance and talent assessment. In this regard, the Board institutionalized a comprehensive self-assessment program, which it believes is helpful to provide a valuable opportunity for continuous growth and development. In addition to its existing overall board evaluation, the Board has approved in 2014 a new mechanism for directors to self-assess their performance separate from the Board and its Committees as a unit. An independently-facilitated review, aligned with international standards, is set to take place on an annual basis to provide the Board with a clear view of its areas of strength and opportunities for development. An annual report is formulated outlining the Board's effectiveness in strategy formulation, risk oversight and individual performance of Directors. The feedback presented in the report is reviewed by the CGNRC, whereby its principal findings and recommendations are then presented to the Board.

Remuneration

The Board continues to set remuneration policies on the basis of an overall assessment of the size of the Bank, its profitability and the scope and complexity of its activities. The main objective with regard to remuneration is that Bank Audi sae sets an appropriate and competitive level of remuneration that allows the Bank to retain the services of well qualified individuals. Our remuneration policies and practices are consistent with and promote sound and effective risk management, which is aligned with the Bank's Strategy, Values and Goals and considers the interests of clients and investors. For that reason, when devising a remuneration policy, the Board ensures that the policy focuses on ensuring sound and effective risk management through:

- A stringent governance structure for setting goals and communicating these goals;
- Alignment with the Bank's business strategy, values, key priorities and long-term goals;
- Alignment with the principle of protection of customers and investors while ensuring prevention of conflict of interests;
- Ensuring that the total bonus pool does not undermine the Bank´s capital base.

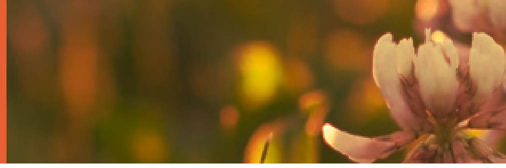
How Management Supports the Board

Management continues to carry out the business of the Bank in line with the strategic direction provided by the Bank's Board of Directors and provides timely and actionable information to the Board to make effective judgments and decisions.

The Board and its Committees are supplied with regular, comprehensive, and timely information in a form and of a quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of the Executive Directors or Management whenever necessary, and have access to the services of the Bank Secretary. There is a procedure in place for Directors to take independent professional advice, if they judge this to be necessary, at the Bank's expense.

The Bank's New Era sheds LIGHT on our planned way ahead

New Era



3- New Era

A. 2014 Achievements

Business Banking:

This year saw further progress in consolidating our business relationships with large Corporates and extending our activities in Commercial and SME Banking. Corporate overdrafts, direct and other loans reached EGP 7 billion versus EGP 6.3 billion in 2013, whilst Syndicated Loans outstandings increased from EGP 500 million to EGP 2.6 billion. There were corresponding increases in our off-balance sheet activities with off balance sheet credit risk outstandings increasing by 23% to EGP 2.7 billion. Portfolio quality was further enhanced with 96% of Loans and Debt Instruments categorized in the Bank's best two risk ratings (versus 93% in 2013). Business Banking Deposits increased substantially to EGP 17 billion (versus EGP 12.2 billion). Business Banking (Corporate and SME) as per the notes to the Bank's audited accounts, contributed EGP 178 million from Assets of EGP 9.6 billion giving a yield after tax of 1.78% versus 1.48% in 2013.

In accordance with the bank-wide ambitious expansion plan that includes achieving aggressive growth rates vis-à-vis the market, the Bank's Corporate Banking organization was restructured in late 2014. The restructuring process entails having all segments of Business Banking (Large Corporate, Syndicated Loans, Commercial Banking, SME and Marketing Support Unit) under one umbrella in order to have a unified vision to optimize marketing efforts and further create synergies among all corporate segments. This is to meet the target growth requirements more rapidly while stimulating cross-selling and servicing activities, with the aim of ensuring that the Bank will be positioned to capture good business growth opportunities, and reach a larger market share, whilst trying to maximize yield.

In line with the Bank's strategy to maximize the corporate client satisfaction, the Bank has established a new Branch model that includes enhanced Business Banking service delivery via "Global & Business Plus branches". Additionally, the Business Banking Departments were successfully able to define new targeted clients based on analysis and support for their value chains through implementing internally the corporate segmentation project. The SME Department was able to commence positioning Bank Audi sae as the SME bank of choice through carefully developing its market segmentation through close cooperation with GTS and Market Research departments.

Retail Banking:

Throughout the year of 2014, we continued to build on the solid foundation that was established in the years before, and by further aligning the lifecycle development of the Bank with the lifecycle needs of our individual customers. We achieved this through further product launches and new branch openings, coupled with continued growth in Retail Banking balance sheet activities and profit. Our customer focused and value-added enhancements have enabled us to continue on our journey towards becoming a key player in the Retail Banking Market in Egypt. We strive to take progressive steps to deliver a mix of simple, leading and innovative products to our retail client segments that help them achieve their ambitions whilst maintaining our track record of delivering strong financial performance.

Bank Audi sae Retail Banking has focused on enhancing the customer experience through offering a full range of retail banking products and services through a distribution network of 34 branches, 104 ATMs, Audi Online and 24/7 call centre. During 2014, new branch and remote channel models started to be applied to the distribution and delivery of our future Retail Banking products and services. This is aimed at meeting the different retail customer segment needs and service expectations across branch and digital channels. By balancing transactional servicing with greater focus on product advisory, delivery and relationship building, we will provide customers with high quality standards in pursuit of excellence. As part of our new Branch Model, digitalization will be shortly introduced to selective Bank Audi sae branches as we acknowledge that the future of Retail Banking from a customer perspective will increasingly lie on physical co-existence with digital.

The Bank realizes that in order to push forward and compete in today's fierce marketplace, creating a positive customer Banking experience means providing the right products, outstanding services, convenient locations, and relevant personal support guided by core values such as competence, honesty, professionalism, dedication, and responsibility. In this spirit, we have launched Audi Première Service which aims at developing strong relationships with our affluent clients that is built on trust and partnership while offering them a world of distinction. In line with the Bank's Strategy and pursuit to be a fully fledged financial institution that provides its clients with a variety of products and services that cater for their financial needs, and is aligned with our customer lifecycle segmentation strategy which focuses on the delivery of lifetime value to the customer, Banc-assurance Life products were introduced in 2014 in cooperation with Egyptian Life Takaful – GIG. Moreover, World MasterCard was introduced to the Egyptian market for the first time by Bank Audi sae empowered with a generous bundle of facilities, benefits and services. In addition, new loan programs were introduced to meet a broad spectrum of client needs. Accordingly, during 2014 and in an ongoing effort to provide our depositor customers with various product offerings to cater for their diverse needs and to suit each target segment with a unique value proposition, we introduced two new saving accounts (Mega Saver & Star Saver).

The financial outcomes from all these Retail Banking activities can be highlighted. Personal and Auto Loans combined increased by 29% to EGP 2.3 billion. Overdrafts and credit card outstanding combined rose by 38% to EGP 710 million. Individual Deposits increased by 33% to reach EGP 10.1 billion. Retail Credit portfolio performance was again highly credible, with the impairment balance at year end reduced to EGP 16.9 million versus EGP 20.3 million in 2013. Individual Banking as per the notes to the Bank's audited accounts, contributed EGP 111 million from assets of EGP 3.0 billion giving a yield after tax of 3.7% versus 4% in 2013.

Treasury and Capital Markets:

2014 came with more challenges, risks, and opportunities across the Board and the Treasury profession was, as usual, at the eye of the storm. Bank Audi's sae Treasury and Capital Markets department proved to be capable of steering ahead despite these circumstances and again provided a lucrative profit contribution as a Line of Business that offers a wide range of activities, including capital market, market-making, treasury and securities products, sophisticated risk management solutions, cash management, liquidity solutions and services to corporations, investors, financial institutions & governmental entities.

Despite the financial market's circumstances in Egypt, the Treasury and Capital Markets department achieved notable increases in activities, which is a very positive financial contribution. Gains from sales of Financial Assets produced EGP 72.5 million whilst overall Investment activities as per the notes to the Bank's audited accounts, contributed EGP 162 million from Assets of EGP 17.9 billion giving a yield after tax of 0.9%. The Treasury also continued to play an important role in managing the Bank's liquidity and interest rate risk in an efficient way, whilst complying with the CBE ratios and guidelines.

Financial Institutions:

During 2014, the FI Department managed efficiently and effectively all the requirements and service requests from all the other Bank's departments and counterparty banks, surpassing its service satisfaction and turnaround time benchmarks. This included ensuring that substantial and more than adequate Money Market limits for the Bank were in place and regularly tested during 2014. In addition, the Department contributed to the Bank's syndication activity in the international market, and participated in a couple of risk participation transactions. Moreover, through ensuring close liaison and cooperation with Banque Du Caire, the Bank's role in the issuance of Suez Canal CDs to its clients was acknowledged as having been handled very successfully.

On our Non-Bank FI activities, we continued pushing ahead with our mandate by penetrating additional sectors and focusing on building relationships with selective institutions in line with our business model and expansion plans. Our selective Non-Bank FI deposits reached EGP 375 million by year end.

Islamic Banking:

The Islamic arm successfully led and arranged the largest Islamic project finance transaction in Egypt's history during 2014. The transaction attracted over 13 banks in the Egyptian market and was covered in the general syndication twice. This transaction was recognized by the international market by being granted the "Project Finance Deal of the Year Award" from the Islamic Finance News.

Global Transaction Services (GTS):

During 2014, Bank Audi sae launched the GTS Department Phase -II- model in perfect harmony with the implementation of its SME and new Branch Models. The simultaneous launching of 3 innovative business models gives a clear indication on the will of the Bank to become the "Business Bank of Choice" for relationship based transactional services in the Egyptian market. The aim is to make our clients business banking experience feel as if "each day is a better day".

GTS department's mission is to provide selective Bank clients with Trade, Cash and Capital Markets Products and Services Management through both physical and e-channels. This required the GTS department to develop our Products teams' technical and soft skills as well as the recruitment of Assistant Product Managers layer to support our ambitious goals in product management and clients' consultancy activities. The outcomes were seen through nearly EGP 10 million of trade related revenues, custody related income and client service satisfaction.

Lines of Business Summary:

Overall the Bank's Lines of Business continued to press forward in 2014 with Loans to Customers rising 17% to EGP 12.6 billion, whilst Customer Deposits increased 37% to EGP 27.2 billion. Net Interest Income grew by 15% to EGP 819 million and Income from Fees and Commissions increased 30% to EGP 212 million. Accordingly, profit before tax grew 20% to EGP 663 million in 2014. This solid platform has allowed the Bank to develop with considerable confidence the next phase of its challenging Strategic Plan. In addition, the contribution from our Support and Control Functions continued to underpin our financial outcomes and progressively provides increased non-financial and intangible value to our Bank's overall banking model and 'franchise'.

Risk:

During 2014, with the active guidance and involvement of the Risk Department, we have been able to manage the Business Banking and overall credit portfolio of the Bank within the constraints of the unstable economy resulting from several years of decline. This was evidenced by the stable ratio of the Bank's NPLs to the portfolio and the provision coverage and the average risk rating of the portfolio. In fact, 94% of loans had no past dues or impairment indicators at the end of 2014 versus 79% at end of 2013. In compliance with CBE requirements for General Banking Risk Reserves, the Bank increased this reserve from EGP 86.5 million to EGP 121.3 million using retained earnings.

In addition, the Bank's Internal Capital Adequacy was tested under more than twenty stress tests in which all results showed that the Bank remained well capitalized. Moreover, the Internal Capital Adequacy Assessment Process (ICAAP) was updated and tested for the second year. The Liquidity Contingency Plan (LCP) was also tested and the results were supportive in terms of available interbank lines which reflected the Bank's strong liquidity position.

Operations Risk continued to diligently log, monitor and seek to resolve Operational Risk incidents as well as ensure that there is business continuity and disaster recovery plans for the entire Bank's vital operations and IT systems.

Retail Credit:

2014 has validated the function's business and credit strategy through solid growth, exceptional portfolio quality, and validated controls. The function was described as one of the top five best managed Retail credit portfolios by the Central Bank of Egypt.

Finance:

Finance Department implemented a new ERP Invoicing System, whereby efficient and accurate cost allocation is implemented through the ERP System. The Budget & Planning team played a key role in the new Core Banking System and IFRM system migration plan, along with generating new capital allocation, efficiency, control and testing, profitability reports, and stress testing reports. The Bank's ALCO successfully maintained its Capital Adequacy ratio above 13:1 measured by risk weighted assets and contingent liabilities vs. tier 1 and 2 total capital. The Bank's EOGAM in March 2014 approved an increase in authorized and issued share capital of US$ 42 million which was settled from shareholder dividends of 2013. The effective tax rate was maintained at 32% (versus 33% in 2013).

Operations:

The Bank's highly credible achievements in 2014 were built on a solid and strong operations base that exceeded the expectations of the majority of our internal and external customers. The broadening range and contribution of the Bank's new activities and channels more than justified the overall 23% increase in administrative expenses in 2014. The Operations functions in the Bank remain willing to exert more effort to further enhance the Bank's performance and push forward by keeping up the successful progress.

In summary:

- Organization and Reengineering successfully reengineered needed processes balancing the agreed upon criteria with Lines of Business, Quality Assurance & Operational Risk.
- Engineering Department ensured the acquisition, final design, and furnishing of prime locations of branches in Sultan Hussein, Alexandria Down Town, 5th Settlement, Roxy, and Zayed.
- All operations units were actively involved in scoping new Core Banking System implementation requirements through detailed gap analysis (business requirements versus system functionality) and identifying system customization and future testing.
- Back-Office Treasury has been able to optimize workflow through reengineering of operational processes, automation of manual processing and enhanced reporting and managing the implementation of Omega system required enhancements.
- Payments/Services unit supervised the preparation of the business requirements and testing of new Document Management System functionalities related to Branches, Centralized Operations and Credit Files.

Information Technology (IT):

IT efficiently performed its responsibilities related to the Bank's significant investment in a Technology Transformation Program on the different aspects Management and Implementation. IT has also deployed Middleware as the standard way for integrating Bank Audi sae applications. On the other hand, hardware will be continuously upgraded to cater for the Bank's growth and advancement of technology.

Human Resources:

At the end of 2014, the Bank's staff had risen to 1082. During 2014 Bank Audi sae HR Team provided efficient and comprehensive support services to all stakeholders, by hiring a total of 215 high calibers from different levels with diversified experiences. HR emphasized on delivering a high level of knowledge and skills to the Bank's staff through an appropriate educational academy, training programs and development projects, to fulfil the identified needs by delivering almost 50,000 training hours to 2,677 participants within 318 training programs.

Internal customer communication was enhanced through organizing several social activities and family gatherings with almost 50% of the staff participation, including another successful international trip to Barcelona in addition to other numerous activities that helped building rapport and trust within the Bank as a whole. In order to increase employee's interaction and ensure that their voice is heard, HR has made regular branch visits and analyzed complaints and staff suggestions. The Bank directly rewarded employees by aligning their salary position within the market and preserving internal and external equity through a comprehensive salary market survey for all the Bank's positions. In addition, further indirect benefits were added to the Bank's staff annual packages, such as staff life insurance program, enhanced free interest loan conditions, and launch of the children education free interest loan.

In a continuous effort by Bank Audi sae to spot, attract and maintain the best calibers from the external market and from within the Bank, we have established our own in-house assessment center as a tool used to assess a number of competencies required to perform a specific job through a set of exercises (psychometric & non-psychometric) that measure the level of each competency. The Human Resources department started building up a succession planning project, where high potential individuals are identified based on specific criteria that include the results of the assessment center as a major selection tool in order to build an effective second line and to eliminate any future risks of any critical position vacancy.

Strategic Support:

For the year 2014, the Strategic Support Department was able to present to the Executive Management a one sheet - bird's eye view of all departments' initiatives, and high level achievements of all Strategic initiatives in order to assess their performance towards strategy implementation as well as regular reporting.

Project Management Office:

In 2014, the PMO has continued its role as a source of guidance, documentation and metrics involved in managing and implementing the Bank's Change Projects. By contributing in the design and implementation phases of Change Projects, PMO helped in the setting and activating to ensure a unified plan for Change Projects. This included providing the technical support assistance needed in creating the required templates and matrix. In 2014, PMO was an active participant in the Streamlining Business Processes and Value Chain database projects.

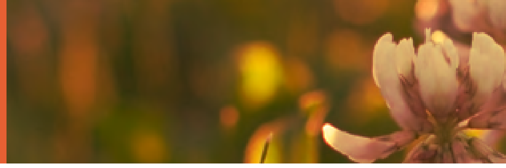
Marketing & Communication:

Year 2014 was full of many challenges as the role of the Marketing and Communication Department was to meet the different needs of each Line of Business and Support Functions. This required the creation of 5 more units in the department to handle internal and external communication and promotional activities. The department developed three new innovative projects for our colleagues during 2014 that focused on improving internal satisfaction, creating higher loyalty to the Bank as well as having a healthy and motivating working environment which resulted in high satisfaction levels.

For the Bank's customers, we have developed several campaigns around new products, services and activities using innovative marketing and communication tools. One of the most successful campaigns was for the World MasterCard which is for our Audi Premiere customers and this involved having one of the most successful launch events in the market as stated by both the customers as well as the media.

Market Research:

In 2014, the Market Research Department played an important role on both strategic and business levels through the Geo-marketing studies initiated to help in the Bank's future expansion plan and providing its branch network with an extensive business database. In addition, Market Research department developed the Mystery Shopper Program and extended it to assess the major competitors' branches and benchmark our network's performance versus the competition. The Market Research Department participated in the SME



new business model through the corporate account filtering project and the SME Market Understanding and Segmentation Study and managed to boost and diversify its data resources which resulted in the increased number of business leads provided within 2014 for the various lines of business.

The Market Research Department conducted a massive customer satisfaction study (2,200 respondents) in coordination with the Group Retail Department in order to understand the satisfaction level of our retail client base, define the points of dissatisfaction and come up with a list of recommendations to improve the Bank's products and services to achieve the maximum level of customer satisfaction. The Market Research Department participated in the new IT Transformation Project through a massive study to define the e-Banking market, understanding its structure and needs and to segment the e-Banking users. This study covered as well a mystery shopping over all competitors who offer e-Banking services (Internet and Mobile Banking).

Currently, the Market Research Department is participating in the Islamic Banking new business model by running two major studies to identify, understand and segment the Islamic Banking market covering both the corporate and retail universe.

Service Quality Assurance:

The Quality Assurance Department coordinated with the HR Department to fulfill the analyzed branch training needs and conduct the needed trainings required from QA dept. Quality Assurance Department has also implemented monthly challenging Quality related Awards (QME of the Month) and provided Management and Operation Risk Department with the quarterly complaint reports to take the necessary actions.

Legal:

The Legal Department always upholds the Bank's legal interests while striving to be a partner to the business teams in achieving the Bank's goals. This was reflected in the level of support provided by the Legal Department to all Lines of Business during 2014. Despite the Bank's growth in size and range of activities, provisions for legal cases more than halved to EGP 0.45 million.

Internal Audit:

In 2014, the Internal Audit Department accomplished a comprehensive Risk Based Audit plan across the Bank's centralized departments and its branches along with IT, whereby high risk areas were tackled and controls tested to provide assurance that they were being properly applied.

Compliance:

The Bank's Compliance function has successfully realized major milestones in advancing governance, AML and regulatory programs. A significant step towards strengthening AML monitoring and reporting was optimized by the implementation of the Risk-Based Approach (RBA) that has transformed compliance processes and accompanied effective tailoring of AML monitoring systems, detection scenarios and client screening thresholds. Furthermore, the AML guide was reviewed and adjusted to maintain compliance with the latest regulatory directives and international standards. On the external level, a due diligence project was launched to ensure that our relationships with correspondent banks were in line with AML/CFT standards. AML and EMBARGO systems were upgraded to meet the growing demands of regulatory changes and to ensure that our monitoring software was running efficiently. Additionally, the department streamlined its regulatory compliance processes and bank-wide procedures to meet the growing requirements of new sanctions and the rollout of major global regulations such as FATCA. In compliance with the FATCA requirements, the department ran a whole project for adopting all needed policies, procedures, and systems in addition to implementing the necessary monitoring systems and conducting the appropriate training programs to consolidate the compliance culture with new knowledge necessary to inform operational needs related to FATCA.

The Compliance Team was able to develop and utilize data analytics platforms, including a compliance dashboard and monitoring interface, to facilitate the monitoring of the Bank's compliance with relevant laws and regulations, enhance reporting by leveraging data-visualization capabilities and inform decision-making by providing more actionable information to top management and the Board of Directors with a more transparent view of the Bank's compliance posture. On another note, corporate governance initiatives were carried out to ensure that the appropriate governance controls were in place. A Chart of Delegated Authorities review process and monitoring program was launched to ensure that authorities are appropriately executed and that reporting requirements are met. Scorecards and checklists were also developed to adopt a maturity model for measuring progression towards best practices in Corporate Governance.

Corporate Information Security and Business Continuity (CISBC):

In 2014, CISBC Department performed information security reviews and assessments for new business products. CISBC also assisted with the maintenance and implementation of the Corporate Information Security Policy and development and maintenance of related Information Security procedures.

B. The Challenge Ahead

The Bank's Executive Board Members & Management have worked extensively in preparing a Strategic, Business and Financial plan for 2015-2018. The plan represents phase three of Bank Audi sae's strategic development and recognizes that the Bank and Egypt are entering a new dimension. We have deeply studied the external and internal environment, and produced thought provoking SWOT analysis. Using our banking models and balanced scorecard approach, we have identified a range of Strategic Change Projects and initiatives to continue to enhance the sustainable performance and increasing maturity of the Bank, under both envisaged future growth and stressed environments. The following provides an insight into some of the approaches and activities that we have planned, to meet these future challenges, and to continue to push forward with our development.

In summary, the Challenge for the Bank is to grow remarkably its market share in the coming period while delivering sustainable tangible and intangible shareholder value, and optimizing our returns on equity and assets, through a comfortable level of risk adjusted performance measurements. The Bank will further cement the affinity of its segmented customers as well as, enlarge and diversify its customer base through the delivery of a level of service that will meet customer expectations and requirements. To assure a unique service delivery, the Bank will increase and adjust its branch network to be inline with its branch models, along with the streamlining of processes and procedures end to end, while reaching its valued customers through alternative channels. As Bank Audi sae main asset and key element of success is represented in its people, the persistent development of employees, encouragement of knowledge, and the increase of pool of talents along with the adaptation of a revised balance of meritocracy and reward system has become a constant development challenge. The coming period will witness a positive impact of the implementation process with the newly enhanced IT platform, which will reflect on the customer service delivery and smart reporting for fast decision making.

Business Banking:

Our Business Banking model has been revisited as the goal is to achieve aggressive sustainable growth rates in all areas covered by our teams. This will be through increased relationship contact to obtain even deeper understanding of our customers' business activities and plans that in turn will enable us to expand the scope and relevance of carefully structured financial solutions and efficiently delivered products, overlaid by the provision of a high quality professional service.

A highly skilled team is participating in the Bank's Technology Transformation Program, in order to provide all necessary support for a smooth, quick, efficient and accurate transformation. This assistance is essential, as we believe in the great importance of this change, which should take the Bank to a higher technology level to serve our business customers.

Business Banking's main challenge will be to maximize the size and mix of our business banking asset and liability portfolios, primarily by working with both our existing and selected potential value chain customers. We will continue to operate within the sound guidelines of the Bank's regularly assessed and approved risk appetite and parameters. This is to ensure that we maintain portfolio quality and risk provisioning within agreed tolerance levels, whilst assisting customers with a broader range of relevant services that have more partnership type benefits, by adding value to them and ultimately providing more optimal direct and indirect returns for the Bank.

The SME Banking division is opting to position the Bank in the next coming years (through 2018) as the 'SME Bank of Choice'. With the intention of capitalizing on any favorable upturn in economic trends and market conditions for the SME sector in Egypt, we have designed an SME Banking model that fits with our objective of being a solid provider of SME integrated financial services. Through the implementation of this model, we aim to offer privileged banking services to our SME client partners that reflect their and our differentiation. The model enforces 'SME Banking' as opposed only to the perceived 'SME lending' approaches of many other financial institutions in Egypt, and also sets the grounds again for the 'SME client partnership' concept prevalent in our future Business Banking. Stemming from that, clients will be identified and categorized based on their banking needs, and catered by our fully dedicated Relationship Managers and Risk Officers, as well as Branch based Customer Service Officers, in full coordination with other Bank specialist product partners. Ongoing market research will further assist in our efforts to refine and tailor SME

Banking products. Our overall challenge and objectives will be to cater, expand, diversify and raise efficiency of service offerings to selected SME segment clients.

Retail Banking:

To continue growing our Retail Banking activities but with clearer identity, we are aiming to be recognized as the innovative provider, that is serving clients with highly attractive products and a differentiated customer centric service proposition. This will require us to optimize and integrate our customer lifecycle approach with our branch and e-channel models.

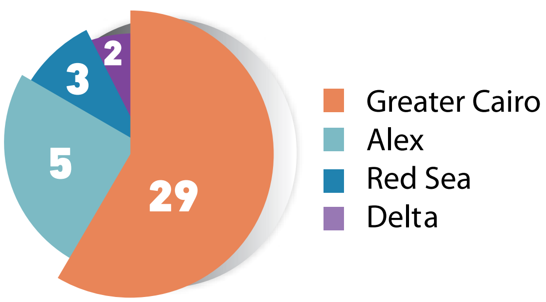
Taking a balanced approach, we will be blending customer centricity, unique value propositions, effective sales and distribution, technology supported operational leadership and enlargement of our talent pool while maintaining a culture of effective risk control. We have studied international trends and innovations in Retail Banking and completed our products and services mapping to the customer's lifecycle as well as considering supplementing where appropriate value and behavioral criteria to our client segmentation.

Bancassurance, Private Banking and Mortgage solutions will be expanded as we push forward to providing fully fledged financial institution services to our Retail customers.

Branches, Remote and E-Channels:

Since the aim of the Bank is to reach out to our customers wherever their location, our branch network will be expanded using our new Branch Model, geo-analysis and customer research. Our Branches will continue to be the strong but flexible backbone of our outreach and personalized service delivery to our customers. We plan to open up to six new branches in 2015. The following Graph illustrates the geographical distribution for our branches after these openings.

Branch Network Geographical Diversification



We are in the process of obtaining Central Bank of Egypt's approval to proceed with opening a further nine branches in other Governorates.

Our Branch model also focuses heavily on changing customers' perception and experience of branch banking with service and trustworthy advice paramount.

We have presented a technology plan that includes digitization to branches as well as remote channels enhancements aiming at different business and retail banking customer segments. This includes enhanced Internet and Telephone Banking services, more interactive equipment for use by technology discerning clients, significant ATM upgrades, and innovations with checks, cards and card-less technology.

Treasury and Capital Markets:

During 2015, the Treasury & Capital Markets in Bank Audi sae expect to commence implementation of one of the most prominent front office treasury systems in the field. This will be over several phases and will require hard work, dedication, commitment and deep knowledge of the business.

Financial Institutions:

At the inception of Bank Audi sae, we had no single correspondent Bank or any outside channels, and we had to depend on our parent in Lebanon to service most of our Financial Institution transactions. Throughout all these years, capitalizing on the Group's sound financials and reputation and our growing position in the Egyptian Market, we were successful in building vertical and horizontal links with Financial Institution counterparts globally, covering over 150 countries, with great and supportive relationships with over 60 global banks.

Going forward, it is becoming clearer that Egypt is striving for major positive events, from a country rating upgrade and a stable outlook to the 2015 Economic Summit in addition to the prospects of political stability, all of which should impact the business momentum through a speedier flow of transactions. The Correspondent Banking unit expects to benefit from this uplift by proactively engaging in larger transactions and more frequent flow, hence, we are currently enlarging our Financial Institution network, increasing our capacity to ensure a 100% readiness. Also, with the current planned opening of additional satellite branches, the Non-Bank FI will benefit from their locations introducing our franchise at these branches and serving our clients.

We are very confident that by further building our model, new relationships, and expertise to provide bespoke solutions to our Financial Institution and Non-Bank FI selected client partners, we will be playing a much bigger role in the Bank's development, not only from a funding perspective but from the globalization of the Bank in line of that of Egypt itself.

Islamic Banking:

The Islamic Banking business model revolves around the customers' right to have the option to conduct banking under a Shariaa compliant platform. We strive to provide creative solutions that contain in-built responsibility for full compliance with Shariaa Law as assessed and validated by our experienced Shariaa Board. When coupled with Bank Audi's sae level of service and professionalism, clients have started to recognize and respond positively to what we offer. Our Islamic Banking approach is to be viewed as a fully fledged financial institution and caters to corporate, financial institution, SME and individual needs. The Bank has been launching its Islamic products on a slowly but surely basis to maintain certain differentiation from the market and leverage on the untapped opportunities. The Challenge is to move ahead with the right platform and mix of products. We see this as follows:

1. **Existing Products:**

   a) Corporate Products: Commodity Murabaha, L/C Murabaha, Goods Murabaha w/o POA. Mudarba and Syndicated Finance.

   b) Retail Products: Car Murabaha (Secured and Unsecured)

2. **Planned Products :**

   a) Corporate Products: Estesnaa, Ijara Montahya Beltamlik, Ijara Mawsofa Fi Elzema, Overdraft Account.

   b) Retail Products: Goods Murabaha (Secured and Unsecured), Commodity Murabaha (Secured and Unsecured), Credit Card, Ijara (Real Estate).

The new Branch Model will be launched in the Islamic arm this year after being successful in the conventional arm. Additionally, two further Islamic branches are planned to be opened this year.

Finally, the Islamic Banking Department is participating in the Technology Transformation Program to switch to a new core Banking module. All Islamic Modules requested for our current launches and the prospects will be handled through our team, and we expect the new core Banking system functionalities to be as per the international and Shariaa standards.

Global Transaction Services (GTS):

Innovation and technology solutions being major strategic objectives, GTS led the business stream of the new Audi On-Line platform (expected launching in 2015) and developed Remote Channels for companies.

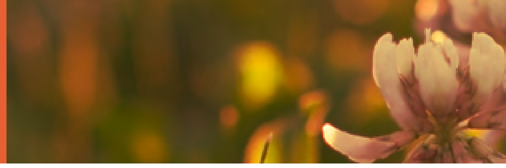
In line with GTS objective to become the 'Easy Services and Transactions' business partner, we will launch the building of a dedicated unit that will allow Bank Audi sae to provide to selective Business Banking clients a simple way to execute transactions, issue service requests and record issues and in the worst case, complaints, over the phone assisted by basic technology tools.

Risk:

Bank Audi sae believes that Risk Management is a key integral element in its means of achieving its mission and that having a robust Risk system is a pivotal point that is considered in setting the strategic objectives. In this regard, the Bank has a fully fledged Risk Management Function entailing the main three functions with a very experienced staff and determination to embed the Bank values. The Bank's new Business and Segmentation Models will enrich the sources of client information and prudent selection of new client counterparts, with the aim of reducing any client or sector concentration risks and increasing our detailed KYC capabilities. This should allow the Bank to optimize its **Credit Risk** exposures to the most appropriate clients and reach comfort levels on the appropriateness of products for each client type.

The main challenge for the Risk Management Department will be to boost its capabilities through increasing use of proven and efficient IT solutions that will contribute towards the better management of the Bank's risks, assist in the streamlining of processes, and allow all stakeholders greater and faster visibility of occurring risks events.

Operational Risk department is already embedded in the Management decision making process through its involvement in the new products and services offered to the Bank's customers, the analysis of all unusual events, determining their root causes and setting the necessary mitigation actions. The full and effective roll out of Risk Control Self Assessment remains a challenge for all banks. Bank Audi sae is committed to ensure its employees have a better understanding of the inherited risks within their daily work and the required practices for effective control, with good communications existing between all stakeholders so as to provide rapid and appropriate mitigation within



the guidelines provided. In conjunction, an automated solution will be used to help the Bank obtain better analysis of its solid Loss Database, leading to more proficient display of its overall operational risk picture. Operational Risk is also involved within all of the new Technology Transformation Programs through its dedicated staff. The implementation for the new Core Banking System with the involvement of the Operational Risk team will ensure that all the Banks' procedures are to be updated including all the adequate levels of controls which will be enhanced or maintained.

Market Risk department has in target additional key risk measures and mitigation tools in the upcoming Business Plan, aiming for enhanced monitoring and measuring of key risk exposures. This will be achieved through setting appropriate plans to implement the international standards to control Interest rate risk, Liquidity risk, FX risk, Concentration Risk and to continuously assess the Bank's Capital structure position versus risk weighted assets, even under stress scenarios. For market risk management, the new Treasury system should provide a unique coverage of asset classes and handle all features of trading for foreign exchange, money market, and equities, credit, interest rates and fixed income. As a further part of pushing forward, it is planned that BASEL III Liquidity Indicators will be applied and monitored periodically. Also an Integrated Financial & Risk Management ('IFRM') project and related technology programme will aim to avoid any key data discrepancies in measuring and monitoring capital adequacy, liquidity risk and interest rate risk in the Banking Book.

The IFRM project also plans to help by providing automated Credit Risk reports without any manual interference, thus enhancing the speed and timeliness and further ensuring accuracy of reporting. It should also provide the ability for selective real time monitoring of the Credit portfolio Risk including portfolio concentration by industries and by currencies. It is intended also that the IFRM will include a Funds Transfer Pricing module that will enhance the Bank's current pricing methodology and measurement as part of using a more sophisticated Risk Based pricing model in the future.

Finally, the implementation of the New Core Banking System will enhance the control function of the Credit Admin Team as all the limits controls should be automated along with automatic alerts for any breach in the limits or group ceiling, This will not only facilitate the daily work flow, but will result in better customer satisfaction for the service level.

Retail Credit:

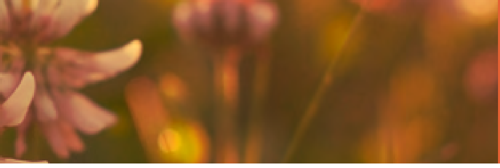
After a successful 2014, the Retail Credit department endeavors to upgrade its operating platforms to prepare for the new era in Bank Audi sae, the 2015 – 2018 strategy, business and financial plan. The objective in the next four years is to maintain these standards, but achieve them with more efficient processes and systems while applying a more scientific approach. Through the IT platform change, the organization will in turn be able to offer even more efficient retail credit service to our customers. The Bank intends to build the infrastructure for faster and more comprehensive profitability based analytics. With the deployment of scorecards for all retail credit offerings, predictability of risk and consistency in decision making should be significantly enhanced.

Finance:

Finance department continues to monitor and advise on the Bank's financial efficiency through growth ratios as well as other financial indicators to ensure consistency in actual performance versus plans and by providing detailed updates to all levels of management in a timely manner of any threats and/or potential opportunities.

In the Strategic Plan 2015 – 2018, Finance division will continue to be the source for:

- Financial performance analysis reports.
- Preparing the annual and future financial budgets and monthly profitability reporting for the Bank, by Line of Business (LoB), by branch, by sector and by client.
- Comparative reports to track and analyze Actual versus Budget figures so as to assess business evolution and to control expenditures.
- Peer Group database and presentation analysis.
- Preparing the financial data presented to our Board of Directors.
- Providing the regulators (Central Bank of Egypt & Banque Du Liban) with all mandatory financial reports.
- Presentations requested by the Board, shareholder meetings, monthly/ quarterly Management and Executive Committees' meetings including all analytical performances highlights & commentaries.
- Financial Statements to be published in official newspapers after External Auditors' approval.
- Reconciliations done to review the accuracy of the ending balances of the accounts we hold with our correspondents.
- Managing the transfer pricing module to compensate each line of business according to resources and utilization based on current yield curves.



- Analysis of competitor's data to follow-up on Bank Audi sae position in the Egyptian Banking sector in order to identify potential market opportunities.
- Keeping up to date with Central Bank of Egypt regulatory reports.

All the above are being prepared in accordance with CBE and IFRS standards.

Finance division provides the source of information for the Bank and in addition serves all departments internally and senior management. This MI role impacts literally every department in the Bank as it enables them to assess if they are achieving their departmental financial goals as well as the Bank-wide ones. Accordingly, Finance Division - Management Information System (MIS) unit participates in the establishment of the new branches model (one of the Bank's major projects), and Finance division is a major player in the Bank's ambitious transformation program, particularly the IFRM project. Through actively participating in the setup phase and through the expected conceptual changes in the MIS, the Finance Division will play a key facilitation and neutral advisory role for all the Bank's key functional areas, not least to provide assurance that these changes are engineered in a way that should deliver the expected outcomes of the Bank's 2015 – 2018 Strategic, Financial and Business Plans and beyond.

Operations:

Centralized Operations Division has set a new challenging strategy to fulfil all customers' needs, sustaining high productivity and quality of service rendered; a strategy that is set to a rapid rhythm to keep up with the market changes and the competence with other leaders in the Banking sector. Prime locations were chosen for our branches in areas close to our clients with the Bank's corporate identity clearly shown in the interiors, ensuring high standard layouts to serve customer segments and ease flow of transactions. Technology involvement is what separates the leader of the market from other competitors. Accordingly, the Bank has chosen to implement a new Core Banking System as part of a whole technology and related operational transformation program, that will smoothen the workflow and facilitate transactions requested by customers with high quality and faster pace.

As Egypt appears to be on the doorstep of a new era of political stability and economic growth; in this concern, we are making sure that the Bank's operations will pass the gateway hand in hand with our customers and to drive them safely through by providing professional financial transaction operations and related consultancy, that will enable them to seize new opportunities expected to emerge in the Egyptian market.

Information Technology (IT):

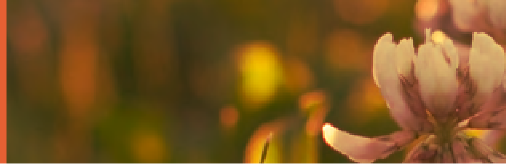
Throughout the year 2014, Bank Audi sae IT department overcame many challenges, towards achieving the foundation phase for the Bank's new technology strategy (2015-2018), including the transformation program projects by scoping with major milestone projects such as a new Core Banking and new Internet & Mobile Banking Platforms. This transformation program will provide a critical underpinning for the next phase of the Bank's strategic development and capabilities.

The IT Department also participated positively and effectively in the Bank's ambitious plan for new branch openings as well as the introduction of a technology plan for all the new branch models, aiming at diversifying the channels and services offered to the customers. This required assessment of the necessary IT and Communications infrastructure to cater for all technological aspects of the new branch model, both for migration of existing branches and detailed ITC plans for new branches and remote channels that will be opened.

Moreover, among the various challenges being addressed by the Bank's IT Department is implementing a market leading High-End Corporate Data Storage Platform with no service disruption on any platform and achieving zero percentage of data loss during the data migration process. Similarly, the IT Department will continue to work and maintain the multi-project program for enhancing the IT Security Infrastructure to add extra layers of defense to all internet exposed customer channels as well as adding more data integrity, and security to internally utilized application platforms. The key for success will be the Bank's IT Department's commitment towards participating effectively and in partnership with all Lines of Business and other Support and Control functions towards achieving the Bank's third phase of strategy for 2015-2018.

Human Resources:

Bank Audi sae human resources department strategy is based on the employees, "*the employees are the main key asset and backbone of the Bank*". In this regard, the HR challenge will be to concentrate its activities on increasing staff productivity, engagement and motivation through playing a trusted HR advisor to all managerial levels and by way of a diversified set of initiatives and projects.



Strategic Support:

The Strategic Support Department's goal is to ensure playing an effective role as an advisor to management of the Bank by analyzing and highlighting changes in the external and internal environment and assessing their potential impacts on the achievement of the Bank's strategic objectives. The Department tracks the implementation of the third phase of the Bank's Strategy by all its stakeholders, which will require continuously enhancing its market intelligence, monitoring tools, and techniques.

Project Management Office:

We are living an era of multi-project management in which firms have to perform tens of projects simultaneously. Thus; the Bank's selection of which projects to get which resources, in which timeframe, via what process and how efficiently can project outcomes be delivered, will be the most important challenge that will be addressed throughout phase three of the Bank's strategic implementation.

Marketing & Communication:

The Marketing and Communication Department has moved forward over the years from the start-up launch of operations to 2014 by creating strong brand awareness about Bank Audi sae in the market through various marketing and communication initiatives. As a result, the Bank has not only built a strong name in the marketplace, but there has been increased customer awareness as the Department has tried to use the most efficient and creative methods and tools to spread communication about the Bank's products and service solutions. As we move forward to the coming phase, the challenges multiply, with the Bank's new models and initiatives for growth in activities, products and services, channels and use of technology.
Similarly, there are increasing channels of communication including internet, social media and mobile telephony. The department's focus will be on providing innovative but cost effective marketing and communication using more sophisticated tools, techniques and methods to enhance the Bank's external and internal communication with all stakeholders and reach an appropriate level of satisfaction and success based on timeliness and quality of service and delivery.

Market Research Department:

The Bank values the importance of market research which helps in defining, classifying and understanding both the market and the targeted customers' needs, defining the available gaps in the market to use it as business opportunities and assessing the peer competitors' performance. This helps in the new banking products/services development and the way it should be delivered and communicated to the market and targeted customers. The Challenge ahead will be to cover the broadened scope of the Bank's activities and to provide deeper, more accurate and objectively validated input from the marketplace, as awareness of the value of customer and market participant feedback in changing financial service provision, becomes a more accepted and cultural norm in Egypt.

Service Quality Assurance:

The role of the Quality Assurance Department is to ensure that the optimal level of services are being provided to Bank Audi sae customers, resulting in high customer satisfaction. The Department's strategic challenges for the upcoming four years will be focusing on the embedding of the Bank's 'golden rules' for the Service Quality into its activities and culture. Certain initiatives will be undertaken including:

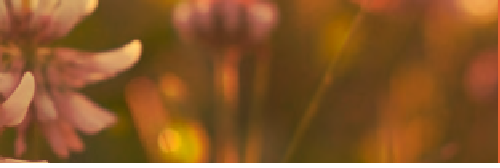
- Applying the qualitative requirements through the new branch model and providing special training to the branch customer facing staff.
- Adjusting the customer transaction processing for different types of client as per the Bank's business and service models.
- Applying an advanced and integrated "Service Level Agreement" internally to ensure comprehensive complaints handling and differentiated service.
- Applying an effective benchmark for service accomplishment and acknowledging Service Champions within the Bank.

Legal:

Under the current political situation and legislative reforms driven by the proposed national economic developments, the Legal Department will have to continue to closely monitor drafts of all new laws in order to stay informed of any legislative decisions/laws which could impact the Banking sector and the Bank's plans in particular.

Internal Audit:

Internal Audit focused on the internal controls that assists the whole organization in achieving its objectives. To remain relevant, the Internal Audit must adapt to change expectations and maintain its alignment with the organizational strategic objectives.
In the coming year of 2015, a new approach in risk assessment will be applied that combines the inherent risk and the residual one in order to assess the overall risk level across Bank Audi sae departments and branches.



Compliance:

In formulating the strategy, the Department took into consideration elements recognized as essential to a strong compliance program tailored to match the strategic, business, and financial plans of the Bank over the next four years. Our starting point was performing a strategic self-assessment of the compliance program parallel to dynamic initiatives necessary to safeguard the Bank from risks of non-compliance in Egypt's rapidly evolving regulatory environment. The function continues to build a distinguished compliance brand for the Bank, which fulfil a major component of the pre-requisites necessary for the Bank to develop and expand its branch network in alignment with the regulatory directives issued by the Central Bank of Egypt. This indicates that there is an ongoing alignment of compliance investments and activities with business priorities where the strength of the Bank's compliance program becomes an advantage for pursuing upside business value. The Bank's efforts to migrate to a new core banking system are considered major steppingstones to managing the complexity of the compliance environment. In response, the compliance function will continue to provide input and tailored guidance on the design of the new system to ensure that the system's platform includes a dedicated compliance layer.

A clear trend over the past four years is the steadily increasing pressure in Egypt's marketplace, and rapid rulebook changes and regulatory enforcement are top priorities on the compliance agenda. Regulatory reforms intended to improve the resilience of banks and enhance economic growth have driven regulatory and supervisory bodies to issue regulations that have significant impact on the compliance of banks. Export-control regulations, currency controls, internal control directives, are to name a few. To navigate this complex regulatory landscape, the compliance department continues to ensure the appropriate and effective integration of these regulations into its regulatory compliance programs. In doing so, the compliance function embarks on (1) coordinating and sufficiently analyzing changes in regulation, (2) identifying new systemic risks arising from regulation, (3) evaluating the impact on business products and services (4) reviewing policies and procedures to inject modifications needed to align with regulatory changes (5) monitoring bank-wide adherence to policies, procedures and regulations and (6) identifying compliance gaps and implementing corrective measures in the process.

Corporate Information Security and Business Continuity (CISBC):

While Egypt is starting a new era of political stability that should lead to an extensive economic growth; we have prepared ourselves to meet the aggressive expansions planned in the next few years by the Bank. CISBC will keep its mission to protect the confidentiality, integrity, and availability of clients' information, along with closely monitoring the governance of all information assets and resources while supporting the technology boosting adopted by the Bank in its new transformation program to implement new Core Banking Solutions. CISBC will also be engaged in assessing required information security measures and controls in new solutions, assuring a clear definition of access controls, guaranteeing the business continuity of operations and providing a solid governance by documenting related strategies, policies, and procedures. This will be achieved by a well trained team with enriched knowledge of information security best practices; assuring the full compliance with internal and external auditing recommendations as well as regulatory requirements.

Strong Financial Statements are essential to our future progress, just as WATER is a necessity of life

Financial Statements

Allied for Accounting & Auditing E&Y
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants & Consultants

AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of Bank Audi (S.A.E), represented in the balance sheet as of 31st of December 2014, and the related statements of income, change in equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the bank's management, as management is responsible for the preparation and fair presentation of the financial statements in accordance with the Central Bank of Egypt's rules relating 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 and regulations. 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. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the balance sheet of the bank as of 31st of December 2014, and of its financial performance and its cash flows for the period then ended in accordance with the Central Bank of Egypt's rules relating to the preparation and presentation of bank's financial statements and measurement and recognition bases approved by its Board of Directors on 16th of December 2008, and the related applicable Egyptian laws and regulations relating to the preparation of those financial statements.

Report on Other Legal and Regulatory Requirements

Nothing came to our attention that during the year ended 31st of December 2014, the bank was not in compliance with the laws and regulations of the Central Bank of Egypt, and banking and monetary institution no. 88 of 2003.

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

The financial information included in the Board of Directors' Report, prepared in accordance with Law no. 159 of 1981 and its executive regulation, is in agreement with the books of the bank insofar as such information is recorded therein.

Cairo: 4 February 2015

Auditors

Nabil Akram Istanbouli
Allied for Accounting
& Auditing E&Y
Public Accountants & Consultants

Hesham El-Afandy
KPMG Hazem Hassan
Public Accountants
& Consultants

المتضامنون للمحاسبة والمراجعة
A. Member of
Ernst & Young Global

KPMG حازم حسن
محاسبون قانونيون ومستشارون

Bank Audi (S.A.E)
BALANCE SHEET
31 DECEMBER 2014

	Note no.	31 December 2014 EGP	31 December 2013 EGP
Assets			
Cash and balances with Central Bank of Egypt	(15)	1 544 523 880	1 017 010 048
Due from banks	(16)	3 370 898 053	1 930 474 772
Treasury bills and other governmental notes	(17)	7 255 705 188	4 784 755 964
Loans and facilities to banks	(18)	144 442 886	118 847 868
Loans and facilities to customers	(19)	12 634 721 799	10 784 314 683
Financial derivatives	(20)	285 439	599 185
Financial Investments:			
Available for sale	(21)	4 797 780 765	3 355 646 656
Held to maturity	(21)	10 000 000	10 000 000
Intangible assets	(22)	11 410 919	7 859 438
Other assets	(23)	455 949 417	336 326 623
Fixed assets	(24)	346 079 151	303 936 090
Total Assets		30 571 797 497	22 649 771 327
Liabilities and Equity			
Liabilities			
Due to banks	(25)	174 125 867	62 415 389
Customers' deposits	(26)	27 182 541 305	19 772 523 276
Financial derivatives	(20)	222 396	60 106
Other loans	(27)	214 203 000	208 158 000
Other liabilities	(28)	321 147 940	268 515 162
Other provisions	(29)	44 586 823	43 117 177
Current income tax liability		94 927 935	92 170 272
Deferred tax liability	(30)	18 462 582	8 749 317
Total liabilities		28 050 217 848	20 455 708 699
Equity			
Paid up capital	(31)	1 843 243 065	1 543 358 865
Reserves	(32)	268 467 679	279 593 484
Retained earnings	(32)	409 868 905	371 110 279
Total equity		2 521 579 649	2 194 062 628
Total Liabilities and Equity		30 571 797 497	22 649 771 327

The accompanying notes from page (48) to page (111) are integral part of these financial statements and are to be read therewith.

Auditors' report attached.

Mohamed A. Fayed
Deputy Chairman
& Managing Director

Hatem A. Sadek
Chairman
& Managing Director

Bank Audi (S.A.E)
STATEMENT OF INCOME
For the year ended 31 December 2014

	Note no.	For the Year Ended 31 December 2014 EGP	For the Year Ended 31 December 2013 EGP
Interest income on loans and similar income	(6)	2 419 788 905	1 969 815 491
Interest expense on deposits and similar expense	(6)	(1 600 551 285)	(1 255 620 479)
Net interest Income		819 237 620	714 195 012
Fees and commissions income	(7)	225 426 474	173 449 465
Fees and commissions expense	(7)	(13 503 603)	(9 952 785)
Net income from fees and commissions		211 922 871	163 496 680
Dividends income	(8)	132 262	159 720
Net trading income	(9)	2 126 621	532 038
Gains from financial investments	(21)	72 466 050	51 576 158
Impairment charges on credit losses	(12,19)	(44 860 986)	(69 022 909)
Administrative expenses	(10)	(406 213 430)	(330 529 487)
Other operating income	(11)	8 084 777	20 431 089
Net profit before income taxes		662 895 785	550 838 301
Income tax expenses	(13)	(218 239 780)	(179 630 096)
Net profit for the year		444 656 005	371 208 205
Earning per share (pound/share)	(14)	13.43	14.10

The accompanying notes from page (48) to page (111) are integral part of these financial statements and are to be read therewith.

Bank Audi (S.A.E)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Note no.	Issued & Paid up Capital EGP	Payment of increase in issued capital	Reserves EGP	Retained Earnings EGP	Total EGP
Balances as of 31 December 2012		1 337 024 865	-	269 498 673	253 660 465	1 860 184 003
Dividends for the year 2012 (Shareholders' share)	(32E)	-	-	-	(216 996 247)	(216 996 247)
Dividends for the year 2012 (Employees' share)	(32E)	-	-	-	(24 110 694)	(24 110 694)
Transferred to legal reserves		-	-	12 553 524	(12 553 524)	-
Payment of increase in issued capital		-	206 334 000	-	-	206 334 000
Increase in issued capital	(31)	206 334 000	(206 334 000)	-	-	-
Transferred to general banking risk reserves		-	-	97 926	(97 926)	-
Net Profit for the year ended 31 December 2013		-	-	-	371 208 205	371 208 205
Net Change in investments available for sale after deduct taxes		-	-	(2 556 639)	-	(2 556 639)
Balances as of 31 December 2013		1 543 358 865	-	279 593 484	371 110 279	2 194 062 628
Dividends for the year 2013 (Shareholders' share)	(32E)		299 884 200	-	(317 294 882)	(17 410 682)
Dividends for the year 2013 (Employees' share)	(32E)	-	-	-	(35 254 987)	(35 254 987)
Transferred to legal reserves	(32C)	-	-	18 560 410	(18 560 410)	-
Increase in issued capital	(31)	299 884 200	(299 884 200)	-	-	-
Transferred to general banking risk reserves	(32B)	-	-	34 787 100	(34 787 100)	-
Net Profit for the year ended 31 December 2014	(32E)	-	-	-	444 656 005	444 656 005
Net Change in investments available for sale after deduct taxes	(32D)	-	-	(64 473 315)	-	(64 473 315)
Balances as of 31 December 2014		1 843 243 065	-	268 467 679	409 868 905	2 521 579 649

The accompanying notes from page (48) to page (111) are integral part of these financial statements and are to be read therewith.

Bank Audi (S.A.E)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Note no.	For the year ended 31 December 2014 EGP	For the year ended 31 December 2013 EGP
Cash flows from operating activities			
Net profits for the year before taxes		662 895 785	550 838 301
Adjustments to reconcile net profits to cash flows provided from operating activities			
Depreciation and amortization		38 679 173	36 726 933
Impairment charges on credit losses		44 860 986	69 022 909
Other provisions charges		5 761 320	23 074 887
Provisions used - other than loan provision		(308 031)	(1 053 393)
Foreign currency provisions revaluation differences (other than loan provision)		42 209	98 310
Financial investments revaluation differences (other than financial assets for trading)		(17 092 168)	(50 355 460)
Gain from treasury bills and bonds - effect of recalculated bonds at amortized cost		31 861 517	10 551 991
Gains from sale of fixed assets		(72 601)	(228 521)
Profit from dividends (other than financial assets for trading)		(132 262)	(532 038)
Adjustments on fixed assets		542 256	61 959
Provisions no longer required		(4 025 852)	(195 493)
Other loans revaluation differences		6 045 000	18 588 000
Profit from sale of other financial investments		(67 620 459)	(37 454 880)
Operating Profits before changes in assets and liabilities provided from operating activities		701 436 873	619 143 505
Net (increase) decrease in assets			
Balances with the Central Bank of Egypt within reserve percentage		(506 155 074)	(68 030 737)
Due from banks		(1 337 941 444)	(108 033 267)
Treasury bills and other governmental notes or securities		(2 470 949 224)	(1 304 154 215)
Financial derivatives (net)		476 036	2 135 546
Loans and facilities to banks		(25 595 018)	(58 911 959)
Loans and facilities to customers		(1 895 268 102)	(1 458 240 236)
Other assets		(178 942 555)	(48 837 922)

	Note no.	For the year ended 31 December 2014 EGP	For the year ended 31 December 2013 EGP
Net increase (decrease) in liabilities			
Due to banks		111 710 478	(226 308 567)
Customers' deposits		7 410 018 029	3 554 853 575
Other liabilities		52 632 778	69 999 243
Paid income taxes		(209 900 074)	(190 442 918)
Net cash flows provided from operating activities		1 651 522 703	783 172 048
Cash flows from investing activities			
Proceeds from sale of fixed assets		430 676	425 449
Payments to acquire fixed assets and fixtures of branches		(17 701 857)	(4 750 863)
Payments to acquire intangible assets		(8 252 428)	(5 204 009)
Payments to purchase of financial investments held to maturity		-	(5 000 000)
Payments to purchase of financial investments (other than financial assets for trading)		(8 991 779 070)	(2 094 972 826)
Proceeds from sale of financial investments (other than financial assets for trading)		7 542 153 978	1 356 690 923
Dividends profits of investments (other than financial assets for trading)		132 262	159 720
Net cash flows (used in) provided from investing activities		(1 475 016 439)	(752 651 606)
Cash flows from financing activities			
Proceeds from increase in capital		299 884 200	206 334 000
Dividends paid		(352 549 869)	(241 106 941)
Net cash flows (used in) provided from financing activities		(52 665 669)	(34 772 941)
Net change in cash and cash equivalents during the year		123 840 595	(4 252 499)
Cash and cash equivalents at beginning of the year		153 373 837	157 626 336
Cash and cash equivalents at end of the year		277 214 432	153 373 837
Cash and cash equivalents are represented in :			
Cash and due from Central Bank		1 544 523 880	1 017 010 048
Due from banks		3 370 898 053	1 930 474 772
Treasury bills and other governmental notes		7 255 705 188	4 784 755 964
Balances with the Central Bank of Egypt within reserve percentage		(1 402 170 156)	(896 015 082)
Balances with banks (with maturities of more than three months)*		(3 236 037 345)	(1 898 095 901)
Treasury bills and other governmental notes (with maturities of more than three months)		(7 255 705 188)	(4 784 755 964)
Cash and cash equivalents	(33)	277 214 432	153 373 837

Non - cash transactions presented as follows:

For the purpose of preparing cash flows statement the followings transactions were eliminated :-

- EGP 59 319 761 represents payments to purchase fixed assets and change on other assets which transferred from projects under construction
- EGP 7 278 366 represents fair value reserve and financial investments available for sale (investments revaluation differences)

* From acquisition date

The accompanying notes from page (48) to page (111) are integral part of these financial statements and are to be read therewith.

Bank Audi (S.A.E)
STATEMENT OF DIVIDENDS (PROPOSED)
For the year ended 31December 2014

	Note no.	For the year ended 31 December 2014 EGP	For the year ended 31 December 2013 EGP
Net profit for the year from the statement of income		444 656 005	371 208 205
General banking risk reserves		(34 787 100)	(97 926)
Gains from sale of fixed assets transferred to capital reserve according to law regulations		(72 601)	-
Net profit for the year available to distribute		409 796 304	371 110 279
To be distributed as follows:			
Legal Reserve		22 229 170	18 560 410
Employees' profits share		38 756 713	35 254 987
Shareholders' Dividends		348 810 421	317 294 882
Total		409 796 304	371 110 279

The accompanying notes from page (48) to page (111) are integral part of these financial statements and are to be read therewith

Bank Audi (S.A.E)
Notes for the Financial Statements
For the year Ended 31st of December 2014

1- Background
Bank Audi (S.A.E) provides retail, corporate and investment banking services in the Arab Republic of Egypt and outside Egypt; its 34 branches are served by 1082 staff members at the date of the financial statements.

Bank Audi (S.A.E) was incorporated in accordance with the provisions of the investment law no. 43 for year 1974 and its executive regulations and the amendments thereon in the Arab Republic of Egypt. The head office is located in the Governorate of Giza.

The financial statements were approved for issuance by the Board of Directors on the 28th of January 2015.

2- Summary of Significant Accounting Policies
The following are the significant accounting policies adopted in the preparation of financial statements.

2-A Basis of Preparation
These financial statements have been prepared in accordance with the instructions of Central Bank of Egypt (CBE) rules approved by its Board of Directors on the 16th December 2008; under the historical cost basis, as modified by the measurement of financial assets and financial liabilities classified at initiation at fair value through profit or loss; available for sale financial assets and all financial derivative instruments. These financial statements have been prepared in accordance with the applicable Egyptian laws and regulations.

2-B Investments in Subsidiaries and Associates

2-B/1 Investments in Subsidiaries
Subsidiaries are all entities (including special purpose entities /SPEs), which the Bank exercises direct or indirect control over its financial and operating policies. Usually the Bank 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 when assessing whether the bank has the control over the entity.

2-B/2 Investments in Associates
Associates are all entities which the Bank has

exercises directly or indirectly a significant influence, but without exercising control. Usually the Bank has an ownership between 20% to 50% of the voting rights.

The purchase method is used to account for the Bank's acquisition of subsidiaries. The cost of acquisition is measured at fair value or the consideration given by the Bank of assets and/or issued equity instruments and/or obligations incurred by the Bank and/or obligations the bank assumed on behalf of the acquire company at the date of exchange, plus costs directly attributable to the acquisition. Net assets including identifiable contingent liabilities are measured initially at fair value at the acquisition date, irrespective of the non-controlling 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 the financial statements is accounted for using cost method. According to this method, investments recorded at cost of acquisition including goodwill, if any, less any impairment losses. Dividends are recognized in the income statement when they are declared and the Bank's right to collecting them has been established.
The bank has no investments in subsidiaries and associates as of 31st December 2014.

2-C Segment Reporting

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

A geographical segment provides products or services within a specific economic environment characterized by risks and benefits different from those related to other geographical segments operating in a different economic environment.

2-D Foreign Currency Translation

2-D/1 Functional and Presentation Currency

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

2-D/2 Transactions and Balances in Foreign Currencies

The Bank maintains its accounting records in Egyptian pounds. Transactions in foreign currency during the year are translated into Egyptian pound at the end of the reporting year using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of each reporting period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement of such transactions and recognized in the income statement and reported under the following items:

- Net trading income or net income of the financial instruments classified at initiation at fair value through profits and losses for trading assets and liabilities or those classified at initiation at fair value through profits and losses according to its type.
- Financial derivatives of equity which are eligible for qualified hedge of cash flows or eligible for qualified hedge of net investment.
- Other operating income (expenses) for the other items.

Changes in the fair value of monetary financial instruments denominated in foreign currencies and classified as available for sale assets (debt instruments) are analyzed into differences resulting from changes in amortized cost of the instrument; differences resulting from changes in applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in amortized cost are recognized and reported in income statement under ''Interest income on loans and similar income'' where differences resulting from changes in exchange rates are recognized under item "other operating income (expenses)". Differences resulting from changes in fair value are recognized in equity and accumulated under 'revaluation reserve of available-for-sale investments'.

Valuation differences resulting from non-monetary items include gains and losses resulting from changes in fair value such as equity instruments classified at fair value through profits and losses, where valuation differences resulting from equity instruments classified as available for sale financial assets are recognized in equity and accumulated under 'revaluation reserve of available-for-sale investments'.

2-E Financial Assets

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

2-E/1 Financial Assets Designated at Fair Value through Profit or Loss

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

A financial asset 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. Derivatives are classified as an instrument held for trading unless they are designated as effective hedging instruments.

Financial assets are classified at initiation at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and issued debt securities.
- Some investments such as equity investments are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.
- Financial instruments, such as debt instrument which contains one or more embedded financial derivatives that may significantly affect the cash flows, are classified at fair value through profit and loss.

Gains and losses arising from changes in the fair value of financial derivatives that are managed in conjunction with financial assets or financial liabilities, which are classified at initiation at fair value through profit or loss, are recorded in the "net income from financial instruments classified at initiation at fair value though profit and loss"

It is not permitted to reclassify any financial derivative out of the financial instrument valued at fair value through profit or loss category during its holding period, or during its validity period. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is initially recorded by the bank at fair value through profit or loss.

In all cases the Bank should not reclassify any financial instrument to financial instruments category which are measured at fair value through profit or loss or to held for trading investments.

2-E/2 Loans and Receivables

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

- 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 credit worthiness deterioration.

2-E/3 Held to Maturity Financial Assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable amount and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Any sale of a significant amount, before maturity, would result in the reclassification of all held to maturity financial assets as available for sale other than those allowed in specific circumstances.

2-E/4 Available for sale financial assets

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

The following applied in respect of all financial assets:

Regular-way purchases and sales of financial assets classified as at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale are recognized at the settlement-date, which is the date that an asset is delivered to or by the entity.

Financial assets, other than those classified as at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Financial assets classified as at fair value through profit or loss are initially recognized at fair value. Transaction costs associated with those assets are recognized in the income statement in 'net trading income'.

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers the financial asset and all the risks and rewards associated with the ownership of the asset to another entity. Financial liabilities are derecognized when they are extinguished; that is when the obligation is discharged, cancelled or it expires.

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

Gains and losses arising from changes in the fair value of the financial assets classified as at fair value through profit or loss are recognized in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available–for-sale financial assets shall be recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity shall be recognized in the income statement.

Interest income calculated using the amortized cost method, and gains and losses arise from the foreign currency on monetary financial assets classified as available-for-sale financial investments shall be recognized in the income statement. Dividends resulted from the equity instruments classified as available-for-sale shall be recognized in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the bank could not assess the value of the equity classified as available for sale, these instruments should be measured at cost after deducting any impairment.

Debt instruments can be reclassified from the available for sale investments to "loans and receivables" or" financial assets held to maturity" using fair value – in certain circumstances - when the bank has the intention and ability to hold the instrument for the foreseeable future or till maturity. Reclassifications are recorded at fair value at the date of reclassification. Any related profits or losses that have been previously recognized in equity are treated as follows:

1-Financial assets with fixed maturity date, the gains or losses are amortized over the remaining lifetime of the held to maturity investment using the effective interest rate method, any difference between the value based on the amortized cost and the value based on maturity date is to be amortized over the remaining lifetime of the financial asset by using the effective interest rate method. In case of subsequent financial asset's impairment any profits or losses previously recognized in equity are recognized in profit and loss.

2-Profits and losses related to the financial assets without fixed maturity date are recorded in equity till selling or disposing it, and then they are recognized in profits and losses. In case of impairment, profits and losses that have been previously recognized directly in equity are recognized in the profit and loss.

If the bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be settled to reflect the actual cash flows and the adjusted estimates, provided that the book value is to be recalculated by calculating the present value of estimated future cash flow using the effective interest rate of the financial instrument. This settlement is recognized as either income or expense in the profit and loss.

In all cases, if the bank re-classified financial asset in accordance with what is referred to above and the bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, the impact of this increase is recognized as a settlement to the effective interest rate from the date of the change in estimate not as an adjustment in the book value of the asset at the date of change in estimate.

2-F Offsetting of Financial Assets and Financial Liabilities

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

Items of purchase agreements of treasury bills with the obligation to resell and sale agreement of treasury bills with the obligation to repurchase (repos and reverse reposes) are shown net in the balance sheet under the item of treasury bills.

2-G Financial Derivative Instruments and Hedge Accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are determined based on quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives in a hybrid contract, such as the conversion option in a convertible bond, are treated as separate derivatives when they meet the definition criteria of an independent derivative, their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement as part of "net trading income".

Embedded derivatives are not split if the bank chooses to classify the entire hybrid contact as at fair value through profit or loss.

The treatment of change in fair value gain or loss depends on whether the derivative is designated as a hedging instrument. According to the hedged item, the bank designates certain financial derivatives as either of the following:

- Hedging of the fair value of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of the expected future cash flow related to an asset or liability or to an expected transaction (cash flow hedge).
- Hedging of the net investment in foreign transactions. (net investment hedge).

Hedge accounting is used for financial derivatives designated in a hedging relationship when certain criteria are met.

The bank performs the documentation of the relationship between the hedged items and the hedging instruments, at the initiation of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The bank also documents its assessment, both at hedge initiation and on an ongoing basis, of whether the financial derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items.

2-G/1 Fair Value Hedge

Changes in the fair value of financial derivatives that are designated as hedging instrument and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Effective changes in fair value of interest rate swaps and related hedged items are reflected in 'net interest income' and effective changes in fair value of currency future contracts are reflected in 'net trading income'.

Any ineffective changes in contracts and related hedged items mentioned in the previous paragraph are recorded in 'net trading income'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the book value of a hedged item for which is accounted for using the amortized cost method should be amortized by charging it to profit or loss over the year to maturity.

The adjustments made to the book value of the hedged equity instrument are included among the equity until they are disposed.

2-G/2 Cash Flow Hedge

For designated and qualifying cash flow hedges, the effective portion of the fair value of the hedging instrument is initially recognized directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in 'net trading income'.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument cumulated in the equity is recorded in the corresponding income or expense line of the income statement. The effective portion of the gain or loss on the forward exchange swap and options is recognized immediately in 'net trading income'.

When a hedging instrument expires, or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the equity at that time remains in the equity and is recognized when the hedged forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the equity is immediately transferred to the income statement.

2-G/3 Hedge of Net Investments

Hedges of net investments are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in the equity while any gains or losses relating to the ineffective portion are recognized in the statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized in the equity is transferred to the income statement.

2-G/4 Derivatives that do not qualify for Hedge Accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement under net trading income. However, gains and losses arising from changes in the fair value of financial derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in "net income from financial instruments classified at initiation at fair value through profit or loss" in income statement under "net trading income".

2-H Day 1' Profit or Loss Recognition

The fair value for financial instruments traded in active markets at the date of transaction is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions). However, if it is inferred on the same date over the fair value of the instrument based on transaction prices in the published markets or by using valuation models. When the bank enters into transactions matures after long periods, the fair value is determined by using valuation models and may not all of its inputs are market prices or published markets rates and the initial recognition of these financial instruments at the transaction price, which is the best indicator of fair value, although the value that is obtained from the valuation model may be different, no immediate recognition of profit or loss from the difference between the transaction price and the amount of the output of the model, which is known as "Day 1 profit and loss" and is included in other assets in case of loss or other liabilities in the case of profit.

The deferred profit or loss recognition is determined case by case, either by amortizing over transaction life time or by the ability to determine the fair value of the tool using the declared markets inputs, or recognizing it at the transaction settlement, the instrument is measured subsequently and the bank immediately recognizes the difference between the transaction price and fair value in the income statement.

2-I Interest Income and Expense

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

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

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

- When collected and after recovery of all arrears for retail loans, personal loans, real estate loans for personal housing and small loans for businesses.
- For loans granted to corporate, interest income is recognized on cash basis, the calculated interest is subsequently added to the loan according to loans' scheduling contract terms until the payment of 25% of the scheduling installments and a minimum of one year of being regular. In case the client is continuing in performing the payment, the calculated interest is added to the loan's balance without the marginal interest not included in the income until after the full repayment of the loan's balance in the balance sheet before the reschedule.

2-J Fees and Commission Income

Fees and commissions related to loan or advances are recognized as income when the service is rendered. Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet and are recognized under income according to the cash basis when interest income is recognized in accordance with note (2 –I) above. Fees and commissions which represent an integral part of the financial asset's effective interest rate are recognized as adjustment to the effective interest rate in general.

Engagement fees on loans are to be postponed, if there is a probability that these loans will be withdrawn on the ground that these fees which the bank receives is a compensation for the constant intervention to acquire the financial instrument. Then they are recognized by amending the effective interest rate on the loan, when the period of Engagement comes to end without the bank's issuance of the loan then these fees are recognized within income at the expiry of the Engagement validity.

Fees and commissions related to debts instrument that are measured by its fair value are recognized as income at initial recognition. Fees and commissions related to promoting of syndicated loans are recognized as income when the promoting process is completed and the loan is fully used or the bank kept its share of the loan using the effective interest rate as used by the other participants.

Fees and commissions arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed. Commissions and fees related to management advisory and other services are recognized as income usually based on a timely proportion basis over rendering of the service, Financial planning management fees and custody services fees, which are provided for long periods of time are recognized over the period in which the service is rendered.

2-K Dividend Income

Dividends are recognized in the profit and loss when the bank's right to receive those dividends is declared.

2-L Purchase and Resale Agreements and Sale and Repurchase Agreements

The financial instruments sold, by virtue of repurchase agreements, are shown under the assets by being added to the balance of treasury bills and other government notes in the balance sheet, while the liability (purchase and resale agreement) is shown in the balance sheet as being deducted from treasury bills and other government notes in the balance sheet. The difference between the sale price and repurchase price is recognized as a return due throughout the period of agreements, using the effective interest rate method.

2-M Impairment of Financial Assets

2-M/1 Financial Assets carried at Amortized Cost

At each balance sheet date, the bank assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The bank considers the following indicators to determine the existence of objective evidence for impairment losses:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.
- Deterioration of the competitive position of the borrower.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of collaterals.
- Deterioration in the creditworthiness of the borrower.

An objective evidence for impairment losses of group of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset, for example, the increase in failure payment cases for one of the bank products.

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

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

- In case there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, the bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment according to historic default rates.
- A separate impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will not included in the group of assets which impairment losses are assessed on a collectively basis.
- If the result of the previously test did not recognize impairment loss, then this asset will be added to the group.

Impairment losses are measured by the difference between the asset's book value and the present value of expected future cash flows, excluding future expected credit losses not charged yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".

If there is evidence that loan or investment held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the bank may measure the impairment losses using the fair value of the instrument through its quoted market prices for guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

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

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

The bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from period to period, such as , changes in unemployment rates, real estate prices, settlement status, or other factors that may indicates the probability and magnitude of losses in the group. The bank is conducting a periodic review of the methods and assumptions used to estimate future cash flows.

2-M/2 Available for Sale Financial Assets

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

The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extends for a period of more than 9 months. When a decline in the fair value of an available for sale financial asset has been recognized directly in equity under fair value reserve and subsequent objective evidence of impairment emerges, the bank recognizes the total accumulated loss previously recognized in equity will be recognized in profit and loss. Impairment losses recognized on equity instruments on income statement are not subsequently reversed. Impairment losses recognized through income statement on debt instruments classified as available for sale are reversed through income statement if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in income statement.

2-N Investment Property

Investment property represents land and buildings owned by the bank and used to earn rental income or a capital appreciation. Investment property doesn't include properties used by the bank during its normal course of operation or these assets reverted to the bank in settlement of debts. The accounting policy for investment property is the same as for fixed assets.

2-O Intangible Assets

2-O/1 Computer Software

The expenses, related to upgrading or maintenance of computer software, are to be recognized as expenses in income statement, when incurred. The expenses connected directly with specific software and which are subject to the bank's control and expected to produce economic benefits exceeding their cost for more than one year, are to be recognized as an intangible asset. The direct expenses include staff cost of software upgrading teamwork, in addition to a suitable portion of respective overhead expenses.

The expenses which lead to increase or expansion of computer software beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The computer software cost recognized as an asset shall be amortized over the period expected useful life not more than three years.

2-O/2 Other Intangible Assets

They represent the intangible assets other than the goodwill and the computer programs (such as, trademarks, patents and rental contracts returns).

The other intangible assets are recognized at its acquisition cost and amortized using the straight line method or according to the economic benefits expected to be gained by them over their usual lives. As for the assets with no determined useful lives, they are not to be amortized, but to be tested annually to determine whether there is impairment in its value. If there's impairment, it is charged to the income statement.

2-P Fixed Assets

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

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

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

Buildings and constructions	40 - 50 years
Leasehold improvements	10 years or over the period of the lease if it's lower
Office furniture and safes	4 - 20 years
Typewriters, calculators and air conditions	4 - 5 years
Motor vehicles	5 - 7 years
Computers/core systems	4 - 5 years
Fixtures and fittings	5 - 10 years

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

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

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

2-Q Impairment of Non-Financial Assets

Assets having no fixed useful life, except for goodwill, shall not be amortized, and their impairment shall be tested at least annually. The impairment of amortized assets is studied to determine if there are events or changes in the circumstances indicating that the book value may not be recoverable.

The impairment loss is recognized by the excess amount of book value over the realizable value. The recoverable value represents net realizable value of the asset or the usage amount whichever is higher. For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit. At each balance sheet date, non-financial assets with impairment has to be reviewed to determine if there is impairment reversal made to the income statement.

2-R Leases

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

2-R/1 As a Lessee

Finance lease contracts recognize rent as expense in the period it occurred in profit and loss, including maintenance cost related to the leased assets. If the bank decides to exercise the rights to purchase the leased assets, the cost of this right will be capitalized over the fixed asset and depreciated over the assets' expected remaining useful life in accordance with similar assets.

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

2-R/2 As a Lessor

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

In case there is objective evidence that the bank will not be able to collect all assets of financial lease debtors, it will be reduced to the recoverable amount.

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

2-S Cash and Cash Equivalents

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

2-T Other Provisions

Provisions for restructuring costs and legal claims are recognized when the bank has a present legal or constructive obligation as a result of past events; it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined taking into consideration the group of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

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

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from balance sheet date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

2-U Financial Guarantees

The financial guarantees contracts are contracts issued by the bank as security for loans or overdrafts due from its customers to other entities, which require the bank to make certain payments to compensate the beneficiary for a loss incurred due to default of the debtor on maturity date and in accordance with debt instrument conditions. These financial guarantees are given to the banks, corporations and other entities on behalf of the bank's customers.

It's initially recognized at fair value including guarantee fees at the date of granting. Subsequently, the bank's obligation shall be measured by the value initially recognized less guarantee fees amortization which is recognized in the income statement on a straight line basis over the higher of the guarantee life term or over the best payment estimates required to settle the financial obligation resulted from the financial guarantee at the balance sheet date. These estimates are mainly based on management experience with similar transactions and historical losses.

Any increase in the obligations resulted from the financial guarantee, is recognized in "other operating income (expenses)" caption.

2-V Employees Benefits

2-V/1 Post-Employment Benefits

The bank manages a variety of retirement benefit plans are often funded through determined payments on the basis of periodical actuarial calculations and paid to insurance companies and other specialized funds. The bank has a defined benefit and defined contribution plans.

Defined Benefit Plans: these are retirement rules, which specify the amount of the retirement benefits that the employee will grant 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 benefits liabilities at the balance sheet's 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.

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

obligations related to them.
Calculated gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions and the profits are to be deducted (the losses added) 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 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 are immediately recognized in the income statement within administrative expenses unless the introduced changes on the retirements' plans are conditional on the remaining of employees in service for a specified period of time (vesting period). In such case, the past service costs is to be amortized by the straight-line method over the vesting period.

Defined Contributions' Plans: These are pension scheme to which the banks 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.

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

2-V/2 Liabilities of Other Post-Service's Benefits

The bank extends health care benefits to retirees after the end of service term. Usually such benefits are conditional on the stay of the employee in the service until retirement age and the completion of a minimum period of service. The expected costs of these benefits are to be 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 item 2-V/1.

2-X Income Taxes

The income taxes on the year's profits or losses include the tax of the current year and the deferred tax and they are recognized in the income statement with the exception of the income tax on the items of equity which is directly recognized within equity.

The income tax is recognized on the basis of the net profit subject to tax through the application of enacted tax rates at the date of preparing the balance sheet in addition to the tax adjustments related to previous years.

Deferred taxes are recognized from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax bases. Deferred tax assets and liabilities are measured at the tax rates that expected to apply in the period in which the ability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting year.

The deferred tax assets are recognized when there is likelihood to achieve taxable profits in the future through which this asset can be utilized. The value of deferred tax assets is reduced by the portion which will not realize the expected taxable benefit in the coming years, in case of the increase in expected taxable benefits the deferred tax assets should be increased within the limit of previous reduction.

2-Y Borrowings

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

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

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

2-Z Capital

2-Z/1 Capital Issuance Cost

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

2-Z/2 Dividends

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

2-Z/3 Treasury Shares

When the bank purchases capital shares, the amount paid is deducted from the total equity representing the cost of the treasury shares until they are cancelled. In case these shares are sold or reissued in a subsequent period, the amounts collected are added to the equity.

2-AA Custodial Activities

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

2-AB Comparative Figures

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

3- Management of Financial Risk

The bank, as a result of the activities it exercises, is exposed to various financial risks. Since the basis of financial activity is to accept risks; some risks or group of risks are analyzed, evaluated and managed together. The bank aims to achieve an adequate balance between the risk and return and to reduce the probable adverse effects on the bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates risk, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated systems. The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications.

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

3-A Credit Risks

The bank is exposed to the credit risk which is the risk resulting from failure of one party to meet its contractual obligations towards the bank. The credit risk is considered to be the most significant risks for the bank. The bank set specific procedures to manage that risk. The credit risk is in the lending and investments activities which are represented bank's assets contain debt instruments. The credit risk is also found in off balance sheet financial instruments, like loan commitment. The managing and monitoring process on credit risk is centralized at credit risk team management at credit risk department that prepare reports to Board of Directors and Head units on regular basis.

3-A/1 Credit Risk Measurement

Loans and Advances to Banks and Customers

In measuring credit risk of loan and advances to customers and to banks, the bank examines the following three components:

- The 'probability of default' by the client or counterparty on its contractual obligations.
- Current position and its likely future development, from which the bank derive the 'Exposure at default'
- The 'loss given default'.

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee), are embedded in the bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3-A/3).

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

Bank's Internal Ratings Scale

Bank's Rating	Description of the Grade
1	Performing loans
2	Regular watch list
3	Special watch list
4	Nonperforming loans

The amount of default represent the outstanding balances at the time when a late settlement occurred for example the loans expected amount of default represent its nominal value. For commitments, the default amount represents all actual withdrawals in addition to any withdrawals occurred till the date of the late payment if any.

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

Debt Instruments, Treasury Bills and Other Bills

For debt instruments and other bills, external rating such as Standard and Poor's rating or their equivalents are used by the bank for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3-A/2 Risks Limitation and Mitigation Policies

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

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

Credit limits for any borrower including banks are divided by sub-limits covering on- and off balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

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

Collaterals

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

- Mortgages
- Mortgage business assets such as machines and goods.
- Mortgage financial instruments such as debt securities and equity instruments.

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

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

Derivatives

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

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

Master Netting Arrangements

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

Credit-Related Commitments

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

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

3-A/3 Impairment and Provisioning Policies

The internal rating systems described in note (3-A/1) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined by the expected loss models used at 31 December 2014 for Central Bank of Egypt's regulations (note 3-A/4).

The impairment provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last two ratings. The table below shows the percentage of in-balance sheet items relating to loans and advances and the related impairment for each rating:

Bank's Rating	31 December 2014		31 December 2013	
	Loans and Advances	Allowance for Impairment Loss	Loans and Advances	Allowance for Impairment Loss
	%	%	%	%
Performing loans	78	22	81	24
Regular watching	17	6	12	5
Watch list	1	0	4	1
Non-performing loans	4	72	3	70
Total	100	100	100	100

The bank's internal rating assists management to determine whether objective evidence of impairment exists under Egyptian Accounting Standard no. 26, based on the following criteria set out by the bank:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.
- Deterioration of the competitive position of the borrower.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of collaterals.
- Deterioration in the creditworthiness of the borrower.

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

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

3-A/4 General Model for Measurement of Banking Reserve

In addition to the four categories of credit rating indicated in note (3-A/1), the management makes more detailed groups in accordance with the Central Bank of Egypt requirements. Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, it's activity, financial position and payment schedules.

The bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by Central Bank of Egypt. In case, the provision required for impairment losses as per Central Bank of Egypt regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings and credited to the "general banking risk reserve" under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase between the two provisions. This reserve is not distributable. Note (32-B) shows the "general banking risk reserve" movement during the financial year.

Following is a statement of credit rating for firms as per internal valuation basis compared to Central Bank of Egypt valuation basis and the percentages of provisions required for impairment of assets exposed to credit risk.

CBE Rating	Description	Required Provision %	Internal Rating	Internal Description
1	Low risk	0	1	Good debts
2	Moderate risks	1%	1	Good debts
3	Satisfactory risks	1%	1	Good debts
4	Appropriate risks	2 %	1	Good debts
5	Acceptable risks	2 %	1	Good debts
6	Marginally acceptable risks	3 %	2	Normal Watch List
7	Watch List	5 %	3	Special Watch List
8	Substandard debts	20 %	4	Non-performing loans
9	Doubtful debts	50 %	4	Non-performing loans
10	Bad debts	100 %	4	Non-performing loans

3-A/5 Maximum Limit for Credit Risk before Collaterals

	31 December 2014 EGP	31 December 2013 EGP
Balance sheet items exposed to credit risks		
Treasury bills and other governmental notes	7 255 705 188	4 784 755 964
Loans and advances to banks	144 442 886	118 847 868
Loans and advances to customers		
Retail loans (net):		
• Credit cards	316 064 356	254 555 325
• Personal loans	2 290 658 654	1 773 531 279
• Overdrafts	394 443 169	260 003 684
• Real estate loans	42 016 776	30 666 593
Corporate loans (net):		
• Overdrafts	5 032 532 804	4 645 561 219
• Direct loans	1 721 399 128	1 477 792 554
• Syndicated loans	2 568 356 591	2 091 426 500
• Other loans	269 250 321	250 777 529
Financial investments:		
• Debt instruments	4 804 935 642	3 363 194 808
Total	24 839 805 515	19 051 113 323
Off-balance sheet items exposed to credit risk*		
Loan commitments and other irrevocable commitments	466 240 060	350 009 928
Letters of credit- import	380 545 905	246 689 682
Letters of guarantee	1 662 438 339	1 442 719 923
Debtors by acceptances	212 553 859	112 052 053
Total	2 721 778 163	2 151 471 586

*Note (34-C)

The previous table represents the maximum limit of exposed credit risk as of 31 December 2014 and 31 December 2013, without taking into considerations any collateral. For on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table, 51% of the total maximum limit exposed to credit risk resulted from loans and advances to customers and banks at 31 December 2014 against 57% at end of the comparative year while investment in debt instruments represents 19% against 18% at end of the comparative year.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loan and advances, and debt instruments as follows:

- 96% of the loans and advances portfolio is classified at the highest two ratings in the internal rating at 31 December 2014 against 93% at end of the comparative year.
- 92% of the loans and advances portfolio having no past dues or impairment indicators at 31 December 2014 against 79% at end of the comparative year.
- Loans and advances subject to impairment have been evaluated on an individual basis of total amount EGP 324 829 066 at 31 December 2014 against EGP 273 459 772 at the end of comparative year, there is an impairment less than 67% against 69% at the end of comparative year.
- As a result, the impairment loss charged to the statements of income by the amount of EGP 14 964 234 on an individual basis during the year against EGP 28 046 655 at the end of comparative year.
- The bank has applied more strict granting operations when granting loans and advances during the financial year ended as of 31 December 2014.
- Investments in debt instruments and treasury bills contain more than 94% at 31 December 2014 against 92% at the end of comparative year due from the Egyptian Government.

3-A/6 Loans and Advances

Loans and advances are summarized according to the credit worthiness as follows:

	31 December 2014 Loans and Advances to Customers EGP	31 December 2013 Loans and Advances to Customers EGP
Neither past dues nor impaired	11 923 580 725	8 734 541 743
Past dues but not impaired	610 693 392	1 987 710 452
Subject to impairment	421 771 845	358 320 058
Total	12 956 045 962	11 080 572 253
Less: Allowance for credit loss	(321 324 163)	(296 257 570)
Net	12 634 721 799	10 784 314 683

- The bank's total impairment loss for loans and advances amounted to EGP 44 860 986 at 31 December 2014 against to EGP 69 022 909 at comparative year of which EGP 37 761 300 against EGP 22 797 066 at comparative year representing impairment of individual loans and the remaining amounting to EGP 7 099 686 against EGP 46 225 843 at comparative year representing collective impairment on a group basis for the credit portfolio. Note (19) includes additional information regarding impairment loss on loans and advances to customers.
- The bank's portfolio increased by 17% during the year in comparison with the financial year ended as at 31 December 2013 due to expanding the granting activities, especially in Arab Republic of Egypt. To reduce the possible exposure to the credit risks, the bank concentrates on dealing with large institutions or banks or individuals of credit worthiness.
- **Loans and Advances neither having past dues nor subject to Impairment**

  The credit quality of the loans and advances portfolio that are neither having past dues nor subject to impairment are determined by the internal rating of the bank.

Bank Audi (S.A.E)
Notes to the Financial Statements
For the year ended 31December 2014

Loans and Advances to Customers (Net)

31 December 2014

Rating	Retail				Corporate			
	Credit cards (EGP)	Personal loans (EGP)	Overdraft accounts (EGP)	Real estate loans (EGP)	Overdrafts and direct loans (EGP)	Syndicated loans (EGP)	Other loans (EGP)	Total loans and advances to customers (EGP)
Good loans	310 099 997	2 214 325 419	396 639 953	42 021 199	5 014 504 891	1 822 101 469	225 058 915	10 024 751 843
Normal watch list	--	--	--	--	1 111 213 977	739 080 433	47 336 547	1 897 630 957
Special watch list	--	--	--	--	1 197 925	--	--	1 197 925
Total	310 099 997	2 214 325 419	396 639 953	42 021 199	6 126 916 793	2 561 181 902	272 395 462	11 923 580 725

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

Bank Audi (S.A.E)
Notes to the Financial Statements
For the year ended 31December 2014

Loans and Advances to Customers (Net)

31 December 2013

Rating	Retail				Corporate			
	Credit cards (EGP)	Personal loans (EGP)	Overdraft accounts (EGP)	Real estate loans (EGP)	Overdrafts and direct loans (EGP)	Syndicated loans (EGP)	Other loans (EGP)	Total loans and advances to customers (EGP)
Good loans	252 250 286	1 709 514 367	261 785 814	30 672 033	3 450 048 425	1 511 941 210	238 300 302	7 454 512 437
Normal watch list	--	--	--	--	532 603 623	383 072 787	--	915 676 410
Special watch list	--	--	--	--	131 528 361	217 824 535	15 000 000	364 352 896
Total	252 250 286	1 709 514 367	261 785 814	30 672 033	4 114 180 409	2 112 838 532	253 300 302	8 734 541 743

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

Loans and Advances having past dues and not subject to Impairment

Loans and advances having past due until 90 days but not considered subject to impairment, unless there is information to the contrary. Loans and advances having past due, and not subject to impairment are as follows:

31 December 2014	Corporate Overdrafts and direct loans EGP	Total EGP
Past dues up to 30 days	35 578 597	35 578 597
Past dues from 30 to 60 days	222 283 307	222 283 307
Past dues from 60 to 90 days	352 831 488	352 831 488
Total	610 693 392	610 693 392
Fair value of collateral	268 075 483	268 075 483

In the initial recording of loans and advances, the fair value of guarantees is assessed based on valuation methods commonly used for similar assets. In subsequent periods, fair value is updated to reflect its market price or price of similar assets.

31 December 2013	Corporate Overdrafts and direct loans EGP	Total EGP
Past dues up to 30 days	1 227 675 003	1 227 675 003
Past dues from 30 to 60 days	331 078 777	331 078 777
Past dues from 60 to 90 days	428 956 672	428 956 672
Total	1 987 710 452	1 987 710 452
Fair value of collateral	391 004 706	391 004 706

Loans and Advances subject to Impairment

A- Loans and Advances to Customers (Individual)

Loans and advances subject to impairment–corporate individual before taking into consideration cash flows from guarantees amounted to EGP 324 825 066 at 31 December 2014 against EGP 273 455 772 at the end of comparative year. The breakdown of the total loans and advances subject to individual impairment including fair value of collateral obtained by the bank are as follows:

Valuation	Corporate overdrafts and direct loans EGP	Total EGP
31 December 2014		
Individual loans subject to impairment	324 825 066	324 825 066
Fair value of collateral	12 018 750	12 018 750
31 December 2013		
Individual loans subject to impairment	273 455 772	273 455 772
Fair value of collateral	12 018 750	12 018 750

B- Loans and Advances to Customers (Collective)

Loans and advances subject to impairment – collective retail amounted to EGP 96 946 779 at 31 December 2014 against EGP 84 864 286 at the end of comparative year.

Re-structured Loans and Advances

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting and postpone repayment terms. Restructuring policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability. These policies are subject to regular review.

Long-term loans, especially loans to customers are usually subject to restructuring. The renegotiated loans amounted to EGP 566 218 363 as of 31 December 2014 against EGP 178 201 718 as of 31 December 2013.

	31 December 2014 EGP	31 December 2013 EGP
Loans and advances to customers		
Corporate		
Direct loans	566 218 363	178 201 718
Total	566 218 363	178 201 718

3-A/7 Debt Instruments, Treasury Bills and Other Governmental Notes

The table below shows an analysis of debt instruments, treasury bills and other governmental notes according to the rating agency Standard & Poor's and similar agency at the end of financial year.

	Treasury bills and other governmental notes EGP	Investments in securities EGP	Total EGP
AAA to AA-	--	293 192 994	293 192 994
A-to A+	--	299 374 588	299 374 588
Less than A-	7 255 705 188	4 173 710 417	11 429 415 605
Non classified	--	38 657 643	38 657 643
Total	7 255 705 188	4 804 935 642	12 060 640 830

3-A/8 The Concentration of Financial Assets Risks Exposed to Credit Risk

Geographical Segment

The following table represents an analysis of the most important credit risk exposure for the bank at book value, distributed according to the geographic segment at the end of the financial year, upon preparing this table, risk exposures have been distributed on the geographic segments according to the areas related to the bank customers.

31 December 2014	Cairo	Egypt Alexandria, Delta and Sinai	Total	Gulf countries	Other countries	Total (EGP)
Financial Assets						
Treasury bills and other governmental notes	7 255 705 188	--	7 255 705 188	--	--	7 255 705 188
Loans and advances to banks	99 525 986	--	99 525 986	1 737 634	43 179 266	144 442 886
Loans and advances to customers						
Retail loans						
Overdrafts	316 699 171	79 940 782	396 639 953	--	--	396 639 953
Credit cards	269 841 160	49 511 302	319 352 462	--	--	319 352 462
Personal loans	1 901 305 253	400 714 479	2 302 019 732	--	--	2 302 019 732
Real estate loans	42 021 199	--	42 021 199	--	--	42 021 199
Corporate loans						
Overdrafts	4 193 024 775	960 660 823	5 153 685 598	--	61 597 939	5 215 283 537
Direct loans	92 925 729	1 708 867 020	1 801 792 749	--	--	1 801 792 749
Syndicated loans	2 191 714 105	--	2 191 714 105	317 734 450	97 092 312	2 606 540 867
Other loans	272 395 463	--	272 395 463	--	--	272 395 463
Financial derivatives	277 639	--	277 639	3 532	4 268	285 439
Financial investments						
Debt financial instruments	4 169 099 054	--	4 169 099 054	592 567 582	43 269 006	4 804 935 642
Other financial assets	437 937 307	7 080 982	445 018 289	10 171 028	760 100	455 949 417
Total at end of the current year	21 242 472 029	3 206 775 388	24 449 247 417	922 214 226	245 902 891	25 617 364 534
Total at end of the comparative year	16 974 323 511	1 285 595 194	18 259 918 705	948 251 489	476 126 507	19 684 296 701

31 December 2013	Cairo	Egypt Alexandria, Delta and Sinai	Total	Gulf countries	Other countries	Total (EGP)
Financial Assets						
Treasury bills and other governmental notes	4 784 755 964	--	4 784 755 964	--	--	4 784 755 964
Loans and advances to banks	69 386 000	--	69 386 000	2 310 795	47 151 073	118 847 868
Loans and advances to customers						
Retail loans						
Overdrafts	214 369 204	47 416 610	261 785 814	--	--	261 785 814
Credit cards	217 292 187	41 168 659	258 460 846	--	--	258 460 846
Personal loans	1 491 085 983	297 082 109	1 788 168 092	--	--	1 788 168 092
Real estate loans	30 672 033	--	30 672 033	--	--	30 672 033
Corporate loans						
Overdrafts	3 827 700 208	763 244 560	4 590 944 768	--	216 219 487	4 807 164 255
Direct loans	1 437 175 920	131 006 458	1 568 182 378	--	--	1 568 182 378
Syndicated loans	1 617 767 535	--	1 617 767 535	430 548 262	64 522 736	2 112 838 533
Other loans	188 133 633	--	188 133 633	--	65 166 669	253 300 302
Financial derivatives	599 185	--	599 185	--	--	599 185
Financial investments						
Debt financial instruments	2 778 125 281	--	2 778 125 281	507 848 807	77 220 720	3 363 194 808
Other financial assets	317 260 378	5 676 798	322 937 176	7 543 625	5 845 822	336 326 623
Total at end of the current year	16 974 323 511	1 285 595 194	18 259 918 705	948 251 489	476 126 507	19 684 296 701
Total at end of the comparative year	14 260 767 206	1 132 142 558	15 392 909 764	406 638 732	229 830 392	16 029 378 888

Business Segment

The following table represents a analysis of the most important credit risk exposure limit for the bank at book value distributed according to the business segment for the bank customers.

31 December 2014	Financial institutions EGP	Industrial institutions EGP	Real estate activity EGP	Wholesale and retail trade EGP	Governmental sector EGP	Other activities EGP	Individuals EGP	Total (EGP)
Financial Assets								
Treasury bills and other governmental notes	--	--	--	--	7 255 705 188	--	--	7 255 705 188
Loans and advances to banks	144 442 886	--	--	--	--	--	--	144 442 886
Loans and advances to customers								
Retail loans								
Overdrafts	--	--	--	--	--	--	396 639 953	396 639 953
Credit cards	--	--	--	--	--	--	319 352 462	319 352 462
Personal loans	--	--	--	--	--	--	2 302 019 732	2 302 019 732
Real estate loans	--	--	--	--	--	--	42 021 199	42 021 199
Corporate loans								
Overdrafts	22 570 018	2 516 157 780	1 043 332 228	1 131 305 842	75 974 464	425 943 205	--	5 215 283 537
Direct loans	450 432 507	799 145 457	201 959 873	137 817 606	30 702 430	181 734 876	--	1 801 792 749
Syndicated loans	--	1 023 748 961	504 467 342	293 835 839	661 294 531	123 194 194	--	2 606 540 867
Other loans	--	198 663 956	--	20 128 562	35 248 113	18 354 832	--	272 395 463
Financial derivatives	11 699	273 740	--	--	--	--	--	285 439
Financial investments								
Debt financial instruments	395 699 931	--	--	--	4 269 830 498	139 405 213	--	4 804 935 642
Other financial assets	5 812 502	16 056 305	8 147 416	5 630 177	142 247 722	255 938 688	22 116 607	455 949 417
Total at end of the current year	1 018 969 543	4 554 046 199	1 757 906 859	1 588 718 026	12 471 002 946	1 144 571 008	3 082 149 953	25 617 364 534
Total at end of the comparative year	1 097 473 655	3 661 435 886	1 588 086 040	1 489 839 127	8 402 630 315	1 089 091 461	2 355 740 217	19 684 296 701

31 December 2013	Financial institutions EGP	Industrial institutions EGP	Real estate activity EGP	Wholesale and retail trade EGP	Governmental sector EGP	Other activities EGP	Individuals EGP	Total (EGP)
Financial Assets								
Treasury bills and other governmental notes	--	--	--	--	4 784 755 964	--	--	4 784 755 964
Loans and advances to banks	118 847 868	--	--	--	--	--	--	118 847 868
Loans and advances to customers								
Retail loans								
Overdrafts	--	--	--	--	--	--	261 785 814	261 785 814
Credit cards	--	--	--	--	--	--	258 460 846	258 460 846
Personal loans	--	--	--	--	--	--	1 788 168 092	1 788 168 092
Real estate loans	--	--	--	--	--	--	30 672 033	30 672 033
Corporate loans								
Overdrafts	169 950 728	2 120 542 892	1 090 598 441	1 017 053 150	168 549 161	240 469 883	--	4 807 164 255
Direct loans	226 786 525	683 226 552	243 959 776	79 711 801	119 251 772	215 245 952	--	1 568 182 378
Syndicated loans	164 254 797	786 422 031	245 361 224	252 894 315	406 414 678	257 491 488	--	2 112 838 533
Other loans	64 037 750	22 817 687	--	132 518 489	29 012 994	4 913 382	--	253 300 302
Financial derivatives	71 597	527 588	--	--	--	--	--	599 185
Financial investments								
Debt financial instruments	346 686 995	28 350 553	--	--	2 761 214 191	226 943 069	--	3 363 194 808
Other financial assets	6 837 395	19 548 583	8 166 599	7 661 372	133 431 555	144 027 687	16 653 432	336 326 623
Total at end of the current year	1 097 473 655	3 661 435 886	1 588 086 040	1 489 839 127	8 402 630 315	1 089 091 461	2 355 740 217	19 684 296 701
Total at end of the comparative year	1 192 996 195	3 369 499 815	1 230 022 467	1 207 761 859	6 048 578 684	1 002 151 041	1 978 368 827	16 029 378 888

3-B Market Risk

The bank was exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open positions related to interest rate, currency, and equity products of which each is exposed to the general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instruments prices. The Bank's separates its exposure to market risk into trading and non-trading portfolios.

The Bank's risk division is responsible for managing the market risks arising from trading and non-trading activities to which monitored by two separate teams. Regular reports are submitted to the Board of Directors and each business unit head.

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

3-B/1 Methods of Measuring Market Risks and Defining Approval Limits

As part of market risk management, the bank undertakes various hedging strategies (note 2/G) and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option been applied. The major measurement techniques used to measure and control market risk are outlined below:

Value at Risk

The bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board of Directors sets limits for the value at risk that may be accepted by the bank for trading and non- trading portfolios separately and monitored by the bank's management.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding period is ten days before closing the opening positions. It also assumes that market movements during the holding period will be the same as ten days before. The bank's assessment of past movements is based on data for the past five years. The bank applies these historical changes in rates prices indicators directly to its current positions - this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR is considered a primary part of the bank's market risk control technique, VAR limits are established by the Board of Directors annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed by the bank risk division. The average daily VAR for the Bank during the current year was EGP 120 thousands against EGP 181 thousands during 31 December 2013. The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

Stress Testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the bank risk division. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate. The results of the stress testing are reviewed by top management and Board of Directors.

3-B/2 Value at Risk Summary

Total value at risk according to risk type

EGP(000)						
	12 months till 31 December 2014			12 months till 31 December 2013		
	Average	High	Low	Average	High	Low
Foreign exchange risk	129	490	28	181	333	70
Total value at risk	129	490	28	181	333	70

Trading portfolio value at risk by risk type

EGP(000)						
	12 months till 31 December 2014			12 months till 31 December 2013		
	Average	High	Low	Average	High	Low
Foreign exchange risk	129	490	28	181	333	70
Total value at risk	129	490	28	181	333	70

3-B/3 Foreign Exchange Fluctuations Risk

The bank is exposed to foreign exchange rate fluctuations risk in terms of the financial position and cash flows. The Board of Directors set limits for foreign exchange with the aggregate value for each position at the end of the day, and during the day which is controlled on timely basis.

The following table summarizes the bank's exposure to foreign exchange fluctuations risk at the end of the financial year. The following table includes the carrying amounts of the financial instruments in their currencies:

31 December 2014	EGP	USD	EUR	GBP	Other Currencies	Total
Financial Assets						
Cash and due from Central Bank of Egypt	1 494 897 652	33 454 610	9 065 043	3 118 288	3 988 287	1 544 523 880
Due from banks	1 255 806 011	1 824 491 581	241 396 916	42 908 186	6 295 359	3 370 898 053
Treasury bills and other governmental notes	7 255 705 188	--	--	--	--	7 255 705 188
Loans and advances to banks	--	101 263 620	43 179 266	--	--	144 442 886
Loans and advances to customers	9 041 191 930	3 464 782 742	125 787 427	2 947 067	12 633	12 634 721 799
Financial derivatives	285 439	--	--	--	--	285 439
Financial investments:						
Available for sale	4 160 301 954	607 777 142	29 701 669	--	--	4 797 780 765
Held to maturity	10 000 000	--	--	--	--	10 000 000
Other financial assets	223 336 950	20 339 197	1 009 077	691	213	244 686 128
Total financial assets	23 441 525 124	6 052 108 892	450 139 398	48 974 232	10 296 492	30 003 044 138
Financial liabilities						
Due to banks	22 029 432	152 076 486	--	--	19 949	174 125 867
Customer deposits	21 776 635 808	4 888 766 557	447 462 034	60 870 358	8 806 548	27 182 541 305
Other loans	--	214 203 000	--	--	--	214 203 000
Financial derivatives	222 396	--	--	--	--	222 396
Other financial liabilities	277 350 751	13 921 611	242 821	54 608	5 250	291 575 041
Total financial liabilities	22 076 238 387	5 268 967 654	447 704 855	60 924 966	8 831 747	27 862 667 609
Net on financial position	1 365 286 737	783 141 238	2 434 543	(11 950 734)	1 464 745	2 140 376 529
Commitments related to credit	305 265 974	160 974 086	--	--	--	466 240 060
31 December 2013						
Total financial assets	16 705 701 136	5 195 267 516	282 310 255	29 623 659	15 890 288	22 228 792 854
Total financial liabilities	15 218 608 253	4 720 762 017	293 606 694	39 789 128	11 989 278	20 284 755 370
Net financial position	1 487 092 883	474 505 499	(11 296 439)	(10 165 469)	3 901 010	1 944 037 484

3-B/4 Interest Rate Risk

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

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

31 December 2014	Up to one month	1 to 3 Months	3 to 12 Months	1 to 5 years	Over 5 years	Non-bearing Interest	(EGP) Total
Financial Assets							
Cash and due from Central Bank of Egypt	--	--	--	--	--	1 544 523 880	1 544 523 880
Due from banks	2 168 977 960	1 031 358 886	35 700 500	--	--	134 860 707	3 370 898 053
Treasury bills and other governmental notes	624 795 415	2 131 562 487	4 499 347 286	--	--	--	7 255 705 188
Loans and advances to customers	2 118 504 087	6 310 108 362	2 286 218 461	1 821 082 041	138 570 453	(39 761 605)	12 634 721 799
Loans and advances to banks	17 344 800	26 017 200	101 286 531	--	--	(205 645)	144 442 886
Financial derivatives	26 550	88 286	170 603	--	--	--	285 439
Financial investments:							
-Available for sale	10 314 907	55 843 474	45 723 544	3 662 243 171	1 001 377 454	22 278 215	4 797 780 765
-Held to maturity	--	--	--	--	--	10 000 000	10 000 000
Other financial assets	--	--	--	--	--	244 686 128	244 686 128
Total financial assets	4 939 963 719	9 554 978 695	6 968 446 925	5 483 325 212	1 139 947 907	1 916 381 680	30 003 044 138
Financial liabilities							
Due to banks	128 521 800	--	--	--	--	45 604 067	174 125 867
Customer deposits	5 373 672 806	5 653 605 691	8 376 802 971	5 566 879 320	38 529 000	2 173 051 517	27 182 541 305
Other loans	49 443	133 617	39 336	--	--	--	222 396
Financial derivatives	214 203 000	--	--	--	--	--	214 203 000
Other financial liabilities	--	--	--	--	--	291 575 041	291 575 041
Total financial liabilities	5 716 447 049	5 653 739 308	8 376 842 307	5 566 879 320	38 529 000	2 510 230 625	27 862 667 609
Re-pricing gap	(776 483 330)	3 901 239 387	(1 408 395 382)	(83 554 108)	1 101 418 907	(593 848 945)	2 140 376 529
31 December 2013							
Total financial assets	2 995 249 484	7 093 524 122	4 819 618 696	5 542 728 127	468 377 738	1 309 294 687	22 228 792 854
Total financial liabilities	4 760 278 928	3 472 362 590	5 042 491 897	4 819 743 242	10 288 000	2 179 590 713	20 284 755 370
Re-pricing gap	(1 765 029 444)	3 621 161 532	(222 873 201)	722 984 885	458 089 738	(870 296 026)	1 944 037 484

*The amount EGP (205 645) representing the advanced commissions and interests amortized through loans to banks' life time.

3-B Liquidity Risk

Liquidity risk represents difficulty encountering the bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may results in failure in fulfilling the bank obligation to repay to the depositors and fulfilling lending commitments.

Liquidity Risk Management

The bank's liquidity management process carried out by the bank risk division includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be borrowed to customers. To ensure that the bank reaches its objective, the bank maintains an active presence in global money markets.
- The bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios compared to the internal requirements and Central Bank of Egypt requirements.
- Managing loans concentration and dues.
- The main period for liquidity management is the next day, week and month. The bank calculates the expected cash flow for those periods for monitoring and reporting purposes. The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.
- Credit risk department monitors the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

Funding Approach

Sources of liquidity are regularly reviewed by bank risk division to maintain a wide diversification by currency, geography, source, products, and terms.

Non Derivative Cash Flows

The table below presents the cash flows payable by the bank under non-derivative financial liabilities by remaining contractual maturities at and the maturities assumption for non-contractual products on the basis of their behavior studies of balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the bank manages the inherent liquidity risk based on expected undiscounted and un-contractual cash inflows:

Non Derivative Cash Flows Table

31 December 2014 Financial liabilities	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	(EGP) Total
Due to banks	174 125 867	--	--	--	--	174 125 867
Customers' deposits	7 992 229 214	6 083 420 830	7 493 386 834	5 569 230 312	44 274 115	27 182 541 305
Other loans	214 203 000	--	--	--	--	214 203 000
Other liabilities and financial derivatives	592 676	282 281 793	768 216	8 154 752	--	291 797 437
Total of financial liabilities according to contractual maturity date	8 381 150 757	6 365 702 623	7 494 155 050	5 577 385 064	44 274 115	27 862 667 609
Total of financial assets according to contractual maturity date	10 322 310 295	3 118 795 430	9 186 807 941	7 126 396 383	248 734 089	30 003 044 138

31 December 2013 Financial liabilities	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	(EGP) Total
Due to banks	62 415 389	--	--	--	--	62 415 389
Customers' deposits	6 394 142 849	3 787 968 320	4 756 847 587	4 823 119 578	10 444 942	19 772 523 276
Other loans	--	--	--	208 158 000	--	208 158 000
Other liabilities and financial derivatives	1 656 292	236 769 391	--	3 233 022	--	241 658 705
Total of financial liabilities according to contractual maturity date	6 458 214 530	4 024 737 711	4 756 847 587	5 034 510 600	10 444 942	20 284 755 370
Total of financial assets according to contractual maturity date	6 745 199 079	2 565 763 313	7 494 533 067	4 307 278 364	1 116 019 031	22 228 792 854

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from Central Bank of Egypt and due from banks, treasury and other government notes, loans and facilities to banks, and loans and facilities to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

Derivatives settled in aggregate

The bank's financial derivatives that will be settled in gross basis include:
Foreign exchange derivatives: future currency options, exchange trade currency options. The table below analyses the bank's derivative financial liabilities that will be settled in aggregate into relevant maturity groupings based on the remaining period of contractual maturities at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows.

31 December 2014 Derivatives held for trading:	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	(EGP) Total
Forward foreign exchange contracts:				
- Cash outflows	53 914 014	1 463 134	--	55 377 148
- Cash inflows	53 976 480	1 463 710	--	55 440 190
Total Cash Outflows*	53 914 014	1 463 134	--	55 377 148
Total Cash inflows	53 976 480	1 463 710	--	55 440 190

*Note no. (20)

31 December 2013 Derivatives held for trading:	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	(EGP) Total
Forward foreign exchange contracts:				
- Cash outflows	90 688 385	8 770 356	8 915 823	108 374 565
- Cash inflows	90 743 193	8 990 270	9 180 180	108 913 643
Total Cash Outflows*	90 688 385	8 770 356	8 915 823	108 374 565
Total Cash inflows	90 743 193	8 990 270	9 180 180	108 913 643

*Note no. (20)

Cash flows for Off-balance sheet items:
According to the table below and note no. (34)
At the end of 31 December 2014

31 December 2014	Up to 1 year	More than 1 year UP to 5 year	More than 5 year	(EGP) Total
Loans commitments	214 325 122	251 914 938	--	466 240 060
Financial collaterals, accepted bills and other financial advances	1 586 091 165	262 008 131	72 694 659	1 920 793 955
Capital Commitment resulting from acquisition of fixed assets *	74 716 161	--	--	74 716 161
Total	1 875 132 448	513 923 069	72 694 659	2 461 750 176

At the end of 31 December 2013	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total (EGP)
Loans commitments	--	350 009 928	--	350 009 928
Financial collaterals, accepted bills and other financial advances	1 472 476 529	176 653 277	33 869 205	1 682 999 011
Capital Commitment resulting from acquisition of fixed assets *	8 478 126	33 654	--	8 511 780
Total	1 480 954 655	526 696 859	33 869 205	2 041 520 719

*Note no. (34-B).

3-D Fair Value of Financial Assets and Liabilities

3-D/1 Financial Instruments Measured at Fair Value Using a Valuation Method

The total amount of the change in estimated fair value using a valuation method during the financial year amounted to EGP 64 473 315 against EGP 2 556 639 as at 31 December 2013.

3-D/2 Financial Instruments not Measured at Fair Value

The table below summarizes the present value and fair values for those financial assets and liabilities not presented on the bank's balance sheet at their fair value:

	Book value - (EGP)		Fair value - (EGP)	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Financial assets				
Financial Investments:				
Held to maturity	10 000 000	10 000 000	13 315 985	12 492 510

Due from Banks

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

Loans and Advances to Banks

Loans and banking advances represented in loans not from deposits at banks. The expected fair value of the loans and facilities represents the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate to determine fair value.

Loans and Advances to Customers

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

Held to Maturity Investments

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

Due to Other Banks and Customers

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

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

Debt Instruments in Issue

The aggregate fair values are calculated based on quoted market prices. For those notes which quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

3-E Capital Management

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

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

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

Central Bank of Egypt requires the following from the bank:

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

Bank's branches which operate outside the Arab Republic of Egypt are subject to the banking business regulators' supervising rules in countries which they operate.

In accordance with the requirements of Basel 2, the numerator in capital adequacy comprises the following 2 tiers:

Tier 1:

A-The basic going concern capital which consist of the following:

Issued and paid up capital, the legal reserve, formal reserve, capital reserve, and retained earnings (carried forward losses) excluding the following:

- Treasury stocks.
- Goodwill.
- Bank's investment in financial institutions (banks and companies) and insurance companies (more than 10% of the issued capital of the company)
- The increase of the bank's investment in which each single investment is less than 10% of company's issued capital than 10% of basic going concern capital after regulatory adjustments (basic capital before excluding investments in financial intuitions and insurance companies).

The following elements is not considered:

- Fair value reserve balance of financial investments available for sale (if negative)
- Foreign currency translation differences reserve (if negative).

Where the above mentioned items deducted from basic capital if the balance is negative, while its negligible If positive

B- Additional basic capital which consists of the following:

- Permanent preferred noncumulative shares, quarterly interim gains (losses), minority interest and the difference between the nominal value and the present value of the subordinate loan / deposit.
- Interim profits is recognized only after being approved by the auditor and the approval of General Assembly of dividends, and the approval of the Central Bank, the interim losses is deducted unconditionally.

Tier 2:

- The subordinate capital which consists of the following:
- 45% of the increase in the fair value of the carrying amount for financial investments (fair value reserve if positive, held to maturity investments, and investments in associates and subsidiaries).
- 45% of the special reserve.
- 45% of positive foreign currency translation differences Reserve.
- Hybrid financial instruments.
- Subordinate loans(deposits).
- Loans and facilities and performing contingent liabilities provision for impairment loss (should

not exceed 1.25% of total assets and contingent liabilities total risk applying the risk weights).

- Loans, facilities and nonperforming contingent liabilities provision for impairment loss should be adequate to meet the obligations the provision formed for.

Eliminations of 50% of tier 1 and 50% of tier 2:

- Investments in non-financial institutions – each company separately amounted to 15% or more of basic going concern capital of the bank before regulatory amendments.
- Total bank's investments in non-financial institutions – each company separately less than 15% more of basic going concern capital of the bank before regulatory adjustments provided that these investments combined exceed 60% of the basic capital by regulatory amendments.
- Securitization portfolio.
- What belong to the value of assets reverted to the bank as a debt settlement in the general banking risk reserve.

On calculating the total numerator of capital adequacy it is to be considered that subordinate loans /deposits should not be greater than 50% of basic capital after eliminations.

Assets and contingent liabilities are weighted by credit risk, market risk, and operational risk.

	31 December 2014 EGP(000)	31 December 2013 EGP(000)
Capital		
Tier 1 (basic capital)		
Share capital	1 843 243	1 543 359
Legal reserve	50 289	31 729
Other reserves	65	65
Total deductions from capital invested	(2 282)	--
Total tier 1 capital	1 891 315	1 575 153
Tier 2 capital		
Equivalent to general risks provision	108 074	109 822
45% of the increase in the fair value below its book value for available for sale investments	7 075	36 087
45% of the increase in the fair value below its book value for HTM investments	1 492	1 122
Total tier 2 capital	116 641	147 031
Total capital	2 007 956	1 722 184
Risk weighted assets and contingent liabilities:	13 652 141	11 711 402
Total Credit risk	13 652 141	11 711 402
Capital required for operational risk	1 419 104	1 124 670
Total risk weighted assets and contingent liabilities *	15 071 245	12 836 072
Capital adequacy ratio (%)	13.32%	13.42 %

4- Significant Accounting Estimates and Assumptions

The bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities with the next financial period consistently. Estimations and judgments are continually evaluated and based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

4-A Impairment Losses for Loans and Advances

The bank reviews the portfolio of loans and advances for impairment at least quarterly. The bank uses discretionary judgment on determining whether it is necessary to record impairment loss in the income statement. The bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. This evidence include data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default. On scheduling future cash flows, the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to reduce any discrepancy between the estimated loss and actual loss based on experience.

If the variance of the net current value of the expected cash flows reaches +/- 5%, the impairment losses provision will be higher or lower by EGP 5 427 354 than the formed provisions.

4-B Impairment of Available for Sale Equity Investments

The bank recognizes impairment loss relating to available for sale equity investments when there is a significant or prolonged decline in the fair value below its cost. A judgment is required to determine that the decline is significant or prolonged. In making this judgment, the bank evaluates among other factors the volatility in share price.

In addition, impairment loss recognized when there is evidence of deterioration in the investee financial position or operating and finance cash flow or industry and sector performance or technology changes.

4-C Held-to-Maturity Investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This classification requires high degree of judgment; in return the bank tests the intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity except for certain circumstances like selling an insignificant amount of held-to-maturity investments near to maturity date, then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost. In addition the bank should suspend classifying investments as held to maturity caption.

If classification of investments as held to maturity is suspended the carrying amount shall increase or decrease the book value to reach its fair value by recording a counter entry in the valuation reserve available for sale within the equity caption.

4-D Income Tax

The bank is subject to income tax which requires the use of estimates to calculate the income tax provision. There are a number of processes and calculations which are so hard to determine the final income tax precisely. The bank records a liability related to the tax inspection estimated results. When there is a difference between the final result of the actual tax inspection and the amounts previously recorded by the bank, such differences will be recorded in the period where differences noted. Income tax and deferred tax will be recorded in that period.

5- Segment Analysis

A- Segmental Analysis by Activity

Activity segment include operations and assets used in providing banking services and managing related risks and yields which may differ from other activities. The segmentation analyses of operations according to the Banking activities are as follows:

- **Corporate; medium and small sized enterprises**
  Activities include current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.
- **Investment**
  Includes merging of companies, purchase of investments, financing company's restructure and financial instruments.
- **Individuals**
  Activities include current accounts savings deposits credit cards personal loans and mortgage loans.
- **Other activities**
  Include other banking activities such as fund management.
  Inter-segment transactions occur at the normal course of business of the Bank. Assets and liabilities at the balance sheet include operating assets and liabilities.

31 December 2014	Corporate	Medium and small sized enterprises	Investment	Individuals	EGP Total
Income and expenses according to the segmental activity					
Income of segmental activities	908 407 462	20 207 981	1 277 382 527	578 423 247	2 784 421 217
Expenses of segmental activities	(686 991 451)	(13 432 894)	(991 003 319)	(430 097 768)	(2 121 525 432)
Segment result	221 416 011	6 775 087	286 379 208	148 325 479	662 895 785
Income tax expense	(55 354 003)	(1 693 772)	(124 110 636)	(37 081 369)	(218 239 780)
Profit for the year	166 062 008	5 081 315	162 268 572	111 244 110	444 656 005
Assets and liabilities according to segmental activities					
Assets of segmental activities	9 460 513 869	131 024 976	17 937 075 696	3 043 182 956	30 571 797 497
Other items of segmental activities					
Depreciations	(8 214 319)	(1 701 212)	(22 674 535)	(6 089 107)	(38 679 173)
Impairment and effect of other provisions on income statements	(37 761 300)	--	--	--	(37 761 300)

31 December 2013	Corporate	Medium and small enterprises	Investment	Individuals	EGP Total
Income and expenses according to the segmental activity					
Income of segmental activities	823 169 037	12 143 524	992 639 109	439 534 169	2 267 485 839
Expenses of segmental activities	(673 877 868)	(9 679 450)	(689 753 074)	(343 337 146)	(1 716 647 538)
Segment result	149 291 169	2 464 074	302 886 035	96 197 023	550 838 301
Income tax expense	(37 322 792)	(616 019)	(117 642 029)	(24 049 256)	(179 630 096)
Profit for the year	111 968 377	1 848 055	185 244 006	72 147 767	371 208 205
Assets and liabilities according to segmental activities					
Assets of segmental activities	7 553 286 292	103 294 963	13 194 738 061	1 798 452 011	22 649 771 327
Other items of segmental activities					
Depreciations	(7 291 247)	(1 839 767)	(22 330 457)	(5 265 462)	(36 726 933)
Impairment and effect of other provisions on income statements	(22 797 066)	--	--	--	(22 797 066)

B- Analysis According to the Geographical Segment

31 December 2014	Egypt Cairo	Egypt Alexandria, Delta and Sinai	Egypt Total	Gulf countries	Other countries	EGP Total
Income and expenses according to the segmental activities						
Income of geographical segments	2 258 799 598	449 272 137	2 708 071 735	44 806 246	21 452 675	2 774 330 656
Expenses of geographical segments	(1 805 970 307)	(289 582 645)	(2 095 552 952)	(5 291 415)	(3 490 817)	(2 104 335 184)
Segment result	452 829 291	159 689 492	612 518 783	39 514 831	17 961 858	669 995 472
Unclassified expenses	--	--	--	--	--	(7 099 687)
Profit for the year before tax	--	--	--	--	--	662 895 785
Income Tax Expense	--	--	--	--	--	(218 239 780)
Profit for the year	--	--	--	--	--	444 656 005
Assets and liabilities according to the geographical segment						
Assets of geographical segments	24 725 632 564	3 254 488 328	27 980 120 892	1 079 061 233	1 617 657 548	30 676 839 673
Unclassified Assets	--	--	--	--	--	(105 042 176)
Total assets	24 725 632 564	3 254 488 328	27 980 120 892	1 079 061 233	1 617 657 548	30 571 797 497
Liabilities of geographical segments	23 532 063 875	4 178 636 424	27 710 700 299	24 648 050	311 837 254	28 047 185 603
Unclassified Liabilities	--	--	--	--	--	3 032 245
Total liabilities	23 532 063 875	4 178 636 424	27 710 700 299	24 648 050	311 837 254	28 050 217 848
Other Items of geographical seg-ment						
Depreciations	(3 816 519)	(34 862 654)	(38 679 173)	--	--	(38 679 173)
Impairment and effect of other provisions on income statements	(31 462 997)	(6 298 303)	(37 761 300)	--	--	(37 761 300)

31 December 2013	Egypt Cairo	Alexandria, Delta and Sinai	Total	Gulf countries	Other countries	EGP Total
Income and expenses according to the segmental activities						
Income of geographical segments	2 006 494 728	170 685 668	2 177 180 396	44 671 580	37 233 952	2 259 085 928
Expenses of geographical segments	(1 450 646 216)	(207 720 540)	(1 658 366 756)	--	(3 655 028)	(1 662 021 784)
Segment result	555 848 512	(37 034 872)	518 813 640	44 671 580	33 578 924	597 064 144
Unclassified expenses	--	--	--	--	--	(46 225 843)
Profit for the year before tax	--	--	--	--	--	550 838 301
Income tax expense	--	--	--	--	--	(179 630 096)
Profit for the year	--	--	--	--	--	371 208 205
Assets and liabilities according to the geographical segment						
Assets of geographical segments	18 608 779 145	1 335 083 843	19 943 862 988	1 353 413 767	1 459 643 104	22 756 919 859
Unclassified Assets	--	--	--	--	--	(107 148 532)
Total assets	18 608 779 145	1 335 083 843	19 943 862 988	1 353 413 767	1 459 643 104	22 649 771 327
Liabilities of geographical segments	17 215 646 858	2 964 843 424	20 180 490 282	590 432	271 955 239	20 453 035 953
Unclassified Liabilities	--	--	--	--	--	9 532 596
Total liabilities						20 455 708 699
Other Items of geographical segment						
Depreciations	(32 736 589)	(3 990 344)	(36 726 933)	--	--	(36 726 933)
Impairment and effect of other provisions on income statements	(22 601 513)	(195 553)	(22 797 066)	--	--	(22 797 066)

6- Net Interest Income

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Interest income on loans and similar income:		
Loans and advances to customers	1 214 209 437	1 086 322 271
Loans and advances to banks	5 451 996	2 068 073
	1 219 661 433	1 088 390 344
Treasury bills and treasury bonds	1 083 015 062	811 167 838
Deposits and current accounts	95 920 722	46 456 681
Investments in debt instruments held to maturity and available for sale	21 125 963	23 664 414
Other	65 725	136 214
Total	2 419 788 905	1 969 815 491
Interest expense on deposits and similar expense:		
Deposits and current accounts:		
Customers	(1 594 450 411)	(1 223 787 047)
Banks	(3 446 933)	(27 876 120)
	(1 597 897 344)	(1 251 663 167)
Other loans	(2 653 941)	(2 665 536)
Other	--	(1 291 776)
Total	(1 600 551 285)	(1 255 620 479)
Net interest income	(819 237 620)	(714 195 012)

7- Net Fees and Commission Income

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Fees and commission income:		
Fees and commissions related to credit	164 801 680	117 407 729
Fees related to corporate financing services	10 273 438	12 057 097
Custody fees	6 206 937	3 472 990
Other fees	44 144 419	40 511 649
Total	225 426 474	173 449 465
Fees and commission expenses:		
Other commission paid	(788 629)	(630 436)
Other fees paid	(12 714 974)	(9 322 349)
Total	(13 503 603)	(9 952 785)
Net fees and commission income	211 922 871	163 496 680

8- Dividends Income

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Available for sale investments	132 262	159 720
Total	132 262	159 720

9- Net Trading Income

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Held for trading debt instruments	2 126 621	532 038
Net trading income	2 126 621	532 038

10- Administrative Expenses

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Staff costs		
Salaries and wages	(217 104 859)	(170 920 920)
Social insurance	(6 388 884)	(5 224 885)
Total staff costs	(223 493 743)	(176 145 805)
Depreciation and amortization	(38 679 173)	(36 726 933)
Other administrative expenses	(144 040 514)	(117 656 749)
Total administrative expenses	(406 213 430)	(330 529 487)

11- Other Operating Income

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss on initial recognition	31 657 585	62 452 094
Gain (losses) on sale of fixed assets	72 601	228 521
Rentals	(22 663 512)	(20 465 091)
Other provisions charged (note. 29)	(1 735 468)	(22 879 394)
Other income	753 571	1 094 959
	8 084 777	20 431 089

12- Impairment Charges on Credit Losses

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Loans and advances to customers (note. 19)	(44 860 986)	(69 022 909)
	(44 860 986)	(69 022 909)

13- Income Tax Expenses

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Current taxes	(212 657 737)	(181 693 722)
Deferred taxes (note. 30)	(5 582 043)	2 063 626
	(218 239 780)	(179 630 096)

Additional information of deferred taxes have been shown on note 30. Income tax expense is different from the tax that would have risen had the statutory tax rate been applied on pre-tax accounting profit as shown.

	For the year ended 31/12/2014 EGP		For the year ended 31/12/2013 EGP	
	Partial	Overall	Partial	Overall
Accounting profit before tax		662 895 785		550 838 301
Income Tax calculated at 25 % tax rate	165 723 946		137 709 575	
Additional income tax at 5 % tax rate (above EGP 1 000 000)	33 094 789		--	
Total Tax		198 818 735		137 709 575
(Deduct) Add :				
Non - deductible expenses	(1 814 025)		8 387 370	
Provisions effect	4 679 273		9 929 458	
Tax exemption	(14 273 033)		(10 872 699)	
		(11 407 785)		7 444 129
Tax according to tax return		187 410 950		145 153 704
Increase in calculated tax on treasury bills and treasury bonds		25 246 787		36 540 018
Total Tax		212 657 737		181 693 722
Effective tax rate		32%		33%

Tax Position:

A- Corporate Tax

- Tax was fully settled till the year 2006 and the bank has credit balances resulted from accumulated tax losses .
- Years 2007/2008 had been inspected, the bank protested against the inspection results and the file was transferred to appeal committee.
- Years 2009/2010 had been inspected, the bank protested against the inspection results and the file was transferred to internal committee.
- Years for 2011/2012 are under inspection.
- The bank has filed its tax returns for the year 2013. According to the tax return; all tax dues were settled. The books have not been and not inspected yet.

B- Salary Tax

- Tax was fully settled till the year 2012.
- Tax for the year 2013 is under inspection.

C- Stamp Duty Tax

- Tax was fully settled till the year 2002.
- Years from 2003 till 31/7/2006 had been inspected, the bank protested against the inspection results and the file was transferred to appeal committee.
- Years from 1/8/2006 till 2009 had been inspected according to law no. 111 for the year 1980 and its amendments no. 143 for 2006. The Bank protested against the inspection results and the file was transferred to the appeal committee.
- Years 2010 till first quarter of 2013 are under inspection.
- On 4 June 2014; law No. 44 for the year 2014 was issued to impose an annual additional temporary tax at a 5% tax rate on taxable income above EGP 1 million for three years to start from the current tax period. The additional tax is applicable on natural persons income and profits of corporates.
  - This additional tax is assessed and collected according to income tax law and shall be applied starting from 5th June 2014
- On June 30, 2014; the Presidential decree No. 53 for the year 2014 was issued amending some provisions of the income tax law, most importantly the following:
  - Imposing a tax on dividends.
  - Imposing a tax on capital gains resulting from the sale of shares and securities.

14- Basic Earnings per Share

Basic earnings per share calculated by dividing net profits attributable to the shareholders by the outstanding weighted average ordinary shares issued during the year.

	31 December 2014 EGP	31 December 2013 EGP
Net profit attributable to shareholders	409 796 304	371 110 279
Employee's profit share	(38 756 713)	(35 254 986)
	371 039 591	335 855 293
Outstanding weighted average ordinary shares issued during the year.	27 619 231	23 828 767
Earnings per share	13.43	14.10

15- Cash and Balances with the Central Bank of Egypt

	31 December 2014 EGP	31 December 2013 EGP
Cash	142 353 724	120 994 966
Balances at central bank (mandatory reserve)	1 402 170 156	896 015 082
Total	1 544 523 880	1 017 010 048
Interest free balances	1 544 523 880	1 017 010 048

16- Due from Banks

	31 December 2014 EGP	31 December 2013 EGP
Current accounts	134 860 708	32 378 871
Deposits	3 236 037 345	1 898 095 901
	3 370 898 053	1 930 474 772
Due from central bank (other than those under the mandatory reserve)	1 745 832 085	472 813 226
Local banks	98 106 526	70 231 619
Foreign banks	1 526 959 442	1 387 429 927
	3 370 898 053	1 930 474 772
Interest free balances	134 860 708	32 378 871
Balances at fixed interest rates	3 236 037 345	1 898 095 901
	3 370 898 053	1 930 474 772
Current balances	3 370 898 053	1 930 474 772

17- Treasury Bills and Other Governmental Notes

Treasury bills represent the following:

	31 December 2014 EGP	31 December 2013 EGP
Treasury bills 182 days maturity	--	648 775 000
Treasury bills 273 days maturity	2 684 150 000	310 350 000
Treasury bills 364 days maturity	4 884 475 000	4 069 550 000
Unearned interest	(312 919 812)	(243 919 036)
Net	7 255 705 188	4 784 755 964

18- Loans and Advances to Banks

	31 December 2014 EGP	31 December 2013 EGP
Term Loans	144 442 886	118 847 868
Current balances	144 442 886	118 847 868

19- Loans and Advances to Customers

	31 December 2014 EGP	31 December 2013 EGP
Retail		
Credit cards	319 352 462	258 460 846
Personal loans	2 302 019 732	1 788 168 092
Overdrafts	396 639 953	261 785 814
Real estate loans	42 021 199	30 672 033
Total (1)	3 060 033 346	2 339 086 785
Corporate loans including small loans for economic activities		
Overdrafts	5 215 283 537	4 807 164 255
Direct loans	1 801 792 749	1 568 182 378
Syndicated loans	2 606 540 867	2 112 838 533
Other loans	272 395 463	253 300 302
Total (2)	9 896 012 616	8 741 485 468
Total loans and advance to customers (1+2)	12 956 045 962	11 080 572 253
Allowance for impairment losses	(321 324 163)	(296 257 570)
Net amount distributed as follows:	12 634 721 799	10 784 314 683
Current balances	7 791 746 058	7 174 517 506
Non-current balances	4 842 975 741	3 609 797 177
Total	12 634 721 799	10 784 314 683

Bank Audi S.A.E accepted during the year ended at 31 December 2014 trading securities of fair value amounted to EGP 2 897 668 443 as a guarantee for commercial loans (comparative balance amounted to EGP 3 397 003 623)

Allowance for Impairment Losses
Movement analysis of the allowance for impairment loss for loans and advances to customers (according to its types):

	Retail (EGP)				
31 December 2014	Credit cards	Personal loans	Overdrafts	Real estate loans	Total
Balance as of 1/1/2014	3 905 521	14 636 813	1 782 130	5 440	20 329 904
Impairment loss recognized during the year	2 642 304	1 605 850	1 751 051	(1 017)	*5 998 188
Written-off amounts during the year	(5 864 390)	(12 367 475)	(1 336 397)	--	(19 568 262)
Collections of loans previously written-off	2 604 671	7 485 890	--	--	10 090 561
Balance as of 31 December 2014	3 288 106	11 361 078	2 196 784	4 423	**16 850 391

*Note no. (12).

** Impairment losses of retail represent provision of groups have similar credit characteristic.

Corporate (EGP)	Overdrafts	Direct loans	Syndicated loans	Other loans	Total
Balance as of 1/1/2014	161 603 036	90 389 824	21 412 032	2 522 774	275 927 666
Impairment loss during the year	30 016 938	(8 439 084)	16 662 576	622 368	38 862 798*
Written-off amounts during the year	(8 970 337)	(3 618 013)	--	--	(12 588 350)
Collections of loans previously written-off	--	2 000 000	--	--	2 000 000
Foreign exchange translation differences	101 096	60 894	109 668	--	271 658
Balance as of 31 December 2014	182 750 733	80 393 621	38 184 276	3 145 142	**304 473 772
Total					321 324 163

*Note no. (12).

** Impairment losses of corporate amount of EGP 216 281 989 represents individual provision of groups have similar credit characteristic (comparative balance amounted to EGP 88 191 783)

31 December 2013	Retail (EGP) Credit cards	Personal loans	Overdrafts	Real estate loans	Total
Balance as of 1/1/2013	2 798 970	15 608 902	1 002 578	8 138	19 418 588
Impairment loss during the year*	5 451 501	5 640 893	779 552	(2 698)	11 869 248
Written-off amounts during the year	(6 098 629)	(12 750 003)	--	--	(18 848 632)
Collections of loans previously written-off	1 753 679	6 137 021	--	--	7 890 700
Balance as of 31 December 2013	3 905 521	14 636 813	1 782 130	5 440	*20 329 904

* Impairment losses of retail represents provision of groups that have similar credit characteristic.

Corporate (EGP)	Overdrafts	Direct loans	Syndicated loans	Other loans	Total
Balance as of 1/1/2013	121 126 066	83 751 183	12 350 063	913 580	218 140 892
Impairment charges during the year	38 932 221	7 550 367	9 566 440	1 104 633	57 153 661
Collections of loans previously written-off	--	6 000	--	--	6 000
Foreign exchange translation differences	1 544 749	(917 726)	(504 471)	504 561	627 113
Balance as of 31 December 2013	161 603 036	90 389 824	21 412 032	2 522 774	*275 927 666
Total impairment					296 257 570

*Impairment losses of corporate amounted to EGP 189 109 038 represent individual provision and a collective provision for groups that have similar credit characteristic amounted to EGP 86 818 628

20- Financial Derivatives Instruments

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

- The forward currency contracts represent commitments to buy foreign and local currencies, including unexecuted spot transactions. Foreign currency and /or interest rates future contracts are contractual obligations to receive or pay net amount based on the change in foreign exchange or interest rates, and/or buy or sell foreign currency or financial instrument in a future date at a contractual determined price in an active financial market. The bank's credit risk is considered minimal, forward interest rate contracts represent future interest rate contracts negotiated on case by case, these contracts require monetary settlements in a future date of the difference between agreed interest rates and prevailing market interest rate based on agreed contractual amount (nominal value).

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

  Credit risks are represented in the contingent cost to change swap contracts in case the counter parties failed to perform their commitments. This risk is continuously monitored through comparisons of fair value and with percentage of contractual amount, and to monitor the existing credit risk, the bank evaluates counter parties using the same methods used in lending activities.

- Foreign currency options and/or interest rates options represent contractual agreements whereby the seller (issuer) gives the buyer (holders) a right not an obligations , to buy (call option) or to sell (put option) on a certain day or within a certain year , a certain amount of foreign currency or financial instrument at a predetermined price . The seller receives commissions in compensation for his acceptance of the foreign currency risk or interest rate risk. Options contracts are either traded in the market or negotiated between the bank and one of its clients (over- the counter). The bank is exposed to credit risk for purchased options contracts only and to extent of its carrying values which represent its fair value.

- The contractual value of some financial instruments are considered a base to compare with the recognized financial instruments on the balance sheet, however it does not necessarily provide an indicator for future cash flows or the fair value of the instruments, thus, those amounts do not reflect the credit risk or interest rate risk.

Financial derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) as a result of changes in foreign exchange rates or interest rates related to these financial derivatives. Contractual / estimated amounts of financial derivatives can fluctuate from time to time, as well as, the range through which financial derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) and the total fair value of the financial assets and liabilities from derivative. The following are the fair values of the financial derivatives on hand:

31 December 2014	Nominal value	Fair Values	
		Assets	Liabilities
	EGP	EGP	EGP
A- Derivatives held for trading			
Forward foreign exchange contracts			
Forward foreign exchange contracts	55 377 148	285 439	222 396
Total derivatives (over-the-counter)	55 377 148	285 439	222 396
Total assets (liabilities) of derivatives held for trading	55 377 148	285 439	222 396
Current balances	55 377 148	285 439	222 396

31 December 2013	Nominal value	Fair Values	
		Assets	Liabilities
	EGP	EGP	EGP
A- Derivatives held for trading			
Forward foreign exchange contracts			
Forward foreign exchange contracts	108 374 565	599 185	60 106
Total derivatives (over-the-counter)	108 374 565	599 185	60 106
Total assets (liabilities) of derivatives held for trading	108 374 565	599 185	60 106
Current balances	108 374 565	599 185	60 106

21- Financial Investments

	31 December 2014 EGP	31 December 2013 EGP
Available for sale investments		
Debt instruments- fair value:		
• Listed Instruments	4 782 240 533	3 343 997 452
• Unlisted Instruments	12 695 109	9 197 356
Equity instruments- fair value:		
• Unlisted Instruments	2 845 123	2 451 848
Total available for sale investments (1)	4 797 780 765	3 355 646 656
Held to maturity investments		
Held to maturity investments		
• Unlisted Instruments	10 000 000	10 000 000
Total held to maturity investments (2)	10 000 000	10 000 000
Total financial investments (1+2)	4 807 780 765	3 365 646 656
Current balances	4 231 148 660	2 918 234 884
Non-current balances	576 632 105	447 411 772
	4 807 780 765	3 365 646 656
Fixed interest debt instruments	4 782 240 533	3 343 997 452
Floating interest debt instruments	22 695 109	19 197 356
Balance as of 31/12/2014	4 804 935 642	3 363 194 808

	Available for sale investments	Held to maturity investments	(EGP) Total
Balance as of 1/1/2014	3 355 646 656	10 000 000	3 365 646 656
Additions	8 991 779 070	--	8 991 779 070
Disposals (sale / redemption)	(7 542 153 978)	--	(7 542 153 978)
Translation differences resulting from monetary foreign currency assets	17 092 168	--	17 092 168
Changes in fair value (note. 32-d)	7 278 366	--	7 278 366
Amortization of premium/discount	(31 861 517)	--	(31 861 517)
Balance as of 31/12/2014	4 797 780 765	10 000 000	4 807 780 765
Balance as of 1/1/2013	2 542 663 045	5 000 000	2 547 663 045
Additions	2 094 972 826	5 000 000	2 099 972 826
Disposals (sale / redemption)	(1 356 690 923)	--	(1 356 690 923)
Translation difference resulting from monetary foreign currency assets	50 355 460	--	50 355 460
Changes in fair value (note. 32-d)	34 898 239	--	34 898 239
Amortization of premium/discount	(10 551 991)	--	(10 551 991)
Balance as of 31/12/2013	3 355 646 656	10 000 000	3 365 646 656

Gain on Financial Investments

	For the year ended 31/12/2014 EGP	For the year ended 31/12/2013 EGP
Gain on sale of Available-for-sale financial assets (note. 32-d)	67 620 459	37 454 878
Gain on sale of treasury bills	4 845 591	14 121 280
	72 466 050	51 576 158

22- Intangible Assets

	31 December 2014 EGP	31 December 2013 EGP
Computer software		
Net book value at the beginning of the year	7 859 438	6 302 105
Additions	8 252 428	5 204 010
Accumulated amortization	(4 700 947)	(3 646 677)
Net book at the end of the year	11 410 919	7 859 438

23- Other Assets

	31 December 2014 EGP	31 December 2013 EGP
Accrued interests receivables	202 858 357	199 172 090
Prepaid expenses	26 216 894	21 287 758
Advance payments for acquisition of fixed assets	178 060 420	82 036 471
Assets reverted to the bank in settlement of debts	3 725 600	3 725 600
Deposits held with others and custody	3 260 375	2 133 116
Others	41 827 771	27 971 588
	455 949 417	336 326 623

24- Fixed Assets

	Land and Buildings EGP	Leasehold Improvement EGP	Machines and Equipment EGP	Others EGP	Total EGP
Balance as of 1/1/2013					
Cost	213 346 636	37 580 457	32 474 654	147 049 483	430 451 230
Accumulated depreciation	(21 532 538)	(11 346 431)	(16 733 724)	(69 394 121)	(119 006 814)
Net book value as of 1/1/2013	191 814 098	26 234 026	15 740 930	77 655 362	311 444 416
Additions during the year	11 301 657	1 127 136	1 935 084	11 466 940	25 830 817
Disposals during the year	--	--	(1 500)	(2 067 574)	(2 069 074)
Adjustments during the year	(61 959)	--	--	--	(61 959)
Depreciation during the year	(5 331 797)	(3 802 044)	(4 599 490)	(19 346 925)	(33 080 256)
Disposals from accumulated depreciation during the year	--	--	658	1 871 488	1 872 146
Net book value as of 31/12/2013	197 721 999	23 559 118	13 075 682	69 579 291	303 936 090
Balance as of 1/1/2014					
Cost	224 586 334	38 707 593	34 408 238	156 448 849	454 151 014
Accumulated depreciation	(26 864 335)	(15 148 475)	(21 332 556)	(86 869 558)	(150 214 924)
Net book value as of 1/1/2014	197 721 999	23 559 118	13 075 682	69 579 291	303 936 090
Additions during the year	31 565 208	71 090	1 982 249	43 403 071	77 021 618
Disposals during the year	--	--	(3 465)	(1 454 603)	(1 458 068)
Adjustments during the year	(462 663)	6 203	--	(85 796)	(542 256)
Depreciation during the year	(5 956 028)	(3 883 840)	(4 196 391)	(19 941 967)	(33 978 226)
Disposals from accumulated depreciation during the year	--	--	3 383	1 096 610	1 099 993
Net book value as of 31/12/2014	222 868 516	19 752 571	10 861 458	92 596 606	346 079 151
Balance as of 31/12/2014					
Cost	255 688 879	38 784 886	36 387 022	198 311 521	529 172 308
Accumulated depreciation	(32 820 363)	(19 032 315)	(25 525 564)	(105 714 915)	(183 093 157)
Net book value as of 31/12/2014	222 868 516	19 752 571	10 861 458	92 596 606	346 079 151

Fixed assets (after depreciation) include assets amounted to EGP 103 Million at the balance sheet date that have not registered yet in the name of the Bank. Legal procedures are currently being undertaken to register those assets.

25- Balances due to Banks

	31 December 2014 EGP	31 December 2013 EGP
Current accounts	45 604 067	62 415 389
Deposits	128 521 800	--
	174 125 867	62 415 389
Local banks	57 120 800	173 997
Foreign banks	117 005 067	62 241 392
	174 125 867	62 415 389
Non-interest bearing balances	45 604 067	62 415 389
Fixed interest rate balances	128 521 800	--
	174 125 867	62 415 389
Current balances	174 125 867	62 415 389

26- Customers' Deposits

	31 December 2014 EGP	31 December 2013 EGP
Demand deposits	4 644 806 310	3 123 934 433
Time deposits	14 775 306 662	10 727 462 231
Certificates of deposit	6 192 656 000	4 887 772 000
Savings deposits	1 023 667 602	704 039 772
Other deposits	546 104 731	329 314 840
	27 182 541 305	19 772 523 276
Corporate deposits	17 038 571 682	12 159 079 416
Retail deposits	10 143 969 623	7 613 443 860
	27 182 541 305	19 772 523 276
Non-interest bearing balances	2 173 051 517	1 875 876 725
Floating interest rate balances	4 306 199 468	2 270 656 818
Fixed interest rate balances	20 703 290 320	15 626 289 733
	27 182 541 305	19 772 523 276
Current balances	21 569 036 878	14 938 958 756
Non-current balances	5 613 504 427	4 833 564 520
	27 182 541 305	19 772 523 276

27- Other Loans

	Interest Rate (%)	31 December 2014 EGP	31 December 2013 EGP
Bank Audi Lebanon (S.A.L) a loan amounted for USD 30 millions dated 1 January 2012, due on 10 January 2015	3 month libor + 1 %	214 203 000	208 158 000
Non - current balances		214 203 000	208 158 000

28- Other Liabilities

	31 December 2014 EGP	31 December 2013 EGP
Accrued interest payable	241 920 706	182 067 351
Unearned revenues	3 980 296	2 802 836
Accrued expenses	25 592 603	24 113 727
Other credit balances	49 654 335	59 531 248
	321 147 940	268 515 162

29- Other Provisions

31 December 2014	Provision for possible claims EGP	Provision for legal cases EGP	Provision for contingent liabilities ** EGP	Total EGP
Balance at the beginning of the year	32 536 606	1 047 973	9 532 598	43 117 177
Formed during the year*	5 444 031	--	317 289	5 761 320
Used during the year	(308 031)	--	--	(308 031)
Provisions no longer required**	--	(600 000)	(3 425 852)	(4 025 852)
Foreign currencies translation differences	--	--	42 209	42 209
Balance at the end of the year	37 672 606	447 973	6 466 244	44 586 823

During the current financial year, Bank Audi S.A.E. formed a provision with the whole expected value. This provision is expected to fully used during the later periods.
* Note number (11).

** Contingent liabilities provision represents EGP 3 434 000 against individual provision and collective provision for groups of similar credit characteristics amounted to EGP 3 032 244.

31 December 2013	Provision for possible claims EGP	Provision for legal cases EGP	Provision for contingent liabilities ** EGP	Total EGP
Balance at the beginning of the year	11 013 504	1 404 498	8 774 864	21 192 866
Formed during the year	22 219 970	--	854 917	23 074 887
Used during the year	(696 868)	(356 525)	--	(1 053 393)
Provisions no longer required*	--	--	(195 493)	(195 493)
Foreign currencies translation differences	--	--	98 310	98 310
Balance at the end of the year	32 536 606	1 047 973	9 532 598	43 117 177

* Contingent liabilities provision include EGP 6 859 852 individual provision and EGP 2 672 746 for collective provision.

30- Deferred Income Taxes

Deferred tax has been calculated on all temporary tax differences using the liabilities method and using the effective tax rate of 25% for the current financial period; taking into considerations the effect of law 44 for the year 2014 which imposed an additional tax at 5%; which led in turn to a tax rate at 30%.

Deferred tax assets resulting from carried forward tax losses are not recognized unless it is probable that there are future tax profits to utilize the forward carried tax losses.

The Bank does not offset deferred tax assets and deferred tax liabilities unless the bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities

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

Deferred tax assets and liabilities balances

	Deferred tax assets		Deferred tax liabilities	
	31 December 2014 EGP	31 December 2013 EGP	31 December 2014 EGP	31 December 2013 EGP
Fixed assets	--	--	(25 317 903)	(17 256 107)
Provisions (other than the provision for loan impairment)	10 986 543	8 506 790	--	--
Foreign currencies translation differences	3 134 099	--	(7 265 321)	--
Total deferred tax assets (liabilities)	14 120 642	8 506 790	(32 583 224)	(17 256 107)
Net deferred tax (liabilities)	--	--	(18 462 582)	(8 749 317)

Movement of deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	EGP	EGP	EGP	EGP
Balance at beginning of year	8 506 790	5 308 665	(17 256 107)	(16 121 608)
Tax recognized in income statement	2 479 753	3 198 125	(8 061 796)	(1 134 499)
Tax recognized in equity	3 134 099	--	(7 265 321)	--
Balance at end of year	14 120 642	8 506 790	(32 583 224)	(17 256 107)

Deferred tax recognized directly in equity

	31 December 2014	31 December 2013
	EGP	EGP
Cumulative change in fair value of available-for-sale investments	(4 131 222)	--
Balance	(4 131 222)	--

31- Paid Up Capital

The authorized and issued capital was amounted to USD 235 million equivalent to EGP 1 337 024 865 at par value USD 10 each and all the issued shares are fully paid.

On 23 April 2013; the extraordinary general assembly in 23 April 2013 has approved to increase the authorized and issued capital by USD 30 million equivalent to EGP 206 334 000 and shareholders had paid the value of increase to be the authorized and issued capital USD 265 million equivalent to EGP 1 543 358 865 divided on 26 500 000 shares valued at 10 USD each and had been registered on 21 November 2013 at commercial register.

On 20 March 2014; the extraordinary general assembly meeting approved to increase the authorized and issued capital by USD 42 million equivalent to EGP 299 884 200 which will be settled from shareholders dividends of 2013 amounted to EGP 317 million and shareholders had paid the value of increase to be the authorized and issued capital USD 307 million equivalent to EGP 1 843 243 065 divided on 30 700 000 shares valued at 10 USD each and had been registered on 25 September 2014 at commercial register.

- Shareholders as followings:

	Number of shares	Book value USD	Currency
Bank Audi "sal" - Lebanon	30 699 998	306 999 980	USD
Bank Audi "sal" – Private services – Lebanon	1	10	USD
Bank Audi "sal" - Business – Lebanon	1	10	USD
Total	30 700 000	307 000 000	USD

32- Reserves and Retained Earnings

	31 December 2014 EGP	31 December 2013 EGP
Reserves		
Special reserve	81 099 789	81 099 789
General banking risks reserve	121 292 861	86 505 761
Legal reserve	50 289 048	31 728 638
Capital reserve	64 906	64 906
Available-for-sale investments revaluation reserve	15 721 075	80 194 390
Total reserves at the end of the financial year	268 467 679	279 593 484

Reserves movements are as follows:

A- Special Reserve

	31 December 2014 EGP	31 December 2013 EGP
Balance at the beginning of the year	81 099 789	81 099 789
Balance at the end of the year	81 099 789	81 099 789

The application of the CBE new basis rules of preparation and presentation of financial statements as well as the modified principles of recognition and measurement requires to restate the comparative figures of the first financial year that have been impacted by this change, including comparative figures in the balance sheet and the income statements for the previous year as the impact of adjustment is positive, such impact was carried directly to retained earnings then transferred to the special reserve in equity. The distribution of this reserve is prohibited except after obtaining approval from the Central Bank of Egypt (CBE).

B- General Banking Risk Reserve

	31 December 2014 EGP	31 December 2013 EGP
Balance at the beginning of the year	86 505 761	86 407 835
Transferred from retained earnings	34 787 100	97 926
Balance at the end of the year	121 292 861	86 505 761

The CBE regulations require banks to form a General Banking Risk Reserve to meet unexpected risks. Such reserve is un-distributable, unit it is approved by the GAM meeting convened to approve the annual separate financial statements and after obtaining the approval of the Central Bank of Egypt (CBE).

C- Legal Reserve

	31 December 2014 EGP	31 December 2013 EGP
Balance at the beginning of the year	31 728 638	19 175 114
Transferred from year's profits	18 560 410	12 553 524
Balance at the end of the year	50 289 048	31 728 638

According to the local laws, 5% of the net annual profits is retained for reserve not distributed to reach to 50% from the issued capital.

D- Fair Value Reserve–Investments Available for Sale

Available-for-sale investments revaluation reserve

	31 December 2014 EGP	31 December 2013 EGP
Balance at the beginning of the year	80 194 390	82 751 029
Net gains (losses) resulting from changes in fair value during the year (note 21)	7 278 366	34 898 239
Net (gains) losses transferred to income statement as a result of disposal (note 21)	(67 620 459)	(37 454 878)
Deferred tax recognized during the year (note 30)	(4 131 222)	--
Balance at the end of the year	15 721 075	80 194 390

This reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt (CBE).

E- Retained Earnings

	31 December 2014 EGP	31 December 2013 EGP
Movement on retained earnings		
Balance at the beginning of the year	371 110 279	253 660 465
Net profit for the year	444 656 005	371 208 205
Shareholders' profit share	(317 294 882)	(216 996 247)
Employees' profit share	(35 254 987)	(24 110 694)
Transferred to general banking risks reserve	(34 787 100)	(97 926)
Transferred to legal reserve	(18 560 410)	(12 553 524)
Balance at the end of the year	409 868 905	371 110 279

33- Cash and Cash Equivalents

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

	31 December 2014 EGP	31 December 2013 EGP
Cash balances with Central Bank of Egypt (included in note. 15)	142 353 724	120 994 966
Due from banks (included in note. 16)	134 860 708	32 378 871
	277 214 432	153 373 837

34- Commitment and Contingent Liabilities

A- Legal Claims

There are lawsuits filed against the bank as of 31 December 2014 and provision amounted to EGP 447 973 has been formed for these lawsuits.

B- Capital Commitment

The bank's total capital commitments amounted to EGP 74.72 million as of 31 December 2014 against EGP 8.5 million comparative represented in purchasing fixed assets and the management is confident that net profit will be recognized, will be used to pay these commitments.

C- Commitments for Loans Guarantees and Facilities *

The bank's Commitments for loans, guarantees and facilities are represented as follows:

	31 December 2014 EGP	31 December 2013 EGP
Commitments for loans and other irrevocable liabilities related to credit	466 240 060	350 009 928
Accepted papers	160 431 573	61 560 588
Letters of guarantee	1 578 984 150	1 366 170 911
Letter of credit-import	181 373 725	235 585 431
Letter of credit-export	4 507	19 682 081
	2 387 034 015	2 033 008 939

*Accounting policy number (3-a/5)

35- Related Party Transactions

The Bank is a subsidiary of parent Bank Audi (S.A.L) (Lebanon) which owns 99.99999% of ordinary shares. The remaining percentage (0.00001%) is owned by other shareholders.

Related parties transactions and balances at the end of the financial year ended at 31 December 2014 are as follows:

A- Loans and Advances from Related Parties

	Parent 31 December 2014 EGP(000)	Parent 31 December 2013 EGP(000)
Outstanding loans at the beginning of the year	208 158	189 570
Foreign currencies translation differences	6 045	18 588
Outstanding loans at the end of the year	214 203	208 158

- Loans granted from parent company are non-secured, with variable interest rate as they are recoverable at the end of contract.

B- Loans and Facilities to Related Parties

	Directors & other key managment personnel & (close family members)	
	31 December 2014 EGP(000)	31 December 2013 EGP(000)
Outstanding loans at the beginning of the year	13 910	8 218
Issued loans during the year	20 318	13 471
Collected loans during the year	(16 044)	(7 779)
Outstanding loans at the end of the year	18 184	13 910

C- Deposits from Related Parties

	Directors and others key management personnel		Other related parties	
	31 December 2014 EGP(000)	31 December 2013 EGP(000)	31 December 2014 EGP(000)	31 December 2013 EGP(000)
Due to customers				
Deposits outstanding at the beginning of the year	14 160	8 368	43 465	105 584
Deposits placed during the year	129 465	133 806	1 564 530	1 164 837
Deposits repaid during the year	(124 248)	(128 292)	(1 587 247)	(1 227 831)
Foreign currencies translation differences	87	278	66	875
Deposits outstanding at the end of the year	19 464	14 160	20 814	43 465
Interest expense on deposits	1 605	754	1 988	2 841

The preceding deposits are unsecured, with floating interest rate and recoverable on call.

D- Other Related Party Transactions Other Parties

	31 December 2014 EGP(000)	31 December 2013 EGP(000)
Due from banks	111 856	226 869
Due to banks	93 526	1 961
Letter of guarantees	61 082	62 523
Letter of credit-export	--	70
Letter of credit-import	56 425	522
Paid accepted papers	3 906	3 443

	31 December 2014 EGP(000)	31 December 2013 EGP(000)
Salaries and short-term benefits	1 750	1 900
	1 750	1 900

E- Board Of Directors (Non-Executives) and Top Management Benefits

The monthly average of net salaries and benefits for top 20 employees with the largest salaries and benefits reached EGP 3 369 260 during the current financial year ended 31 December 2014 against EGP 2 868 465 for the financial year ended 31 December 2013.

36- Mutual Funds

The mutual fund is an activity authorized for the bank by virtue of Capital Market law no.95 for the year 1992 and its executive regulation.

A- Bank Audi Monetary Mutual fund in EGP (with Daily Accumulated Interest)

The Fund is managed by E.F.G- Hermes for fund management. Total number of the outstanding certificates of the fund at 31 December 2014 reached 10 million certificates at a total value of EGP 100 million; out of which; 500,000 certificates (with value of EGP 5 million) are allocated to Bank Audi S.A.E to undertake the activity of mutual funds. These certificates are classified as held to maturity.

The bank currently holds 500,000 certificates at 31 December 2014 with a redeemable value amounted to EGP 8,127,200. The redeemable value of a single certificate amounted to EGP 16.254400 at 31 December 2014 and the total outstanding certificates at the same date reached 53 254 366 certificates.

On 15 July 2014; the central bank of Egypt approved to increase the capital of the fund to reach 110 million certificates by value of EGP 1 100 million, as well as increasing the value of the bank's contribution to the capital of this fund to reach EGP 22 million according to article No. (150) of the executive regulation of the capital market law no.95 of 1992, which stipulates that "the maximum amount of investment fund in a mutual fund shouldn't exceed fifty times of its capital, which in turn shouldn't be less than five million Egyptian pounds paid in cash"

Bank Audi S.A.E contribution percentage at 31 December 2014 is 2.57% of the total issued certificates.
According to the management agreement and the fund's prospectus, Bank Audi S.A.E shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 3 154 963 have been reported among the "fees and commission income" line item in the income statement.

B- Bank Audi Monetary Mutual Fund (Ezdhar) in EGP with Daily Accumulated Interests and Variable Periodical Interest.

The Fund is managed by Acumen Asset management, part of Acumen Holding. Total number if the outstanding certificates of the fund at 31 December 2014 reached 250,000 certificates at a total value of EGP 25 million; out of which; 50,000 certificates (with value of EGP 5 million) are allocated to the bank to undertake the funds' activity. These certificates are classified as held to maturity.

The bank currently holds 50,000 certificates at 31 December 2014 with a redeemable value amounted to EGP 5 188 785. The redeemable value of a single certificate amounted to EGP 103.775700 at 31 December 2014 and the outstanding certificates at the date reached 145 195 certificate.

According to the management agreement and the fund's prospectus, Bank Audi S.A.E shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 173 893 have been reported among the "fees and commission income" line item in the income statement.

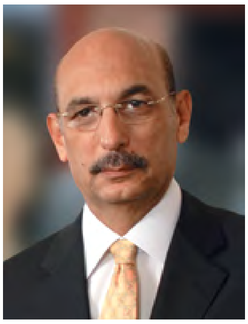
As the core asset, our People represent the SPIRIT that drives the Bank forward

Our People

Executive Members

Mr. Hatem A. Sadek
Chairman & Managing Director

Mr. Mohamed A. Fayed
Deputy Chairman & Managing Director

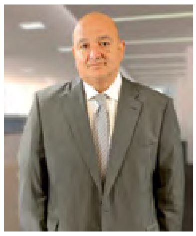


Mr. Yehia K. Youssef
Deputy Managing Director

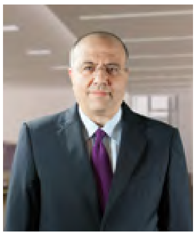
Management Team

Mr. Mohammed Bedeir
Chief Financial Officer

Mrs. Amany Shamseldin
Chief Operating Officer



Mr. Afdal Naguib
Chief Risk Officer



Mr. Mostafa Gamal
Head of Treasury and Capital Markets

Mr. Ihab Dorra
Head of Retail Banking

Mr. Amr Elaassar
Head of Corporate Business Banking

Mr. Assem Awwad
Head of Large Corporate and Syndicated Loans

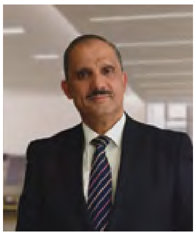
Mr. Hesham Ragab
Head of Legal Affairs

Mr. Amr El-Gueziry
Head of Internal Audit

Mr. Mohamed Latif
Head of Financial Institutions

Mr. Walid Hassouna
Head of Islamic Banking & Structured Finance

Mr. Mohamed Labib
Head of Branch Network



Mr. Maher Hamed
Chief Information Officer

Mr. Bassel Kelada
Head of Retail Credit

Mr. Maroun Aouad
Head of Global Transaction Services

Mr. Ahmed Fouad
Head of Strategic Support

Mr. Khaled El-Defrawy
Head of Small and Medium Enterprises (SMEs)

Mr. Walid El-Watany
Head of Human Resources

Mr. Ali Amer
Head of Compliance

Mrs. Doaa Zaki
Head of Audi Première Services

Mrs. Maha Hassan
Head of Mortgage Finance

Ms. Heba Gaballa
Head of Marketing & Communication

Mrs. Rana Mostafa
Head of Quality Assurance

Mr. Ahmed Fouad
Head of Corporate Information Security and Business Continuity (CISBC)

Mr. Hazem El-Shaarawy
Head of Marketing Research

Mr. Mohamed Shalaby
Head of Projects Management Office (PMO)

5- Our People

EXECUTIVE MANAGEMENT

Mr. Hatem A. Sadek	Chairman & Managing Director
Mr. Mohamed A. Fayed	Deputy Chairman & Managing Director
Mr. Yehia K. Youssef	Deputy Managing Director & Executive Board Member

LINES OF BUSINESS

Mr. Amr Elaassar
General Manager
Head of Corporate Business Banking
Tel: +202 35343377
Email: Amr.Elaassar@banqueaudi.com

Mr. Assem Awwad
Senior General Manager
Head of Large Corporate & Syndicated Loans
Tel: +202 35343362
Email: Assem.Awwad@banqueaudi.com

Mr. Hossam Abdel Aal
Deputy General Manager
Deputy Head of Corporate Banking
Tel: +202 24508633
Email: Hossam.Abdel-Aal@banqueaudi.com

Mr. Mohammed Sabry
Deputy General Manager
Deputy Head of Corporate & Head of Syndications
Tel: +202 35343361
Email: Mohammed.Adly@banqueaudi.com

Mr. Tamer El-Oraby
Deputy General Manager
Group Head
Tel: +202 35343367
Email: Tamer.El-Oraby@banqueaudi.com

Mr. Khaled El-Defrawy
Deputy General Manager
Head of Small & Medium Enterprises (SMEs)
Tel: +202 35343688
Fax: +202 35362122
Khaled.El-Defrawy@banqueaudi.com

Mr. Mohamed Aly
Senior Manager
SMEs Senior Relationship Manager
Tel: +202 35343695
Email: Mohamed.Ali@banqueaudi.com

Mr. Sherif Selim
Manager
SMEs Senior Relationship Manager
Tel: +202 35343376
Email: Sherif.Selim@banqueaudi.com

Mr. Mohamed Afifi
Executive Manager
Head of Corporate Business Development & Market Support
Tel: +202 35343488
Mohamed.Afifi@banqueaudi.com

Mr. Ihab Dorra
General Manager
Head of Retail Banking
Tel: +202 35343565
Fax: +202 35362125
Email: Ihab.Dorra@banqueaudi.com

Mrs. Maha Hassan
Deputy General Manager
Head of Mortgage Finance
Tel: +202 35343655
Fax: +202 35362125
Email: Maha.Hassan@banqueaudi.com

Mr. Amr Nossair
Deputy General Manager
Head of Product Development
Tel: +202 35343646
Fax: +202 35362125
Email: Amr.Nossair@banqueaudi.com

Mrs. Doaa Zaki
Assistant General Manager
Head of Audi Première Services
Tel: +202 35343700
Fax: +202 35362122
Email: Doaa.Zaki@banqueaudi.com

Mrs. Iman Badr
Assistant General Manager
Acting Deputy Retail Head for Retail Liabilities
Tel: +202 35343670
Fax: +202 35362127
Email: Iman.Badr@banqueaudi.com

Mrs. Marwa Ismail
Assistant General Manager
Head of Retail Support
Tel: +202 33333388
Fax: +202 37489842
Email: Marwa.Ismail@banqueaudi.com

Mr. Bassem Samir
Assistant General Manager
Head of Sales
Tel: +202 24006421
Fax: +202 24053134
Email: Bassem.Tawadros@banqueaudi.com

Mr. Ahmed Ezz
Assistant General Manager
Head of Card Center
Tel: +202 35343561
Fax: +202 35362127
Email: Ahmed.Ezzeldin@banqueaudi.com

Mr. Hany Fahim
Executive Manager
Head of Payroll Segment
Tel: +202 35343357
Fax: +202 35362127
Email: Hany.Fahim@banqueaudi.com

Ms. Salwa Chaaya
Senior Manager
Head of Booking Unit
Tel: +202 35343615
Fax: +202 35362127
Email: Salwa.Chaaya@banqueaudi.com

Mr. Mohamed Labib
General Manager
Head of Branch Network
Tel: +202 23904866
Fax: +202 23904853
Email: Mohamed.Ahmed@banqueaudi.com

Mr. Mostafa Gamal
Senior General Manager
Head of Treasury & Capital Markets
Tel: +202 35343528
Fax: +202 35362126
Email: Mostafa.Gamal@banqueaudi.com

Mr. Ahmed Khallaf
Deputy General Manager
Acting Deputy Head of Treasury & Capital Markets
Tel: +202 35343524
Fax: +202 35362126
Email: Ahmed.Khallaf@banqueaudi.com

Mr. Ahmed Osama
Executive Manager
Head of Fixed Income & Money Market Desk
Tel: +202 35343522
Fax: +202 35362126
Email: Ahmed.osama@banqueaudi.com

Mr. Mohamed Latif
General Manager
Head of Financial Institutions
Tel: +202 35343498
Fax: +202 35362104
Email: Mohamed.Latif@banqueaudi.com

Ms. Rasha Abdel-Rassoul
Executive Manager
Head of Correspondent Banking
Tel: +202 35343499
Email: Rasha.Adbel-Rassoul@banqueaudi.com

Mr. Hesham El-Zahaby
Senior Manager
Head of Non-Bank Financial Institutions
Tel: +202 35343714
Email: Hesham.El-Zahaby@banqueaudi.com

Mr. Walid Hassouna
General Manager
Head of Islamic Banking & Structured Finance
Tel: +202 35343517
Fax: +202 35362122
Walid.Hassouna@banqueaudi.com

Mrs. Maie Hamdy
Executive Manager
Group Head
Tel: +202 35343519
Email: maie.hamdy@banqueaudi.com

Mr. Maroun Aouad
Deputy General Manager
Head of Global Transaction Services
Tel: +202 35343580
Fax: +202 35352126
Maroun.Aouad@banqueaudi.com

Mr. Hany Ghatas
Executive Manager
Head of Capital Markets Products
Tel: +202 35343526
Email: Hany.Ghatas@banqueaudi.com

Mr. Mahmoud Abou Taleb
Executive Manager
Head of Trade Finance Products
Tel: +202 35343493
Email: Mahmoud.Aboutaleb@banqueaudi.com

Mr. Mohamed Kilany
Senior Manager
Head of Cash Management Products and Remote Channels
Tel: +202 35343741
Email: Mohamed Kilany@banqueaudi.com

RISK FUNCTIONS

Mr. Afdal Naguib
Senior General Manager
Chief Risk Officer

Mr. Karim Hosni
General Manager
Deputy Chief Risk Officer

Mr. Bassel Kelada
General Manager
Head of Retail Credit

SUPPORT FUNCTIONS

Mr. Mohamed Bedeir	Senior General Manager Chief Financial Officer
Mrs. Amany Shamseldin	Senior General Manager Chief Operating Officer
Mr. Hesham Ragab	Senior General Counsel Head of Legal Affairs
Mr. Walid El-Watany	General Manager Head of Human Resources
Mr. Maher Hamed	General Manager Chief Information Officer
Mr. Ahmed Fouad	General Manager Head of Strategic Support
Ms. Heba Gaballa	Deputy General Manager Head of Marketing & Communication
Mr. Mohamed Shalaby	Executive Manager Head of Projects Management Office
Mrs. Rana Mostafa	Senior Manager Head of Quality Assurance
Mr. Hazem El-Shaarawy	Senior Manager Head of Marketing Research

CONTROL FUNCTIONS

Mr. Amr El-Gueziry	General Manager Head of Internal Audit
Mr. Ali Amer	Deputy General Manager Head of Compliance
Mr. Ahmed Fouad	Assistant General Manager Head of Corporate Information Security and Business Continuity

The continuous spread of our Network is like the ever changing surface and connectivity of the EARTH.

Network

6- Network

Branches by Governorate

Cairo Governorate	
Abbass El-Akkad Branch	
Address	70 Abbass El-Akkad Street, Nasr City
Tel	(20-2) 22708790
Fax	(20-2) 22708757
Abbassia Branch	
Address	109 Abbassia street
Tel	(20-2) 24664455
Fax	(20-2) 24664453
Abdel Khalek Tharwat Branch	
Address	42 Abdel Khalek Tharwat street, Downtown
Tel	(20-2) 23904866
Fax	(20-2) 23904162
Beirut Branch	
Address	54 Demeshk Street, Heliopolis
Tel	(20-2) 24567600
Fax	(20-2) 24508653
El-Manial Branch	
Address	90 El Manial street, Manial
Tel	(20-2) 23629935
Fax	(20-2) 23630099
El-Obour City Branch	
Address	Golf City, Obour City, Shops 43,44,45
Tel	(20-2) 46104325
Fax	(20-2) 46104324
Garden City Branch	
Address	1 Aisha El-Taymorya Street, Garden City
Tel	(20-2) 27928976
Fax	(20-2) 27928977
Makram Ebeid Branch	
Address	1 Makram Ebeid Street, Nasr City
Tel	(20-2) 26731300
Fax	(20-2) 22726755

Masaken Sheraton Branch

Address	11 Khaled Ebn El Waleed Street, Masaken Sheraton
Tel	(20-2) 22683381
Fax	(20-2) 22683433

Mokattam Branch

Address	Plot # 6034; Street 9, Mokattam
Tel	(20-2) 25057040
Fax	(20-2) 25057566

Nady El Shams Branch

Address	17 Abdel Hamid Badawy Street, Heliopolis
Tel	(20-2) 26210943
Fax	(20-2) 26210945

Salah Salem Branch

Address	Bldg. 15 Salah Salem street, Heliopolis
Tel	(20-2) 24006400
Fax	(20-2) 22607168

Shoubra Branch

Address	128 Shoubra Street, Shoubra
Tel	(20-2) 22075767
Fax	(20-2) 22075779

Triumph Branch

Address	No. 8, Plot 740, Othman Ibn Affan street. with Mohamed Adly Kafafi, Heliopolis
Tel	(20-2) 26352220
Fax	(20-2) 26424900

Degla Branch

Address	1-B 256 Street, Degla, Maadi
Tel	(20-2) 25195238
Fax	(20-2) 25162017

Maadi Branch	
Address	Plot ½ , 5 Taksim El-Laselky, New Maadi
Tel	(20-2) 25197901
Fax	(20-2) 25197921
Fax	(20-2) 37480599
Zamalek Branch	
Address	1B Hassan Sabry St., Zamalek
Tel	(20-2) 27285200
Fax	(20-2) 27375008

Giza Governorate

Haram Islamic Branch	
Address	42 El-Haram Street, El-Haram
Tel	(20-2) 33865056
Fax	(20-2) 33865103
Lebanon Branch	
Address	60 Lebanon Street (Lebanon Tower), Lebanon Square; Mohandessin
Tel	(2-02) 33006400
Fax	(2-02) 33026454
Batal Ahmed Branch	
Address	44 El Batal Ahmed Abdel Aziz, Mohandessin
Tel	(2-02) 33332000
Fax	(2-02) 37480599
Tahrir Street Branch	
Address	94 Tahrir Street, Dokki
Tel	(20-2) 33319500
Fax	(20-2) 37486310

Giza Governorate

Mossadak Islamic Branch

Address	56 Mossadak St., Dokki
Tel	(20-2) 37480241 - 37603520
Fax	(20-2) 37480242

Six of October Branch

Address	Plot # 2/23 - Central District, Six of October
Tel	(2-02) 38353783
Fax	(20-2) 38353780

Dokki Branch

Address	104 El Nile Street, Dokki
Tel	(2-02) 33337100
Fax	(20-2) 37483818

Pyramids Heights Branch

Address	Pyramids Heights Office Park, Cairo-Alexandria Desert road –Km 22
Tel	(2-02) 35343712
Fax	(20-2) 35362053

Alexandria Governorate

El Sultan Hussein Branch

Address	38B El Sultan Hussien Street
Tel	(20-3) 4855791
Fax	(20-3) 4877198

Gleem Branch

Address	1 Mostafa Fahmy Street, Gleem
Tel	(20-3) 5816000
Fax	(20-3) 5825866

Miami Branch	
Address	4 street, 489 - Montazah division
Tel	(20-3) 5505212
Fax	(20-3) 5505136
Smouha Branch	
Address	35 (Repeated) Victor Emmanuel Square
Tel	(20-3) 24193700
Fax	(20-3) 4244510
Daqahlia Governorate	
Mansoura Branch	
Address	26 Saad Zaghloul street Toreil
Tel	(20-50) 2281600
Fax	(20-50) 2309782
Gharbia Governorate	
Tanta Branch	
Address	Intersection of El-Geish Street & El-Nahda Street
Tel	(20-40) 3389600
Fax	(20-40) 3403100
Red Sea Governorate	
Gouna Branch	
Address	Service Area # Fba-12e; “El Balad” District
Tel	(20-65) 3580096
Fax	(20-65) 3580095
Sheraton Road Branch - Hurghada	
Address	23 Taksim El Hadaba El Shamaleya, 167 Sheraton Road
Tel	(20-65) 3452020
Fax	(20-65) 3452015
South Sinai Governorate	
Neama Bay Branch - Sharm El Sheikh	
Address	207 Rabwet Khaleeg Neama
Tel	(20-69) 3604515
Fax	(20-69) 3604520

Call Center 16555

ATM Locations by Governorate

ATM Name	Addresses
	Cairo Governorate
Al-Ahram Newspaper	Al Galaa Street, Downtown
Mokattam Branch	Plot # 6034, Street 9, Mokattam, Cairo
Wadi Degla Club	Zahra El Maadi, Wadi Degla Club
Makram Ebeid Branch	1 Makram Ebeid Street - Nasr City
Kheir Zaman Market - Nasr City	Plot # 14 Block # 6 , District 11 , Nasr City
Makram Ebeid Branch 2	1 Makram Ebeid Street - Nasr City
On the Run – JW Marriot	JW Marriot – Katamiya
Mobil Tagamoa 90th street.	90th street, Tagamoa.
Exxon Mobil - El-Tagamoa El-Khames	Exxon Mobil - El-Tagamoa El-Khames - behind Mogamah Al Mahakam Al Gedida - New Cairo
Beirut Branch	54 Demeshk Street, Heliopolis
On the Run – Roxy	72 EL-Khalifa Maa'moun
Kheir Zaman Market - Hegaz	El-Hegaz Street, Merriland, Heliopolis
Shoubra Branch	128 Shoubra Street, Shoubra
El Shams Club Branch	17 Abdel Hamid Badawi Street
Masaken Sheraton Branch	11 Khaled Ibn El-Waleed Street, Masaken Sheraton
Mobil El Zamalek	26th of July street Cairo
On the Run – EL-Rehab	El-Rehab City - entrance No. 13
Exxon Mobil - Autostrade Nasr City - FBI	Exxon Mobil - FBI -Autostrade road
El Tahrir Branch	94 Tahrir street, Dokki
Abbassia Branch	109 Abbassia Street
El-Sawamea (off site)	1 El-Sawah Square , Saraya El-Kouba
El-Obour City Branch	Golf City, Obour City, Shops 43,44,45
Exxon Mobil - Gesr El Suez	Exxon Mobil - Gesr El Suez 19, start of Cairo Ismailia Road, CAIRO, facing El Herafyeen
Triumph Branch	Othman Ibn Affan street. with Mohamed Adly Kafafi
On the Run – Mobil El-Nozha	Exxon Mobil El- Nozha
Tharwat Branch	42 Abd El Khalek Sarwat
Salah Salem	15 Salah Salem street
City Stars	City Stars Mall, Gate 1, After security entrance
Garden City	1 Aisha El-Taymoria Street, Garden City
Spinney's City stars	City stars ground floor

ATM Name	Addresses
Mobil Hassaen El Ma'moun	6^{th} Hassan el Sherif (Hassan el Ma'moun) street.
Mobil Farid Smeka	Fared Semeka st. Heliopolis near to shams club.
Abbas El Akkad Branch	70 Abbass el Akkad street
Ventitrie café	23 el sheikh Ali Abdel Razek – el Hegaz – el Nozha
Cairo Festival City Mall	Cairo Festival City Mall - El-Tagamoa El-Khames
Total Madinty	Cairo - Suez Desert road - at Entrance 2 Sherouk City
Total El-Obour	Ismailia - Cairo Desert road after exit of Obour City
Zamalek Branch	Hasan Sabry st., Zamalek
Dina Farms - Maadi	St., 254 Shell Building. - Maadi
Total El-Lasilky	22 El Lasilki street – New Maadi – beside Metro supermarket
Total Autostrad	Autostrad Road – Maadi Degla entrance – beside Torah prison
Dina Farms - Mostafa El-Nahas	84 Mostafa El-Nahas st., - Nasr City - Cairo
Giza Governorate	
Mosaddak Islamic Branch	56 Mosaddak Street, Dokki, Giza, Cairo
Dokki Main Branch	104 El Nile Street, Dokki, Giza, Cairo.
On the Run – Dokki	50 EL-Giza street, in front of Sheraton Al-Qahera , Dokki
Lebanon Branch – 1	60 Lebanon Street, Lebanon Square, Mohandessin, Cairo
Lebanon Branch – 2	60 Lebanon Street, Lebanon Square, Mohandessin, Cairo
Samcrete - EL-Haram	8 El Mansoura Road, El Haram, next to Koki Park
El-Batal Branch	44 El-Batal Ahmed Abdel-Aziz Street, Mohandessin
On the Run – Gameet El-Dowal El-Arabia	63 Gameet EL-Dowal El-Arabia
Manial Branch	90 El Manial Street
Exxon Mobil - El-Manial	59 EL-Manial street
Dina Farms - Dokki	19 Amen El-Rafei st., - Dokki
El Shorouk Hospital	Ahmed Orabi street , Mohandessin
Haram Branch	42 Haram street
EFG Hermes	Smart Village
Total Mariotia	Al Kom Al Akhdar Giza
Dina Farms - Demeshq st.,	14 Demeshq st., - Mohandessin - Giza

ATM Name	Addresses
	Sixth of October District
6 of October Branch	Plot # 2/23 - Central district
Sheraton Dreamland	Sheraton Dreamland - Six of October
Hyper One	Hyper One mall - El-Sheikh Zayed
Saudi Market - 6 of October	Saudi Market - El-Sheikh Zayed , 6 of October
Pyramids Heights 1	Pyramids Heights Office Park, Km 22 Cairo-Alexandria Desert Road
Pyramids Heights 2	Pyramids Heights Office Park, Km 22 Cairo-Alexandria Desert Road
Union Air 1	6 October 3rd Industrial Zone - Piece no. 609
Union Air 2	6 October 3rd Industrial Zone - Piece no. 609
Union Air 3	6 October 3rd Industrial Zone - Piece no. 609
Hazem Hassan Co.	Km 22 Cairo-Alex Desert Road , Pyramids Heights office park
Haram City	Haram city – 6 October beside Tamr Henna
Dar El Mona	Cairo –Alex. desert road , KM 15
Arkan Mall	El Sheikh Zayed, 6 October beside Americana plaza.
Season country club	Cairo –Alex, desert road, KM 17
Spinney's city Scape	Inside city Scape mall after el Hossary mosque.
Spinney's Mall of Arabia	Inside mall of Arabia , 6 October
Al-Hayah Channel EMPC	EMPC - October
Hyper One2	Hyper One second Floor
Union Air4	6 Oct 3rd industrial zone piece no.609
Zamzam Mall	Building 71 - El-Hay 7 - October
	Helwan Governorate
Maadi Branch	1-B, 256 Street, Degla
New Maadi branch	Plot no. 1 & 2 D/5 Taksim El-Laselky , intersection of El-Nasr & El-Laselky
	Alexandria Governorate
El Sultan Hussein Branch	38B El Sultan Hussien Street
City Center Alexandria	City Center Alex -Gate 3 After security entrance on the right
Smouha Branch	35 Victor Emmanuel Square
Mobil - Merghem	14 May in front of Alex Medical Center - Smouha
Metro Market - Loran	25 , 27 Serhank Pasha , Loran
Miami Branch	4 street, 489 - Montazah division
Gleem Branch	1 Mostafa Fahmy Street, Gleem
Smouha branch 2	35 Victor Emmanuel Square
Metro Roshdy	Roshdy
Four seasons – San Stefano	Old residence zone in the lobby
Total Marina	KM 104 Alex - Matrouh road - Between Marina gates 5-6

ATM Name	Addresses
Daqahlia Governorate	
El-Mansoura Branch	26 Saad Zaghloul street Toreil
Khair Zaman Market - Mansoura	Suez Canal Street with El-Shaheed Mahmoud Abdel Maksoud - Borg El-Nour, Mansoura
Gharbia Governorate	
Tanta Branch	Intersection of El-Geish & El-Nahda Streets
Metro Tanta	32 said st. , Kitchener square
Red Sea Governorate	
Gouna Branch	Service Area # Fba-12e, El-Balad District, Gouna
Bostan Mall – El Gouna	Al Bostan Mall, Gouna
Sheraton Road Branch	23 Taksim El Hadaba El Shamaleya, 167 Sheraton Road, Hurghada
Spinney's Senzo Mall	Senzo Mall , Hurghada
South Sinai Governorate	
Hadabet Om El-Seed – Sharm El-Sheikh	Plot 28 – Hadabet Om El-Sid – Pyramids Mall
Neama Bay Branch – Sharm Branch	207 Rabwet Khaleeg Neama
Sharkeya Governorate	
El-Nasagoon El Sharkyon 1	Oriental Weaver Factory (10th of Ramadan)
El-Nasagoon El Sharkyon 2	Oriental Weaver Factory (10th of Ramadan)
Monofia Governorate	
Almatex - Sadat City	Almatex - Sadat City
Egyptian Spinning Company - Sadat	Egyptian Spinning Company - Sadat
Horizon - Sadat	Granite prima company Sadat
IPI	4th Industrial Zone-Sadat City, Monofia

Bank Audi