50 GOLDEN YEARS OF CONFIDENCE & DISTINCTION

Annual Report 2014

البنك العربي الافريقي الدولي
arab african international bank

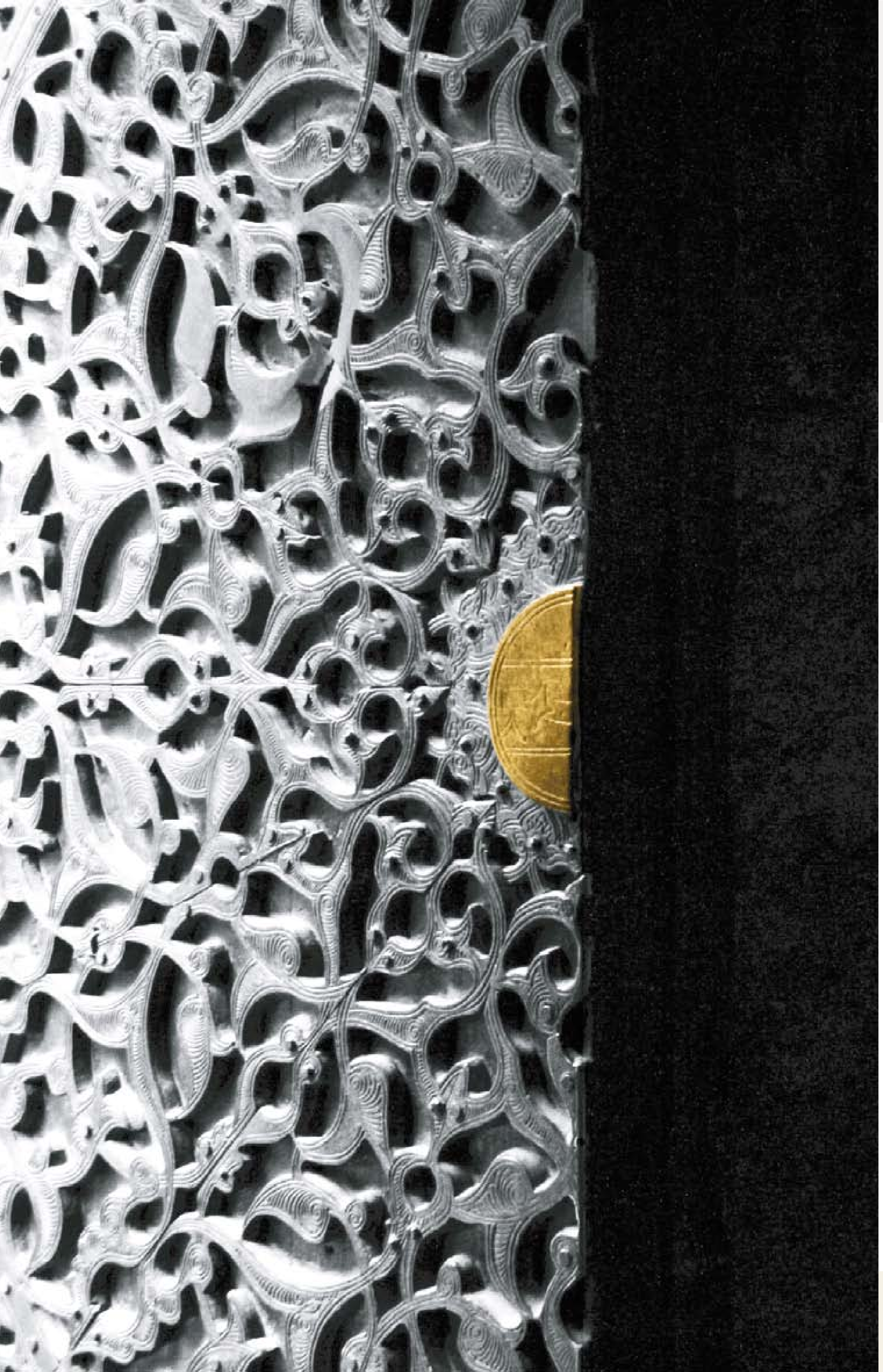
“50 GOLDEN YEARS OF VALUE CREATION”

With our values, we create value… our code for infinite success.

VISION

To be the leading financial group in Egypt providing innovative services with a strong regional presence being the gateway for international business into the region.

Cover: The Royal Geographical | Society Qasr El Aini Street | Photographer: Barry Iverson
This image: The Royal Geographical Society | Qasr El Aini Street | Photographer: Shahir Sirry

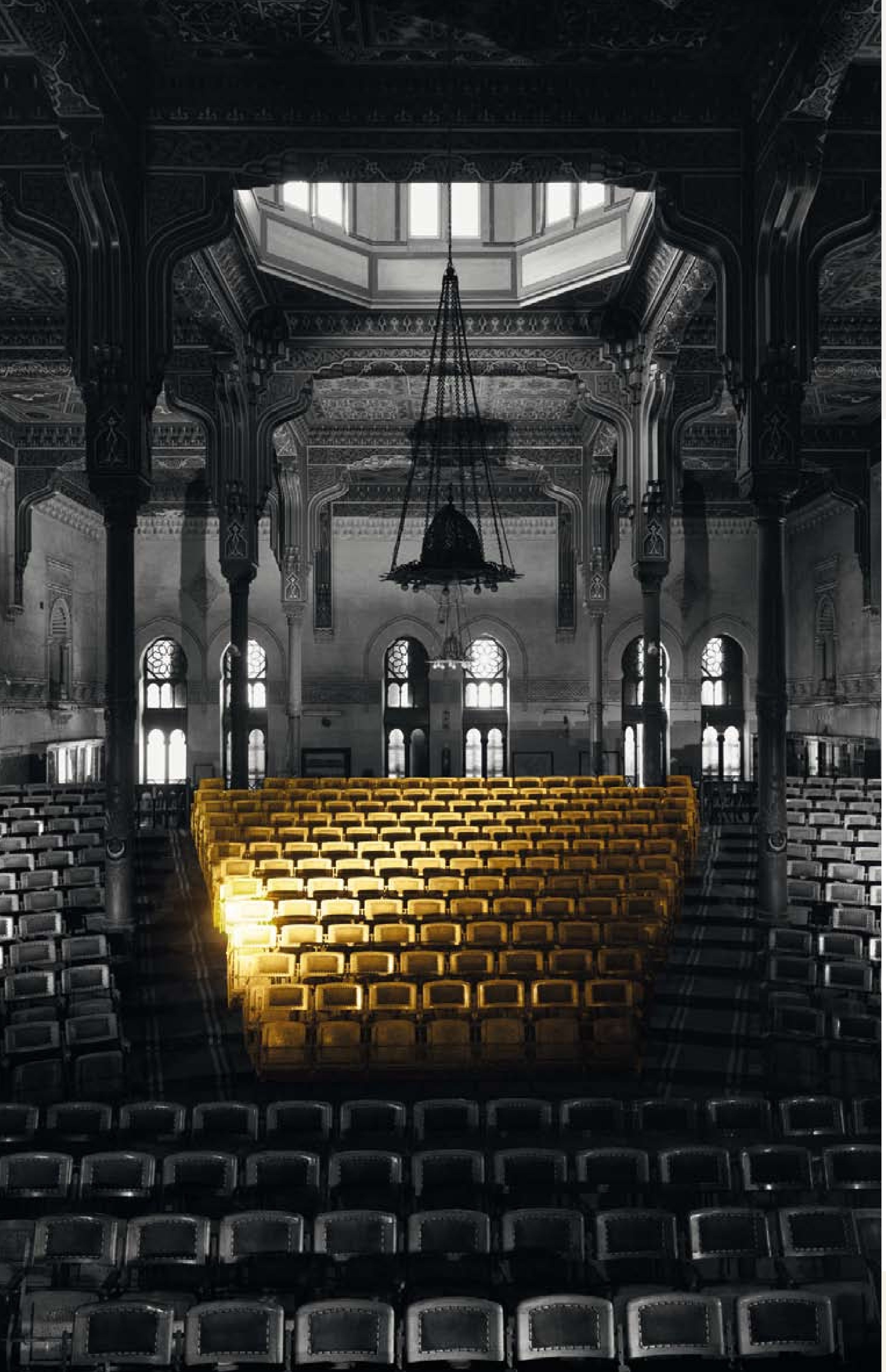


"50 GOLDEN YEARS OF CONFIDENCE"

Confidence is the solid base for growth. Since its establishment, confidence has been at the core of AAIB's values, guiding all its interactions with its clients and other stakeholders. A confidence, that stems from a piercing vision and a mission to do what is right.

TABLE OF CONTENT

Door of "Inal Al Yusufi" Mosque | Khayameya | Islamic Cairo | Photographer: Karim El Hayawan



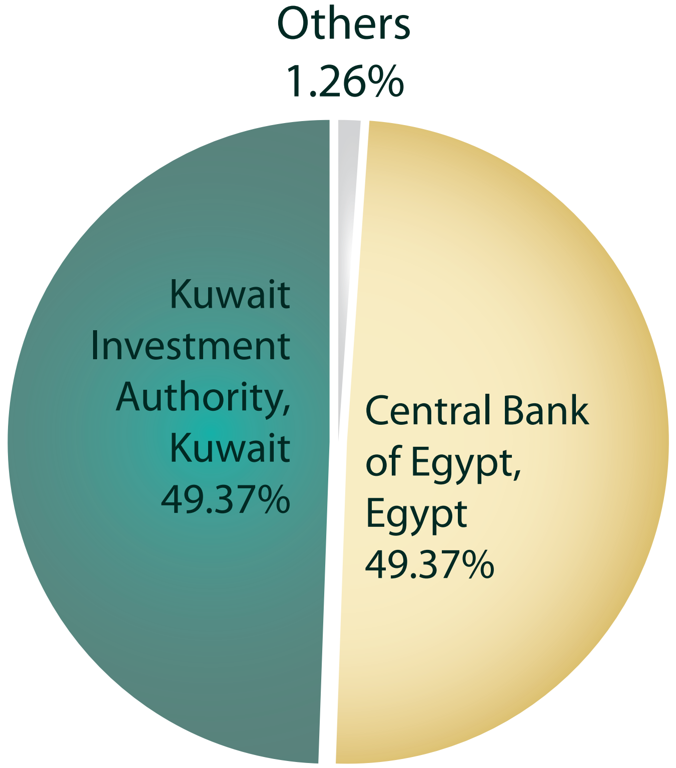
"50 GOLDEN YEARS OF STRENGTH"

Only when a solid foundation is built, can an entity really prosper. The trust we have in the Central Bank of Egypt, the Kuwait Investment Authority as shareholders and the stability having a strong dollar based equity gives us the confidence we need to make our clients feel secure.

SHARHOLDERS

PERCENTAGE OF HOLDING

Central Bank of Egypt, Egypt	49.37%
Kuwait Investment Authority, Kuwait	49.37%
Others	1.26%



The Royal Geographical | Society Qasr El Aini Street | Photographer: Barry Iverson

“50 GOLDEN YEARS OF PASSION ”

Our passion is what fuels our growth. AAIB’s growth story is one that would not have been possible without the passion it exemplifies on a daily basis. AAIB’s transformation from a bank to a full-fledged financial group bears witness to every single one of its employees’ dedication and commitment.

BOARD OF DIRECTORS

Bader M. Al Humaidi*
Chairman

Hassan E. Abdalla
Vice Chairman & Managing Director

Mahmoud Abdel Aziz Mahmoud
Representative, Central Bank of Egypt

Dr. Hala H. El Said
Representative, Central Bank of Egypt

Osamah O.E. Al Furaih
Representative, Kuwait Investment Authority, Kuwait

Ali Ismael Shaker
Representative, Central Bank of Egypt, Egypt

Sulaiman M. Al Wadaani**
Representative, Kuwait Investment Authority, Kuwait

Meshal M. Al Hammad***
Representative, Kuwait Investment Authority, Kuwait

Board Secretariat
Salah El-Din El Baroudi
General Secretary to the Board

* Succeeding Mr. Mahmoud A. Al Nouri as of 31/3/2014
** Succeeding Mr. Abdullah Bou Qammaz as of 31/3/2014
*** Succeeding Mr. Saad M. Al Henaidi as of 31/3/2014

Islamic Wooden Door | Egypt | Photographer: Tawfik Deifalla

“50 GOLDEN YEARS OF VISION”

Growth starts with a vision. AAIB's vision to become a full-fledged financial group has been transformed into a reality with the establishment of AAIB's subsidiaries over the past few years. AAIB is still maintaining the momentum of the last decade of growth and sees further opportunities for expanding regionally and even becoming a global player.

CHAIRMAN'S STATEMENT

Dear AAIB Shareholders,

I would like to extend my gratitude to AAIB board members for their dedication and commitment, especially the representatives of the Kuwait Investment Authority whose mandate ended in March 2014. I would also like to welcome the new board members and wish them success in carrying AAIB forward and achieving sustained growth in the future.

Serageldin Palace | Garden City | Photographer: Karim El Hayawan

It gives me great pleasure to share with you that the Arab African International Bank has succeeded in maintaining its strong performance throughout the year despite the dynamics of both local and global markets. Egypt's economy showed robust performance and remarkable resilience to the challenges it has been facing while global economic growth for 2014 was forecast at 3.3% following actual growth of 2.5% recorded in 2013.

2014 has seen Egypt come out of the bottleneck that has suffocated its economy over the preceding three years and the results of economic reform are becoming apparent. The second half of the year has seen an improvement in Egypt's credit and economic risk ratings, indicating the government's capacity to meet its obligations towards international financing organizations such as the International Monetary Fund and the World Bank.

2014 Financial Indicators

Arab African International Bank (AAIB) maintained its leading position in the local market throughout 2014 on the back of strong positive results.

Net Profit

Net profits for the year came in at USD 167 million compared to USD 151 million reported for 2013. This gives a return per share of USD 7.76, which is 9.14% higher than it had been the year before. The average return on equity in 2014 reached approximately 16%.

Deposits and Loans

Deposits continued to record growth throughout 2014, recording a 28% increase year-on-year to a total USD 9 billion as AAIB remains committed toward constantly improving its services and expanding its branch network. The loan portfolio grew 21% year-on-year to USD 4.2 billion with a decline in the share of non-performing loans from 5% in 2013 to 3% in 2014.

Capital Base and Shareholder Equity

In light of recent developments in the Basel Accords, AAIB has maintained growth in its capital base which has enhanced our ability to confront future challenges and growth requirements. Total shareholder equity increased 12.3% in 2014 compared to the year before to USD 1.2 billion, while the capital adequacy ratio stood at 18.3%. This is higher than the minimum required capital adequacy ratio of 10% set by the Central Bank of Egypt.

Total Assets:

Total assets were estimated at USD 11 billion at the end of the year, recording year-on-year growth of 19.32%. The rate of return on total assets stood at 1.52% at the end of the year.

Proposed Dividends:

In light of AAIB's strong performance in the domestic market and the 10.7% increase in profits, the Board of Directors has unanimously approved a dividend distribution of USD 40 million to AAIB shareholders.

Finally, I would like to thank and express my appreciation to the bank's shareholders for their continuous support, as well as to our customers for their trust. For that, we promise to continuously develop and improve ourselves to achieve the highest banking service standards. I also extend my deepest gratitude to the management and staff for sparing no effort in maintaining AAIB's position as a leading financial institution.

All the best,

Bader M. AlHumaidi
Chairman

Vice Chairman & Managing Director's Report

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present to you the Arab African International Bank 2014 Annual Report. This report not only documents another year of growth, but is also quite special as it marks 50 years since the establishment of the bank.

This report reiterates the success of our strategy which maintains our position as a leading and robust, local financial institution with a strong regional footprint and our performance indicators prove AAIB's financial strength despite mounting economic challenges, both locally and globally.

Global Economy

Projections for 2014 expected global economic growth of almost 3.3% compared to 2.5% the year before, but as the US economy started to show signs of a recovery at the beginning of 2H2014 with higher employment and domestic consumption rates, the Eurozone continued its decline and transition into a state of economic recession with unemployment at all-time highs. Germany and Japan were also impacted and China, which was about to lead global growth, showed signs of a slowdown.

The last quarter of 2014 witnessed a sharp decline in oil prices to their lowest levels in six years, dropping from USD 115 per barrel in September to USD 50 per barrel at the end of the year. Cheaper oil has had a positive impact on Egypt's budget and by the same measure, Egypt's economic indicators improved as the energy subsidy bill shrunk and reflected positively on liquidity rates.

Local Economy

2014 marks a positive turning point from the preceding three years with the government adopting an economic reform program including the restructuring of the energy framework and the gradual reduction of energy and electricity subsidies — a move that no other government had ever dared to take. In tandem, the government moved quickly to improve the investment climate in a manner that made 2014 the Year of Giant National Projects which reflect the positive outlook on Egypt's economy.

Projects include the cultivation of four million feddan; establishment of a logistics hub for grain trading and storage; building a new city for tourism and shopping; and last but not least, the EGP 64 billion New Suez Canal project, which in addition to increasing national income, aims to transform Egypt into a global logistics center with industrial, commercial and service zones which will be the foundation for a new and promising economic era in Egypt's history. The project will attract regional and international capital and mobilize Egyptian investments to the country and to its development axis which includes the cities of Suez, Ismailia, Port Said and others located east of the canal.

The improved investment climate raised foreign investor confidence and brought about a change in Egypt's credit and risk ratings and the confidence in Egyptian government's ability to meet its financial obligations to international organizations such as the International Monetary Fund and the World Bank. Fitch raised Egypt's credit rating to B for the first time in more than four years in a sign of recognition of the swift steps taken towards economic reform. Standard & Poor's also revised Egypt's credit rating to B-, up from CCC+, and Moody's changed Egypt's sovereign rating to Caa1 with a stable outlook.

Together, the economic reform and mega projects have had a positive effect on the economy; the budget deficit declined to less than 10.5% of GDP and unemployment declined significantly to approximately 13%, while the economy recorded growth of 3.7% in 4Q FY2013/14 and overall growth of 2.2% for the year compared to 2.1% the year before. Total investments grew 12.9% to a total EGP 280.6 billion compared to growth of 3.7% the previous year, bolstered by the improved investment climate. Investment rates increased during 4Q to 18% in comparison to 14.1% reported for the third quarter and 13.7% in 2Q FY2013/14.

Strategic Planning Division and Financial Group

AAIB follows an expansionary strategy in the markets in which it operates, leading to a local and international network of 97 branches by the end of 2015. With increased business at our Abu Dhabi branch, we have had to expand the branch's physical premises to accommodate and better serve our clients there. Assets of our international branches increased USD 21 million in 2014 and recorded net profits worth USD 16.4 million, marking year-on-year increase of 38%. We have also signed an agreement to acquire the assets and liabilities of Canada's Nova Scotia Bank in Egypt to support the expansion of AAIB operations in the Egyptian market and beyond. AAIB will provide all its services to Nova Scotia Bank's customers both in Egypt and Canada, endorsing the deep and extended business relations with Nova Scotia Bank over the years.

AAIB is keen to maintain the positive momentum it has to cement its leading position as a financial group within the scope of implementing policies that serve this goal, AAIB is considering three growth tracks for business in new target sectors and markets, with a full commitment to implementing international standards and rules of governance and setting the executive steps and appropriate procedures to this strategic direction.

All AAIB business units are investing in restructuring their information technology infrastructure and audit systems to create added value to their business operations with 12 projects underway, including the International Financial Reporting Standards (IFRS), the Infrastructure for Information Technology (ITIL) the Foreign Account Tax Compliance Act and Anti-Money Laundry (FATCA / AML).

Our strategy for this year and the next focuses on seizing the growth opportunities in the credit market for big companies and multinational entities, while also financing small and medium enterprises as well as micro projects (Micro Finance) through the launch of a new microfinance investment arm in cooperation with international organizations and with the aim of contributing to the revival of the Egyptian economy.

AAIB Financial group

Arab African Investment Holding (AAIH)

Established in July 2008 as the main investment arm of Arab African International Bank (AAIB), AAIH currently owns two financial service subsidiaries: Arab African Investment Management (AAIM) and Arab African International Securities (AAIS).

Arab African Investment Management (AAIM)

AAIB subsidiaries have continued to record growth amidst the recent turbulence in the Egyptian economy. AAIM's three funds recorded impressive yields in 2014 with Gozour Fund, established in 2012, ranking third best fund in Egypt. AAIM reported a net profit of EGP 16.25 million for 2014 with and 84% uptick compared to the previous year, with total assets under management worth EGP 3.1 billion.

Arab African International Securities (AAIS)

In 2014, AAIS ranked 13th out of 139 registered securities brokerage firms in Egypt, recording net profits worth EGP 6 million. It has also succeeded in increasing its marginal lending operations throughout the year.

Arab African International Mortgage Finance (AAIMF)

AAIMF recorded net profits of EGP 13.7 million during the year.

Arab African International Leasing (AAIL)

AAIB launched a new leasing subsidiary in 2014.

Investment Banking and Corporate Finance Sector

Arab African International Bank has maintained a position of leadership in arranging and covering syndicated loans across all economic sectors and 2014 was no different; AAIB arranged a number of mega syndicated loans for the cement, petroleum and energy sectors as well as for real estate development, all of which have collectively contributed to supporting the Egyptian economy after three years of instability.

Arab African International Bank, in cooperation with a number of leading local banks, arranged an EGP 10 billion syndicated loan for the petroleum sector with AAIB as the lead organizer, guarantor of coverage and the security agent. This was the first such facility of its size to be completed by the Egyptian banking sector.

Also in cooperation with a number of local banks, AAIB arranged and guaranteed coverage of a syndicated loan for a leading Egyptian real estate developer worth EGP 2.4 billion. This was the largest loan arranged for the real estate sector to date and was met with an overwhelming appetite on the part of banks operating in the Egyptian market; a total of nine banks actually participated and the loan was 150% oversubscribed. AAIB was the general coordinator, main lead arranger, coverage guarantor and the security and facility agent.

AAIB also arranged a syndicated long-term facility worth EGP 1.27 billion to finance the expansion of production facilities and to introduce the use of alternative energy for one of a cement company in Egypt. The bank also played the role of general coordinator of the finance, DSRA and revenue account on the eight year facility signed on 13 November 2014.

Taking the initiative to give financial institutions a pro-active role in reviving the local economy, AAIB — as the initial agent of the syndicated loan which includes 21 of the largest local and international financial institutions — restructured a facility worth USD 630 million and EGP 2.31 billion after a force majeure had ground the construction of a fertilizer facility to a halt for three years. Restarting this project will increase Egypt's production of fertilizers which will in turn meet the demands of the local market as well as increasing exports.

In the bond and securitization market, Arab African International Bank has maintained its market share throughout 2014, building on its successful issuing of Tharwa Securitization's (formerly known as Contact Securitization Company) EGP 899 million eleventh bond issue. AAIB, in collaboration with a local bank, was the main coordinator, guarantor of the coverage and promoter of the issuance. Despite the bonds being issued at a time of interest rate fluctuations, the issue was covered at the end of the subscription period on June 23, 2014.

AAIB is keen on supporting Egypt's most vital sectors and to play an effective role in the economy. In 2014 AAIB was a buy-side financial advisor to one of the largest medical services groups in its acquisition of an effective stake in one of Egypt's largest, and oldest, medical services groups in a deal surpassing EGP 250 million. Also in the health care sector, AAIB was financial advisor to a leading Egyptian medical group which owns a number of medical centers operating in northern Egypt to determine the fair value of their shares.

Treasury

Throughout 2014, AAIB maintained its position as one of the leading and best performing dealing rooms in Egypt and the Middle East, recording growth of 28% in customer deposits to nearly USD 9.2 billion. Fixed income portfolios increased nearly 38% to an estimated USD 4.25 billion, which led to an increase in portfolio revenues by 59% to nearly USD 304 million.

This level performance has been in line with the bank's longstanding record of achievements, starting with AAIB being the first bank in Egypt licensed to trade on international markets and its success in maintaining a position of leadership as a main market-player. AAIB ranked among the five largest banks with dealing rooms trading in international markets, and has earned two recognition awards from the Ministry of Finance for its outstanding performance in 2014.

Financial Institutions

Improved indicators for the Egyptian economy and the government's firm resolve to regain growth momentum coupled with political stability and security in 2014 have positively affected the financial sector which has proven its strength and ability to face challenges; whether global challenges reminiscent of 2008 or local challenges brought about by the aftermath of the 2011 revolution.

This economic turnaround in Egypt has reflected positively on our negotiation power, which in turn has led to a significant improvement in the benefits and banking services fees offered by the vast network of AAIB correspondents. It has also opened up new credit lines and increased correspondent willingness to sign agreements and special arrangements to serve our large customer base in all their international transactions.

This upbeat business dynamic brought in its limelight an improvement in Egypt's credit rating and a revised outlook from negative to stable by Moody's, Standards & Poor's and Fitch Ratings during the last quarter of 2014. This, in turn, led to an improvement in AAIB's own credit worthiness and a revision of its outlook to stable by Capital Intelligence, an assessor of Middle East-based financial institutions' credit worthiness. Also during the year, and for the seventh time in a row, AAIB received two excellence awards from JP Morgan Chase Bank and COMMERZBANK in electronic payment orders transactions (STP) in US Dollars and Euros.

Retail Banking

Arab African International Bank has always focused on retail banking as an area of growth; for this purpose it has enacted a forward looking strategy that aims to provide only the best banking services to its clients amid strong competition in the Egyptian market. In 2014, AAIB inaugurated eight new branches in Egypt, expanding its geographical footprint across the nation and bringing the total number of local and international branches to 80 as of December 2014, including 14 Western Union branches. A total 31 new ATM machines were installed throughout the year, expanding our network to 296 ATMs in total with all machines upgraded to ensure customer satisfaction. Adding to its portfolio of retail banking services, AAIB introduced the Titanium Credit Card as well as Visa and MasterCard debit cards and augmented its Payroll Service with Payroll Advance.

To stay in touch with our clients and to meet their demands, our Quality Assurance Department opened up new channels of communication with customers and has worked diligently using surveys, which have revealed a large percentage of clients are satisfied with the quality of banking services provided. Wealth Management provided an outstanding level of service to high-net-worth individuals, which has contributed a 42% increase in retail banking deposits and a 19% increase in our customer base.

Western Union Money Transfer

Western Union Money Transfer has been another successful line of business at AAIB in 2014 with revenues surpassing USD 5.7 million. AAIB launched a new service, Direct to Bank (D2B), to transfer funds from abroad directly to the beneficiary's account in banks within Egypt.

Risk Management

Risk management has been revamped and has issued several risk measurement reports and Stress Testing including liquidity risk and interest rates risks. A Fraud Risk unit has been established and a Business Continuity Plan has been put in place. The methods for assessment and operational risk measurement have also been upgraded. AAIB has also updated its credit policies as well as revamping its corporate credit worthiness policies.

Compliance

The compliance department safeguards AAIB funds and shareholder and depositor interests from money-laundering, terrorism financing. To this end, compliance has implemented a series of policies and operational frameworks in line with Central Bank of Egypt (CBE) regulations to monitor various processes. With new challenges come new needs, and to effectively counter money-laundering, AAIB purchased a new system to identify those banned from conducting bank transactions and the client database update process has also been put in gear. Additionally, Compliance has visited all bank branches to ensure proper application of regulations as per management communications. High-risk accounts are constantly monitored for their abidance to the internal audit department regulations. Compliance employees receive constant training to improve their efficiency and to ensure their full understanding of all requirements and innovations the field, especially as fraud methods are ever-changing. At the same time, a structured plan has been enacted to update customer data in accordance with CBE and FATCA. All necessary procedures and amendments were completed.

Information Technology

AAIB management is keen on adopting a comprehensive framework for the development of its information technology systems and infrastructure with the objective of improving governance, business continuity and risk management. This includes the establishment of an archive of bank documents, the application of the Core Banking System, an upgrade of the internal monitoring systems, initiation of regulations set for the preparation and copying of financial statements and setting the base for recognition and measurement as approved by the CBE Board of Directors.

The Information Technology (IT) department's role remains crucial in supporting AAIB's growth through system development and program operation and the creation of effective dynamic solutions to serve and develop the bank's various activities. The IT team has been instrumental in furnishing high-speed technology equipment to allow new branches to operate by introducing high speed linking wireless lines between HQ and AAIB branches.

Information Technology has made the necessary arrangements to test several new programs and systems to ensure system confidentiality, safeguard against money laundering and to authenticate clients' signatures. A new system for digitizing client information in accordance with CBE and FATCA regulations is also in place and all necessary changes and preparations have been made.

Human Resources

Human resources will always be AAIB's most valuable resource and the main driver behind the momentum of our growth performance. AAIB management stresses on recruiting calibers with strong potentials while developing the professional skills of existing employees to ensure the bank maintains its competitive position. AAIB human resources team stays abreast of the developments in the various fields of the banking sector and continuously strives to provide an appropriate work environment that is satisfactory to employees and fulfills their aspirations and career ambitions.

In order to achieve these goals, the wage and salary structure have been updated during the year in line with banking sector studies. All entitlements and benefits for workers have been linked to the efficiency and performance appraisal system (Performance Related Pay PRP). As part of the commitment to human resources and skills development, 1,091 employees across all levels have undergone training at a rate of about three courses per employee, while six special training programs were provided to all Internal Audit staff, in addition to an advanced training program for audit and inspection staff will be in rolled out in 2015. Accordingly, AAIB is proud to say that it has the lowest employee turnover in the Egyptian market in terms of the percentage of resignations, which did not increase during the year to more than 2%, excluding retirements.

Marketing & Communication

2014 marks Arab African International Bank's Golden Jubilee: 50 years since its establishment in 1964 by a decree by then-president Gamal Abdel Nasser and His Excellency, the late Sheikh Gaber Ahmed El Sabbah of Kuwait. This has been the main focus of the Marketing & Communications Department. The Golden jubilee campaign has been embodied in a logo symbolizing strength & infinite growth.

On the other hand, the marketing & communications philosophy and strategy continue to reinforce AAIB's values and guiding principles, which aim to add value to every stakeholder, thereby consolidating AAIB's strength and leadership and maintaining its reputation and brand.

Marketing & Communication continues to masterfully promote AAIB's leading role by promoting its banking services using conventional channels as well as opening up social media channels to reach clients. AAIB topped other banks in the number of followers on different social media channels as well as being a leader in e-mail campaigns and creating an environment of interaction and confidence with customers. This comes in tandem with the introduction of an AAIB application, offering the important information and news about bank services and products.

Social Responsibility and Sustainable Finance

It has been ten years since AAIB embraced social responsibility and sustainable finance. A whole decade of hard work and dedication has made AAIB an unchallenged trendsetter in this field given its application of best practices and unique social initiatives in health, education and environment.

2014 witnessed a qualitative development in AAIB's understanding of sustainability with the launch of the Mostadam (Sustainable) initiative - the first of its kind in Egypt and the Middle East. Mostadam was conceived in cooperation with the United Nations Development Program (UNDP) and the Egyptian Corporate Responsibility Center (ECRC), calling on local banks to adopt a sustainable approach that would bring the role of banks to a turning point where they could finance different social and environmental projects. AAIB was also a pioneer in issuing the first report to come out of the Egyptian banking system measuring its carbon footprint. It is also the first bank in Egypt to issue a sustainability report in 2010, and a second report will be issued in 2015.

We Owe it to Egypt Foundation

The AAIB Golden Jubilee coincides with the tenth anniversary of the establishment of the We Owe it to Egypt Foundation - the first community development foundation initiative in Egypt.

We Owe it to Egypt Foundation aims to make a change and be a driving force behind a sustainable development in the health and education sectors in Egypt. Since establishment, the foundation has taken strides in health and education development, but most notably, it has been able to set an example for others and encourage some of the largest financial institutions in Egypt to follow the same approach.

We Owe it to Egypt Foundation Projects:

First: Shortening the Waiting Lists

Due to the number of patients exceeding the capacity and resources of public hospitals, surgery patients are put on a waiting list. To alleviate the backlog, the foundation facilitated the completion of the largest number of surgical operations possible. It is also working on renovating and outfitting a number of wards; from medical equipment to recruiting and training doctors and nursing staff.

Brief summary of the Foundation's achievements in this field:

- Eliminating the waiting lists at the breast cancer ward at the National Cancer Institute.
- Eliminating the waiting lists of neurology patients at the Children's Hospital - Abu El Reesh - Cairo University.
- Shortening the waiting time to 2-3 days in the surgery ward at Abu El Reesh Hospital - Cairo University.
- Reducing the waiting lists from two years to four months at the Japanese Children's Hospital - Abu El Reesh.
- Performing open-heart surgery after one week of diagnosis, instead of eight months at the Japanese Children's Hospital - Abu El Reesh.
- Performing plastic surgery at the Japanese Children's Hospital - Abu El Reesh.
- Performing orthopedic surgical operations at the Orthopedic Department – El Demerdash Hospital.
- Performing cataract operations at the Ophthalmology Hospital in Aswan.
- Performing open-heart surgery at Zeitoun Hospital in cooperation with the Program for Treatment at State Expense.

Second: Digitizing Patient Data at University Hospitals

The foundation signed a cooperation agreement with the Ministry of State for Administrative Development to digitize patient data, which would allow for faster diagnosis and better retention of medical history files and data. The digitization would also prove beneficial for research and provide easy access to medical statistics.

The following projects have been completed:

- Automating the Children's University Hospital - Abu El Reesh – Al Mounirah.
- Automating the Japanese Children's University Hospital – Abu El Reesh.
- Linking the National Cancer Institute with ten other centers for tumors in Egypt.
- Automating Manial University Hospital - Qasr Al-Aini Hospital.
- Automating the radiology department - Ain Shams University Hospital.
- Automating kidney and urology center - Mansoura University.

Third: Establishing Centers of Excellence within the Public Hospitals in Egypt

We Owe it to Egypt has pursued an integrated, multi-axis development program since 2004 which includes developing human resource capacities - especially nursing - developing the infrastructure of the internal divisions and services sector (housekeeping and security), as well as providing medical equipment and supplies to raise hospital efficiency and capacities with the implementation of quality standards.

Accordingly, development centers were established at the Specialized Children's University Hospital (Abu El Rish), the National Cancer Institute and the Centre for Nephrology and Urology, Mansoura University. New centers of excellence are being established at Zeitoun Hospital as well, which is affiliated to the Secretariat of the specialized medical centers and the Specialized Children's University Hospital– Al Mounirah.

Fourth: Medical Caravans Initiative

Based on the belief that prevention is better than treatment, caravans for the early detection of disease were organized and set out, conducting eye exams to detect disease and visual impairment in children. In some areas, the caravans also offered full check-ups for adults. Soon this service will be available nationwide.

I would like to express my appreciation and gratitude to AAIB's shareholders for their continuous support and belief in our mission and to our valued customers for their trust in AAIB, which we cherish and are always keen to maintain. We are confident of the dedication of AAIB's human resources and their drive to achieve more success and we believe in their creative capability in enforcing AAIB's core values and realizing its vision for the future. I look forward to achieving further success.

Hassan Abdalla

Vice Chairman & Managing Director

"50 GOLDEN YEARS OF GROWTH"

Profit is a direct result of growth. The decade starting 2002 onwards witnessed AAIB's evolution from a bank to a financial group, with AAIB becoming Egypt's fastest growing bank in terms of size and profitability.

FINANCIAL STATEMENTS

Mohamed Ali Mosque | Cairo | Photographer: Anthon Jackson

Separate balance sheet
As at 31 December 2014

	Note	31 December 2014	31 December 2013 (adjusted)
		US$ '000	US$ '000
Assets			
Cash and due from Central Banks	(15)	586,666	677,527
Due from banks	(16)	1,657,857	1,740,012
Treasury bills	(17)	3,328,330	2,848,660
trading finanical assets	(18)	376	-
Loans to customers	(22)	4,245,718	3,508,908
Financial Investments:			
Available for sale investments	(19)	1,019,532	324,777
Held to maturity investments	(19)	21,775	22,178
Investments in subsidiaries and associates	(24)	33,743	30,380
Investment properties	(20)	2,390	2,432
Intangible assets	(28)	5,477	9,160
Other assets	(25)	82,092	43,053
Deferred tax assets	(26)	8,097	6,646
Fixed assets (net of accumulated depreciation)	(27)	29,145	23,005
Total Assets		**11,021,198**	**9,236,738**
Liabilities & owners' equity			
Liabilities			
Due to banks	(29)	253,628	568,883
Customers' deposits	(30)	8,986,765	7,047,164
Other liabilities	(31)	274,033	195,392
Loans & facilities from banks	(32)	-	72,061
Other provisions	(33)	28,823	20,159
Current income tax liabilities	(34)	23,236	4,871
Subordinated deposits	(36)	300,000	300,000
Total Liabilities		**9,866,485**	**8,208,530**
Owners' Equity			
Paid-in capital	(37)	100,000	100,000
Reserves	(38)	153,337	149,629
Retained earnings	(38)	901,376	778,579
Total owners' equity		**1,154,713**	**1,028,208**
Total liabilities and owners' equity		**11,021,198**	**9,236,738**

* The accompanying notes from (1) to (48) form an integral part of these financial statements and are to be read therewith.

Hassan Abdalla
Vice Chairman & Managing Director

Badr El Hemidy
Chairman

Date 9 March 2015

Separate Income statement
for the year ended 31 December 2014

	Note	For the year ended at 31 December 2014	31 December 2013
		US$ '000	US$ '000
Interest Income & Similar revenues	(6)	656,598	546,196
Interest Expense & Similar costs	(6)	(402,965)	(325,787)
Net interest income		**253,633**	**220,409**
Fees & Commission income	(7)	85,102	64,089
Fees & Commission expenses	(7)	(2,281)	(2,270)
Net Fees & Commission income		**82,821**	**61,819**
Dividend income	(8)	2,405	3,955
Net trading income	(9)	12,541	19,725
Impairment charge for credit losses	(10)	(10,380)	(24,469)
Gain / (Losses) on financial investments	(19)	4,823	392
Administrative expenses	(11)	(88,856)	(80,042)
Other operating expense	(12)	(20,211)	(4,795)
Profit before income tax		**236,776**	**196,994**
Income tax	(13)	(69,443)	(45,814)
Net profit for the year		**167,333**	**151,180**
Earnings per share (dollar / share)	(14)	**7.76**	**7.11**

* The accompanying notes from (1) to (48) form an integral part of these financial statements and are to be read therewith.

Separate statement of Changes in owners' equity

for the year ended 31 December 2014

	Paid In Capital	Reserves	Retained Earnings	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance as at 31 December 2012 - Before accounting changes & appropriation	100,000	122,375	668,867	891,242
Accounting changes effects	-	10,353	3,394	13,747
Balance as at 31 December 2012-After accounting changes	100,000	132,728	672,261	904,989
Dividends of the year ended 2012	-	-	(42,875)	(42,875)
Transferred to legal reserve	-	1,804	(1,804)	-
Balance as at 31 December 2012-After accounting changes & appropriation	**100,000**	**134,532**	**627,582**	**862,114**
Net change in fair value of available for sale	-	14,921	-	14,921
banking risks reserve	-	74	(74)	-
Transferred to capital banking risks reserve	-	101	(101)	-
Currencies translation differences	-	1	(8)	(7)
Net Profit as at 31 december 2013	-	-	151,180	151,180
Balance as at 31 December 2013 after accounting changes	**100,000**	**149,629**	**778,579**	**1,028,208**
Balance as at 31 December 2013-After accounting changes	100,000	149,629	778,579	1,028,208
Dividends of the year ended 2013	-	-	(43,900)	(43,900)
Balance as at 31 December 2013-After accounting changes & appropriation	**100,000**	**149,629**	**734,679**	**984,308**
Net change in fair value of available for sale	-	3,071	-	3,071
banking risks reserve	-	114	(114)	-
Transferred to capital banking risks reserve	-	522	(522)	-
Currencies translation differences	-	1	-	1
Net Profit as at 31 December 2014	-	-	167,333	167,333
Balance as at 31 December 2014	**100,000**	**153,337**	**901,376**	**1,154,713**

* The accompanying notes from (1) to (48) form an integral part of these financial statements and are to be read therewith.

Separate statement of cash flows

for the year ended 31 December 2014

	Note	31-December 2014	31-December 2013
		US$ '000	US$ '000
Cash Flows from Operating Activities			
Profit before income tax		236,776	196,994
Adjustments to reconcile net profit to net cash provided from operating activities			
Depreciation and amortization	(11)	9,280	8,897
Impairment charge for credit losses	(10)	10,380	24,469
Other provision charges	(12)	8,895	1,593
Impairment charge in Financial Investments Available for Sale	(19)	-	1,982
Loss on sale of investments - available for Sale	(19)	(4,151)	(344)
Cash dividends	(8)	(2,405)	(3,955)
Gain on sale of fixed assets		(522)	(101)
Gain / loss of monetary assets & liabilities revaluation Difference	(19)	11,921	12,133
Gain Operating profit before changes in assets and liabilities provided from operating activities		**270,174**	**241,668**
Net Decrease (Increase) in Assets and Liabilities			
Due from banks		215,488	(592,157)
Treasury bills		85,553	(757,628)
Trading financial assets		(376)	-
Loans and advances to customers & banks		(747,156)	(121,287)
Derivative financial instruments (net)		-	179
Other assets		(34,142)	19,710
Due to banks		(315,255)	(158,084)
Customers' deposits		1,939,601	1,076,326
Other liabilities		78,329	(9,880)
Income taxes paid		(52,529)	(46,253)
Net cash flows resulted from (used in) operating activities		**1,439,687**	**(347,406)**
Cash Flows from Investing Activities			
Purchase securities other than trading	(19)	(870,206)	(116,736)
Sale / redemption of securities other than trading		171,155	172,371
Investments in subsidiaries and associates		(3,363)	-
Gain on sale of fixed assets		522	101
Proceeds from dividends paid		2,405	3,955
Purchase of fixed assets and branches leasehold improvements		(17,609)	(7,603)
Net cash flows (used in) resulted from investing activities		(717,096)	52,088
Cash Flows from Financing Activities			
Loans & facilities from banks paid		(72,061)	-
Cash dividends paid	(38)	(43,900)	(42,875)
Net cash flows used in financing activities		**(115,961)**	**(42,875)**
Net increase (decrease) in cash and cash equivalents during the period		**606,630**	**(338,193)**
Cash and cash equivalents at the beginning of the year		2,315,502	2,653,695
Cash and cash equivalents at the end of the year		**2,922,132**	**2,315,502**
Cash and cash equivalents are represented in:			
Cash and due from Central Banks		586,666	677,527
Due from banks		1,657,857	1,740,012
Treasury bills		3,328,330	2,848,660
Balances with the Central Banks limited to the reserve ratio		(726,593)	(790,583)
Deposits with banks		(5,723)	(156,156)
Treasury bills (matured over than three months)		(1,918,405)	(2,003,958)
Cash and cash equivalents at the end of the year	(45)	**2,922,132**	**2,315,502**

* The accompanying notes from (1) to (48) form an integral part of these financial statements and are to be read therewith.

Separate statement of proposed appropriation

for the year end as at 31 December 2014

	31-Dec-2014 US$ '000	31-Dec-2013 US$ '000
Net profit for the year	167,333	151,180
Added / Deducted:		
General banking risks reserve	(114)	(74)
Foreign currency translation	-	(8)
Gain from sell fixed assets	(522)	(101)
Net profit for the year available to distribution	166,697	150,997
Add:		
Retained earnings at beginning of the year	734,679	627,582
Total	**901,376**	**778,579**
Appropriated as follows:		
Legal reserve*	-	-
Shareholders profit distribution**	40,000	35,000
Board of directors remuneration	400	400
Distributions of employees	11,660	8,500
Retained earnings at end of the year	849,266	734,679
Total	**901,376**	**778,579**

* In accordance with the Statute of the Bank are held 10% of the net profits of the financial year to feed the legal reserve and is off the legal reserve when equals 100% of the issued capital,

As Such, no extra reinforcement has been formed to Legal Reserve as the balance has reached to 100,000 USD.

** Law no 53 year 2014 has been issued regarding amending some rules of Income Corporate Tax law no 91 for year 2005 and its related amendments which were published in formal newspaper dated 1 of July 2014 states that the profit distributions will subject to 5% tax for shareholders who exceed 25% of bank's capital or voting rights and shares possession period are not less than 2 years without deducting any other costs. regarding other shareholders who owns less than 25% of bank's capital are subject to 10% without deducting any other costs.

It is worthnoting here that General assembly decision of profit distribution and crediting the beneficiaries accounts are the events which create the taxation evidence.

According the law articles the bank is obliged to deduct the distribution tax and payment to tax authority according to regulations and in due dates stated in bylaw.

Notes to the separate financial statements

For the year ended 31 December 2014

(All amounts are in thousand US Dollars unless otherwise mentioned)

1. General Information

Arab African International Bank (Egyptian Joint Stock Company) is established by special law No. 45 for 1964 in the Arab Republic of Egypt. The bank carries out all commercial and banking services. The address of its Head office is as follows: 5 Midan Al-Saray Al Koubra, Garden City, and Cairo

The bank is not listed in the Egyptian stock exchange.

Arab African International Bank (Egyptian joint stock Company) provides retail, corporate banking and investment banking services in Egypt and abroad through 82 branches and units, its Head Office and network of branches in the Arab Republic of Egypt (78 branches and units), United Arab Emirates (2 branches) and one branch in Lebanon and employs over 1,607 employees at the balance sheet date.

2. Summary of significant accounting policies

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

A. Basis of preparation

The separate financial statements of the bank have been prepared in accordance with the rules of preparation and presentation approved by the Central Bank of Egypt on 16 December 2008, under the historical cost convention modified to re-evaluate financial assets and financial liabilities held for trading, financial assets and financial liabilities classified at inception at fair value through profits or losses and financial investments available for sale, and all derivative contracts.

B. Subsidiaries and associates

B/1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the bank has owned directly or indirectly the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the bank controls another entity.

B/2 Associates

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

Purchase method of accounting has been applied to all the acquisition operations. The cost of acquisition is measured by fair value or the assets offered/ issued equity securities / liabilities incurred/ liabilities accepted in behalf of the acquired company, at the date of the exchange, plus costs directly attributed to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the bank's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognized directly in the income statement into other operating income (expenses).

In the separate financial statements, investments in subsidiaries and associates are accounted for using the cost method. According to this method, investments are recognized by the acquisition cost including goodwill and deducting any impairment losses. Dividends are recognized in the income statement when they are declared and the bank's right to receive payment is established.

C. Segment reporting

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

D. Foreign currency translation

D/1 Transactions in foreign currencies

The bank maintains its accounts in US dollar. Foreign currency transactions are translated using the exchange rates prevailing at the date of the transactions. All monetary assets and liabilities balances in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the following items in the income statement:

- Net trading income for trading assets and liabilities or net income from financial instruments designated at fair value through profit or loss for instruments designated at fair value through profit or loss according to its type.
- Other Operating income (expense) for the rest of items.
- Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale (debt instruments) are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortization costs are recognized in the income statement, and other changes in the carrying amount are recognized in equity, (fair value reserve - investments available for sale).
- Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

D/2 Foreign branches

The bank translates result of business and financials for foreign branches to presentation currency (if they do not operate in accelerating inflation economy) in which different functional currency from the presentation currency of the bank as follows:

Translation of assets and liabilities at each financial statement presented to the foreign branch using the closing price on the date of this financial statement.

Translation of income & expenditure in each income statement presented using the average exchange rates, only if the average does not represent an acceptable approximation of the cumulative effect of the rates applicable in the date of transaction, then the translation of income & expense will be by using exchange rate at the transaction date.

Recognition of currency differences resulting in a separate item (foreign exchange transaction differences) in equity, also transfer to equity foreign exchange resulting from the assessment of net investment in foreign branches,loans and financial instruments in foreign currency to cover the investment with the same item, recognition of these differences in the income statement on disposal of foreign branches as the part of other operating income (expense).

E. Financial assets

The bank classifies its financial assets in 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 investments at initial recognition.

E/1 Financial assets at fair value through profit or loss

This category includes: financial assets held for trading, and those designated at fair value through profit or loss at inception.

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

- Doing so reduces measurement inconsistencies that would arise if the related derivative was treated as held for trading and the underlying financial instruments were carried at amortized cost for such as loans and advances to banks and clients, and debt securities in issue;
- Certain investments, such as equity investments that are managed and evaluated on a fair value in accordance with a documented risk management or investment strategy, and reported to key management personnel on that basis are designated at fair value through profit and loss.
- Financial instruments, such as debt instruments held, containing one or more embedded derivatives, significantly modify the cash flows are designated at fair value through profit and loss.

- Gains or losses arising from changes in the fair value of the financial derivatives that are managed with financial assets and liabilities are recorded at initiation with fair value through profits and losses in the income statement.

- The bank shall not reclassify a derivative out of the fair value through profit or loss category while it is held or issued, shall not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated by the entity as at fair value through profit or loss.

  In all cases, the bank shall not reclassify any financial instrument into the fair value through profit or loss category or to the held for trading category after initial recognition.

E/2 Loans and receivables

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

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

E/3 Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank's management has the intention and ability to hold to maturity. If the bank was to sell other than an insignificant amount except for specific situations, the entire category would be reclassified as available for sale.

E/4 Available-for-sale financial assets

Available-for-sale investments are 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 is followed for financial assets:

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date, the date on which the bank commits to purchase or sell the asset.

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

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

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

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in income statement.

- Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available for sale equity instruments are recognized in the income statement when the 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, and if the bank could not assess the fair value of the equity instruments classified as available for sale, these instruments measured at cost less impairment.
- The bank may choose to reclassify the available for sale financial assets where the definition of loans and receivables (bonds and loans) is applicable from Available for sale to Loans and receivables or Held to maturity financial assets as the bank has an intention to hold them for the perspective future or to the maturity date. Reclassifications are made at fair value as of the reclassification date and any profits or losses related to these assets to be recognized in the owners' equity as follows:

1. In case of the financial asset which has fixed maturity date, profits and losses are amortized over the remaining period of the for the held to maturity investments using the effective interest rate. Any difference between the value using amortized cost and the value based on the maturity date to be amortized over the financial asset remaining period using the effective interest rate method.
2. In case of the financial asset that does not have fixed maturity date, profits and losses remain in the owners' equity until the selling or disposing the financial asset. At that, time they will be recognized the profits and losses. In case of the subsequently impairment of the financial asset value, any previously recognized profits or losses in owners' equity will be recognized in profits and losses.

- If the bank modified its estimations for the receivables and the payables then the book value of the financial asset (or group of financial assets) will be adjusted to reflect the effective cash flows and the modified assessments to recalculate the book value through calculation the present value for the estimated future cash flows using the effective interest rate of the financial asset and the adjustment will be recognized as a revenue or expense in the profits and losses.
- In all cases if The bank reclassified a financial asset as mentioned before and The bank subsequently increased the estimated future cash inflows as a result of the increase of what will be collected from these receivables, This increase is to be recognized as an adjustment of the effective interest rate starting from the change in estimation date and not an adjustment of the book value in the change in estimation date.

F. Offsetting of financial instruments

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.

G. Derivative financial instruments

Derivatives are recognized at fair value at the date of the derivative contract, and are subsequently revaluated at fair value. Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation methods as the discounted cash flow modules and the pricing lists modules, as appropriate. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The embedded financial derivatives into other financial instruments like convertible bonds should be treated as if they are separate derivatives when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. The embedded derivatives are measured at fair value through profit or loss. Changes in fair value are recognized in net trading income in the income statement.

G/1 Derivatives that do not qualify for hedge accounting

Derivative instruments 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 profit and loss under" net trading income". However, gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets or liabilities are included in "net income from financial instruments at fair value through profit or loss".

H. Recognition of deferred day one profit and loss

The best evidence of fair value at initial recognition is the transaction price (the fair value of the consideration given or received), unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instruments or based on valuation technique. When the bank has entered into transactions that come due after the lapse of a long period, fair value is determined using valuation models whose inputs do not necessarily come from quoted prices or market rates. These financial instruments are initially recognized at the transaction price, which represents the best index to fair value, despite the value obtained from a valuation model may be different. The difference between the transaction price and the model value is not immediately recognized, commonly referred to as "day one gains or losses". It is included in other assets in case of loss, and other liabilities in case of gain.

Deferred profits and losses are recognized for each case individually, either by amortization over the lifetime of the transaction or by determine the fair value of the instrument using quoted markets or by recognizing it when the transaction is settled, the financial instruments later measured at fair value and it is recognized directly in the income statements by changes in the fair value

I. Interest income and expense

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

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

Once a financial asset or a group of similar financial assets has been classified as nonperforming or impaired, related interest income is not recognized and is recorded in marginal records apart from the financial statements, and is recognized as revenues according to cash basis as follows:

- When they are collected, after receiving all past due instalments for consumption loans, mortgage loans, and small business loans.
- For corporate loans, cash basis is also applied, where the return subsequently calculated is raised in accordance with the loan-rescheduling contract, until 25% of the rescheduling instalments are repaid, with a minimum of one period of regular repayment scheme. In case the counterparty persists to regularly pay, the return calculated on the loan outstanding is recognized in interest income. (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.

J. Fees and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided, fees and commission are not recognized for the nonperforming or impaired loans, as it is recorded in a separate margin records outside the financial statements, and it is recorded on a cash basis when fees and commission are recognized according to note (I/2) for the fees which is considered a part from effective interest rate for the financial asset as it is considered as a part for the effective interest rate.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

In addition, in case of the commitment period was expired without issuing the loan, fees and commission are considered as income at the end of the commitment period,

Loan syndication fees are recognized as revenue when the syndication has been completed and the bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period.

K. Dividends income

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

L. Treasury Bills

Treasury bills are recognized when they are bought at face value and the issuance cost that represents the unearned interest on these bills and government bonds is recognized through credit balances and other liabilities. In addition, these treasury bills appear on the financial statement excluding the unearned interest and they are measured by the amortized cost using the effective interest rate.

M. Impairment of financial assets

M/1 Financial assets carried at amortized cost

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

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

- Significant financial difficulties of the issuer or obligor;
- Breach of contract such as default in interest or principal payment;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Deterioration of the borrower's competitive position.
- The bank, for economic or legal reasons relating to the borrower's financial difficulties, granting to the borrower a concession that the bank would not otherwise consider.
- Deterioration in the value of collateral.
- Downgrading the credit status.

The existence of clear data that indicates measurable decrease in estimated future cash flows from a group of financial assets are considered as objective evidence of impairment for that group. Irrespective of the ability of identifying that reduction for each individual asset.e.g, the increase in number of repayment defaults for a particular banking product.

The estimated period between a losses occurring and its identification is determined by the bank for each identified portfolio.

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

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

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

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

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the bank may measure impairment based on an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collaterized financial asset reflects the cash flow that may result from foreseeable less cost for obtaining and selling the collateral.

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

The bank assess the collective impairment for group of financial assets with similar credit risk characteristics and collectively assesses them for impairment using historical probabilities of default, and individually for the impaired loans using discounted cash flows, and compared to the obligor risk rating. Differences between the two methods are transferred from retained earnings to general banking reserve, if the obligor risk rating requires more impairment.

Future cash flows in a group of financial assets that are collectively Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

M/2 Available for sale financial investments

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as available for sale or held to maturity is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

The decline should be considered significant when it reaches 10% of the cost of book value, and the decline shall be considered prolonged if it continuous for more than 9 months. If the mentioned evidences are available, then the accumulated loss should be carried over from shareholder's equity to be recognized in the income statement. The impairment in value recognized in the income statement concerning equity's instrument will not be reversed if a later increase in the fair value occurs. Meanwhile in case the fair value of debt instruments classified available for sale increased, and it is found possible to objectively link the mentioned increase to an event taking place after recognition of impairment in the income statement, then the impairment will be reversed thought the income statement.

N. Investment Property

Investments property are represented in lands and buildings owned by the bank for obtaining lease income or capital increase, consequently it does not include properties assets through which the bank executes its operations, or those properties which reverted to the bank in the settlements of debts, the investments properties are accounted for similarly with the same accounting treatment for the fixed assets.

O. Intangible Assets

1. Computer programs:

Computers' software related development and maintenance expenses are recognized in the income statement when incurred Intangible asset is recognized for specific direct costs of computer programs under The bank 's control and where a probable economic benefit is expected to be generated for more than one period. Direct costs include program development staff costs, and appropriate allocation of the overhead costs.

Development costs are recognized as computer program in which lead to an increase or expansion in the performance of computer programs.

These costs are amortized on the basis of the expected useful lives, and not more than five periods.

The cost of the computer software is amortized over its expected useful life with a maximum of five periods.

2. Intangible assets: other than goodwill are recorded at acquisition cost and amortized on a straight line basis or based on the expected future economic benefits over the expected life .for intangible assets with indefinite life, are not amortized but tested for impairment at least annually impairment losses are changed to income statement.

P. Fixed Assets

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

Subsequent costs are included in the asset's carrying amount or 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. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

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

During the fourth quarter of year 2014, the bank has been change the fixed assets depreciation rate as per board of directors meeting dated 26/11/2014 as follows:

Assets Type	New Assets Life	Old Assets Life
Building	30 Years	20 Years
Furniture and safes	5 Years	3 Years
Equipment's	7 Years	3 Years
Transportation	5 Years	3 Years
Computers	5 Years	3 Years
Installations	7 Years	3 Years
E.D.P systems	5 Years	5 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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 and value in use. Gains (losses) on disposals are determined by comparing proceeds with carrying amount .These are included in other operating income (expenses) in the income statement.

Q. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization-except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

R. Lease

Finance lease are accounted for according to Law No. 95 of 1995 if the contract gives the right to the lessee to purchase the asset on a specified period and with specified amount where the contract's period represents at least 75% of the expected useful life of the asset or the present value of total lease payments represents at least 90% of the asset's value. Other lease contracts are considered operating leases.

R/1. The bank as a lessee

Finance lease contracts are recognized at the lease cost, including the cost of maintenance of the leased assets, within the expenses in the income statement for the period in which they occurred. If the bank decided to exercise the right to purchase the leased assets, the cost of the right to purchase it as an asset are capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Lease expenses are recognized in the income statement using straight line method over the term of contract, after deduction of any discount obtained by the bank at the contract. In case of periods when the bank is exempted from paying the lease or if the lease is different (more or less) in different periods, in that case the distribution of the total lease expected to pay over the contract and charge over income statement in equal amounts per month, including the periods that the bank does not pay the lease.

R/2. The bank as a Lessor

For assets leased financially, asset are recorded in the fixed assets in the financial statement and amortized over the expected useful life of this asset in the same manner as similar assets. Leasing income recorded less any discount given to the lessee on a straight line method over the contract period.

S. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances due from Central Banks other than for mandatory reserve, due from banks, and treasury bills

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 not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations.

The likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Reversals of provisions no longer required are presented in other operating income and (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. If the settlement is within one period or less, provisions will be measured by the contractual value if there is no material variance otherwise, it will be measured at present value.

U. Financial guarantees contracts

The financial guarantees contracts are the contracts that the bank issue as a guarantee for banks customers for their loans with other parties, and it is required that the bank pays some claims for the beneficiary as a result of default in repayments. These financial guarantees are presented to banks and other financial institutions instead of the banks' customers.

These contracts are initially recognized at fair value on the contract date, and bank's liability is measured by the higher of the initial recognition value deducted by the calculated amortization of guarantee fees or the best estimated value payments required to settle any financial liability resulted from the financial guarantee on balance sheet date. and these estimated values are determined based on bank's management experience in similar transactions.

And any differences in bank's liabilities will be recorded in income statement in other operating income (expenses).

V. Income tax

The income tax on the bank's period profits or losses includes both current tax, and deferred tax Income tax is recognized in the income statement, except when it relates to items directly recognized into equity, in which case the tax is also recognized directly in equity. Income tax is calculated on the taxable profits using the prevailing tax rates as of balance sheet in addition to tax adjustments for previous periods.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing as of the balance sheet date.

Deferred tax assets are recognized when it is probable that the future taxable profit will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Reversal is subsequently permitted when there is a probable from its economic benefit limited to the extend reduced.

W. Employee benefits

1. Pension obligations

The bank has a special social fund scheme (the Fund) that is not subject to the general law (law 79 for 1975) as it was established under law 64 for 1980 and this Fund has its own alternative independent articles of insurable rights (Pension / Bonuses / one payment compensation) and according to the ministry decree 94 for 1985. This fund covers only the bank employees in the Head Quarter and branches in the Arab Republic of Egypt.

The bank is committed to pay the Fund its monthly contributions, which calculated according the Fund's articles of associations and its amendments. The Fund is generally funded through monthly contributions payments and other resources as identified in the Fund's article of associations.

The liability in respect of the Fund is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

The most basic assumptions used by the actuary are as follows:

- Rates of death from the British Table A49-52ULT
- The rates of disability from the experience of social insurance in Egypt.
- Rates of salaries increases ranging from 5% to zero%.
- Method is used estimated additional unit in the calculation of the commitments and the present value of subscriptions (Unit Projected Method).

2. Bonuses scheme

A liability for employees and managers benefits in the form of bonus is recognized in other credit balances and other liabilities according to the bank board of directors' decisions in this respect and the payments should be determined before the time of issuing the financial statements.

3. Employees share in profits

The bank pays a portion of the profits expected to be distributed as a share of the bank's personnel determined by the board under the Statute of the bank, no liability is recognized for undistributed board of directors' profit sharing.

4. Board of directors members profit sharing

The bank pays percentage of its cash dividends as profit sharing to its Board of directors' members. Board of directors' Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the bank's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

X. Capital

X/1. Cost of capital

Issue charges are presented, which is directly related to the issuance of new shares or shares for the acquisition of an entity or the issuance of options against owners' equity with the net proceeds after taxes.

X/2. Dividends

Dividends deducted from equity in the period, which the General assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the board of directors as per regulation and law.

Y. Comparative Figures

Comparative figures are reclassified, where necessary, to conform with changes in the current period's presentation.

3. Financial Risk management

The bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the bank's financial performance.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

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

Risk management is carried out by a risk department under policies approved by the Board of Directors. Financial risks in close co-operation with the Group are operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

A. Credit risk

The bank is exposed to credit risk, which is the risk of suffering financial loss, should any of the bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the bank. Credit risk is the most important risk for the bank's business. Management therefore carefully manages its exposure to credit risk. Credit risk arises mainly from lending activities which resulted in loans, facilities and investment activities which result in including the financial assets in bank's assets. Credit risk is available in the off-balance sheet financial assets such lending commitment. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

A.1 Credit risk measurement

- **Loans and advances to banks and customers**

In measuring credit risk of loans and advances to banks and customers, the bank reflects the following component:

- Probability of default - by the client or counterparty on its contractual obligations.

The bank assesses the probability of default of individual customers using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. Clients of The bank are segmented into four rating classes. The rating scale which is as shown below reflects the range of default probabilities- defined for each rating class. This means that in principal, exposures might 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 valid dates the performance of the rating and their predictive power with regard to default cases.

Bank's internal ratings scale and mapping of external ratings

Bank's rating	Description of the grade
1- 5	Performing loans
6	Regular watching
7	Watch list
8 -10	Nonperforming loans

Exposure at default is based on the amounts the bank expects to be outstanding at the time of default. For example, for a loan this is the face value. For a commitment, the bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

Loss given default or loss severity represents the bank's expectation of the extent of loss on a claim should default occur. It is expressed as a percentage of 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 securities and treasury bills

For debt securities and treasury bills external rating such as (Standard & Poor's) rating or their equivalents are used by the bank for managing of the credit risk exposures. In case such ratings are unavailable, internal rating methods are used that are similar to those used for credit customers. The investment 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 requirements at the same time.

A.2 Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

- **Collateral**

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

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

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

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills 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. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counter party to cover the aggregate of all settlement risk arising from the bank market's 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 assets and liabilities shown in the balance sheet, as transactions are either usually settled on a gross basis. However, the credit risk associated with favourable 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 s 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 authorising a third party to draw drafts on The bank up to a stipulated amount under specific terms and conditions – are collateralised 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 authorisations 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.

A.3 Impairment and provisioning policies

The internal systems for rating previously mentioned in disclosure (A.1) is focused more on credit quality mapping from the inception of the lending and investment activities. In contrast impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment due to the different methodologies applied the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and Central Bank of Egypt regulations purposes.

The impairment allowance shown in the balance sheet date at period end is derived from each of the four internal rating grades However; the largest majority of the impairment allowance comes from the lowest grading.

The table below shows the percentage of the bank s on balance sheet items, relating to loans and advances and the associated impairment allowance for each of the bank internal rating categories:

	31 December 2014	
	Loans and advances	Impairment Provision
Bank's rating	%	%
1. Performing loans	80	29
2. Regular watching	14	11
3. Watch list	3	5
4. Nonperforming loans	3	55
	100	**100**

	31 December 2013	
	Loans and advances	Impairment Provision
Bank's rating	%	%
1. Performing loans	66	18
2. Regular watching	27	16
3. Watch list	2	4
4. Nonperforming loans	5	62
	100	**100**

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

- Significant financial difficulties facing the counterparty;
- Breach of loan covenants as in case of default;
- Expecting the bankruptcy of the counterparty, liquidation, lawsuit, or finance rescheduling.
- Deterioration of the borrower's competitive position.
- Offering exceptions or surrenders due to economic and legal reasons related to financial difficulties encountered by the counterparty not provided by The bank in ordinary conditions.
- Deterioration in the value of collateral.
- Downgrading below good loans grade.

The bank policies require the review of individual financial assets that are above materiality threshold at least annually or more regularly when individual circumstances require. Impairment allowance on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet on case-by –case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral hold including re- confirmation of its enforceability and the anticipated receipts for that individual account.

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

A.4 General Bank Risk Measurement Model

In addition to the four credit rating levels (note A.1), management classifies categories that are more detailed so as to agree with the requirements of the Central Bank of Egypt (CBE). Assets subject to credit risk are classified in these categories in accordance with regulations and detailed conditions that largely depend on information related to the client, his/her activity, financial position, and regularity of repayment.

The bank calculates the required provisions for the impairment of the assets subject to credit risk, including commitments related to credit, on the basis of ratios specified by the Central Bank of Egypt. In case the impairment loss provision required by the Central Bank of Egypt exceeds that required for the purpose of financial statement preparation in accordance with the Egyptian accounting standards, retained earnings is decreased to support the General Bank risk reserve with the amount of the increase. This reserve is periodically revised by increase and decrease to reflect the amount of increase between the two provisions.

Following is a table of the worthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt assessment bases and the provision ratios required for the impairment of the assets exposed to credit risk.

CBE rating categorization	Rating description	Provision %	Indication of internal rating
1	Low Risk	0%	Good Loans
2	Average Risk	1%	Good Loans
3	Satisfactory Risk	1%	Good Loans
4	Reasonable Risk	2%	Good Loans
5	Acceptable Risk	2%	Good Loans
6	Marginally Acceptable Risk	3%	Standard monitoring
7	Watch List	5%	Special monitoring
8	Substandard	20%	non-performing
9	Doubtful	50%	non-performing
10	Bad Debt	100%	non-performing

A.5 Maximum credit risk limit before collaterals:

In balance sheet credit risk exposure is shown below:

	31 December 2014	31 December 2013
Balances with the central banks limited to the reserve ratio	479,374	573,613
Due from banks	1,657,857	1,740,012
Treasury bills	3,328,330	2,848,660
Loans and advances to banks	6,059	6,059
Loans and advances to customers:		
Retail:		
- Overdrafts	179,636	158,834
- Credit cards	16,765	17,616
- Personal loans	88,029	83,049
- Direct loans	39,915	17,625
- Other Loans	211,588	178,122
Corporate:		
- Overdrafts	1,383,446	1,159,490
- Direct loans	1,399,570	960,965
- Syndicated loans	1,155,936	1,173,570
-Other Loans	19,388	1,088
Financial investments:		
Debt instruments	973,774	282,036
Other assets	36,449	23,153
Total	**10,976,116**	**9,223,892**

Off balance sheet credit risk exposure is shown below:

	31 December 2014	31 December 2013
Letters of guarantee	696,810	642,883
Letter of credit	404,293	277,494
Customers Acceptances	22,220	48,601
Total	**1,123,323**	**968,978**

The above table represents a worst case scenario of credit risk exposure to the bank at "31 December 2014", without taking into account of any collateral held or other credit enhancements attached.

As shown above, 41 % of the total maximum exposure is derived from loans and advances to banks and customers; 9% represents investments in debt Instruments.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt Instruments base on the following:

- 94 % of the loans and advances portfolio is categorized in the top two grades of the internal rating system.
- 90% of the loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed on an individual basis valued USD 154,352 thousand
- The bank has implemented more prudent processes when granting loans and advances during the financial period ended in 31 December 2014.
- More than 99% of the investments in debt Instruments are represented in governmental instruments.

A.6 Loans and advances to Banks & Customers

Loans and advances balances in terms of the credit worthiness:

	31 December 2014	31 December 2013
Neither past due nor impaired	4,048,987	3,103,425
Past due but not impaired	296,993	465,011
Subject to impairment	154,352	187,982
Total	**4,500,332**	**3,756,418**
Less: Unearned discount for commercial papers & loans	(47,801)	(37,136)
Less: Loans Unearned revenues	(1,330)	(1,774)
Less: Impairment loss provision	(193,955)	(190,503)
Less: Interest in suspense	(11,528)	(18,097)
Net	**4,245,718**	**3,508,908**

Total impairment loss for loans and advances has amounted to 10,380 thousand USD of which 9,788 thousand USD of impairment on to individual loans, and the remaining 20,168 thousand USD represents impairment losses based on group basis of the credit portfolio. Note 22 provide additional information on the provision of impairment loss on loans and advances to banks and customers.

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

31 December 2014

	Retail					Corporate						
Rating	**Overdrafts**	**Credit cards**	**Personal loans**	**Direct loans**	**other loans**	**Overdrafts**	**Direct loans**	**Syndicated loans**	**other loans**	**Total loans & advances to customer**	**Total loans & advances to banks**	**Total loans & advances to customer & banks**
1. Good	179,636	14,778	68,078	27,722	174,506	1,129,089	903,773	871,803	15,990	3,385,375	-	**3,385,375**
2. Standard monitoring	-	-	-	4,851	30,538	197,591	158,160	152,565	2,798	546,503	-	**546,503**
3. Special monitoring	-	-	-	1,040	6,544	42,341	33,891	32,693	600	117,109	-	**117,109**
Total	**179,636**	**14,778**	**68,078**	**33,613**	**211,588**	**1,369,021**	**1,095,824**	**1,057,061**	**19,388**	**4,048,987**	**-**	**4,048,987**

31 December 2013

Rating	Retail					Corporate						
	Overdrafts	Credit cards	Personal loans	Direct loans	other loans	Overdrafts	Direct loans	Syndicated loans	other loans	Total loans & advances to customer	Total loans & advances to banks	Total loans & advances to customer & banks
1.Good	158,834	14,684	65,992	8,335	123,748	785,925	468,131	602,772	756	2,229,177	-	**2,229,177**
2.Standard monitoring	-	-	-	3,410	50,624	321,515	191,508	246,588	309	813,954	-	**813,954**
3.Special monitoring	-	-	-	253	3,750	23,816	14,186	18,266	23	60,294	-	**60,294**
Total	**158,834**	**14,684**	**65,992**	**11,998**	**178,122**	**1,131,256**	**673,825**	**867,626**	**1,088**	**3,103,425**	**-**	**3,103,425**

Loans that are backed by collateral are not considered impaired for the nonperforming category, taking into consideration the collectability of the collateral.

Loans and advances past due but not impaired

These loans and advance are past due for less than 90 days, but not impaired unless the bank is otherwise informed. Loans and advance past due but not impaired and the fair values of the related collateral are as follows:

31 December 2014

Retail	Overdrafts	Credit cards	Personal Loans	Direct loans	Total
Past due up to 30 days	-	1,232	16,231	4,737	**22,200**
Past due 30-60 days	-	396	1,602	-	**1,998**
Past due 60-90 days	-	163	646	-	**809**
Total	**-**	**1,791**	**18,479**	**4,737**	**25,007**

Corporate	Overdrafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	14,425	216,346	41,215	-	**271,986**
Past due 30-60 days	-	-	-	-	**-**
Past due 60-90 days	-	-	-	-	**-**
Total	**14,425**	**216,346**	**41,215**	**-**	**271,986**

31 December 2013

Retail	Overdrafts	Credit cards	Personal Loans	Direct loans	Total
Past due up to 30 days	-	1,167	12,317	4,232	**17,716**
Past due 30-60 days	-	448	1,108	-	**1,556**
Past due 60-90 days	-	216	378	-	**594**
Total	**-**	**1,831**	**13,803**	**4,232**	**19,866**

Corporate	Overdrafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	28,234	168,857	248,054	-	**445,145**
Past due 30-60 days	-	-	-	-	**-**
Past due 60-90 days	-	-	-	-	**-**
Total	**28,234**	**168,857**	**248,054**	**-**	**445,145**

Loans and advances individually impaired

- **Loans and advances to customers**

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is 154,352 thousand USD at the end of December 2014 (31 December 2013 is 187,982 thousand USD).

The breakdown of the gross amount of individually impaired loans and advances by class,

	Retail				
31 December 2014	Over drafts	Credit cards	Personal Loans	Direct Loans	Total
Individually impaired loans	-	196	1,472	1,565	**3,233**
31 December 2013					
Individually impaired loans	-	1,101	3,254	1,395	**5,750**

	Corporate				
31 December 2014	Over drafts	Direct loans	Syndicated loans	banks loans	Total
Individually impaired loans	-	87,400	57,660	6,059	**151,119**
31 December 2013					
Individually impaired loans	-	118,283	57,890	6,059	**182,232**

Loans and advances restructured

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loan. Total renegotiated loans results amounted to 27,151 thousand USD at the end of December 2014 (31 December 2013 is 23,687 thousand USD).

Loans and advances to customers	31 December 2014	31 December 2013
Corporate		
Syndicated loans	17,165	17,395
Direct Loans	9,848	6,035
Retail		
Credit Card	-	-
Personal loans	138	257
Total	**27,151**	**23,687**

A.7 Debt securities and treasury bills

The table below presents an analysis of debt securities & treasury bills according to the rating agencies at period end based on Standard & Poor assessment or equivalent at 31 December 2014:

31 December 2014

	Treasury Bills	Investment in Securities	Total
A- to A+	-	14,505	**14,505**
BB to BBB	-	11,283	**11,283**
Less than BBB	3,328,330	947,986	**4,276,316**
Total	**3,328,330**	**973,774**	**4,302,104**

31 December 2013

	Treasury Bills	Investment in Securities	Total
A- to A+	-	13,750	**13,750**
BB to BBB	-	29,861	**29,861**
Less than BBB	2,848,660	238,425	**3,087,085**
Total	**2,848,660**	**282,036**	**3,130,696**

A.8 Concentration of risks of financial assets with credit risk exposure

- **Geographical sectors**

The following table breaks down the bank's credit exposure at their carrying amounts as categorised by geographical region as of current period. For this table, the bank has allocated exposures to regions based on the country of domicile of its clients.

	Arab Republic of Egypt							
	Cairo	Alex & Delta	Upper Egypt	Sinai, Red sea & Canal towns	Total	Gulf countries	Other countries	Total
Balances with the central banks limited to the reserve ratio	423,258	-	-	-	**423,258**	56,004	112	**479,374**
Due from banks	1,327,252	-	-	-	**1,327,252**	327,984	2,621	**1,657,857**
Treasury bills and other governmental papers	3,323,112	-	-	-	**3,323,112**	-	5,218	**3,328,330**
Loans & advances to bank	992	-	-	-	**992**	5,067	-	**6,059**
Loans and advances to customers :								
Retail:								
- Overdrafts	149,527	20,627	1,465	3,327	**174,946**	4,690	-	**179,636**
- Credit cards	13,102	2,454	154	1,055	**16,765**	-	-	**16,765**
- Personal Loans	53,258	18,638	4,048	10,549	**86,493**	1,536	-	**88,029**
- Direct loans	39,888	-	-	-	**39,888**	27	-	**39,915**
- Other loans	211,355	-	-	-	**211,355**	233	-	**211,588**
Corporate								
- Overdrafts	895,477	317,859	1	2,428	**1,215,765**	155,337	12,344	**1,383,446**
- Direct loans	1,133,681	140,602	-	-	**1,274,283**	125,287	-	**1,399,570**
- Syndicated loans	922,854	155,677	-	-	**1,078,531**	77,405	-	**1,155,936**
- Other loans	13,664	5,724	-	-	**19,388**	-	-	**19,388**
Investment securities								
- Debt instruments	967,317	-	-	-	**967,317**	-	6,457	**973,774**
- Other assets	34,788	1,029	35	71	**35,923**	277	249	**36,449**
Total as at 31 December 2014	**9,509,525**	**662,610**	**5,703**	**17,430**	**10,195,268**	**753,847**	**27,001**	**10,976,116**
Total as at 31 December 2013	**7,850,746**	**592,689**	**1,690**	**12,351**	**8,457,476**	**732,926**	**33,490**	**9,223,892**

- **Industry sectors**

The following table breaks down the bank's credit exposure at carrying amounts categorized by the industry sectors of the bank's clients.

31 December 2014	Manufacturing	Agriculture	Commercial	Service	Financial Intuitions	Constructions	Government	Individual	Others	Total
Balances with the central banks limited to the reserve	-	-	-	-	479,374	-	-	-	-	**479,374**
Due from banks	-	-	-	-	1,657,857	-	-	-	-	**1,657,857**
Treasury bills & other governmental papers	-	-	-	-	-	-	3,328,330	-	-	**3,328,330**
Loans and advances to banks	-	-	-	-	6,059	-	-	-	-	**6,059**
Loans and advances to customers:										
Loans to Individuals:										
- Overdrafts	-	-	-	-	-	-	-	179,636	-	**179,636**
- Credit cards	-	-	-	-	-	-	-	16,765	-	**16,765**
- Personal Loans	-	-	-	-	-	-	-	88,029	-	**88,029**
- Direct Loans	-	-	-	-	-	-	-	39,915	-	**39,915**
- Other loans	-	-	-	-	-	-	-	211,588	-	**211,588**
Loans to Corporate:										
- Overdrafts	902,588	31,397	252,145	70,579	62,416	53,108	9,252	-	1,961	**1,383,446**
- Direct Loans	409,663	56,540	59,616	584,016	20,982	51,102	174,365	-	43,286	**1,399,570**
- Syndicated Loans	599,949	19,780	-	242,306	69,192	32,998	174,599	-	17,112	**1,155,936**
- Other loans	11,196	-	683	5,720	56	1,733	-	-	-	**19,388**
Investment securities										
Debt instruments	-	-	-	947,993	25,781	-	-	-	-	**973,774**
Other assets	-	-	-	-	-	-	-	-	36,449	**36,449**
Total as at 31 December 2014	**1,923,396**	**107,717**	**312,444**	**1,850,614**	**2,321,717**	**138,941**	**3,686,546**	**535,933**	**98,808**	**10,976,116**
Total as at 31 December 2013	**1,421,248**	**127,173**	**329,111**	**1,028,404**	**2,451,721**	**196,726**	**3,165,426**	**259,821**	**244,262**	**9,223,892**

B. Market risk

B.1 Interest rate fluctuation risk

Interest rate risk is controlled by asset and liability committee (ALCO)

- **Financial assets in foreign currency**

The interest rate is determined on the basis of floating rate therefore interest rate fluctuation is mitigated on foreign currency increasing or decreasing taking into consideration hedging price fluctuation risk resorting to financial derivatives (Interest rate swap).

- **Financial assets in local currency**

Fixed income financial assets

The risk of fixed income assets is covered by issuing medium and long term liability products to meet fixed rate income risk.

Floating rate financial assets

Variable cost is free risk free due to their compatibility with the prices prevailing at the grant.

Foreign exchange fluctuation risk

Monitor foreign currency instantly by responsible department to keep the allowed limits with currency position, whether by the central bank of Egypt or Bank board of directors. The bank does not open position on foreign currency except on clients' requirement.

B.2 Foreign exchange risk

The bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by level of currency and in aggregate for both overnight and intra-day positions which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate risk.

Included in the table are the bank's financial instruments at carrying amounts, categorised by currency:

The following table includes the financial instruments at carrying amounts distributed by its originated currencies.

- **Foreign currency risk concentration on financial instruments**

31 December 2014	USD	EGP	EUR	GBP	OTHER	TOTAL
Financial assets						
Cash and balances with central banks	69,146	474,014	3,916	10,289	29,301	**586,666**
Due from banks	522,079	607,218	167,938	77,467	283,155	**1,657,857**
Treasury bills	1,066,184	2,095,486	161,442	-	5,218	**3,328,330**
Trading investment	-	376	-	-	-	**376**
Loans and advances to customers	2,224,181	1,901,030	67,211	1,915	51,381	**4,245,718**
Investment securities :						
Available for sale	63,913	954,638	922	-	59	**1,019,532**
Held to maturity	6,457	15,318	-	-	-	**21,775**
Other financial assets	143,469	96,397	204	401	(117,720)	**122,751**
Total financial assets	**4,095,429**	**6,144,477**	**401,633**	**90,072**	**251,394**	**10,983,005**
Financial liabilities						
Due to banks	94,074	8,828	69,022	42,750	38,954	**253,628**
Customers deposits	2,516,203	5,855,579	314,179	46,343	254,461	**8,986,765**
Subordinated deposit	300,000	-	-	-	-	**300,000**
Other financial liability	46,015	274,874	6,573	934	(2,305)	**326,091**
Total financial liabilities	**2,956,292**	**6,139,281**	**389,774**	**90,027**	**291,110**	**9,866,484**
Net on balance sheet financial position	**1,139,137**	**5,196**	**11,859**	**45**	**(39,716)**	**1,116,521**
Credit commitments	**652,296**	**222,509**	**121,482**	**1,221**	**125,815**	**1,123,323**
As at 31 December 2013						
Total financial assets	**3,830,416**	**4,583,602**	**339,283**	**90,474**	**336,353**	**9,180,128**
Total financial liabilities	**2,856,125**	**4,567,680**	**338,841**	**90,428**	**355,456**	**8,208,530**
Net on balance sheet financial position	**974,291**	**15,922**	**442**	**46**	**(19,103)**	**971,598**
Credit commitments	**507,192**	**162,851**	**144,817**	**1,722**	**152,396**	**968,978**

B.3 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. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce profits in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising and value at risk that may be undertaken, which is monitored daily by the assets and liabilities management department.

The tables below summaries the bank 's exposure to the interest rate fluctuations risk that include carrying value of the financial instruments categorized based on the reprising dates or the maturity date – whichever is earlier.

31 December 2014	Up to 1 month	1-3 months	3-12 Months	1-5 Periods	Over 5 periods	Non-interest bearing	Total
Financial Assets							
Cash and balances with central bank	-	-	423,258	-	-	163,408	**586,666**
Due from banks	1,309,375	302,880	1,865	3,858	-	39,879	**1,657,857**
Treasury bills	333,275	1,076,650	1,918,405	-	-	-	**3,328,330**
Trading investment	-	-	-	-	-	376	**376**
Loans and advances to customers	1,684,141	161,693	864,403	911,197	624,284	-	**4,245,718**
Investment securities							
Available for sale	-	4	247,325	280,604	439,377	52,222	**1,019,532**
Held to maturity	-	-	-	21,775	-	-	**21,775**
Other financial assets	-	-	-	-	-	122,751	**122,751**
Total financial assets	**3,326,791**	**1,541,227**	**3,455,256**	**1,217,434**	**1,063,661**	**378,636**	**10,983,005**
Financial liabilities							
Due to banks	123,727	36,011	32,165	-	-	61,725	**253,628**
Customers deposits	3,168,779	1,201,945	426,322	986,556	867,251	2,335,912	**8,986,765**
Subordinated deposit	-	-	-	-	300,000	-	**300,000**
Other financial Liabilities	-	-	-	-	-	326,091	**326,091**
Total financial liabilities	**3,292,506**	**1,237,956**	**458,487**	**986,556**	**1,167,251**	**2,723,728**	**9,866,484**
Total interest reprising gap	**34,285**	**303,271**	**2,996,769**	**230,878**	**(103,590)**	**(2,345,092)**	**1,116,521**

30

C. Liquidity risk

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

31 December 2014	Up to 1 month	1-3 months	3-12 Months	1-5 Periods	Over 5 periods	Total
Assets						
Cash and balances with central bank	163,408	-	423,258	-	-	**586,666**
Due from banks	1,349,254	302,880	1,865	3,858	-	**1,657,857**
Treasury bills	333,275	1,076,650	1,918,405	-	-	**3,328,330**
Trading investment	376	-	-	-	-	**376**
Loans and advances to customers	1,684,141	161,693	864,403	911,197	624,284	**4,245,718**
Investment securities						
Available for sale	52,222	4	247,325	280,604	439,377	**1,019,532**
Held to maturity	-	-	-	21,775	-	**21,775**
Other assets	122,751	-	-	-	-	**122,751**
Total financial assets	**3,705,427**	**1,541,227**	**3,455,256**	**1,217,434**	**1,063,661**	**10,983,005**
Financial liabilities						
Due to banks	185,452	36,011	32,165	-	-	**253,628**
Customers deposits	5,504,691	1,201,945	426,322	986,556	867,251	**8,986,765**
Subordinated deposit	-	-	-	-	300,000	**300,000**
Other Liabilities	326,091	-	-	-	-	**326,091**
Total financial liabilities	**6,016,234**	**1,237,956**	**458,487**	**986,556**	**1,167,251**	**9,866,484**
Total liquidity gap	**(2,310,807)**	**303,271**	**2,996,769**	**230,878**	**(103,590)**	**1,116,521**

Liquidity risk management process

The bank liquidity management process, as carried out within the bank and monitored by assets and liability committee, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or borrowed by customers. The bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Assets and Liability management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

Sources of liquidity are regularly reviewed by a separate team in bank's Treasury to maintain a wide diversification by currency, geography, provider, product and term.

Derivatives

Derivatives settled on a gross basis

The bank's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forward, currency swaps.

The table below analyzes the bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2014	Up to 1 month	1-3 months	3-12 months	Total
Derivatives held for trading				
Foreign exchange derivatives				
– Outflow	-	-	-	**-**
– Inflow	-	-	-	**-**
Swap derivatives				
– Outflow	(25,216)	-	-	**(25,216)**
– Inflow	25,187	-	-	**25,187**
Total outflow	**(25,216)**	**-**	**-**	**(25,216)**
Total inflow	**25,187**	**-**	**-**	**25,187**

As at 31 December 2013	Up to 1 month	1-3 months	3-12 months	Total
Derivatives held for trading				
Foreign exchange derivatives				
– Outflow	-	(551)	-	**(551)**
– Inflow	-	551	-	**551**
Swap derivatives				
– Outflow	-	-	-	**-**
– Inflow	-	-	-	**-**
Total outflow	**-**	**(551)**	**-**	**(551)**
Total inflow	**-**	**551**	**-**	**551**

Off-balance sheet items

	As at 31 December 2014	As at 31 December 2013
	No later than 1 period	**No later than 1 period**
Letter of guarantee	696,810	642,883
Letter of credit (Import &export)	404,293	277,494
Customs acceptance	22,220	48,601
Total	**1,123,323**	**968,978**

D. Fair value of financial assets and liabilities

D.1 Financial instruments measured at fair value using valuation techniques

No change in the assessed fair value using the valuation techniques through the financial period ended on 31 December 2014 and the financial ended on 31 December 2013.

D.2 Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the group's consolidated statement of financial position at their fair value:

	Book Value		Fair Value	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Financial Assets				
Due from banks	1,657,857	1,740,012	1,657,857	1,740,012
Loans and advances to banks	6,059	6,059	6,059	6,059
Loans to customers				
- Individual	535,933	455,246	535,933	455,246
- Corporate Entities	3,958,340	3,295,113	3,958,340	3,295,113
- Financial Investments				
- Available for sale-equity instruments	16,572	16,459	16,572	16,459
- Held to maturity	21,775	22,178	24,989	24,943
Financial liabilities				
Due to banks	253,628	568,883	253,628	568,883
Customer deposits:				
- Individual	3,541,237	3,032,804	3,541,237	3,032,804
- Corporate Entities	5,445,527	4,014,360	5,445,527	4,014,360
Other loans	-	72,061	-	72,061

Due from Banks

The fair value of due from banks represents the book value, where all balances are current balances matured during the period.

Loans and advances to customers

Loans and advances are net of charges for impairment loan losses. Loans and advances to customers are divided into current and non current balances. The book value of the current balances is considered the fair value.

Investment securities

Investment securities disclosed in the table above comprise only those financial assets classified as held to maturity.The fair value for loans and receivables and held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Due to Banks

The fair value of due to banks represents the book value, where all balances are current balances matured during the period

Deposits due to customers:

The customer deposits are divided into current and non current balances. The book value of the current balances is considered the fair value.

Other loans:

The other loans are divided into current and non current balances. The book value of the current balances is considered the fair value.

E. Capital Management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by Arab Republic of Egypt and countries in which Bank branches operate.
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital (Central Bank of Egypt) are monitored by the bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Central Bank of Egypt (CBE) or supervisory purposes, the required information is filed with the Authority on a quarterly basis.

The CBE requires the bank to:

- The bank maintains a ratio of 10% or more of total regulatory capital to its risk-weighted assets and contingent liabilities.
- Bank's branches operating outside Arab Republic of Egypt subject to banking supervision rules in countries which they operate.
- The Central Bank of Egypt approved on 18 December 2012 at the instructions for the minimum standard for the standard capital adequacy in line with the implementation Basel (2) and under these instructions Bank must abide by such instructions as of December 2012 can set a transition period for a maximum of six months during which the bank is to provide data in accordance with the previous issuance controls on capital adequacy standard along with the new controls in parallel.

According to the new regulations issued on December 18, 2012

Tier 1 capital:

Tier 1 capital consists of two parts Going Concern Capital and Additional Going Concern.

Tier 2 capital:

Gone Concern Capital consists of

- 45% of the increase in the fair value of the book value of financial investments (fair value reserve if it is positive, financial investments held to maturity, investments in subsidiaries and associates).
- 45% of the special reserve.
- 45% of the reserve foreign currency translation differences positive.
- Hybrid financial instruments.
- Loans (deposits) support.
- Provision for impairment losses for loans and advances and liabilities regular (must not exceed 1.25% of the total credit risk of the assets and liabilities of regular risk-weighted, must also be dedicated impairment losses for loans and credit facilities and contingent liabilities irregular enough to meet the liabilities component for which LCA).

Deducted 50% of the Tier 1 and 50% of the Tier 2:

- Investments in non-financial companies - each company alone, which amount to 15% or more of continuous core capital of the bank by regulatory amendments.
- The total value of the bank's investments in non-financial companies - each individual company and that at least 15% of the basic capital continued by regulatory amendments provided that exceed those investments combined for 60% of the core capital continued by regulatory amendments
- Securitization portfolios.
- Regarding the value of the assets that devolved to the bank settlement of debts a general banking risks reserve.

When calculating the total extension of capital adequacy standard, shall not exceed loans (deposits) support for 50% of the first slide after the disposals.

And are weighted assets and contingent liabilities weighted credit risk, market risk, operational risk.

The shrine consists capital adequacy standard form.

1. Credit Risk
2. Market Risk
3. Operational Risk

The assets are weighted risk weights ranging from zero to 100% classified according to the nature of the debtor each asset to reflect the credit risk associated with it, and taking cash collateral account.

The treatment is used for extra-budgetary funds after making adjustments to reflect the episodic nature of the potential losses of those amounts.

The bank has committed to all local capital requirements in the countries in which they operate foreign branches over the past period.

According to the new regulations issued on December 18, 2012

Capital	31 December 2014 000'S USD	31 December 2013 000'S USD
Tier 1 Going Concern Capital (1)		
Share capital (net of the treasury shares)	100,000	100,000
Reserves	112,205	111,683
Retained earnings	734,043	627,399
Total Deducted from the continuous core capital	(9,071)	(2,554)
Total Common Equity capital	**937,177**	**836,528**
Tier 2 (Gone – Concern Capital) (2)		
45% of the value of the Special Reserve	1,224	1,224
Subordinated deposits	300,000	300,000
45% positive Foreign currencies reserve	1	-
45% fair value of financial investment	12,455	11,171
Provision for impairment losses for performing loans and advances and contingent liabilities	82,483	74,491
Total impairment losses from tier 2	(128)	(70)
Total (Gone – Concern Capital)	**396,035**	**386,816**
Total capital base after deducted (1+2)	**1,333,212**	**1,223,344**
Total Credit Risk , Market Risk and Operational Risk		
Credit Risk	6,598,668	5,959,237
Market Risk	232,812	244,972
Operational Risk	450,517	387,159
Total Credit Risk, Market Risk and Operational Risk	**7,281,997**	**6,591,368**
Capital Adequacy Ratio %	**18.31%**	**18.56%**

4. Critical accounting estimates and judgments

The bank makes estimates and assumptions that affect the presented amounts of assets and liabilities within the next financial period. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events which believed to be reasonable during the current conditions and available information.

A. Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The method and assumptions used to estimate the amount and the timing of future cash flows are reviewed on a regular basis in order to reduce any difference between the expected and the actual loss based on experience

B. Impairment of available-for-sale equity investments

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

C. Fair value of Derivatives

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

D. Held-to-maturity investments

The bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity. If the bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the bank is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortized cost, in addition to hanging the classification of any investments in this category.

E. Income taxes

The bank is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period where the differences exist.

5. Segment analysis

a. Segment reporting analysis

Segment activity involves operating activities; assets used in providing banking services, and risk and return management associated with this activity, which might differ from other activities. Segment analysis for the banking operations involves the following:

Large, medium, and small enterprises:

Includes current accounts, deposits, overdraft accounts, loans, credit facilities, and financial derivatives activities.

Investment:

Includes mergers, purchase of investments and financing the restructuring of companies and financial instruments

Retail:

includes current account, saving accounts, deposits, credit card, personal loans, and real estate loans activities,

Other activities:

Includes other banking operations, such money management

Transactions among segments are performed according to the bank's operating cycle, and include operating assets and liabilities as presented in the bank's statement of financial position.

At 31 December 2014	Corporate banking	Retail	Investment banking	Wealth management	Total
Revenues and expenses according to the sector activity					
Revenues of the sector activity	363,095	216,945	170,695	11,002	761,737
Expenses of the sector	(154,972)	(190,826)	(60,296)	(10,260)	(416,354)
Result of the sector operations	**208,123**	**26,119**	**110,399**	**742**	**345,383**
Uncategorized expenses					(108,607)
Profit before tax					236,776
Taxes					(69,443)
Net profit after tax					**167,333**
Assets and Liabilities according to the sector activity					
Assets of the sector activity	3,964,749	611,950	5,754,980	12,146	10,343,825
Uncategorized assets					677,373
Total assets					**11,021,198**
Liabilities of the sector activity	5,614,129	432,318	3,178,557	179,254	9,404,258
Uncategorized liabilities					1,616,940
Total Liabilities					**11,021,198**

At 31 December 2013	Corporate banking	Retail	Investment banking	Wealth management	Total
Revenues and expenses according to the sector activity					
Revenues of the sector activity	330,574	167,458	126,159	7,130	631,321
Expenses of the sector	(145,418)	(148,096)	(46,233)	(6,940)	(346,687)
Result of the sector operations	185,156	19,362	79,926	190	284,634
Uncategorized expenses					(87,640)
Profit before tax					196,994
Taxes					(45,814)
Net profit after tax					**151,180**
Assets and Liabilities according to the sector activity					
Assets of the sector activity	3,261,831	2,572,315	2,658,096	5,917	8,498,159
Uncategorized assets					738,579
Total assets					**9,236,738**
Liabilities of the sector activity	4,180,176	2,413,158	1,018,689	122,160	7,734,183
Uncategorized liabilities					1,502,555
Total Liabilities					**9,236,738**

B. Geographical sector analysis

At 31 December 2014	Cairo	Alex Delta	Upper Egypt	Other	Total	Gulf	Other Countries	Total
Revenues & Expenses according to the geographical sectors								
Revenues of the Geographical sectors	628,718	90,746	3,074	11,251	**733,789**	26,842	839	**761,470**
Expenses of the Geographical sectors	(431,667)	(72,151)	(3,229)	(10,587)	**(517,634)**	(7,137)	77	**(524,694)**
Result of sector operations	197,051	18,595	(155)	664	**216,155**	19,705	916	**236,776**
Profit before tax								**236,776**
Tax								**(69,443)**
Profit of the period after tax								**167,333**
Assets & liabilities according to the geographical sectors								
Geographical sectors assets	9,551,867	691,155	11,846	23,971	**10,278,839**	723,438	18,921	**11,021,198**
Total assets	9,551,867	691,155	11,846	23,971	**10,278,839**	723,438	18,921	**11,021,198**
Geographical sectors liabilities	9,551,867	691,155	11,846	23,971	**10,278,839**	723,438	18,921	**11,021,198**
Total liabilities	9,551,867	691,155	11,846	23,971	**10,278,839**	723,438	18,921	**11,021,198**

At 31 December 2013	Cairo	Alex Delta	Upper Egypt	Other	Total	Gulf	Other countries	Total
Revenues & Expenses according to the geographical sectors								
Revenues of the Geographical sectors	562,980	40,058	280	2,705	**606,023**	27,518	815	**634,356**
Expenses of the Geographical sectors	(397,914)	(24,328)	(371)	(2,761)	**(425,374)**	(11,619)	(369)	**(437,362)**
Result of sector operations	**165,066**	**15,730**	**(91)**	**(56)**	**180,649**	**15,899**	**446**	**196,994**
Profit before tax								**196,994**
Tax								**(45,814)**
Profit of the period								**151,180**
Assets & liabilities according to the geographical sectors								
Geographical sectors assets	7,358,078	1,083,838	22,087	129,491	**8,593,494**	633,820	9,424	**9,236,738**
Total assets	7,358,078	1,083,838	22,087	129,491	**8,593,494**	633,820	9,424	**9,236,738**
Geographical sectors liabilities	7,358,078	1,083,838	22,087	129,491	**8,593,494**	633,820	9,424	**9,236,738**
Total liabilities	7,358,078	1,083,838	22,087	129,491	**8,593,494**	633,820	9,424	**9,236,738**

6. Net interest income

	31 December 2014	31 December 2013
Interest on loans and similar income		
Loans and advances:		
To customers	305,024	293,519
Treasury bills and bonds	305,094	192,783
Deposits and current accounts	45,906	56,884
Investments in held to maturity and available for sale debt instruments	574	3,010
	656,598	**546,196**
Interest expenses and similar charges		
Deposits and current accounts:		
- To banks	(2,877)	(2,465)
- To customers	(394,953)	(312,442)
- Other loans	(1,064)	(7,221)
- Others (subordinated deposit)	(4,071)	(3,659)
	(402,965)	(325,787)
Net interest income	**253,633**	**220,409**

7. Net fees and commission income

	31 December 2014	31 December 2013
Fees and Commissions income :		
Credit related fees and commissions	47,782	39,528
Funding institutions services fees	16,640	6,730
Trust and other fiduciary fees	2,081	1,917
Western union service fees	5,627	5,793
Transfers fees	4,351	4,022
fees collected of customer service	5,311	4,060
Other fees	3,310	2,039
Total	**85,102**	**64,089**
Fees and Commissions expense :		
Other fees and commissions paid	(2,281)	(2,270)
Net fees and Commissions	**82,821**	**61,819**

8. Dividend Income

	31 December 2014	31 December 2013
From Available for sale investments	1,085	2,653
From Mutual Funds	833	445
From disposal of financial assets available for sale	487	857
Total dividend income	**2,405**	**3,955**

9. Net trading income

	31 December 2014	31 December 2013
Foreign exchange:		
Gains from foreign currencies transactions	12,557	19,952
(Loss) / Gain on revaluation of forward rate contracts	-	(242)
(loss) / Gain on revaluation of currency swap contracts	17	9
other	(33)	6
	12,541	**19,725**

10. Impairment charge for credit losses

	31 December 2014	31 December 2013
Loans loss impairment (note. 22)	(10,380)	(24,469)
	(10,380)	**(24,469)**

11. Administrative expenses

	31 December 2014	31 December 2013
Salaries and Wages	(33,322)	(29,672)
Staff benefits & medical expenses	(856)	(839)
Social insurance & pension	(8,716)	(8,807)
Merchandise supplies	(5,897)	(3,979)
Services supplies	(16,884)	(14,220)
Stamp duty taxes	(10,461)	(10,208)
Depreciation &Amortization	(9,280)	(8,897)
Donation	(3,440)	(3,420)
	(88,856)	**(80,042)**

12. Other Operating income /expenses

	31 December 2014	31 December 2013
Gain / (loss) on revaluation of monetary assets & liabilities balances in foreign currencies other than trading	(267)	3,026
Gain on sale of fixed assets	522	101
Other operating income	2,890	7,671
Other operating expenses	(14,461)	(14,000)
Other provision expense	(8,895)	(1,593)
	(20,211)	**(4,795)**

13. Income tax expense

	31 December 2014	31 December 2013
Current income taxes - Local Branches	(66,704)	(42,078)
Current income taxes - Foreign Branches	(4,190)	(4,411)
Deferred tax	1,451	675
	(69,443)	**(45,814)**

Current income tax on profit before income tax differs from the theoretically expected current income tax when applying the average tax rate applicable to the bank profits realized from local and overseas units as follows:

	31 December 2014	31 December 2013
Net accounting profit before taxes	236,776	196,994
The tax rate according to the average tax rates of local and Foreign branches	29.13%	24.58%
Income tax computed based on the average tax rates of local and Foreign branches on the profit in several tax circuits	**68,973**	**48,421**
Add/ (Deduct)		
Revenues not subject to taxation	(11,600)	(14,587)
Expenses not deducted for tax purposes	13,701	12,409
Deferred tax assets recognized	(1,631)	(429)
Income tax	**69,443**	**45,814**
Actual tax rate	**29.33%**	**23.26%**

14. Earnings per share

	31 December 2014	31 December 2013
Net profit for the period	167,333	151,180
Expected Distributions of employees	(11,660)	(8,500)
Board of directors remuneration expected	(450)	(400)
	155,223	142,280
Weighted average for the expected number of shares	20,000	20,000
Earnings per share (Dollar / share)	**7.76**	**7.11**

15. Cash and due from the Central Banks

	31 December 2014	31 December 2013
Cash in hand	107,292	103,914
Balances with the Central Banks limited to the reserve ratio	479,374	573,613
	586,666	**677,527**
Non-interest bearing balances	586,666	677,527
	586,666	**677,527**

16. Due from banks

	31 December 2014	31 December 2013
Current accounts	83,422	135,587
Placements with other banks	1,574,435	1,604,425
	1,657,857	**1,740,012**
Central banks	866,838	488,159
Local banks	184,255	308,104
Foreign banks	606,764	943,749
	1,657,857	**1,740,012**
Non-interest bearing balances	83,422	141,360
Variable interest bearing balances	1,574,435	1,598,652
	1,657,857	**1,740,012**
Current balance	**1,657,857**	**1,740,012**

17. Treasury bill

	31 December 2014	31 December 2013
Treasury bills	3,328,330	2,848,660
Net treasury bills	**3,328,330**	**2,848,660**
Treasury bills issued from central bank of Egypt	3,323,112	2,844,507
Treasury bills issued from central bank of Lebanon	5,218	4,153
Net treasury bills	**3,328,330**	**2,848,660**
<u>Treasury bills represent the following according to maturities:</u>		
Treasury bills, maturity 91 days	304,681	235,411
Treasury bills, maturity 182 days	1,046,590	435,386
Treasury bills, maturity 273 days	493,596	401,608
Treasury bills, maturity 364 days*	1,566,221	1,885,841
Total nominal value	**3,411,088**	**2,958,246**
Unearned interest	(82,758)	(109,586)
Total	**3,328,330**	**2,848,660**

* Amounted to the equivalent of a dollar & euro treasury bills at December 31, 2014 amount 1,227,625 thousand U.S dollar (1,145,447 thousand U.S dollar as 31 December, 2013)

18. Trading Investment

	31 December 2014	31 December 2013
Listed Equity Securities :		
- Local companies shares	376	-
Total Equity Securities	**376**	**-**
Total Trading investment	**376**	**-**

All trading investment are listed in the stock market

19. Financial investment

	31 December 2014	31 December 2013
Available for sale investment		
Debt instrument:		
- Listed at fair value	967,310	275,614
Equity securities		
- Listed at fair value	35,650	32,704
- Listed at fair value	16,572	16,459
Total available for sale investment (1)	**1,019,532**	**324,777**

Held to maturity investment	31 December 2014	31 December 2013
Debt securities – at amortized cost		
Listed Debt instruments – at amortized cost	6,464	6,422
Mutual fund Certificates - according to law requirements	15,311	15,756
Total held to maturity investments (2)	**21,775**	**22,178**
Total Financial investments (1+2)	**1,041,307**	**346,955**
Current Balances	13,783	112,874
Non-current balances	1,027,524	234,081
	1,041,307	**346,955**
Debt instruments with fixed interest rates	954,450	251,218
Debt instruments with variable interest rates	19,324	30,818
	973,774	**282,036**

The movement in financial investments during the period may be summarized as follows:

	Available for sale	Held to maturity	Total
Balance at 1 January 2013	282,745	112,014	394,759
Additions	114,319	2,417	116,736
Disposals (sale / redemption)	(81,005)	(91,022)	(172,027)
Valuation exchange difference on monetary assets	(17,968)	(1,231)	(19,199)
Impairment losses for equity securities available for sale	(1,982)	-	(1,982)
Net changes in fair value for securities available for sale	7,868	-	7,868
accounting changes effects	20,800	-	20,800
Balance at 31 December 2013	**324,777**	**22,178**	**346,955**
Balance at 1 January 2014	324,777	22,178	346,955
Additions	870,185	21	870,206
Disposals (sale / redemption)	(167,004)	-	(167,004)
Valuation Exchange difference of monetary assets	(11,497)	(424)	(11,921)
Net changes in fair value	3,071	-	3,071
Balance at 31 December 2014	**1,019,532**	**21,775**	**1,041,307**

Gains / Losses from financial investments

	31 December 2014	31 December 2013
Gain on sale of available for sale investments	4,151	344
Gain on sale Treasury bills	448	2,027
Gain on sale mutual funds	224	-
Available for sale investments impairment losses	-	3
Impairment refund for equity securities available for sale	-	(1,982)
	4,823	**392**

20. Investment property (Net of accumulated depreciation)

	Land	building	Total
Balance at 1 January 2013			
Cost	958	2,177	3,135
Accumulated Depreciation	-	(703)	(703)
Net book value as of 1 January 2014	**958**	**1,474**	**2,432**
Depreciation expense	-	(42)	(42)
Net book value as of 31 December 2014	**958**	**1,432**	**2,390**
Net book value as of 31 December 2013	**958**	**1,474**	**2,432**

21. Loans & Advances to banks

	31 December 2014	31 December 2013
Loans	6,059	6,059
Less: impairment loss provision	(5,991)	(5,991)
interest in suspense	(68)	(68)
	-	-

22. Loans & Advances to customers

	31 December 2014	31 December 2013
Retail		
Overdrafts	179,636	158,834
Credit cards	16,765	17,616
Personal Loans	88,029	83,049
Direct Loans	39,915	17,625
Other Loans	211,588	178,122
Total (1)	**535,933**	**455,246**
Corporate		
Overdrafts	1,383,446	1,159,490
Direct Loans	1,399,570	960,965
Syndicated loans	1,155,936	1,173,570
Other Loans	19,388	1,088
Total (2)	**3,958,340**	**3,295,113**
Total Loans and advances (1+2)	**4,494,273**	**3,750,359**
Less : unearned discount for commercial papers and loans	(47,801)	(37,136)
Less : prepaid interest for loans	(1,330)	(1,774)
Less: allowance for impairment	(187,964)	(184,512)
Less : suspense interest	(11,460)	(18,029)
Net distributed as follows:	**4,245,718**	**3,508,908**
Current Balances	2,710,237	1,436,871
Non-Current Balances	1,535,481	2,072,037
	4,245,718	**3,508,908**

Allowance for impairment

Reconciliation of allowance account for losses on loans and advances to banks and customers by class is as follows:

31 December 2014

	Retail	Corporate	Total
Balance at the beginning of the period	4,625	185,878	190,503
Impairment charges	2,382	7,998	10,380
Proceeds from written off debts	244	959	1,203
Provision uses during financial period	(2,595)	(4,035)	(6,630)
Transfers to other provisions	-	-	-
Foreign currencies revaluation differences	-	(1,501)	(1,501)
Balance at the end of period	**4,656**	**189,299**	**193,955**

31 December 2013

	Retail	Corporate	Total
Balance at the beginning of the period	5,025	162,972	167,997
Impairment charges	(541)	25,010	24,469
Proceeds from written off debts	141	177	318
Provision uses during financial period	-	(447)	(447)
Transfers to other provisions	-	(2,166)	(2,166)
Foreign currencies revaluation differences	-	332	332
Balance at the end of period	**4,625**	**185,878**	**190,503**

23. Financial Derivatives

Derivatives

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.
- Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.
- Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps.
- The bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, and a proportion of the notional amount of the contracts. To control the level of credit risk taken, the bank assesses counterparties using the same techniques as for its lending activities.
- The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the bank 's exposure to credit or price risks.
- The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Derivatives held at fair value:

31 December 2014	Contractual / notional amount	Assets	Liabilities
Derivatives held for trading			
Currency forwards	-	-	-
Currency swaps	25,216	-	-
Total derivatives held for trading	**25,216**	**-**	**-**

31 December 2013	Contractual / notional amount	Assets	Liabilities
Derivatives held for trading			
Currency forwards	551	-	-
Currency swaps	-	-	-
Total derivatives held for trading	**551**	**-**	**-**

24. Investment in subsidiaries and associates

The bank's interest in its subsidiary and associates is as follows:

31 December 2014	Nature of relation	Country	Company assets	Company liabilities (without owners' equity)	Company revenues	Company profit/ (Loss)	Participation value	Participation percentage
Universal for investment and development company (S.A.E)	Subsidiary	Egypt	740	383	598	102	224	90
Arab African Holding company (S.A.E)	Subsidiary	Egypt	17,534	3,168	7,049	2,638	9,499	90
Arab African Real estate mortgage company (S.A.E)	Subsidiary	Egypt	33,269	14,582	3,516	1,958	17,787	95
Arab African financial leasing	Subsidiary	Egypt	5,056	137	333	200	5,120	99
Nuun Fund Services	Associates	Egypt	147	17	166	68	33	20
Egyptian modern matches company (S.A.E)	Associates	Egypt	3,644	1,905	3,103	45	414	23
Egyptian matches company (S.A.E)	Associates	Egypt	8,042	4,268	3,911	34	666	40
Slap (S.A.E) under liquidation	Associates	Egypt	6,494	7,479	-	(77)	-	38
Total			**74,926**	**31,939**	**18,676**	**4,968**	**33,743**	

- Created for the bank's contribution to universal for investment and development company (S.A.E) was impaired by $ 280 thousand EGP.
- The investment in Slap (S.A.E) was fully impaired by USD 3,549 thousand in previous periods.

31 December 2013	Nature of relation	Country	Company assets	Company liabilities (without owners' equity)	Company revenues	Company profit/ (Loss)	Participation value	Participation percentage
Universal for investment and development company(S.A.E)	Subsidiary	Egypt	618	107	654	120	-	90
Arab African Holding company (S.A.E)	Subsidiary	Egypt	10,691	1,985	4,264	1,288	6,360	90
Arab African Real estate mortgage company (S.A.E)	Subsidiary	Egypt	34,919	16,773	6,251	2,187	17,787	95
Arab African financial leasing	Subsidiary	Egypt	5,041	179	329	240	5,120	99
Nuun Fund Services	Associates	Egypt	147	17	166	68	33	20
Egyptian modern matches company (S.A.E)	Associates	Egypt	3,644	1,632	6,141	341	414	23
Egyptian matches company (S.A.E)	Associates	Egypt	6,949	2,905	9,145	402	666	40
Slap (S.A.E) under liquidation	Associates	Egypt	6,494	7,479	-	(77)	-	38
Total			**68,503**	**31,077**	**26,950**	**4,569**	**30,380**	

- Created for the bank's contribution to universal for investment and development company (S.A.E) impairment with $ 504 thousand.
- The investment in Slap (S.A.E) was fully impaired by USD 3,549 thousand in previous periods.
- Investments in subsidiaries and associates are not-listed in the stock exchange.

25. Other assets

	31 December 2014	31 December 2013
Accrued revenues	36,449	23,153
Prepaid expenses	5,380	1,911
Advance payments for purchase of fixed assets	11,165	6,312
Assets reverted to the bank in settlement of debts	1,181	1,215
Deposits with others and imprest fund	582	636
Other debit balances	27,335	9,826
Total	**82,092**	**43,053**

26. Deferred tax assets

Deferred tax assets resulting from tax differences of the assets and liabilities items comprise the following:

	31 December 2014		31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Fixed assets	2,208	-	3,428	-
Intangible assets	940	-	308	-
Other provisions	4,344	-	2,305	-
Equity instruments available for sale impairment loss	605	-	605	-
Total tax assets (liabilities)	8,097	-	6,646	-
Net deferred tax assets	**8,097**	-	**6,646**	-

Deferred tax assets and liability movements are as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the period	6,646	5,971
Deferred tax movement during the period	1,451	675
Balance at the end of the period	**8,097**	**6,646**

27. Fixed Assets

	Land & building	Machinery & equipment	Other	Total
Balance as of 1 January 2013				
Cost	47,743	6,072	15,047	68,862
Accumulated Depreciation	(34,620)	(3,551)	(8,555)	(46,726)
Net book value as of 1 January 2013	**13,123**	**2,521**	**6,492**	**22,136**
Additions	1,837	1,504	4,236	7,577
Depreciation expense	(973)	(1,433)	(4,302)	(6,708)
Net book value as of 31 December 2013	**13,987**	**2,592**	**6,426**	**23,005**
Balance as of 1 January 2014				
Cost	49,580	5,169	13,248	67,997
Accumulated Depreciation	(35,593)	(2,577)	(6,822)	(44,992)
Net book value as of 1 January 2014	**13,987**	**2,592**	**6,426**	**23,005**
Additions	4,017	2,491	5,350	11,858
disposal	(163)	-	-	(163)
Depreciation expense	(422)	(1,323)	(3,810)	(5,555)
Net book value as of 31 December 2014	**17,419**	**3,760**	**7,966**	**29,145**
Balance as of end of period				
Cost	52,918	6,904	15,626	75,448
Accumulated Depreciation	(35,499)	(3,144)	(7,660)	(46,303)
Net book value as of 31 December 2014	**17,419**	**3,760**	**7,966**	**29,145**

- Fixed assets (net of accumulated depreciation) at the financial position date include US $ 676 thousands representing assets not registered yet in the bank's name as the legal procedures are currently undertaken to register such assets.
- Assets fully depreciated amounted to 3,741 thousands U.S. dollars at the end of 31 December 2014.

28. Intangible assets

Intangible Assets presented at the financial position date has resulted from the acquisition of ex- Misr America International Bank by the bank (during period 2005) , which is subjected annually to the impairment test, and represented as follows:

	31 December 2014	31 December 2013
Money transfer (Western Union)	4,604	8,287
Benefits realized from branches lease contracts	873	873
	5,477	**9,160**
Net booked value in begin period / year	9,160	11,309
Amortization cost	(3,683)	(2,149)
	5,477	**9,160**
Cost value in begin period / year	11,309	11,309
Accumulated Amortization cost	(5,832)	(2,149)
	5,477	**9,160**

29. Due to banks

	31 December 2014	31 December 2013
Current accounts	63,373	97,364
Deposits	190,255	471,519
	253,628	**568,883**
Central Banks	43,689	10,183
Local banks	148,192	349,306
Foreign banks	61,747	209,394
	253,628	**568,883**
Non-interest bearing balances	63,373	97,364
Interest bearing balances	190,255	471,519
	253,628	**568,883**
Current Balances	**253,628**	**568,883**

30. Customers' deposits

	31 December 2014	31 December 2013
Demand deposits	1,339,254	989,953
Time and call deposits	4,789,151	3,487,077
Certificates of deposits	1,618,411	1,505,150
Saving accounts	1,086,590	863,876
Other deposits	153,359	201,108
Total	**8,986,765**	**7,047,164**
Corporate Deposits	5,445,527	4,014,360
Retail Deposits	3,541,237	3,032,804
	8,986,765	**7,047,164**
Non-interest bearing balances	1,494,416	1,203,018
Interest bearing balances	917,393	592,361
Fixed rate interest balances	6,574,955	5,251,785
	8,986,765	**7,047,164**
Current Balances	7,132,958	5,357,467
Non-current balances	1,853,807	1,689,697
	8,986,765	**7,047,164**

31. Other Liabilities

	31 December 2014	31 December 2013
Accrued interest	181,902	136,962
Deferred revenue	6,264	5,476
Accrued expenses	7,532	7,279
Creditors	40,451	16,590
Other credit balances	37,884	29,085
Total	**274,033**	**195,392**

32. Loans & Advances from Banks

	Loan interest rate	31 December 2014	31 December 2013
Fixed rate loan matures February 2014	9.75%	-	72,061
		-	**72,061**

During 2007, the bank obtained LE 500 million long-term debt equivalent to $ 72,061 thousands at 31 December 2013 from a local bank in Egyptian Pound and re-paid once on February 2014, bearing a fixed interest rate of 9.75% to be paid semi annually.

33. Other provisions

Description	31 December 2014					
	Balance at the beginning of the period	**Provided during the period**	**Transfers between provisions' accounts**	**Transfers to other accounts**	**Used during the period**	**Balance at the end of the period**
Claims provision	**5,865**	3,521	(173)	-	-	**9,213**
Contingent liabilities provision	**9,671**	1,924	(58)	-	-	**11,537**
Employees' incentives provision	**4,623**	3,450	-	-	-	**8,073**
Total	**20,159**	**8,895**	**(231)**	**-**	**-**	**28,823**

Description	31 December 2013					
	Balance at the beginning of the period	**Provide during the period**	**Transfers between provisions' accounts**	**Transfers to other accounts**	**Used during the period**	**Balance at the end of the period**
Claims provision	**7,636**	(1,735)	(36)	-	-	**5,865**
Contingent liabilities provision	**8,675**	(1,188)	18	2,166	-	**9,671**
Employees' incentive provision	**1,660**	4,516	-	-	(1,553)	**4,623**
Total	**17,971**	**1,593**	**(18)**	**2,166**	**(1,553)**	**20,159**

34. Current income tax liabilities

	31 December 2014	31 December 2013
Current tax obligation local branches	19,295	510
Current tax obligation foreign branches	3,941	4,361
	23,236	**4,871**

35. Retirement benefit obligations

The Department of Social Fund for employees in the Arab African International Bank to conduct an actuarial study to determine the net present value of the obligations of the Fund and thus determine the surplus or deficit in the fund as at December 30, 2013 under which the bank will compensate any shortfall that may arise from the investment fund.

The most important was the basic assumptions used by the actuary are as follows:

- Death rates from the British Table A49-52 ULT
- Disability rates from the experience of the Egyptian Social Security.
- Interest rate of 11% per annum for investments in Egyptian pounds, 5% per annum for U.S. dollar investments.
- Rates of wage increases ranging from 5% of the Egyptian pound, zero percent for the U.S. dollar.
- Unity method is used in the calculation of the estimated additional commitments and the present value of subscriptions (Unit Projected method).

The following table shows the movement on the income statement:

	31 December 2014	31 December 2013
Balance at the beginning at the financial period	1,703	2,797
Transferred to retirement benefits fund	(1,703)	(2,797)
Balance at the end of the period	**-**	**-**

36. Subordinated deposit

- On July 2008, the bank has taken from the bank's principle shareholders subordinated deposit amounted $300 M divided equally between them for ten periods, with interest rate 0.5% over LIBOR for 6 months, interests are paid semi annually during the first five years and then become a 1% above LIBOR for six months in the next five years.
- On 18 February 2013, the shareholders agreed to extend the subordinated deposit for a further period of 5 years starting in June 2018 to 2023.

37. Capital

A. Authorized Capital

The authorized capital for the bank is US $500 million.

B. Issued and Paid-in Capital

The issued, subscribed and paid-in capital amounts to US $100 million represented in 20 million shares of US $5 par value.

C. Shareholders

	Ownership Interest
1. Central Bank of Egypt	49.37%
2. Kuwait General Investment Authority	49.37%
3. Others	1.26%
	100%

38. Reserves and retained earning

Reserves	**31 December 2014**	**31 December 2013**
Legal reserve	100,000	100,000
General reserve	10,000	10,000
Special reserve	13,583	13,583
General banking risks reserve	255	141
Capital reserve	2,205	1,683
Currencies translation reserve	2	1
Fair value reserve – available for sale investments	27,292	24,221
Total reserves at the end of the year	**153,337**	**149,629**

Movements in reserves were as follows:

a. Legal reserve	**31 December 2014**	**31 December 2013**
Balance at the beginning of the year	100,000	100,000
Balance at the end of the year	**100,000**	**100,000**

- In accordance with the bank's articles of Association, 10% of annual net profit is transferred to the legal reserve. Such transfer will be stopped when the legal reserve reaches 100% of the issued capital.

b. General reserve	**31 December 2014**	**31 December 2013**
Balance at the beginning of the year	10,000	10,000
Balance at the end of the year	**10,000**	**10,000**

c. Special Reserve	**31 December 2014**	**31 December 2013**
Balance at the beginning of the year	13,583	13,583
Balance at the end of the year	13,583	13,583

- According to central bank of Egypt instructions, the bank Cannot dispose in the balance after consulting him.

d. General banking risks reserve	**31 December 2014**	**31 December 2013**
Balance at the beginning of the year	141	67
Transferred from equity	114	74
Balance at the end of the year	**255**	**141**

e. Capital reserve	**31 December 2014**	**31 December 2013**
Balance at the beginning of the year	1,683	1,582
Gain on sale of fixed assets	522	101
Balance at the end of the year	**2,205**	**1,683**

f. Currencies translation reserve	**31 December 2014**	**31 December 2013**
Balance at the beginning of the year	1	-
Net change of fair value reserve - available for sale investments	1	1
Balance at the end of the year	**2**	**1**

g. Fair value reserve – available for sale investments	31 December 2014	31 December 2013
Balance at the beginning of the year	24,221	(1,053)
Accounting changes effects	-	17,406
Net change of fair value reserve - available for sale investments	3,408	8,847
Net foreign currencies translation difference	(337)	(979)
Balance at the end of the year	**27,292**	**24,221**

Retained earnings	31 December 2014	31 December 2013
Balance at the beginning of the year	775,185	668,867
Transferred to the legal reserve	-	(1,804)
Transferred to banking risks reserve	(114)	(74)
foreign currencies translation difference	-	(8)
Capital reserve	(522)	(101)
Accounting changes effects	3,394	3,394
Distributions of cash dividends of the period profit 2012/2013	(43,900)	(42,875)
Profit of the year	167,333	151,180
Balance at the end of the year	**901,376**	**778,579**

39. Contingent liabilities and commitments

	31 December 2014	31 December 2013
Letters of guarantee	696,810	642,883
Commercial letters of credit (import and export)	404,293	277,494
Letters of acceptances	22,220	48,601
Total	**1,123,323**	**968,978**

40. Tax status

On 4th of June 2014, law No.44 for year 2014 was issued, this law imposes an extra 5% tax to be paid annually for three years starting from the current tax period. This extra tax is to be paid on amount exceeds 1 million EGP. From the income, tax base on individuals or corporate. and this law will effected starting at 5 July 2014

On 30st of June 2014a presidential by decree law No.53 for year 2014 was issued. This law included ruling to amend some articles of Income Tax Law No. 91 for year 2005; the most important amendments were as following:

1. Imposing tax's on Dividends
2. Imposing tax on capital gains resulting from the sale of securities

- **First: Corporate tax according to low for the period 2005**

1. Periods until 2012

The tax approval has been submitted according to law number 91 for the period 2005, and the tax authority has performed the tax examination for the period and the bank pay the difference of tax it and there is no disagreement between the bank and the IRS until 31/12/2012.

2. Year 2013

The tax approval for 2013 has been submitted according to law number 91 for the period 2005 and the owed tax has been paid from the bank's point of view. No examination has been made until this date.

- **Second: Salary Tax:**

1. Periods until 31/12/2008

The bank has been examined by the tax authority until the period 2008 and the bank has owed tax differences for these periods

2. Periods from 2009/2012

The tax approval for 2009/2012 has been submitted according to law number 91 for the period 2005 and the owed tax has been paid from the bank's point of view. No examination has been made until this date.

3. Year 2013

The tax approval for year 2013 has been submitted according to the law and the owed tax has been paid from the bank's point of view No examination has been made until this date.

- **Third: Stamp Duty Tax:**

1. Periods until 31/7/2006 (according to law number 111 for the period 1980)

Stamp duty tax has been examined according to law number 111 for the period 1980 (which is applied until 31/7/2006) for all Arab African International Bank branches and reporting some cases to specialized court laws.

2. Periods from 1/8/2006 (according to law number 143 for the period 2006):

The stamp duty tax has been calculated according to the new law number 143 for the period 2006 for each quarter and it has been provided to the tax authority and it is currently under examination until the period 2009 and reporting some cases to the internal committees and year from 2010 till 2012 document has been prepared and under examination.

41. Related party transactions

A. The Bank deals with its related parties on a basis as with other parties. The nature of such transactions and its balances are represented at the financial position date as follows:

	31 December 2014	31 December 2013
Due from banks -Central Bank of Egypt (Shareholder)	866,838	488,159
Investments in subsidiaries and associates	33,743	30,380
Loans to customers (subsidiaries and associates)	15,697	15,329
Customers' deposits (subsidiaries and associates)	13,771	9,570
Due to banks -Central Bank of Egypt (Shareholder)	43,689	10,183
Held to maturity investment (mutual fund certificates) "shield"	4,093	4,212
Held to maturity investment (mutual fund certificates) "goman"	7,003	7,206
Held to maturity investment (mutual fund certificates) "fixed debt instruments"	4,215	4,338

	31 December 2014	31 December 2013
Fees and commission income (AAIB mutual fund)" shield"	489	397
Fees and commission income (AAIB mutual fund)"goman"	898	953
Fees and commission income (AAIB mutual fund)"gozor"	253	208
Dividend income (AAIB mutual fund)" shield"	488	445
Administrative expenses paid to fund projects Small and medium-sized	-	(102)

B. Board of directors and top management benefits*

	31 December 2014	31 December 2013
Salaries and employee benefit	3,832	3,827
Employee benefits	735	616
	4,567	**4,443**

* The value of the remuneration of the biggest twenty owners of bonuses and salaries in the bank together, including senior management and staff branches of the bank inside and outside Egypt (on the basis of monthly average for the period), according to the stated rules to strengthen corporate governance and internal control of banks and issued by the Central Bank of Egypt on 23/8 /2011 amount to U.S. $ 358 thousand on 31 December 2014 (386 thousand U.S. dollars in 31 December 2013).

42. Arab African International Bank Mutual Fund "shield"

The bank owns "shield" mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 322,839 certificates equivalent to 45 M EGP and the value per certificates at the balance sheet date was 140.66 EGP.

43. Arab African International Bank Mutual Fund "Jumna"

The bank owns "Juman" mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 439,259 certificates equivalent to 71 M EGP and the value per certificates at the balance sheet date was 161.75 EGP.

44. Arab African International Bank Mutual Fund Fixed debt instrument"Gozor"

The bank owns "Fixed debt instrument mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 2,807,009 certificates equivalent to 37 M EGP and the certificates value per certificates at the balance sheet date was 13.31 EGP.

45. Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents comprise the following balances with a maximum maturity of three months from the date of acquisition.

	31 December 2014	31 December 2013
Cash and balances with central banks	586,666	677,527
Due from banks	1,657,857	1,740,012
Treasury bills	3,328,330	2,848,660
Due from the Central Banks "obligatory reserve ratio"	(726,593)	(790,583)
Due to banks	(5,723)	(156,156)
Treasury bills (maturity more than 3 months)	(1,918,405)	(2,003,958)
Cash and cash equivalents	**2,922,132**	**2,315,502**

46. Comparative figures

Some Figures have been modified to conform with current financial statement period and the following are the items that have been modified its figures

Items	Statement	Balance before adjustment	Increase	Decrease	Balance after adjustment
Available for sale investments	Assets	303,977	20,800	-	324,777
Provision	Liabilities	132,223	17,406	-	149,629
Retained earnings	Liabilities	775,185	3,394	-	778,579

The Bank amend the comparative figures to reflect the two private international financial institutions issuing credit cards to amend the contract with joint venture banks in these services method through a new ownership structure has which launched its own shares in global stock markets during the years 2006 and 2008, and the distribution of shares in exchange for this property to shareholders (joint venture banks) in these institutions and therefore became the share of the Arab African International Bank is the number of 126.714 shares traded him allowed.

The trading ban was lifted later on stocks, prompting the Bank of the need to prove that the stock item financial investments available for sale at fair value by comparison year worth US $ 3.394 thousand and the effect of retained earnings by the same amount the first recognition of a financial instrument. Upon subsequent measurement of those shares, the Bank assesses those shares at fair value and impact the value of the increase in the fair value over the fair value of financial investments available reserve account for the sale, which led to increased investment available - for - sale reserve for subsequent periods.

47. Subsequent events

The Banks has entered into an initial contract for the purchase of certain assets and liabilities of one of the branches of foreign banks operating in Egypt, a new investment opportunity to expand the bank's operations in the Egyptian market and the scheduled completion of this agreement during the first quarter of 2015.

48. Translation

These financial statements are a translation into English from the original Arabic statements. The original Arabic statements are the official financial statements.

"50 GOLDEN YEARS OF DISTINCTION"

Distinction is doing things in a unique, one of a kind style. AAIB has always been in sync with how it pursues its growth strategy in an original manner. What made us different is that we have always raised the bar higher than the industry standard. With our strong confidence through our distinctive personnel, we manage to continuously surpass our goals, while always abiding by the rules of the game.

AUDITORS' REPORT

Mosque Dome | Cairo | Photographer: Hamdan

Independent Auditors' Report

To: The Shareholders of "Arab African International Bank"

Report on the separate financial statements

We have audited the accompanying separate financial statements of Arab African International Bank "Egyptian joint stock company" which comprise the balance sheet as of "31 December 2014" and the statements of income, changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate financial statements

These separate financial statements are the responsibility of bank management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the rules of preparation and presentation of the Bank's separate financial statements issued by the Central Bank of Egypt on 16 December 2008 and with the requirements of applicable Egyptian laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to The Bank's preparation and fair presentation of the separate 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 separate financial statements.

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

Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of "Arab African International Bank" as of 31 December 2014, and if its financial performance and its cash flows for the year then ended in accordance with the rules of preparation and presentation of Bank's separate financial statements issued by the Central Bank of Egypt on 16 December 2008 and with the requirements of applicable Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

Nothing has come to our attention that indicated that The Bank violated any of the provisions of Law No. 88 of 2003 during the year ended 31 December 2014.

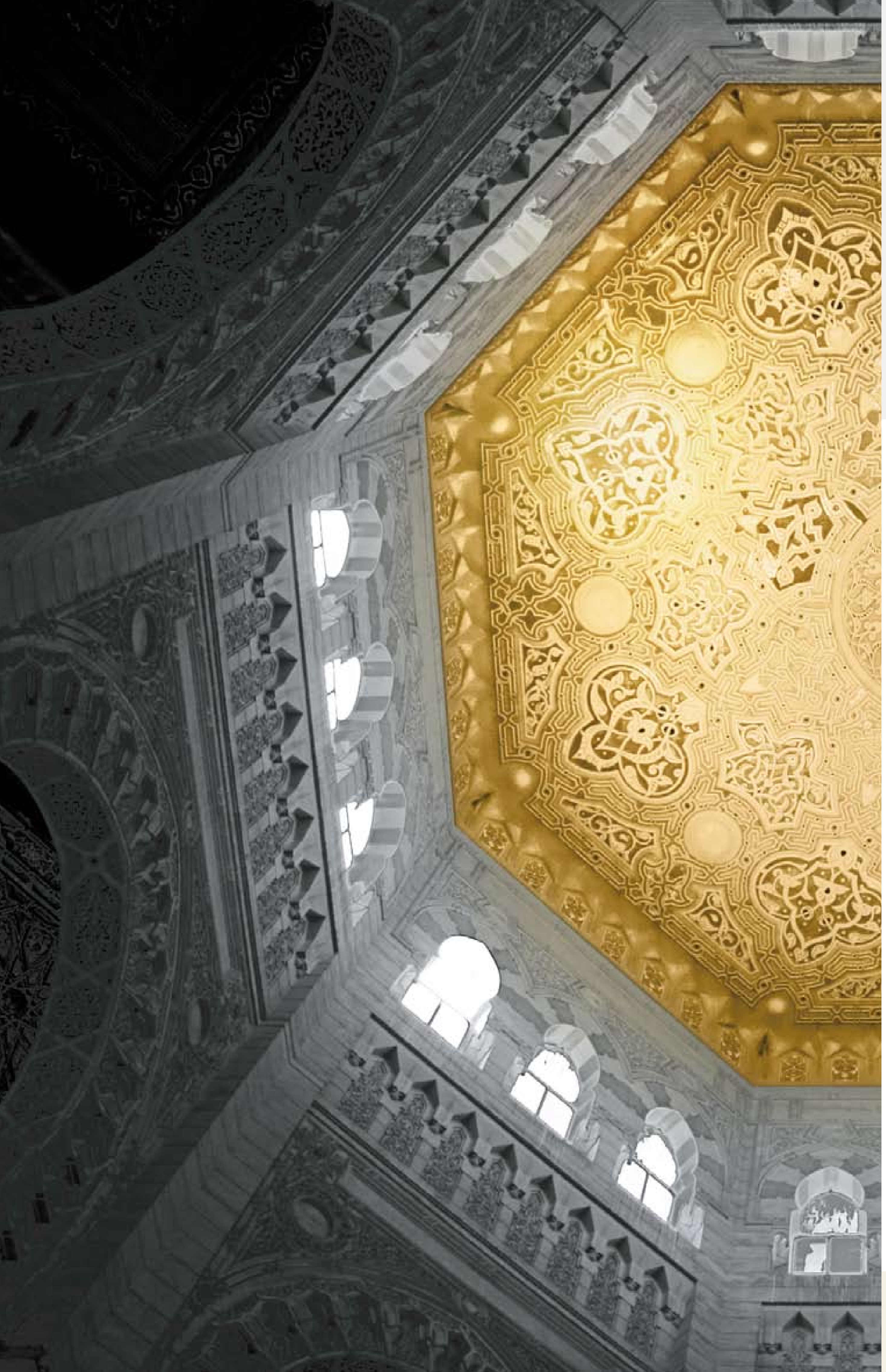
The Bank keeps proper financial records, which include all that is required by the law and Bank's statute and the accompanying separate financial statements are in agreement therewith.

The financial information included in the Board of Directors report are in agreement with The Bank's accounting records within the limit that such information is recorded therein.

Auditors

Abdalla Mohamed Mohamed Eladly	**Mohamed Yehia Abdelhamed**
Egyptian Financial Supervisory Authority registration number "140"	Egyptian Financial Supervisory Authority registration number "12"
Mansour & Co. Price water house Coopers	KPMG Hazem Hassan
Public Accountants and Consultants	Public Accountants and Consultants

Cairo, 10 March 2014



" 50 GOLDEN YEARS OF INNOVATION

Innovation represents an essential ingredient in any growth formula. For decades, AAIB's effort to bring the latest in banking products and services to the market ahead of its peers is testament to our continued innovative strategic outlook. AAIB set trends in the Egyptian market by extending branch working hours and implementing online payment systems, to name but a few. And we are working hard on bringing even more avant-garde services to the region soon.

BRANCHES

Old Mosque Dome | Alexandria | Photographer: Nikiandr

HEAD OFFICE
5 Midan Al-Saray Al Koubra,
Garden City, Cairo
Tel: (202) 27945094/5/6
(202) 27922881/2/3
Fax: (202) 27958493
P.O. Box: 60 Magless El Shaab
(11516) Cairo, Egypt
SWIFT: ARAIEGCXXXX
Reuters: AAFE
Site: www.aaib.com
Call center: **19555**

CAIRO
Garden City
5 Midan Al-Saray Al Koubra,
Garden City, Cairo
Tel: (202) 27924770
Fax: (202) 27925599
P.O. Box: 60 Magless El Shaab
(11516) Cairo, Egypt
SWIFT: ARAIEGCXXXX

Four Seasons
Four Seasons Hotel (Nile Plaza)
1089 Corniche El Nil,
Garden City, Cairo
Tel: (202) 27945283
Fax: (202) 27945287
SWIFT: ARAIEGCXXXX

Kasr El Aini
8 Ibrahim Naguib St., Garden City
Tel: (202) 27957071/3
Fax: (202) 27952445
P.O. Box: 1003 - Cairo
SWIFT: ARAIEGCXGRD

Cairo (Downtown)
44 Abdel Khalek Tharwat St.,
Downtown
Tel: (202) 23916710 - 23917747
23908029
Fax: (202) 23914269
P.O. Box: 1143 Cairo
SWIFT: ARAIEGCXCAI

Kasr El-Nil
29 Kasr El-Nil St., Downtown
Tel: (202) 23924371 - 23924198
Fax: (202) 23920950
P.O. Box: 1003 - Cairo
SWIFT: ARAIEGCXTWN

El Alfy
54 D El Gomhoria St.,
Downtown
Tel: (202) 25909699
(202) 25909716
Fax: (202) 25909690
P.O.Box: 1003 - Cairo
SWIFT: ARAIEGCXALF

Mokattam
Land #354 D, El Nafoura Sq,
El Mokattam.
Tel: (202) 28450070/1/2/3/4
Fax: (202) 28450075
SWIFT: ARAIEGCXXXX

Heliopolis
24 Cleopatra St., Heliopolis
Tel: (202) 24188053/4
(202) 24145371
Fax: (202) 24188056
PO Box: 5842, Heliopolis
west, Cairo
SWIFT: ARAIEGCXHEL

Sheraton Heliopolis
13 Khalid ibn Elwaleed
Sheraton Buildings, Heliopolis
Tel: (202) 22676509/11
Fax: (202) 22676510
P.O.Box: 115 Rawdet El
Sheraton
SWIFT: ARAIEGCXXXX

Roxy
33 El Hegaz St., Heliopolis
Tel: (202) 22568353 - 73 - 88
Fax: (202) 22568390
P.O.Box: 1003 - Cairo
SWIFT: ARAIEGCXHLP

El Merghany
140 El Merghany St., Heliopolis
Tel: (202) 22906244/18
22907862
Fax: (202) 22906289
P.O.Box:1003
SWIFT: ARAIEGCXMRG

Golf
13 Tag El din Al Sobky,
off Nozha St., Ard El Golf
Tel: (202) 26907233/4/5
Fax: (202) 26907231
SWIFT: ARAIEGCXGLF

Nasr City
33 Abo Dawood Al Zahery St.
from Makram Ebeid
Tel: (202) 26720101/2/3
Fax: (202) 26720107
SWIFT: ARAIEGCXXXX

City Stars
Unit 1240 B Ground Floor
Phase 2 Star Center
City Satrs Nasr City Cairo
Tel: (202) 24800862
Fax: (202) 24800864
SWIFT: ARAIEGCXXXX

Cairo Festival City
Unit 086/1 - First Floor - Beside
IKEA Building - Cairo Festival
City
New Cairo - Egypt
Tel: (202) 26168170/2
Fax: (202) 26168173
SWIFT: ARAIEGCXXXX

Zamalek
3 Hassan Sabry St.
Tel: (202) 27377201/2/3/4/5/6/7
Fax: (202) 27377208
P.O.Box: 11211
SWIFT: ARAIEGCXXXX

Shoubra
17 dawlwtyan, Aghakhan,
shoubra, Cairo, Egypt
Tel: (202) 21960135 - 21960938
(202) 21960968
Fax: (202) 21960955
P.O.Box: 11211
SWIFT: ARAIEGCXXXX

GIZA
Mohandeseen
48 Gezirat El Arab St.,
Mohandeseen
Tel: (202) 33040922/3
Fax: (202) 33040924
P.O.Box: 259 Imbaba (12411)
Giza
SWIFT: ARAIEGCXMOH

National Research Center (NRC)
National Research Center
El Behos St., Dokki, Giza
Tel: (202) 37624771/2/4
Fax: (202) 37624773
SWIFT: ARAIEGCXXXX

Nady El-Seid
12 Nady El-Seid St., Dokki
Tel: (202) 37616623/17
Fax: (202) 33352393
PO.Box: 1003, Dokki, Giza
SWIFT: ARAIEGCXDOK

First Mall
Four Seasons Hotel
(First Residence)
35 Giza St., Four Seasons Hotel,
First Residence
Tel: (202) 35720274/98
Fax: (202) 35720268
SWIFT: ARAIEGCXXXX

Al Haram
85 Al Haram St.
Tel.: (202) 37423664/33820156
Fax: (202) 33820281
P.O.Box 281 Al Haram (12556)
Giza
SWIFT: ARAIEGCXXXX

Fayoum
17 El - Horrya Street - Fayoum
Tel: (2084) 6313050
Fax: (2084) 6303051
P.O.Box: 63511 Fayoum
Postal Code
SWIFT: ARAIEGCXXXX

HELWAN
Maadi
St. No 9, Maadi Palace Building,
Mahatta square
Tel: (202) 23786474/6
Fax: (202) 23786469
(202) 27530330
P.O. Box: 541 Maadi (11728)
Cairo
SWIFT: ARAIEGCXMAA

Laselky
4/1 Laselky Street, New Maadi,
Cairo
Tel: (202) 27548455
(202) 27548633
Fax: (2084) 27548212
SWIFT: ARAIEGCXXXX

Chevron Egypt Company
44 El Nadi St., at 77A St., Maadi
Tel: (202) 23590411
Fax: (202) 23590571
P.O. Box: 9 New Maadi (11742)
SWIFT: ARAIEGCXXXX

Smart village
Smart village - KM28 Cario, Alex
Desert road - Building B16
Tel: (202) 35371104/5/6/7/8
(202) 35371109
Fax: (2084) 27548212
SWIFT: ARAIEGCXXXX

El Rehab City
Banks District, Building No. (4),
El Rehab City
Tel: (202) 26923101/2/3/4
Fax: (202) 26923106
SWIFT: ARAIEGCXXXX

El Shourouk (BUE)
City Plaza Mall 1st Floor El
Shorouk City, Misr-Suez Desert
Road, Cairo
Tel: 01272700033
01028844441
01225011879
SWIFT: ARAIEGCXXXX

Kattameya
Shooting Club - Kattameya,
Ring Road
Tel: (202) 27290296 - 27290297
Fax: (202) 27290198
SWIFT: ARAIEGCXXXX

New Cairo
116 - 117 EL Seteen St.
Parallel to El Teseen St.
Commercial Center 5th
District - New Cairo - Egypt
Tel: (202) 26172504 - 26172486
Fax: (202) 26172474
SWIFT: ARAIEGCXXXX

El Obour
Unit 60,61 Golf City - Mall
El Obour City, Cairo, Egypt
Tel: (202) 46104620
Fax: (202) 46104621
SWIFT: ARAIEGCXXXX

Madinaty
B2 - Group 25 - Banks Area, Egypt
Tel: 01028000084
01028802222
01272700070
SWIFT: ARAIEGCXXXX

INDUSTRIAL ZONES

6th of October
4th Industrial Zone – 2/3 Bank Area
Tel: (202) 38320431/2/3
Fax: (202) 38320435
P.O.Box: 210
SWIFT: ARAIEGCXOCT

Arkan
Arkan Plaza, Sheikh zayed, entrance 2, Giza
Tel: (202) 37966248/49/50
Fax: (202) 37966251
SWIFT: ARAIEGCXXXX

10th of Ramadan
3rd Industrial Zone, Area MC3
Tel: (2015) 375023/4/5
Fax: (015) 375021/2
P.O.Box:1110 Tenth of Ramadan
SWIFT: ARAIEGCXASH

ALEXANDRIA

Smouha
74 Albert Al Awal St, Semouha, Alexandria
Tel: (203) 4279845/46/47/62
Fax: (203) 4279863
P.O. Box: 21511 Alexandria
SWIFT: ARAIEGCXXXX

Wabour Almeyah
El Mohandes Ahmed Mohamed Ismail Street - Bab Sharq
Tel: (203) 4258701/2/3/4
Fax: (203) 4291120
SWIFT: ARAIEGCXALX

El-Horreya Road
73 Fouad St., End of El-Horreya Road
Tel: (203) 3920661/900
Fax: (203) 3906004
SWIFT: ARAIEGCXALE

Roushdy
431 El Horreya Road - Roushdy
Tel: (203) 5446413/6/9
Fax: (203) 5446426
SWIFT: ARAIEGCXXXX

Petroleum Complex
Petroleum Complex Building Kilo 17 Alexandria - Cairo Desert Rd.
Tel: (203) 2020348/7
Fax: (203) 2020349
SWIFT: ARAIEGCXXXX

San Stefano
A 30 San Stefano Mall, Alexandria
Tel: (203) 4690551/2/3
Fax: (203) 4690554
SWIFT: ARAIEGCXXXX

Alexandria Port
In Front of the Gate 54 - Al Wardian, Alexandria
Tel.: (203) 4816901/33
Fax: (203) 4816967
P.O. Box: B.O 9 Al Kabary
SWIFT: ARAIEGCXXXX

Borg El-Arab
Banks District, New Borg El-Arab City
Tel: (203) 4594042/3/7
Fax: (203) 4594041
P.O. Box: 33- Postal Code: 21934
SWIFT: ARAIEGCXBRG

NORTH COAST

Porto Marina
Porto Marina Towers - Marina 3 - North Coast
Tel: (2046) 4453966/7/8
Fax: (2046) 4453970
SWIFT: ARAIEGCXXXX

DELTA

Mahallah
10 Shoukry El Quatly St., Elmahalla, Gharbia - Egypt
Tel: (2040) 2252835 - 2252847
Fax: (2040) 2252845
P.O. Box: 160 Mahala
SWIFT: ARAIEGCXXXX

Port Said
21, 23rd July St., El Shark Zone district- Portsaid
Tel: (2066) 3323635
Fax: (2066) 3323642
SWIFT: ARAIEGCXXXX

Mansoura
195 B El Gomhouria St., Borg Kasr El Nil, Mansoura, Dakahleya
Tel: (2050) 2227223/4/5
Fax: (2050) 2227228
SWIFT: ARAIEGCXXXX

Shebein
10 Samih Mobark ST, El Safa Plaza Tower - Shebein El Kom - Monofia
Tel: (2048) 2322260
Fax: (2048) 2322261
SWIFT: ARAIEGCXXXX

Damietta
Ras El Bar New Road, Taqsem Zaher, Corniche El-Nil, Damietta Egypt
Tel: (2057) 2370470/78
Fax: (2057) 2370471
SWIFT: ARAIEGCXXXX

Tanta
95 El Gueish St., Tanta
Tel: (2040) 3310253/172
Fax: (2040) 3310346
P.O. Box: 372 Tanta
SWIFT: ARAIEGCXTNT

UPPER EGYPT

Luxor
End of Khaled Ibn El Walid St.,
Tel: (2095) 2366014
(2095) 2369675
(2095) 2363842
Fax: (2095) 2364927
SWIFT: ARAIEGCXXXX

Aswan
1 Abtaal Al Tahrir st.,
Tel: (2097) 2335210/11/12 /13
Fax: (2097) 2335209
SWIFT: ARAIEGCXXXX

Asyuit
101, El Kasr tower El - Andalus, El - Helaly Street
Tel: (2088) 2284313/4/5/6/7
Fax: (2088) 2284318
SWIFT: ARAIEGCXXXX

SOUTH SINAI AND RED SEA

Porto El Sokhna
18 Porto El Sokhna Mall, Zaafarana Road
Tel: (2062) 3210200
Fax: (2062) 3210203
SWIFT: ARAIEGCXXXX

Sharm Hyatt
58, Gardens Bay, Hyatt Regency Sharm El-Sheikh Hotel, South Sinai, Egypt
Tel: 012-72005000
Fax: 01271030858
SWIFT: ARAIEGCXXXX

Mercato
El Mercato Mall., Hadabet Om El Sid, South Sinai, Sharm El-Sheikh
Tel: 01008000042 - 01008000043
Fax: (2069) 3663777
P.O. Box: 376 South Sinai, Sharm El-Sheikh
SWIFT: ARAIEGCXXXX

Neama Bay
Sharm Trade Center, Mall 14, Neama Bay, King Abdullat St,
Tel: (2069) 3600127/8
Fax: (2069) 3600125
SWIFT: ARAIEGCXXXX

El Tor - South Sinai
Diwan El Mohafza - Tor Sinai
Tel: (2069) 3777242
Fax: (2069) 3777243
P.O. Box: 33 El Tor - South Sinai
SWIFT: ARAIEGCXXXX

Nabq
Rehana Mall, Nabg, Sharm El-Sheikh, South Sinai, Egypt
Tel: (2069) 3710935
Fax: (2069) 3710934
P.O. Box: 58 South Sinai, Egypt
SWIFT: ARAIEGCXXXX

Hurghada
Mohamed Saeid St., Al Kawhar Area, Al Lotus Al-Gawhara Compound Hurghada, Red Sea, Egypt
Tel: (2065) 3482494/6
Fax: (2065) 3482497
SWIFT: ARAIEGCXXXX

Gouna
H1/H2 - downtown, El Gouna, Redsea, Egypt
Tel: (2065) 3580194/5
Fax: (2065 3580196
SWIFT: ARAIEGCXXXX

Porto Ghaleb
Shop No. 51019 Marina Corniche
Port Ghalib – Marsa Allam
Tel: (2065) 3700111
Fax: (2065) 3700110
SWIFT: ARAIEGCXXXX

Foreign

United Arab Emirates

Dubai
ART Tower, Opposite Dubai Customs, Al Mina Road, Bur Dubai,
Tel: (09714) 3937773
Fax: (09714) 3937774
P.O. Box: 1049 Deira, Dubai City
SWIFT: ARAIAEADXXX

Abu Dhabi
Arab Monetary Fund Bldg, El Corniche St., United Arab Emirates
Tel: (09712) 6323400
Fax: (09712) 6216009
P.O. Box: 928, Abu Dhabi,
SWIFT: ARAIAEADAUH

LEBANON

Beirut
Arab African Intl Bank Bldg, Riad El Solh St., Lebanon
Tel: (09611) 980162/3
Fax: (09611) 980910
Tlx: arafro 20507 le
P.O. Box: 11-6066 Beirut
SWIFT: ARAILBBEXXX
E-Mail: aaib@dm.net.lb