HSBC Bank Egypt S.A.E.

Annual Report and Accounts 2015

HSBC

HSBC Bank Egypt SAE's ultimate parent company is HSBC Holdings plc. Headquartered in London, the HSBC Group is one of the world's largest banking and financial services organisations and one of the world's most valuable brands.

The HSBC Group has an international network of over 4,700 offices in 71 countries and territories around the world with listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges.

HSBC provides a comprehensive range of banking products and services to meet the financial needs of over 47 million customers through its global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking.

Board of Directors

Mohammad Al Tuwaijri, Chairman

Jacques-Emmanuel Blanchet, Deputy Chairman and CEO

Dr Ziad Bahaa Eldin

Sir Sherard Cowper-Coles

Georges Elhedery

Neveen El-Shafei

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Report of the Directors

The Board of Directors has the pleasure of presenting the Annual Report of HSBC Bank Egypt SAE for the year ended 31 December 2015.

Economic review and future outlook

After enduring economic losses in the years after 2011, Egypt continued to show signs of stabilisation in 2015. However despite progress on the economic and political fronts, many challenges have surfaced and remain ahead.

Egypt started off 2015 on a strong note with the March Egypt Economic Development Conference. At the event, Egypt reached agreement in detail or in principle on investment projects and business agreements. Egypt also received pledges of direct financial support from allies in the Gulf worth USD12.5 billion, of which USD6 billion were received in April in the form of deposits with the central bank. The Gulf Corporation Council (GCC) continued to support Egypt in 2015, largely through oil grants and loans. However, direct budgetary support declined from its 2014 levels.

The programme laid out in the conference became the centre of development plans through 2015. Projects in some sectors have pushed ahead focusing on infrastructure, tourism and manufacturing sectors, as well as the build out of the country's industrial and logistics base around the Suez Canal, which saw it open a major expansion of the waterway in Q3 15. These developments allowed GDP growth to hold above 4 per cent in the first half of the year. In August, a 'super giant' natural gas field was discovered off the shore of Egypt, offering the potential to fulfil Egypt's energy needs and to support Egypt's recovery in the medium term.

However, preliminary indicators have shown that growth may have started to wane during the second half of the year. The Purchasing Managers' Index showed contraction in economic activity in the last three consecutive months of 2015, after the index held relatively stable through most of the year. Contributing to the decline was the setback to the tourism sector on the back of heightened security concerns.

Continued foreign exchange (FX) shortages through the year have also weighed on economic activity. The Central Bank has attempted to address the issue through two modest devaluations of the EGP, allowing the currency's value to fall by 5 per cent to EGP7.52 per 1USD in Q1 15 and by 2 percent to EGP7.73 in Q3 15. Outside these two adjustments, the currency has remained quasi-pegged. The Central Bank tried to relieve the FX shortage by cracking down on the FX black market at the start of the year, limiting cash USD deposits. The central bank introduced several other measures through the year with the same purpose, including changes to FX auction allocations, additional tariffs and new import controls on top of pre-existing capital controls.

Through its monetary policy, the Central Bank tried to accommodate growth at the start of the year, cutting interest rates by 50 bps in Q1 15. However, rebounding inflation – which picked back up to 11.1 per cent at the end of year after bottoming at 7.9 per cent in August – along with the US Federal Reserve's interest rate hike, drove the policymaker to hike interest rates back up in December.

FX issues and lower GCC inflows also contributed to a wider current account deficit, which rose from 1 per cent of GDP in 2013/14 to 3.9 per cent in 2014/15. In Q3 15, the current account deficit reached USD4 billion, up from USD1.4 billion one year ago. The widening shortfall contributed in part to the deterioration of the FX reserves position. After peaking at USD20.5 billion in April following the USD6 billion GCC deposit and despite a boost from the USD1.5 billion June Eurobond issuance, Egypt's FX reserves continued to deteriorate, ending 2015 at USD16.4 billion.

Fiscally, action on subsidies and the tax regime in 2014 countered the 70 per cent decline in the GCC grants, opening the way for a 1 ppt drop in the 2014/15 fiscal deficit, which registered at 11.9 per cent. However, reforms planned for 2015 – including further subsidy cuts and the introduction of value-added tax (VAT) – did not materialise during the year.

The end of the year was marked with the election of a new parliament, which convened at the start of 2016 for the first time in three years.

Business and operational activities

For the financial year ending 31 December 2015, the Bank reported profit before tax of EGP3,331.2 million, which is a 32 per cent increase over 2014. Profit after tax rose by 43 per cent, reaching EGP2,532.8 million.

Between 31 December 2014 and 31 December 2015, the Bank's total deposits decreased by 6 per cent, while the total advances to clients increased by 3 per cent.

The Board of Directors proposed a 'full year' distribution to shareholders, of EGP1,266.4 million (50 per cent of the profits available for distribution for 2015) representing a coupon for 2015 of EGP38.05 per share.

In line with legal requirements, the Board of Directors also proposed a 'full year' distribution of EGP253.3 million (10 per cent of the profits available for distribution for 2015) to the bank employees as a performance-linked variable payment, which includes profit sharing.

The balance of the remaining profits, amounting to EGP1,013.1 million, will be transferred to support the Bank's reserves and retained earnings, allocating EGP126.6 million for the legal reserve, EGP126.6 million for the general reserve and EGP759.8 will remain as retained earnings.

Global Banking and Markets (GBM)

GBM provides tailored financial solutions to major government, corporate and institutional clients worldwide. The business is managed as three principal business lines: banking, capital financing and markets. This structure allows the HSBC Group to focus on relationships and sectors that best fit the Group's footprint and facilitates seamless delivery of HSBC's products and services to clients.

GBM continues to pursue its well-established 'emerging markets-led and financing-focused' strategy in Egypt. This strategy has evolved to include a greater emphasis on connectivity, leveraging the Group's extensive distribution network. The business focuses on four strategic imperatives:

— Reinforcing client coverage and client-led solutions for major government, corporate and institutional clients
— Continuing to invest selectively in the business to support the delivery of an integrated suite of products and services
— Enhancing collaboration with other global businesses, particularly Commercial Banking (CMB), to appropriately service the needs of the international client base
— Focusing on business re-engineering to optimise operational efficiency and reduce costs

As a universal bank with a distinctive international network and business model, we have provided innovative solutions to multinational corporates operating in Egypt. Global Banking's product expertise supports our clients in the growth of their business activities, especially through our leadership in Payments and Cash Management.

We also delivered a broad range of products in several transactions relating to resource and energy companies. During the past 12-month period, the Bank led some of the Egyptian market's landmark transactions in the power, oil and gas, and telecom sectors.

We remain focused on opportunities in the Project and Export Finance space, which will benefit as Egypt pursues economic growth through infrastructure investment.

Implementing Global Standards, enhancing risk management controls and simplifying processes also remain top priorities for GBM.

The Global Market structure; which consists of Corporate Sales, Balance Sheet and Fixed Income; aims to leverage our relationship, brand and expertise to become the most active player in providing treasury products and solutions to corporate clients in the Egyptian market. The bank is also considered as one of the main primary dealers, servicing a wide range of customers through secondary and primary sovereign debt market.

HSBC Securities Egypt (HCES)

HCES' core business is trading cash equities listed on the Egyptian stock exchange on behalf of HSBC's international investors, as well as trading on behalf of other local and international asset management firms. Year 2015 was a tough year for financial markets in Egypt, traded volumes fell by 29 per cent and the market cap was reduced by 21 per cent. The split between institutional and retail investors was equally split and the share of foreign institutional investors within the market reached 28 per cent. HCES remains to focus on the foreign institutional investor segment in the market and was able to be within the top four brokerage firms in the market serving institutional investors.

Looking ahead in 2016 and with the completion of the political road map, HCES will continue to focus on growing its market share and client base, and to be well placed once markets start to pick up in terms of traded volumes. There yet remain challenges, given the tough economic conditions, especially with the unresolved FX crisis and the anticipated local currency devaluation.

Commercial Banking (CMB)

HSBC Bank Egypt (HBEG) aims to be the leading international Commercial Banking franchise in the Egyptian market. We will do this by focusing on growing market share, enhancing our service propositions and leveraging on HSBC's international network and global product and sector capabilities.

Commercial Banking is segmented into four main client centric segments: Large Corporates, Middle Markets, Business Banking and International Subsidiary Banking, all of which aim to:

— Ensure we have the right specialist executive meeting our customers to provide the right level of support relative to customer's needs
— Reinforce the bank's position with the customer as a strategic partner by providing the appropriate products and services to assist our customers in meeting their aspirations
— Attract 'new-to-bank' customers as we strengthen our service proposition
— Support our existing customers in their domestic and overseas business by connecting to colleagues within the wider HSBC Group
— Support our customers with our industry-leading capabilities in Global Trade and Receivables Finance through: funding their trade cycle for imports, exports and sales; connecting customers internationally with buyers and suppliers; and offering structuring solutions to mitigate risks for our customers
— Provide unique solutions through our award-winning Payments and Cash Management business to the market to assist our customers in streamlining their operations through the use of technology.

Within Commercial Banking we have also simplified our business, making our teams more accessible for our customers through:

- Launching new support functions to assist in handling all types of customer queries along with assisting in fulfilling specific Know your Customers (KYC) requirements which were introduced in 2015
- Re-engineering and streamlining of processes to enhance servicing capabilities and facilitate business
- Opening new channels for our customers to contact us with queries, complaints and/or feedback, all of which will allow us to better serve and eventually strengthen our relationship with our clients

With our unique product offering and strong local and international presence, we believe we are well placed to be strategic partners to our customers and support their business ambitions in 2016.

Retail Banking and Wealth Management (RBWM)

2015 was a year of consolidation and growth as well as a year of investment for the Retail Banking and Wealth Management business in Egypt.

During the year, the branch and ATM network was further streamlined to ensure that HSBC responds to changing market circumstances and continues to focus on locations preferred by our target segment, and also continued to upgrade the technical functionalities of our ATMs, thus raising the overall efficiency of our physical infrastructure. There was also continued focus on automating the front end of processes to smooth the customer experience as well as to enhance the efficiency of our front-line employees, which resulted in a market-leading customer service (as measured by the Customer Recommendation Index survey).

A car loan product was launched during the year to a very enthusiastic customer response. Bancassurance was relaunched in Egypt, which was accompanied by the launch of Egypt Treasury Bill investment service, both on the back of a Group Wealth Financial Planning platform that is best in class in the Egyptian market. Liabilities continued to be re-priced on a dynamic ongoing basis as the market evolved, although the management did not consider it feasible to respond to the exceptional pricing offered by a few key competitors towards the back end of the year. A new offering was created for non-resident Egyptians tying together the branch network and servicing capabilities across the unique HSBC footprint in Egypt and UAE.

Customer numbers, market share in cards and assets, and revenues all continued to show robust growth through the year. The number of 'new-to-bank' payroll companies more than doubled from the prior year. Leveraging Group best practices in analytics allowed us to launch a slew of attractive pre-approved offers to customers on loans, and facilitated the introduction of risk-based pricing; credit cards launched their most ambitious spend campaign ever, resulting in the proud grand prize winner taking home a brand car, along with several other prize winners.

To support these initiatives, a completely new tele-calling channel for cross sell and fulfilment was launched during the year, which intensified the meeting of customer needs. The Mobile Sales Force was scaled up, almost doubling in strength.

Significant progress was made during the year to migrate processing away from the network to back office areas and in integrating systems to facilitate swifter access. Investment in our digital capabilities continued, with the launch of digital sales capabilities and culminating in a revamped public website. In 2015, the digital journey began in every HSBC branch when a customer opened their account because HSBC became the first bank in the country with a fully Wi-Fi branch network.

We continued to invest in and grow our contact centre, with continued focus on improving the service levels. Strong controls remained integral to our approach, with the embedding of various global policies and the launch of an enhanced due diligence system, supported by a richer front-end due diligence protocol. Ensuring we follow Global Standards is now a way of life and our investment in the future.

People management and development

The Human Resources (HR) agenda for HSBC Bank Egypt is at the centre of our priorities. Our ultimate strategic goal is to continue building world-class people skills and capabilities within an overarching employee engagement strategy and a commercial HR proposition that supports our business objectives, values and growth.

2015 witnessed a customer-focused HR agenda aiming to bring HR closer to employees and create various communication and feedback channels. The fully fledged recognition scheme 'At Our Best' was introduced to emphasise the importance of a value-driven culture. A series of HR roadshows – 'HR Connect' – has also been introduced to provide the required support and guidance on managing employees' careers, their professional development and how to navigate their career in the context of the available HR tools and under guidance and support of their line managers.

In support of enhancing employees' skills and driving culture transformation, the Learning team delivered over 4,000 learning days in 2015, with 60 per cent being delivered through classroom training and 40 per cent through e-Learning, which stands as the most advanced learning product that is trending in developed markets. Global Standards learning has taken centre stage for all businesses with the roll-out of a robust plan for more programmes focusing on risk management, compliance and business-structured initiatives. With regard to leadership upskilling, the journey continued to focus on values-led leadership. This has been driven through learning programmes targeting people managers, which are aimed to support the delivery of the HSBC strategy.

Furthermore, a wide spectrum of career opportunities has been made available internally and globally through mobility initiatives within a cohort of over 300 employees who have experienced career development moves into new roles.

Our Employer Branding endeavours witnessed a hike in 2015 through a very strong presence for HSBC Bank Egypt in the employment market as an employer of choice. One of the resulting achievements was HSBC Bank Egypt winning the award of the third most attractive employer in the Egyptian market in a study conducted by Daily News, making HSBC Bank Egypt the number one most attractive bank.

In our pursuit to attract, retain and motivate the very best calibre, our reward strategy continues to be aligned with our values-based performance, risk framework and risk outcomes linking it to the HSBC core values of being 'open, connected and dependable'. Altogether, performance is judged according to contribution to the sustainability of the organisation. The financial and non-financial measures incorporated in the annual and long-term initiatives are carefully considered to ensure alignment with the HSBC Group strategy.

Operations, Services and Technology

During 2015, and as part of the global transformation for the bank, we restructured our teams to better support the global businesses and functions to deliver their goals. Software Delivery and Information Technology Operations were brought together into a single IT function. The scope of several functions was also reviewed and changed to simplify our structure. This better reflects the role we play in HSBC, run customer and product operations; deliver and manage technology; and provide professional services.

Over the last 12 months, we continued to focus on delivering the Group's strategic goals and objectives. We delivered on our key priorities: streamlining processes and procedures, business engagement and implementing Global Standards in a consistent manner.

With customer experience at the forefront, Digitisation and Productivity Improvement were key areas of focus. Several business processes were digitised and automated to improve turnaround time and make it easier for customers do business with us. A number of IT solutions were delivered to help the business grow revenue and simplify the way we operate. Several process optimisation and rationalisation initiatives were implemented to align with global models, heighten cash controls, improve courier services, and above all, enhance the customer experience. Key processes were reviewed, re-engineered and automated to reduce or eliminate complexity, non-value adding and time-wasting activities.

Global solutions were also rolled out to simplify our purchasing process, manage our spend effectively and gain maximum value through efficient supplier relationship management.

Corporate Real Estate was an area that witnessed several activities; we renovated several branches, redesigned and refurbished two cash centres that were considered as a first in the MENA region, and optimised the space in the Main Head Office and Smart Village buildings to accommodate departmental expansions and leverage more space for subletting. We have transformed Facility Management while moving these services to a third-party provider, resulting in cost savings, consistent processes and procedures and better MI reporting.

Global Standards

The Global Standards journey continues to be an ongoing evolution. In 2015, we rolled out two new global policies for Anti-Money Laundering (AML) and Sanctions. Our new global AML policy is designed to stop criminals laundering money through HSBC. It sets out global requirements for carrying out customer due diligence, monitoring transactions and escalating concerns about suspicious activity. Our new global sanctions policy aims to ensure that we comply with local sanctions-related laws and regulations in countries where we operate, as well as with global sanctions imposed by the UN Security Council, European Union, US, UK and Hong Kong governments.

New Customer Due Diligence (CDD) procedures were launched to help us deepen our understanding of our customers and their needs, and give us the vital information we need to protect against financial crime and grow our business with confidence. Underpinning all this, embedding, communication and training plans were put in place to continue building employees' awareness and understanding.

Report of the Directors (continued)

Compliance

In light of the implementation of Global Standards, a new Compliance structure was introduced with a considerable increase in the total Compliance headcount. Dedicated Compliance staff on Financial Crime Compliance (FCC) and Regulatory Compliance (RC) now support all business lines to cater for the increased FCC and RC requirements and to ensure full abidance to both Group and local regulations.

The Compliance team worked to fully satisfy the requirements of HSBC Global Standards Programme by implementing a more consistent and comprehensive approach to assessing FCC. This has included working on enhancing the controls governing the KYC, suspicious transactions reporting, sanctions and anti-bribery and corruption policies and procedures. The Global Standards Programme is an integral part of our goal to transform HSBC into the industry leader for knowing our customers and detecting, deterring and protecting against financial crime.

Corporate Sustainability

As one of the world's leading banks, we have a responsibility to create, build and sustain our local communities and environments and encourage changes now for the benefit of generations to come. We are committed to the principles of corporate sustainability – sustained profits growth, building enduring customer relationships and managing the social and environmental performance of our operations. Our community investment focuses on partnerships and philanthropic activities in the areas of education, community and the environment. We place significant importance on ensuring that our activities are also effective in developing employee engagement, stakeholder perception and brand value.

In 2015, HBEG continued its support to Forsa Programme, a youth development programme initiated in 2012 by Wataneya NGO and HBEG. The programme aims at raising the self-esteem of young orphans living in orphanages to be able to positively integrate into society. The programme implementation impacts both the young orphans as well as their caregivers. To date, HBEG managed to assist a total of 90 young orphans and more than 60 caregivers.

Through our support to education, the bank sponsored the education of 23 autistic children on their ADVANCE Day, a multidisciplinary therapeutic programme that teaches children activities that promote cognitive development, language, motor skills as well as academic skills. They are further supported through specialised therapeutic services to students, such as speech and language therapy and psychomotor therapy, as well as social skills training, self-help training, adaptive physical education, art and music.

After the success of the Children Cancer Hospital – 57357 School, HBEG funded the conversion of the existing school into a digital school by equipping it with the required smart boards and installing tablets to the patients' beds to accommodate all patients, especially those who cannot leave their rooms. 150 students now benefit from the school.

Through the American University in Cairo (AUC) Public School Scholarship Fund, HBEG honoured its commitment in supporting the education of two visually impaired students.

In partnership with the British Council, 50 of our volunteers contributed 200 hours in more than 15 community events across Egypt, thus reaching over 2,500 children in our communities. The aim is to promote literacy through hands-on activities, in addition to equipping teachers and parents with the tools needed to promote reading. Kids Read is the first comprehensive literacy programme to be rolled out concurrently across the region by HSBC.

As part of HSBC's Global financial literacy program JA More than Money, we have managed to directly impact a total of 3,250 public school students with the help of HBEG staff volunteers, who spent a day with them, teaching them about earning, spending and saving money.

In 2015, HBEG celebrated the World Environment Day by organising the day in collaboration with the Research Institute for Sustainable Environment (RISE), at the American University in Cairo campus, where HBEG volunteers were able to participate with their children. HBEG staff attended 3 sessions to learn more about basic gardening practices, how community members can participate in making the environment green, a sustainable green life style and how to create a rooftop garden. The kids' activities focused on teaching water conservation, virtual water concepts and simple planting techniques to provide an enhanced insight on waste management and recycling practices.

Continuing with our yearly Ramadan initiative, a total of 64 employees and their families volunteered to help with the food packing activity at the bank's head office in Maadi to reach a total of 5,500 under-privileged families in 70 villages across Egypt, including Upper Egypt, Halayeb and Shalateen area, the Western Desert Oasis and Nubia.

Partnering with Triple Effect from PWC, HBEG ran a successful blood donation campaign with the collection of a total of 70 blood bags from employees.

The second half of 2015 marked the start of Egypt's flagship project for which HBEG partnered with the RISE. In a successful volunteering trip, 25 volunteers travelled to both Shubra Qubala and Mist El Kasri villages in Monofeya to assist in the implementation of sustainable waste management techniques. The volunteers assisted with the awareness sessions that were given to the local communities to learn the importance of recycling.

In addition, the volunteers helped in implementing the first rooftop garden in one of the schools in Saft El Laban to introduce the 'green school' concept in Egypt.

With the winning Group funded project Saving Egypt's Water, HBEG managed to implement a waste water community garden with 2 day-care centres in two different villages in Baharia Oasis, installing 3 new drinking water filtration stations in both Baharia and Farafra Oasis and completed the design of the water education centre in El Heiz village using sustainable architecture. All these projects were implemented with the engagement of 30 staff volunteers and benefitting more than 8,000 families.

It is worth mentioning that HBEG won the Gold Stevie Award in 2015 for the work implemented on water conservation, being the best corporate social responsibility project of the year in the entire Middle East and Africa.

Last but not least, in December 2015 HBEG signed a three-year protocol in partnership with Misr El Kheir NGO to build a total of 350 community schools in Egypt, making education available to 12,000 children in rural areas as well as availing job opportunities to a total of 700 teachers from rural areas.

Acknowledgement

Based on the financial results of 2015, the Board would like to extend their congratulations and thanks to the HSBC employees for their efforts and achievements.

Shareholding

HSBC Bank Egypt SAE is a 94.5 per cent owned subsidiary of HSBC Holdings plc through HSBC Holdings BV. The shareholding structure is as follows:

HSBC Holdings BV	94.5%
Misr Insurance Company	3.4%
Misr Life Insurance Company	1.7%
Others	0.4%

Equity investments

HSBC Securities Egypt SAE

HSBC Securities Egypt offers a full brokerage service for major foreign institutional investors and fund management companies. Besides offering brokerage services, HSBC Securities Egypt also provides quality equity research and distribution through dedicated equity analysts and salespersons based in Cairo, the MENA desk in HSBC Bank Middle East in Dubai and the Europe, Middle East and Africa desks in HSBC's operations in London and New York.

HSBC Investment Company (Egypt) SAE

HSBC Investment Company, which is now under liquidation, offered origination, advisory and execution services for corporations in Egypt.

Alex Fish Company and Alex Food Company

Alex Fish Company and Alex Food Company specialise in the production of food products and share a combined capital. Following a debt restructuring in 2004, HBEG acquired a shareholding in both companies along with some other banks. HBEG holds 20 per cent of the shares in each of the companies.

HSBC Bank Egypt also holds minority interests in the following companies:

- Egyptian Mortgage Refinance Company (EMRC)
- Fawry for Electronic Payment (Egypt Pay Company)
- I-Score
- Misr Company for Clearing, Settlement and Depository (MCDR)
- Egyptian Banks Company for Technological Advancements (EBC)

Report of the Directors (continued)

Corporate Governance

HSBC Bank Egypt is committed to applying the highest level of corporate governance to all aspects of the Bank, with regard to the relationships and responsibilities of the management, the Board and the shareholders in line with local regulatory requirements and the global requirements of the HSBC Group. HBEG's governance policies and practices cover all aspects of the Bank's daily operations, including the creation and execution of strategies, the definition and application of risk appetite parameters and setting the balance between shareholders' obligations and depositors' interests. HBEG Management ensures that the daily activities of the Bank's operations are executed in a secure manner and in compliance with the prevailing laws and regulations.

HBEG's commitment to organisational governance is evidenced by:

— The composition, involvement and independence of the HBEG Board of Directors
— Defined duties of Board members on the Board and on the Board's sub-committees, including the Audit Committee, the Risk Committee, the Governance and Nominations Committee and the Salaries and Remuneration Committee
— The frequency of meetings of the Board and of the Board sub-committees in line with local regulatory requirements
— Perfecting control over the structure and operations of the Bank within the framework of governance applications
— Adoption and implementation of internal policies and manuals that cover all business aspects
— Transparency of and responses to operational and risk reviews carried out by the Internal Control and the Internal Audit functions
— Adoption of transparent communication channels and a commitment to the professional development of all employees

The Board of Directors

The following changes took place to the HBEG Board of Directors in 2015:

Resignations

— Resignation of the representative of Misr Insurance, Mr Basel El-Hini as Non-Executive Director, effective 9 November 2015

Appointments

— Appointment of Mrs Neveen El-Shafei as Independent Non-Executive Director, effective 16 June 2015

* **Mr Mohammad Al Tuwaijri**

NON-EXECUTIVE CHAIRMAN

Mohammad Al-Tuwaijri was appointed Deputy Chairman and CEO of HSBC Bank Middle East Limited on 1 October 2013. Before this, he was the Regional Head of Global Banking and Markets, HSBC Bank Middle East Limited, effective 1 June 2010.

Mohammad has 23 years of senior banking experience in the region, including 12 years with Saudi British Bank (SABB), HSBC's joint venture partner in Saudi Arabia. Before joining HSBC, he was Managing Director and Head of Saudi Arabia with JP Morgan.

Mohammad was appointed Chairman of HSBC Bank Egypt SAE on 10 September 2013. He also serves as a Board Director for HSBC Bank Middle East Limited, HSBC Saudi Arabia Limited, The Saudi British Bank, HSBC Bank Egypt SAE, MENA Infrastructure Fund (GP) Limited and the Saudi Public Pension Agency.

* **Mr Jacques-Emmanuel Blanchet**

DEPUTY CHAIRMAN AND CEO

Jacques-Emmanuel Blanchet is the Deputy Chairman and CEO of HSBC Bank Egypt SAE. Before assuming his current position, Jacques-Emmanuel Blanchet was the Head of Commercial Banking in the UK and Co-Head Europe at HSBC. Based in London, he was responsible for managing the bank's growing commercial banking division, which supports businesses of all sizes.

Before taking up this role in March 2011, Jacques-Emmanuel held a three-year tenure as Head of Commercial Banking at HSBC France, where he reorganised the division, bringing in additional expertise and a more proactive approach to customer relationships.

A graduate of ICSG Business School in Paris, Jacques-Emmanuel brings over 30 years banking experience to his new role. Since joining HSBC France in 1998, Jacques-Emmanuel has held several senior roles, including Head of Global Transactional Banking, CEO of HSBC Hervet and UBP and Head of Change and Service Delivery HSBC France.

* **Dr Ziad Ahmed Bahaa-Eldin**

Independent, Non-Executive Director

Dr Ziad Ahmed Bahaa-Eldin is an Egyptian Attorney-at-Law and expert on financial law, governance, compliance and economic legislation, and a former Member of Parliament, representing Assiut. He is currently a non-executive member on several companies' board of directors, including HSBC Bank Egypt, the National Bank of Egypt UK, Arabian Cement Company, Juhayna Foods, and Emaar Egypt. He was the Deputy Prime Minister for Economic Development and Minister of International Cooperation (2013-14), Executive Chairman of the Egyptian Financial Supervisory Authority (EFSA) (2009-11) and the Executive Chairman of the Egyptian General Authority for Investment and Free Zones [GAFI] (2004-07). He is also a former non-executive member of the Board of Directors of the Central Bank of Egypt (2004-11), of the National Bank of Egypt (2005-10), and a former Senior Legal Adviser to the Central Bank of Egypt (2011). From 2000 to 2004, Dr Bahaa-Eldin was a practising lawyer in Egypt, and from 1997 to 2000 the senior legal adviser to the Minister of Economy. Prior to this, he was in private practice in Cairo and Washington, DC. Dr Bahaa-Eldin was also an adjunct lecturer at the Faculty of Law at the Cairo University (1998-2004). He is the founder and member of the Board of Directors of the Ahmed Bahaa-Eldin Cultural Foundation, a charity promoting education, training, and creative thinking among Egyptian youth in Upper Egypt, and is a member of the Board of Trustees of the American University in Cairo. Dr Bahaa-Eldin received his PhD in Financial Law from the London School of Economics (1997), an LLM in International Business Law from King's College London (1989), a BA in Economics from the American University in Cairo (1987) and a Bachelor of Law degree from Cairo University (1986).

* **Sir Sherard Cowper-Cowles KCMG LVO**

Non-Executive Director

Sir Sherard Cowper-Cowles joined HSBC Holdings in October 2013 as Senior Adviser to the Group Chairman and Group Chief Executive. He advises the Group Chief Executive on a range of business and client issues. He advises the Group Chairman on public policy issues. He is also a Director of HSBC Bank Egypt SAE. He attends the Group Management Board (GMB) and Risk Management Meetings (RMM).

Before HSBC, Sir Sherard worked for two-and-a-half years as Business Development Director, International, at BAE Systems plc. Earlier, he spent over 30 years in the British Diplomatic Service, which he joined straight from reading classics at Oxford. He studied Arabic in Lebanon, Syria and Alexandria, and served in the British embassies in Cairo, Washington and Paris. He was also Principal Private Secretary to the UK Foreign Secretary, the late Robin Cook, and was Head of the Foreign Office Hong Kong Department from 1994 up to the handover to China in 1997. His final diplomatic jobs were as the UK Foreign Secretary's Special Representative for Afghanistan and Pakistan (2009-10), Ambassador to Afghanistan (2007-09), Ambassador to Saudi Arabia (2003-07) and Ambassador to Israel (2001-03).

Sir Sherard is also Chairman of the Financial Inclusion Commission; a Board Member of the China Britain Business Council; UK Chairman of the Omani-British Friendship Association (business council); and Chairman of the Saudi-British Society and of Pitzhanger Manor Trust. He is the author of two books about his diplomatic experiences: Cables from Kabul and Ever the Diplomat. He speaks French, Arabic, some Hebrew and rudimentary Pashtu.

The Board of Directors (continued)

* **Mr Georges Elhedery**

NON-EXECUTIVE DIRECTOR

Georges Elhedery is Head of Global Banking and Markets, HSBC Middle East and North Africa. He moved to MENA with HSBC in 2010. Before this, he worked at HSBC in London as Deputy Head of Global Rates. He joined HSBC in 2005 from Goldman Sachs, where he ran EMEA Interest Rates Exotics and Inflation Trading. He began his financial career in Tokyo at Banque Paribas, as part of the options trading desk. Georges is a graduate of Ecole Polytechnique in Paris, and has a post graduate degree from ENSAE as Statisticien Economiste. Lebanese born with French citizenship, Georges is married and lives in Dubai. He joined HSBC Bank Egypt's Board in 2014 and has been the Chairman of HSBC Middle East Securities LLC since 2010.

In his current role, Georges has responsibility for the region's Markets, Banking, Capital Financing and Securities Services activities. These comprise the Sales and Trading activities, the Balance Sheet Management function, Debt and Equity Capital Markets, Project and Export Finance, Leveraged and Acquisition Financing, Mergers and Acquisitions, the Banking Relationship Management, as well as Brokerage and Custody. He manages around 600 investment bankers spread over 10 countries.

* **Mr Basel El-Hini**

NON- EXECUTIVE DIRECTOR *(resigned on 9 November 2015)*

Basel El Hini is the Vice Chairman of Misr Insurance Holding Company (MIHC). He possesses more than 30 years of experience in commercial and investment banking and finance-related areas, with in-depth knowledge of investment, corporate and retail banking, structured finance and syndication, international project finance, financial advisory and macroeconomic policy and reform. He spent the last 20 years in managerial positions.

Basel started his career in Egypt as a banker with Misr Iran Development Bank, and then moved in the mid-eighties to the Arab Petroleum Investments Corporation (APICORP) in Saudi Arabia, where he progressed to become Middle East and North Africa Business Group Head. In early 2000, he relocated to Egypt and joined ABN AMRO Bank (the global financial institution) as Regional Head of Integrated Energy and Power. In 2002, he moved to Misr Exterior Bank as General Manager and Member of the Board. In 2004, he joined Banque Misr, Egypt's second largest bank, as General Manager, and a year later (2005) was chosen by Egypt's Minister of Finance as his Adviser, with the responsibility of financial restructuring and reform of public ownership. At the beginning of 2008, Basel joined Naeem Group as Chairman and Managing Director of Naeem Financial Investments (NFI). From September 2008 to September 2011, he was appointed Managing Director of Banque du Caire, Egypt's third largest government-owned bank, responsible for credit, corporate and retail banking.

Basel is a past and present member of boards of several companies. Currently, he is Non-Executive Chairman of the Financial Sector Investment Fund Company and a board member in HSBC Bank Egypt, Tourism Development Authority and Nasser Social Bank.

He is a certified instructor at the Central Bank of Egypt's Banking Institute and at Cairo American University's Institute of Banking and Finance.

Basel El-Hini graduated with a BSc in Economics (1980) from Cairo University's Faculty of Economics and Political Sciences, and later earned his Master's degree in economics from the American University in Cairo (1985).

* **Mrs Neveen El-Shafei**

INDEPENDENT, NON-EXECUTIVE DIRECTOR

Neveen El-Shafei was appointed Assistant Minister of Investment in August 2013 until August 2014. Before her appointment, her responsibilities as Vice Chairman at the GAFI included supervision of the promotion and policy advocacy activities since 2008-09. Before that, she had acted as Adviser to the Chairman of GAFI since 2005.

In addition to her experience in the public domain since 2005, Ms El-Shafei brings nearly twenty years of investment and commercial banking experience to her role as Assistant Minister. Before joining GAFI, Ms El-Shafei was Executive Director of Corporate Finance at Fleming CIIC, a joint venture investment bank with CIIC, CIB's Investment Banking arm. Operating within the newly formed investment banking joint venture between CIIC and Flemings, UK, Ms El-Shafei headed the Corporate Finance private sector team.

She previously spent ten years as an investment/corporate banker at Commercial International Bank (CIB), where, among other responsibilities, she took an active role in participating in Egypt's privatisation programme. This covered valuation assignments on behalf of corporate clients in various industries, in addition to several proposals for CIB equity investments in local companies. In 1996, she acted as key coordinator in CIB's Global Depository Receipt (GDR) offer of USD120 million, representing 20 per cent of CIB equity. The GDR represented the first GDR transaction in Egypt and was completed in July 1995. She also played an instrumental role in stabilising and sustaining investments in Egypt following the political changes that took place as of 25 January 2011.

Since joining the GAFI and more specifically since overseeing the promotion activities since 2009, Ms El-Shafei has actively taken part in several overseas ministerial missions and conferences in many countries.

Born in New York, 1964, Ms El-Shafei is a graduate of the American University in Cairo (Economics, 1985) and has been trained in the Chase Manhattan Credit Training Programme.

* **Dr Ibrahim Fawzy**

INDEPENDENT, NON-EXECUTIVE DIRECTOR

Dr Fawzy is a professor of Mechanical Engineering at Cairo University in Egypt. He is also the President of Fawzy Consultancy, which he founded in 1999 and which operates in the field of industry and investment in Egypt and the Arab world. Throughout his academic career, Dr Fawzy has taught many courses in Mechanical Engineering at Cairo University and at the University College of London, where he spent two years as a visiting professor. His research papers have been published in leading specialised periodicals, including the Proceedings and Philosophical Transactions of the Royal Society in London.

Between 1979 and 1983, he served as cultural Counsellor and Director of the Egyptian Education Bureau at the Egyptian Embassy in London. He was then responsible for all the Egyptian post-graduate students in the British Universities.

Dr Fawzy also served as the Cabinet Minister of Industry and Mineral Wealth in the Egyptian Government from 1993-96. In this post, he had the top responsibility for all projects and plans of the Egyptian government in industry and mineral wealth. From 1996-99, he was appointed as the Chairman and CEO of the GAFI, where he oversaw all private sector companies in Egypt, including Egyptian and Foreign companies.

Dr Fawzy received his BSc degree in Mechanical Engineering in 1962 from Cairo University and his PhD in 1968 from University College of London in England.

At present, Dr Fawzy is a Director of several closed and public companies in Egypt. He also was a Director for Quality Systems International, which is an American public company, for 3 years from 2005-08.

Dr Fawzy is married, with a son and a daughter and he lives in Egypt. He has travelled widely and attended many conferences and has been active in many committees, Egyptian and international, related to industry, investments and economy.

The Board of Directors (continued)

* **Mrs Hania Sadek**

EXECUTIVE DIRECTOR

Hania Sadek is the Chief Operating Officer of HSBC Bank Egypt. She joined HSBC Bank Egypt in 1983 as a fresh graduate from the American University in Cairo, and completed her Master's Degree in Economics during her term with the bank. She has extensive experience in branches, trade services and information technology, where she had extended roles for 15 years which qualified her to set up the Audit unit in HBEG. In conjunction with Group Audit Middle East, a Group Audit function within HSBC Bank Egypt was established in 2001 and took over the Group's responsibility for branch audits starting from 2004. She has also been responsible for the Audit Committee for the past decade.

In 2010, Mrs Sadek took over the position of Chief Operating Officer for HBEG, where she is responsible for the overall Operations functions, including Information Technology, and professional services like Corporate Real Estate and Procurement. Her current role as HBEG Chief Operating Officer and Executive Director entails a wide diversified range of technology and operations activities and building relations with various bodies from the Group on regional and global levels. In addition, the job requires interaction with senior executives in authorities within Egypt, such as the regulators and large governmental and private institutions.

In a context of female accomplishments across the Middle East, Mrs Sadek has been ranked 37th in the 200 Most Powerful Arab Women – 2014 by Forbes Middle East and 7th in Amwal El Ghad's Most Powerful Women in the Egyptian Banking Sector. The lists include inspirational and accomplished top executive women from the corporate and banking spheres, with criteria that take into account the degree of power associated with ranked women's positions, years of experience and number of years in operation.

* **Mrs Nevine Taher**

EXECUTIVE DIRECTOR

Nevine Taher is the Country Head of HR and External Relations of HSBC Bank Egypt. She joined HSBC Bank Egypt in 1982. She has extensive experience in Corporate Banking, where she spent most of her career.

Nevine is a graduate of the American University in Cairo, Bachelor of Arts, with a major in Economics and a minor in Business Administration. After graduation, she joined Egyptian American Bank, member of Amex Banking Group for two years, where she was a Credit Analyst.

Nevine was appointed to lead the introduction and launch of RBWM in 2000 until 2002, after which she rejoined the corporate line of business to become Country Head of Corporate Banking, covering CMB, GB and HSS, where she led the development and implementation of corporate banking strategies to grow the business, widen market share acquisition and drive and expand most profitable relationships.

In 2010, Nevine was appointed once more as Country Head of RBWM to lead and drive RBWM strategy and aggressive expansion plans for the RBWM proposition in Egypt.

Nevine took on her current role as Country Head of HR by end of 2011 and External Relations in 2014 with an overview of corporate sustainability, sitting on INJAZ Egypt Board. Nevine has also been appointed Chairperson of HSBC Securities Egypt SAE, our brokerage subsidiary, in addition to her continued responsibilities for the HR function in Egypt and the external affairs that include the responsibility for building wider and deeper relationships into the community, not just with clients, for whom the Global Businesses remain responsible, but also with regulators, the government and others. Nevine led HR through a wide transformation, while commercialising HR to act as the business trusted adviser in building a top of the class human capital that can drive the business for growth, while nourishing and fostering talent and development, in support of business needs.

Nevine has one son and speaks three languages: Arabic, French and English. She is a member of the major chambers of commerce: American, British, French and Canadian.

The Board Committees

The purpose of HSBC Bank Egypt's management structures, headed by the Board of Directors and led by the Chairman, is to deliver sustainable value to our shareholders. The Board sets the strategy for the Bank and approves the risk appetite and capital and operating plans presented by management for the achievement of the strategic objectives it has set. This ensures the efficient application of our resources for achievement of these objectives. Implementation of the strategy set by the Board is delegated to the Executive Committee led by the Chief Executive Officer. To achieve its strategic objectives, the Board has appointed a number of committees consisting of certain Directors and/or Executive Management whereby related responsibilities are set out herein with:

Executive Committee

The Executive Committee is an executive management committee that meets monthly and operates as a general management committee with regards to the day-to-day management of the bank under the direct authority of the Board. The purpose of the Executive Committee is to maintain a reporting and control structure whereby all lines of operations are accountable to individual members of the Committee who report to the Chief Executive Officer who chairs Executive Committee.

Audit Committee

The Audit & Risk Committee is responsible for advising the Board on the effectiveness of HBEG's systems of internal controls and compliance in relation to financial matters and on meeting financial obligations. The members of the Audit Committee are Dr. Ibrahim Fawzy (Chairman), Dr. Ziad Bahaa Eldin and Mrs. Neveen El-Shafei.

Risk Committee

The Risk Committee has responsibilities in relation to risk governance and oversight and internal controls. The members of the Risk Committee are Mr. Georges Elhedery (Chairman), Sir Sherard Cowper-Coles, Mrs. Neveen El-Shafei and Mr. Jacques-Emmanuel Blanchet.

Governance and Nomination Committee

The Governance & Nomination Committee is responsible for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board and evaluating the bank's governance system. The members of the Governance & Nominations Committee are Dr. Ziad Bahaa Eldin (Chairman), Dr. Ibrahim Fawzy and Sir Sherard Cowper-Coles.

Salaries and Remuneration Committee

The Salaries & Remuneration Committee considers remuneration matters for the bank in the context of the Group's remuneration policy, proposes the fees for directors for approval by the Board and the shareholders and reviews performance-based remuneration with reference to corporate goals and objectives The members of the Salaries & Remunerations Committee are Sir Sherard Cowper-Coles (Chairman), Dr. Ziad Bahaa Eldin while the third committee member will be appointed by the Board to replace Mr. Basel El-Hini.

Auditors' report

To the Shareholders of HSBC Bank - Egypt (S.A.E)

Report on the separate financial statements

We have audited the accompanying separate financial statements of HSBC Bank, Egypt (SAE), which comprise the separate balance sheet as of 31 December 2015 and the separate statements of income, changes in equity and cash flow 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 the Bank's 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 financial statements that are free from material misstatement, whether due to fraud or error. Management responsibility also includes selecting and applying the 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 have 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' judgement, 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 HSBC Bank, Egypt (SAE) as of 31 December 2015, and of its financial performance and its cash flows for the year then ended, in accordance with the Central Bank of Egypt's rules, pertaining to the preparation and presentation of these separate financial statements and measurement and recognition basis approved by its Board of Directors on 16 December 2008 and Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on other legal and regulatory requirements

Nothing has come to our attention that the Bank had significantly violated any of the provisions of Law No. 88 of 2003 during the year ended 31 December 2015.

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

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

Auditors

Hisham Gamal Alafandy

Egyptian Financial Supervisory
Authority No.(100)
KPMG Hazem Hassan
Public accountants and consultants

Mohamed Ahmed Fouad, CPA

Egyptian Financial Supervisory
Authority No.(235)
R.A.A. 11595
Mansour and Company PricewaterhouseCoopers
Public accountants and consultants

Cairo: 18 February 2016

Separate Balance Sheet as at 31 December 2015

	Note No.	**31 December 2015 EGP (000)**	31 December 2014 EGP (000)
Assets			
— Cash and balances with Central Bank of Egypt	15	**5,925,859**	4,969,253
— Due from banks	16	**12,672,599**	18,292,967
— Treasury bills	17	**18,326,496**	13,980,063
— Financial assets held for trading	18	**10,267**	21,573
— Loans and advances to banks	19	**556,702**	71,737
— Loans and advances to customers	20	**20,188,855**	19,568,035
— Financial derivatives	21	**13,657**	16,766
— **Financial investments**			
— Available-for-sale	22	**4,526,217**	5,966,502
— Held-to-maturity	22	**32,143**	39,928
— Investments in subsidiaries	23	**35,517**	35,517
— Intangible assets	24	**8,029**	4,735
— Other assets	25	**391,890**	426,197
— Deferred tax assets	32	**48,010**	63,857
— Investment property	27	**93,368**	96,531
— Fixed assets	26	**394,578**	405,960
Total assets		**63,224,187**	63,959,621
Liabilities and shareholders' equity			
Liabilities			
— Due to banks	28	**2,998,173**	1,543,264
— Customers' deposits	29	**51,389,439**	54,548,676
— Financial derivatives	21	**13,706**	14,750
— Subordinated loans	40	**272,000**	272,000
— Other liabilities	30	**906,791**	701,597
— Other provisions	31	**87,621**	173,084
— Current income tax		**426,073**	552,576
Total liabilities		**56,093,803**	57,805,947
Shareholders' equity			
— Paid-up capital	34	**2,795,567**	2,078,500
— Paid under capital increase	34	**—**	717,067
— Reserves	35	**1,802,059**	1,591,126
— Retained earnings	35	**2,532,758**	1,766,981
Total shareholders' equity		**7,130,384**	6,153,674
Total liabilities and shareholders' equity		**63,224,187**	63,959,621

The accompanying notes from 1 to 43 form an integral part of these financial statements and are to be read therewith.

Separate Income Statement for the year ended 31 December 2015

	Note No.	**31 December 2015 EGP (000)**	31 December 2014 EGP (000)
Interest income from loans and similar income	6	**4,639,451**	3,897,280
Interest expense on deposits and similar expense	6	**(1,047,574)**	(1,121,133)
Net interest income		**3,591,877**	2,776,147
Fees and commissions income	7	**762,781**	683,736
Fees and commissions expense	7	**(93,811)**	(60,056)
Net fees and commissions income		**668,970**	623,680
Dividends income	8	**3,597**	2,325
Net trading income	9	**194,462**	198,471
Financial investment gain	22	**4,941**	14,924
Credit impairment (charged)	12	**(73,296)**	(91,160)
Administrative expenses	10	**(1,203,474)**	(1,068,054)
Other operating income	11	**144,170**	66,165
Profit before income tax		**3,331,247**	2,522,498
Income tax expenses	13	**(798,442)**	(755,470)
Net profit for the year		**2,532,805**	1,767,028
Earnings per share (EGP/share)			
Basic	14	**68.49**	64.17

The accompanying notes from 1 to 43 form an integral part of these financial statements and are to be read therewith.

Separate Cash Flow Statement for the year ended 31 December 2015

	Note No.	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Cash Flows from Operating Activities			
— Net profit before income tax		**3,331,247**	2,522,498
Adjustments to reconcile net profit to net cash flows from operating activities			
— Depreciation and amortisation		**63,612**	63,533
— Impairment of assets		**73,296**	91,160
— Other provisions formed		**35,946**	30,159
— Provisions no longer required		**(60,174)**	(40,939)
— Other provisions used		**(63,113)**	(172,376)
— Revaluation differences for provisions other than loans provision		**1,878**	610
— (Gain) from sale of fixed assets		**(1,958)**	(2,688)
— Dividends income		**(3,597)**	(2,325)
Operating income before changes in assets and liabilities from operating activities		**3,377,137**	2,489,632
Net Decrease (increase) in assets and liabilities			
— Due from banks		**(932,303)**	7,654,836
— Treasury bills		**(6,321,892)**	(451,687)
— Available-for-sale investments		**1,472,017**	252,471
— Financial investments held for trading		**11,306**	(21,568)
— Loans and advances to customers		**(694,116)**	(857,849)
— Loans and advances to banks		**(484,965)**	59,360
— Financial derivatives (net)		**2,065**	(2,316)
— Other assets		**34,307**	78,397
— Due to banks		**1,454,909**	(1,532,712)
— Customers' deposits		**(3,159,237)**	5,478,251
— Other liabilities		**205,194**	109,979
— Income tax paid		**(909,098)**	(474,609)
Net cash flows (used in) provided from operating activities		**(5,944,676)**	12,782,185

	Note No.	31 December 2015 EGP (000)	31 December 2014 EGP (000)
Cash flows from investing activities			
— Payments to purchase fixed assets and branches preparation		**(46,388)**	(20,181)
— Proceeds from sale of fixed assets		**2,542**	5,002
— Payments to purchase intangible assets		**(8,409)**	(3,180)
— Disposals of intangible assets		**1,852**	
— Proceeds from sale financial investments held-to-maturity		**7,785**	34,911
— Dividends income		**3,597**	2,325
Net cash flows (used in) provided from investing activities		**(39,021)**	18,877
Cash flows from financing activities			
— Dividends paid		**(1,587,827)**	(507,727)
Net cash flows used in financing activities		**(1,587,827)**	(507,727)
— Net change in cash and cash equivalents during the year		**(7,571,524)**	12,293,335
— Cash and cash equivalents at the beginning of the year		**25,110,425**	12,817,090
Cash and cash equivalents at the end of the year		**17,538,901**	25,110,425
Cash and cash equivalents are represented in:			
— Cash and balances with Central Bank of Egypt		**5,925,859**	4,969,253
— Due from banks		**12,672,599**	18,292,967
— Treasury bills		**18,326,496**	13,980,063
— Balance with Central Bank of Egypt within the limit of statutory reserve		**(5,173,087)**	(4,224,219)
— Balance with banks with maturity more than 3 months from date of acquisition		**—**	(16,565)
— Treasury bills with maturity more than 3 months from date of acquisition		**(14,212,966)**	(7,891,074)
Cash and cash equivalents	37	**17,538,901**	25,110,425

The accompanying notes from 1 to 43 form an integral part of these financial statements and are to be read therewith.

Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2015

	Note	Paid-up capital	Paid under capital increase	Reserves	Retained earnings	Total
	No.	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Balances as at 31 December 2013		2,078,500	717,067	1,615,297	529,792	4,940,656
Dividends paid for year 2013	36	—	—	—	(507,727)	(507,727)
Transferred to legal reserve	35	—	—	20,463	(20,463)	—
Transferred to general reserve	35	—	—	1,529	(1,529)	—
Transferred to capital reserve	35	—	—	73	(73)	—
Net change in investments available-for-sale	35	—	—	(46,283)	—	(46,283)
Net profit for the year		—	—	—	1,767,028	1,767,028
Transferred from general risk reserve	35	—	—	47	(47)	—
Balances as at 31 December 2014		2,078,500	717,067	1,591,126	1,766,981	6,153,674
Balances as at 31 December 2014		2,078,500	717,067	1,591,126	1,766,981	6,153,674
Capital increase		717,067	(717,067)	—	—	—
Dividends paid for year 2014	36	—	—	—	(1,587,827)	(1,587,827)
Transferred to legal reserve	35	—	—	88,215	(88,215)	—
Transferred to general reserve	35	—	—	88,218	(88,218)	—
Transferred to capital reserve	35	—	—	2,721	(2,721)	—
Net change in investments available-for-sale	35	—	—	31,732	—	31,732
Net profit for the year		—	—	—	2,532,805	2,532,805
Transferred from general risk reserve	35	—	—	47	(47)	—
Balances as at 31 December 2015		**2,795,567**	—	**1,802,059**	**2,532,758**	**7,130,384**

The accompanying notes from 1 to 43 form an integral part of these financial statements and are to be read therewith.

Separate Proposed Profit of Appropriation Statement for the year ended 31 December 2015

	Note No.	**31 December 2015 EGP (000)**	31 December 2014 EGP (000)
Net profit for the year		**2,532,805**	1,767,028
Less:			
Gain from sale of fixed assets		**-**	(2,721)
General banking reserve	35	**(47)**	(47)
Net profit for the year available for appropriation		**2,532,758**	1,764,260
Appropriation:			
Legal reserve	35	**126,640**	88,215
General reserve	35	**126,636**	88,218
Shareholders' dividends		**1,266,379**	1,411,401
Employees' profit share		**253,276**	176,426
Retained earnings		**759,827**	—
		2,532,758	1,764,260

The accompanying notes from 1 to 43 form an integral part of these financial statements and are to be read therewith.

Notes to the Separate Financial Statements

To the shareholders of HSBC Bank Egypt S.A.E.

1 Background

HSBC Bank Egypt SAE provides retail, corporate and investment banking services in the Arab Republic of Egypt through 62 branches and 9 small units served by more than 2,098 employees at the date of the balance sheet.

HSBC Bank Egypt SAE is established according to the Investment Law, in accordance with the decision no.60 for year 1982 taken by the minister of investment and international cooperation and published in El Waqaa El Masria newspaper on 17 May 1982 in the Arab Republic of Egypt. The head office is located in Cairo. The Bank started its operation on15 December 1982. The Bank's shares have been delisted from the Egyptian stock exchange market on 31 December 2009.

2 Summary of significant accounting policies

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

a. Basis of preparation

— statements are prepared in accordance with the Central Bank of Egypt's (CBE) instructions approved by The financial its Board of Directors on 16 December 2008.

b. Subsidiaries

— Subsidiaries are all companies (including special purpose entities) over which the Bank has owned directly or indirectly the power to govern the financial and operational policies. Generally, the bank own more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity

— The purchase method is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets, or/and asset given or/and equity instruments issued and loans assumed at the date of exchange, plus costs directly attributable to the acquisition. Net assets, including contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the Bank's share fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognised directly in the income statement under the item 'Other operating income/(expenses)'

— Investments in subsidiaries in the separate financial statements are accounted for using the cost method. According to this method, investments recorded at cost of acquisition including goodwill and less any impairment losses. Dividends are recorded in the income statement when adoption of the distribution has been authorised and affirming the Bank's right in collecting them has been recognised

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 a segment which provides 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 transactions and balances

The Bank keeps its accounting records in Egyptian pound. Foreign currency transactions are translated into Egyptian pound using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of each period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognised in the income statement under the following items:

— Net trading income for the assets/liabilities held for trading

— Owner's equity for the financial derivatives in the form of eligible hedge for cash flows or net investment

— Other operating income (expenses) for the other items

Changes in the fair value of monetary financial instruments in foreign currencies classified as investments available for sale (debt instruments) are classified as valuation differences resulting from changes in amortised cost of the instrument and differences resulted from changes in applicable exchange rates and differences resulted from changes in the instrument fair value. Valuation differences relating to changes in amortised cost are recognised in income statement under 'Interest and similar income', while differences relating to changes in exchange rates are recognised under item 'Other operating income (expenses)'. Differences resulting from changes in fair value are recognised under 'Fair value reserve – available-for-sale investments' in the equity caption.

Valuation differences resulting from non-monetary items include profits and losses resulting from changes in fair value, such as equity instruments held at fair value through profits and losses, while valuation differences resulting from equity instruments classified as financial investments available-for-sale are recognised as 'Fair value reserve – available-for-sale investments' under the equity caption.

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 investments; and available-for-sale investments. Management determines the classification of its investments at initial recognition.

e.1 Financial assets at fair value through profit or loss:

This category consists of financial assets held for trading and financial assets designated at fair value through profit or loss at inception.

— Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near-term or if they are part of the financial instruments portfolio that is managed together and there is evidence resulting from recent actual transactions that profit can be recognised. Derivatives can be classified as held for trading unless they are identified as hedging instruments

— Financial assets designated at fair value through profit or loss are recognised when:

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

— Gains and losses arising from changes in the fair value of derivatives managed in conjunction with designated financial assets or financial liabilities are recorded in the 'Net income from financial instruments classified at fair value through profit and loss'

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

— In all cases, the Bank should not reclassify any financial instrument into financial instruments measured at fair value through profit and loss or held-for-trading investments

2 Summary of significant accounting policies *(continued)*

e. Financial assets: *(continued)*

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, or those that the Bank, upon initial recognition, recorded as at fair value through profit or loss;

— the Bank, upon initial recognition, designates as available-for-sale; and

— for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

e.3 Financial investments held-to-maturity

Held-to-maturity financial investments are non-derivative assets that carry fixed or determinable payments and where the Bank has the intention and ability to hold to maturity. Any sale of a significant amount not close to the date of its maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, except in the emergency cases.

e.4 Financial investments available-for-sale

Available-for-sale financial investments are non-derivative financial assets that are intended to be held for an unspecified year and may be sold to provide liquidity or due to changes in shares prices, foreign exchange currencies or interest rates.

The following applies to financial assets:

— Purchases or sales of financial assets at fair value through profit and loss, held-to-maturity financial investments and available-for-sale financial investments are recognised at the trade date, which is the date the Bank is committed to purchase or sell the financial assets

— Financial assets that are not classified at fair value through profit and loss at initial recognition are recognised at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognised at fair value only, and the transaction cost is recognised in the profit and loss under 'Net trading income'

— Financial assets are derecognised when the rights to receive cash flows have expired or when the Bank transfers all asset risks and rewards to another party, while a financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired

— Available-for-sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value, while loans and advances and held-to-maturity investments are measured subsequently at amortised cost

— Gains and losses arising from changes in the fair value of financial assets designated at fair value through profit and loss are recorded in the income statement during the year it occurred, while gains and losses arising from changes in the fair value of available-for-sale financial investments are recognised in the 'Fair value reserve for available-for-sale investments' in equity until the financial asset is sold or impaired. At which time, the cumulative gain or loss previously recognised in equity should be recognised in profit or loss

— Interest income related to monetary assets classified as available-for-sale is recognised based on the amortised cost method in profit and loss. The foreign currency revaluation differences related to available-for-sale investments are recognised in the profit and loss. Dividends related to available-for-sale equity instruments are recognised in the profit and loss when they are declared

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

— Debt instruments can be reclassified from available-for-sale investments to 'loans and receivables' or 'financial assets held-to-maturity' using fair value when the Bank has the intention and ability to hold the instrument on the future or until maturity. Any related profits or losses that have been previously recognised in equity are treated as follows:

2 Summary of significant accounting policies *(continued)*

e.4 Financial investments available-for-sale *(continued)*

i. Financial assets with fixed or determinable payments and fixed maturity valued at amortised cost using the effective interest method. The difference between the amortised cost using the effective interest method and the repayment value is amortised using the effective interest rate method.
ii. In case of financial asset's impairment, any profits or losses previously recognised in equity is recognised in profit and loss.
iii. Profits and losses related to the financial assets without fixed or determinable maturity are recorded in equity until selling or disposing of it. In case of impairment, profit and losses that have been previously recognised directly in equity are recognised in the profit and loss.

— If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognised as either income or expense in the profit and loss

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

f. Netting between financial instruments

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

Treasury bills, repos and reverse repos agreements are netted on the balance sheet and disclosed under Treasury bills.

g. Derivative financial instruments

Derivatives are recognised 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.

g.1 Derivatives that do not qualify for hedge accounting

Derivative instruments that do not qualify for hedge accounting and changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised 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. Interest income and expense

Interest income and expense related to financial instruments, except for held-for-trading investments or recorded at fair value through profit and loss, are recognised under 'Interest and similar income' or 'Interest and similar charges'.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the life of the financial instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter year when it is appropriate to reach the net carrying amount of the financial asset or 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 of the contract that are considered part of the effective interest rate. Transaction costs include all other premiums or discounts.

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

— When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans, mortgage loans for personal housing and small loans for businesses

— For loans granted to corporate, interest income is recognised on a cash basis after the Bank collects 25% of the scheduling instalments and after the instalments continued to be regular for at least one year. Interest income will not be recognised as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

2 Summary of significant accounting policies *(continued)*

i. Fees and commission income

Fees and commissions related to loan and advances are recognised as income when the service is rendered. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried off-balance sheet and are recognised under income according to the cash basis when interest income is recognised in accordance with note (H/2) above. Fees and commissions that represent part of the financial asset effective rate are recognised as adjustment to the effective interest rate.

Commitment fees are recognised as revenue when there is probability that this loan will be used by the customer as commitment fees represent compensation for the continuing interfere to own the financial asset. Subsequently, it is recognised as adjustment to the effective interest rate of the loan. If the commitment year passed without issuing the loan, commitment fees are recognised as income at the end of the commitment year.

Fees and commissions related to equity debts measured by fair value are recognised as income at initial recognition. Fees and commissions related to marketing of a syndicated loan are recognised as income when the marketing is completed and the loan is fully used or the Bank kept its share of the syndicated loan using the effective interest rate as used by the other participants.

Commissions and fees arising from negotiation or participating in a negotiation to the favour of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognised as income when the transaction is completed. Commissions and fees related to management advisory and other services are recognised as income based on the contract terms, usually on a time-appropriation basis. Asset management fees are recognised over the year in which the service is provided.

j. Dividends income

Dividends are recognised in the profit and loss when the Bank's right to receive those dividends is established.

k. Agreement for purchase and Resale & agreement for selling and repurchase

Financial instruments sold under repurchase agreements are not derecognised from the books. These are shown in the assets side as an addition to the 'Treasury bills and other governmental notes' line item in the balance sheet. On the other hand, the Bank's obligation arising from financial instruments acquired under purchase and resale agreements is shown as a deduction from the 'Treasury bills and other governmental notes' line item in the balance sheet. Differences between the sale and repurchase price or between the purchase and resale price are recognised as interest expense or income throughout the period of agreements using the effective interest rate method.

l. Impairment of financial assets

l.1 Financial assets at amortised cost:

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

The Bank considers the following indicators to determine the existence of substantive evidence for impairment losses:

- Cash flow difficulties experienced by the borrower
- Breach of the loan agreement, eg default
- Expected bankruptcy of the borrower or subject to liquidation lawsuit or restructuring the finance granted to it
- Deterioration of competitive position of borrower
- Granting privileges or assignments by the Bank to the borrower due to economic or legal reasons, which are not granted by the Bank in the normal course of business
- Impairment of guarantee
- Deterioration of creditworthiness

2 **Summary of significant accounting policies** *(continued)*

l. Impairment of financial assets *(continued)*

1.1 Financial assets at amortized cost: *(continued)*

A substantive proof for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition, although such decline is not identifiable for each individual asset.

The Bank estimates the period between a losses occurring and its identification for each specific portfolio. In general, the periods used vary between three months to twelve months.

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

- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, be it significant or not, the Bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred, this asset will be separated from group of financial assets that are collectively evaluated for impairment
- If the result of the previous test did not recognise impairment loss, this asset will be added to the group of financial assets that are collectively evaluated for impairment. Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recoverable cash flows, excluding future expected credit loss not charged yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as 'Impairment loss', and the book value of the financial asset is reduced by the impairment amount using the 'impairment loss provision'

If there is evidence that loans or other receivables or financial assets classified as held-to-maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument through its market rate.

For guaranteed financial assets, the present value for expected future cash flows has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

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

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

The Bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from year to year, such as changes in unemployment rates, real estate prices, settlement status, or other factors that may affect the probability and magnitude of losses. The Bank reviews the basis and methods of estimation regularly.

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

2 Summary of significant accounting policies *(continued)*

l. Impairment of financial assets *(continued)*

l.2 Available-for-sale investments:

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

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

m. Investment property

Investment property represents land and buildings owned by the Bank and used to earn rental income or increase capital. Investment property does not include properties used by the Bank during its normal course of operation or foreclosed assets. The accounting policy for investment property is the same as for fixed assets.

n. Intangible assets

n.1 Software (computer programmes)

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

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

The computer software cost recognised as an asset shall be amortised over the expected useful life (not more than five years).

o. Fixed assets

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

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

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

Buildings	20 years
Leasehold improvements	3 years or over the year of the lease if less
Furniture and safes	10 years
Typewriters, calculators and air conditioners	10 years
Motor vehicles	5 years
Computers and core systems	5 years
ATMs	7 years
Fixtures and fittings	3 years

2 Summary of significant accounting policies *(continued)*

o. Fixed assets *(continued)*

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

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use. Gains and losses on disposals are determined by comparing proceeds with asset carrying amount. These gain and losses are included in other operating income (expenses) in the profit and loss.

p. Impairment of non-financial assets

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

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

q. Leases

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

q.1 Leasing

Finance lease contracts recognise rent as expense in the year it occurred in profit and loss, including maintenance cost related to the leased assets.

If the Bank decides to exercise the rights to purchase the leased assets, the cost of this right will be capitalised over the fixed asset and depreciated over the assets' expected remaining useful life in accordance with similar assets.

Operating lease payments less any discounts granted to lessee are recognised as expenses in the profit and loss using the straight line method over the contract time.

q.2 Leasing out

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

r. Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from the date of acquisition, cash and balances due from the CBE other than the mandatory reserve, and current accounts with banks and Treasury bills.

s. Other provisions

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

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

Provisions no longer required are reversed in other operating income (expense). Provisions are measured at the present value of the best estimate of the consideration required to settle the obligations after one year from the financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year, the provision is booked using the present value unless time consideration has a significant effect.

2 Summary of significant accounting policies *(continued)*

t. Financial guarantees contracts

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

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

Any increase in the obligations resulting from the financial guarantee is recognised in 'other operating income (expenses)' caption.

u. Employees benefits

u.1 End of service benefits

The Bank contributes to the social insurance scheme related to the social insurance authority for the benefit of its employees according to the social insurance law number 79 of 1975 and its amendments. The income statement is charged with these contributions on an accrual basis.

Based on the Bank's internal scheme, employees are granted end of service bonus according to the service year. Provision is provided based on the present value in light of the actuarial assumptions determined at balance sheet date and is recognised in the consolidated profit or loss under the caption of general and administrative expenses. This provision is presented in the balance sheet under 'other provisions caption'.

u.2 Share-based payments

HSBC Holding plc grants shares to eligible employees under a share-based payment scheme, 'equity settled'. HSBC Egypt bears the cost of these shares which are amortised in the profit and loss on a straight-line basis.

v. Income tax

The income tax on the Bank's income or loss at the end of year includes both the current and deferred taxes. Income tax is recognised in the income statement, except income taxes related to shareholders' equity items that are recognised directly in the shareholders' equity.

The income tax is calculated on the net taxable income using the effective tax rate at the balance sheet date in addition to prior year tax adjustments.

Deferred tax is recognised due to the temporary differences resulting from reporting the value of assets and liabilities in one year for tax purpose and in another year for financial accounting purpose. Deferred tax is determined based on the method used to realise or settle the current values of these assets and liabilities using the tax rates prevailing at the balance sheet date.

The deferred tax assets shall be recognised if it is probable that sufficient taxable profits shall be realised in the future whereby the asset can be utilised, and the value of deferred tax assets shall be reduced by the value of portion not yielding the expected tax benefit. However, in case tax benefit is highly expected, the deferred tax assets shall increase to the extent of previous reduction.

w. Capital

w.1 Capital cost

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

w.2 Dividends

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

2 Summary of significant accounting policies *(continued)*

x. Custody activities

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

y. Comparative figures

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

3 Financial risk management

The Bank, as a result of the activities it exercises, is exposed to various financial risks. Since the basis of financial activity is to accept risks, some risks or group of risks are analysed, evaluated and managed altogether. The Bank intends to strike a balance between the risk and return and to reduce the probable adverse effects on the Bank's financial performance.

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. Market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyse the risks, set limits to the risk and control them through reliable methods and updated systems.

The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in market, products and services, and the best updated applications.

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

a. Credit risk

The Bank is exposed to the credit risk, which is the risk resulting from failure of one party to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the Bank. The Bank sets specific procedures to manage that risk. The credit risk in the lending and investments activities that are representing the Bank's assets contains debt instruments. The credit risk is also found in off-balance sheet financial instruments, like loan commitment. The managing and monitoring process on credit risk is centralised at credit risk team management at the Credit Risk department, which prepares reports for the Board of Directors and heads of units on a regular basis.

a.1 Credit risk measurement

Loans and advances to banks and customers

Loans to customers and banks, financial investments debt securities, current accounts and deposits at banks, rights and obligations from others are considered financial assets exposed to credit risk represented in the inability of those parties to settle part or whole of their indebtedness on the date of maturity. The Bank minimises the effect of this risk by the following:

- Preparing detailed credit studies about customers and banks before dealing with them to assess and determine the rates of the credit risk rates related to these
- Obtaining adequate guarantees to reduce the possibility of loss in case of a customer or bank default
- Monitoring and preparing regular studies on customers in order to evaluate their financial and credit position and estimate the required provisions for non-performing balances
- Diversifying loans portfolio among various sectors to minimise the concentration of credit risk

Note No. (A/8) shows the sector diversification of the loans and advances portfolio.

3 Financial Risk Management *(continued)*

a. Credit risk *(continued)*

a.1 Credit risk measurement *(continued)*

The Bank evaluates the customer risk using internal policies for different customer categories. These policies are updated taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgement of the credit officer to reach the appropriate grading. The customers are classified into 10 grading, which are divided into four ratings.

The following table shows the rating scale which reflects the range of expected defaults or payment delays by which the credit centres may transfer from one rating to other depending on the change in the expected degree of risk. The customer's rating and the rating process are reviewed when necessary. The Bank evaluates the rating process and its expectations regarding the customers' defaults.

Bank's internal ratings scale	
Rating description	Rating
Performing loans	1-6
Regular watching	7
Watch list	8
Non-performing loans	9-10

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

The expected losses or specific losses represent the Bank's loss expectation of when the settlement is due, which is loan loss percentage that differs according to the type of facility, the availability of guarantees and any other credit cover.

Debt instruments and Treasury bills

The same methods used for credit customers are used for debt instruments and Treasury bills. They represent better credit method and a readily available source to meet the funding requirements bills. The Bank uses external ratings, such as Standard & Poor's rating, MERIS MODES rating and Fitch rating to manage its credit risk.

a.2 Limiting and preventing risks policies

The Bank manages and controls credit concentrations at the borrowers' level, groups of borrowers' level, industries level and countries level.

The Bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower or groups of borrowers and to the geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review when considered necessary. The top management reviews on regular basis the sectoral and country credit concentration.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits where appropriate.

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

Collaterals

The Bank uses different methods to limit its credit risk. One of these methods is accepting collaterals against loans and advances granted by the Bank. The Bank implements guidelines for collaterals to be accepted. The major types of collateral against loans and advances are:

— real estate mortgage;

— business assets mortgage, such as machines and goods; and

— financial instruments mortgage, such as debt and equity instruments

3 Financial Risk Management *(continued)*

a. Credit risk *(continued)*

a.2 Limiting and preventing risks policies *(continued)*

The Bank is keen to obtain the appropriate guarantees against corporate entities of long-term finance while individual credit facilities are generally unsecured.

In addition, to minimise the credit loss, the Bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

The Bank determines type of collaterals held to secure financial assets other than loans and advances according to the nature of the instrument. Generally, debt securities and Treasury bills are unsecured, except for asset-backed securities and similar instruments that are secured by a financial instrument portfolio.

Derivatives

The Bank maintains strict control limits over amounts and terms for the net value of opened derivative positions, ie the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in which the Bank could gain a benefit from it (ie assets that have positive fair value), which represents a small value of the contract or the notional value. The Bank manages this credit risk, which is considered part of the total customer limit with market changes risk all together. Generally, no collateral is obtained for credit risk related to these instruments, except for marginal deposits required by the Bank from other parties.

Settlement risk arises when cash, equity instruments or other financial papers are used in the settlement process or if there is expectation to receive cash, equity instruments or other financial papers. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily Bank transactions.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties of significant volume of transactions. Generally, no netting is made between assets and liabilities at the balance sheet date relating to the master netting arrangements as aggregate settlements are made. However, the credit risk related to contracts to the favour of the Bank is reduced by a master netting arrangement as netting will be made with the counterparty to settle all transactions. The value of the credit risk faced by the Bank changes substantially within a short year of time as it is affected by each transaction occurring in the arrangement.

Credit-related commitment

The primary purpose of these commitments is to ensure that funds are available to customers when required. Guarantees and standby letters of credit are of the same credit risks as loans.

Documentary and commercial letters of credit, which are issued by the Bank on behalf of customers, by which authorising a third-party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment, are of lower risk than a direct loan.

Credit-related commitment represents the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit-related commitments, the Bank is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments as most commitments represent commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are of higher credit risk than short-term commitments.

a.3 Impairment and provisioning policies

The internal rating systems described in note (A-1) focus more on credit quality at the inception of lending and investment activities. Otherwise, impairment provisions recognised at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment, as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined from the expected loss models used.

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

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

a. Credit risk *(continued)*

a.3 Impairment and provisioning policies *(continued)*

Bank's rating	**31 December 2015**		31 December 2014	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Performing loans	**87.29%**	**49%**	88.31%	46%
Regular watching	**3.84%**	**2%**	3.48%	2%
Watch list	**5.76%**	**7%**	4.45%	5%
Non-performing loans	**3.11%**	**42%**	3.76%	47%
	100%	**100%**	100%	100%

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

- Payment delinquency of principal or interest
- Breach of loan conditions
- Initiation of bankruptcy or entering a liquidation or finance restructures
- Deterioration of the borrower's competitive position
- For economical or legal reasons, the Bank granted the borrower additional benefits that will not be done in normal circumstances
- Deterioration in the value of collateral
- Deterioration of customer credit status

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

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

a.4 Measurement module banking general risk

In addition to the four categories of credit rating indicated in note (A/1), the management makes more detailed groups in accordance with the CBE requirements. Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on the information related to the customer, their activities, financial position and payment schedules.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings and credited to the 'general banking risk reserve' under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable. Note 35 shows the 'general banking risk reserve' movement during the year.

3 **Financial Risk Management** *(continued)*

a. Credit risk *(continued)*

a.5 Maximum limits for credit risk before collaterals

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Balance sheet items exposed to credit risks		
Treasury bills	**18,326,496**	13,980,063
Financial asset held for trading:		
Debt instrument	**10,267**	21,573
Loans and advances to customers:		
Retail loans:		
Overdrafts	**123,098**	196,369
Credit cards	**888,549**	839,001
Personal loans	**3,216,016**	2,607,142
Mortgage loans	**5,818**	6,413
Corporate loans:		
Overdrafts	**2,494,626**	2,282,864
Direct loans	**9,374,055**	8,907,602
Syndicated loans	**5,138,041**	5,739,003
Financial derivative instruments	**13,657**	16,766
Financial investments:		
Debt instruments	**4,501,264**	5,942,046
Total	**44,091,887**	40,538,842
Off-balance sheet items exposed to credit risk		
Loan commitments and other irrevocable commitments related to credit	**3,293,941**	2,364,988
Letters of credit	**1,018,940**	1,016,777
Letters of guarantee	**10,849,519**	9,393,040
Cash covers	**(1,223,692)**	(696,325)
Total	**13,938,708**	12,078,480

The above table represents the maximum limit for credit risk as of 31 December 2015 and 31 December 2014, without taking into consideration any collateral. For on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table, 48.17% of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 50.76% as at 31 December 2014 while 10.23% represents investments in debt instruments against 14.71% as at 31 December 2014.

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

— 91.13% of the loans and advances portfolio is classified at the highest two ratings in the internal rating against 91.79% as at 31 December 2014

— 94.26% of the loans and advances portfolio having no past due or impairment indicators against 94.05% as at 31 December 2014

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

a. Credit risk *(continued)*

a.5 Maximum limits for credit risk before collateral *(continued)*

— Mortgage loans, which represent a significant part of the portfolio, are covered by guarantees of total amount EGP2,240 thousand

— Loans and advances that have been evaluated on an individual basis of total amount EGP675,694 thousand against EGP789,793 thousand as at 31 December 2014

— Investments in debt instruments and Treasury bills contain more than 100% against 96.42% as at 31 December 2014 due from the Egyptian government

a.6 Loans and advances

Loans and advances are summarised as follows:

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
	Loans and advances to customers	Loans and advances to customers
Neither having past dues nor impaired	**20,021,097**	19,353,276
Having past dues but not impaired	**543,412**	435,325
Subject to impairment	**675,694**	789,793
Total	**21,240,203**	20,578,394
Less:		
Interest in suspense	**(94,306)**	(78,029)
Loan loss impairment	**(957,042)**	(932,330)
Net	**20,188,855**	19,568,035

The Bank's total impairment loss for loans and advances amounted to EGP957,042 thousand against EGP932,330 thousand as at 31 December 2014, of which EGP381,877 thousand against EGP411,942 thousand as at 31 December 2014 represent impairment of individual loans and the remainder amounting to EGP575,165 thousand against EGP520,388 thousand as at 31 December 2014 represent impairment loss for the credit portfolio as a group.

Note 20 includes additional information regarding impairment loss on loans and advances to customers.

The Bank's portfolio increased by 3.22% during the year. The Bank concentrates on dealing with large institutions or banks or individuals of credit worthiness.

Loans and advances neither having past due nor subject to impairment

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

3 **Financial Risk Management** *(continued)*

a. Credit risk *(continued)*

a.6 Loans and advances *(continued)*

Loans and advances neither having past due nor subject to impairment *(continued)*

31 December 2015								EGP (000)
	Retail				Corporate			
Rating	Overdrafts	Credit cards	Personal loans	Mortgage	Overdrafts	Direct loans	Syndicated loans	Total loans and advances to customers
Performing loans	**107,943**	**840,455**	**3,055,224**	**5,610**	**2,348,151**	**6,960,083**	**4,749,738**	**18,067,204**
Regular follow up	—	—	—	—	**12,989**	**468,501**	**264,852**	**746,342**
Special follow up	—	—	—	—	**69,244**	**1,014,856**	**123,451**	**1,207,551**
Total	**107,943**	**840,455**	**3,055,224**	**5,610**	**2,430,384**	**8,443,440**	**5,138,041**	**20,021,097**

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

31 December 2014								EGP (000)
	Retail				Corporate			
Rating	Overdrafts	Credit cards	Personal loans	Mortgage	Overdrafts	Direct loans	Syndicated loans	Total loans and advances to customers
Performing loans	171,909	789,488	2,471,870	4,882	2,155,005	6,760,753	5,450,486	17,804,393
Regular follow up	—	—	—	—	26,406	333,821	288,517	648,744
Special follow-up	—	—	—	—	63,072	837,067	—	900,139
Total	171,909	789,488	2,471,870	4,882	2,244,483	7,931,641	5,739,003	19,353,276

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

a. Credit risk *(continued)*

a.6 Loans and advances *(continued)*

Loans and advances having past dues and not impaired

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

31 December 2015					EGP (000)
					Retail
	Overdrafts	Credit cards	Personal loans	Mortgage	Total
Past due up to 30 days	**12,693**	**25,361**	**87,583**	**207**	**125,844**
Past due 30-60 days	**1,395**	**9,498**	**30,827**	**—**	**41,720**
Past due 60-90 days	**300**	**6,569**	**20,992**	**—**	**27,861**
Total	**14,388**	**41,428**	**139,402**	**207**	**195,425**
Fair value of collateral	**—**	**—**	**—**	**2,240**	**2,240**

31 December 2015				EGP (000)
				Corporate
	Overdrafts	Direct loans	Syndicated loans	Total
Past due up to 30 days	**—**	**253,382**	**—**	**253,382**
Past due 30-60 days	**—**	**61,566**	**—**	**61,566**
Past due 60-90 days	**—**	**33,039**	**—**	**33,039**
Total	**—**	**347,987**	**—**	**347,987**
Fair value of collateral	**—**	**—**	**—**	

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

31 December 2014					EGP (000)
					Retail
	Overdrafts	Credit cards	Personal loans	Mortgage	Total
Past due up to 30 days	16,985	24,112	67,322	1,531	109,950
Past due 30-60 days	2,879	9,525	30,400	—	42,804
Past due 60-90 days	1,652	5,819	16,341	—	23,812
Total	21,516	39,456	114,063	1,531	176,566
Fair value of collateral	—	—	—	17,340	17,340

3 **Financial Risk Management** *(continued)*

a. Credit risk *(continued)*

a.6 Loans and advances *(continued)*

Loans and advances having past dues and not impaired *(continued)*

31 December 2014				EGP (000)
				Corporate
	Overdrafts	Direct loans	Syndicated loans	Total
Past due up to 30 days	—	253,088	—	253,088
Past due 30-60 days	—	4,955	—	4,955
Past due 60-90 days	—	716	—	716
Total	—	258,759	—	258,759
Fair value of collateral	—	—	—	—

Loans and advances subject to individual impairment

Loans and advances to customers

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees amounting to EGP675,694 thousand against EGP789,793 thousand as at 31 December 2014.

The breakdown of the total loans and advances subject to individual impairment, including fair value of collateral obtained by the Bank, is as follows:

31 December 2015								EGP (000)
	Retail				Corporate			
Valuation	Overdrafts	Credit cards	Personal loans	Property loans	Overdrafts	Direct loans	Syndicated loans	Total
Individual loans subject to impairment	**767**	**6,666**	**21,390**	—	**64,242**	**582,629**	—	**675,694**
Fair value of collateral	—	—	—	—		**304,592**	—	**304,592**

31 December 2014								EGP (000)
	Retail				Corporate			
Valuation	Overdrafts	Credit cards	Personal loans	Property loans	Overdrafts	Direct loans	Syndicated loans	Total
Individual loans subject to impairment	2,944	10,057	21,210	—	38,381	717,201	—	789,793
Fair value of collateral	—	—	—	—	—	172,854	—	172,854

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

a. Credit risk *(continued)*

a.6 Loans and advances *(continued)*

Restructured loans and advances

Restructuring activities include renegotiating in terms of payment terms extension, restructure of mandatory management policies, and adjusting/postponing repayment terms. Renegotiating policies depend on indicators or standards in addition to the management's personal judgement to show that regular payments are of high probability. These policies are subject to regular review. Term loans, especially loans to customers, are usually subject to renegotiation.

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Loans and advances to customers		
Corporate		
Direct loans	**376,085**	333,775
Syndicated loans	**457,268**	555,839
Retail		
Personal loans	**1,250**	1,699
Total	**834,603**	891,313

a.7 Debt instruments and treasury bills

The table below shows an analysis of debt instruments and Treasury bills according to the rating agencies at the end of the financial year (MERIS-Reuters).

	Treasury bills	Investments in securities	Total
	EGP (000)	EGP (000)	EGP (000)
AAA	—	5,532	5,532
AA- to AA+	—	—	—
Less than A-	18,326,496	4,505,999*	22,832,495
Total	**18,326,496**	**4,511,531**	**22,838,027**

**Includes Egyptian government bonds amounting to EGP4,495,732 thousand.*

3 **Financial Risk Management** *(continued)*

a. Credit risk *(continued)*

a.8 Concentration of risks of financial assets exposed to credit risk

Geographical sectors

The following table represents a breakdown of the Bank's significant credit risk limits at their carrying amounts distributed by geographical sector.

	Arab Republic of Egypt			Total EGP (000)
	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red Sea	
Treasury bills	18,326,496	—	—	18,326,496
Financial assets held for trading				
Debt instruments	10,267	—	—	10,267
Loans and advances to banks	556,702	—	—	556,702
Loans and advances to customers				
Retail:				
Overdrafts	96,925	20,360	5,813	123,098
Credit cards	888,549	—	—	888,549
Personal loans	2,884,185	223,065	108,766	3,216,016
Mortgage loans	5,422	56	340	5,818
Corporate:				
Overdrafts	2,025,828	459,211	9,587	2,494,626
Direct loans	8,365,348	860,637	148,070	9,374,055
Syndicated loans	4,902,025	108,689	127,327	5,138,041
Derivative financial instruments	13,657	—	—	13,657
Financial investment:				
Debt instruments	4,501,264	—	—	4,501,264
Other assets	309,748	4,838	2,787	317,373
Total as at 31 December 2015	**42,886,416**	**1,676,856**	**402,690**	**44,965,962**
Total as at 31 December 2014	38,669,381	1,728,395	473,314	40,871,090

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

a. Credit risk *(continued)*

a.8 Concentration of risks of financial assets exposed to credit risk *(continued)*

Business sectors

The following table represents breakdown of the most significant credit risk limits at their carrying amounts distributed according to the business of the Bank's customers:

EGP (000)

	Industrial sector	Commercial sector	Service sector	Governmental sector	Other activities	Individuals	Total
Treasury bills	—	—	—	18,326,496	—	—	18,326,496
Financial assets held for trading							
Debt instruments	—	—	—	10,267	—	—	10,267
Loans and advances to banks	—	—	556,702	—	—	—	556,702
Loans and advances to customers							
Retail:							
Overdrafts	—	—	—	—	—	123,098	123,098
Credit cards	—	—	—	—	—	888,549	888,549
Personal loans	—	—	—	—	—	3,216,016	3,216,016
Mortgage loans	—	—	—	—	—	5,818	5,818
Corporate:							
Overdrafts	978,409	459,503	636,859	12,652	407,203	—	2,494,626
Direct loans	5,871,206	1,004,816	2,498,033	—	—	—	9,374,055
Syndicated loans	1,350,745	143,983	1,402,014	425,041	1,816,258	—	5,138,041
Derivative financial instruments	—	—	13,657	—	—	—	13,657
Financial investment:							
Debit instruments	—	—	—	4,501,264	—	—	4,501,264
Other assets	—	—	—	—	317,373	—	317,373
Total as at 31 December 2015	**8,200,360**	**1,608,302**	**5,107,265**	**23,275,720**	**2,540,834**	**4,233,481**	**44,965,962**
Total as at 31 December 2014	6,137,738	3,829,400	3,756,086	20,303,718	3,195,223	3,648,925	40,871,090

b. Market risk

The Bank is exposed to market risk, which is the risk of fair value or future cash flow fluctuations from changes in open market price changes. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices, such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

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

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

b.1 Market risk measurement techniques

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

Value at risk

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

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expects to lose using confidence level of 98%. Therefore, there is a statistical probability of 2% that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding year is 10 days before closing the opening position. It also assumes that market movements during the holding year will be the same as 10 days before. The Bank's assessment of past movements is based on data for the past 500 days. The Bank applies these historical changes in rates, prices, indicators etc directly to its current positions. This approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

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

As VAR is considered a primary part of the Bank's market risk control technique, VAR limits are established by the Board annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the Bank and reviewed by the ALCO committee.

The average daily VAR for the Bank during the current year was EGP11,775 thousand, against EGP12,917 thousand for 2014.

The quality of the VAR model is continuously monitored through examining the VAR results for the trading portfolio, and results are reported to the top management and Board of Directors.

Stress testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. It is designed to match business using standard analysis for specific scenarios. It is carried out by the Bank Treasury. It includes risk factor stress testing where sharp movements are applied to each risk category and tests emerging market stress as emerging market portfolios are subject to sharp movements and special stress, including possible stress events to specific positions or regions, for example, the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and Board of directors.

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

b. Market risk *(continued)*

b.2 VAR summary

According to risk type

			EGP (000)			EGP (000)
			31 December 2015			31 December 2014
	Average	**High**	**Low**	Average	High	Low
Foreign exchange risk	**11,127**	**44,104**	**2,271**	11,717	59,434	4,986
Interest rate risk	**648**	**1,449**	**342**	1,200	1,471	942
Total VAR	**11,775**	**45,553**	**2,613**	12,917	60,905	5,928

Trading portfolio VAR by risk type

			EGP (000)			EGP (000)
			31 December 2015			31 December 2014
	Average	**High**	**Low**	Average	High	Low
Foreign exchange risk	**11,127**	**44,104**	**2,271**	11,717	59,434	5,984
Interest rate risk	**35**	**62**	**10**	7	36	2
Total VAR	**11,162**	**44,166**	**2,281**	11,724	59,470	5,986

Non-trading portfolio VAR by risk type

			EGP (000)			EGP (000)
			31 December 2015			31 December 2014
	Average	**High**	**Low**	Average	High	Low
Interest rate risk	**679**	**1,458**	**386**	1,207	1,470	950
Total VAR	**679**	**1,458**	**386**	1,207	1,470	950

The increase in VAR, especially interest rate risk, is mainly in proportion to the increase in market interest rates volatility in the global financial markets.

The above three VAR results are calculated independently from the underlying positions and historical market movements. The aggregate of the trading and non-trading VAR results does not represent the Bank's VAR due to correlations of risk types and portfolio types and their effect. (The above three VAR results are before stress testing.)

3 Financial Risk Management *(continued)*

b. Market risk *(continued)*

b.3 Foreign exchange volatility risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors sets aggregate limits for foreign exchange in the total value (summation value) for each position at the end of the day and during the day that is controlled on a timely basis. The following table summarises the Bank's exposure to foreign exchange volatility risk at the end of the year. The following table includes the carrying amounts of the financial instruments in their currencies:

31 December 2015						Equivalent in EGP (000)
	EGP	USD	EUR	GBP	Other	Total
Financial assets:						
Cash and balances with Central bank	**(3,706,215)**	**(2,173,807)**	**(24,702)**	**(15,327)**	**(5,808)**	**(5,925,859)**
Due from banks	**(5,085,068)**	**(5,718,780)**	**(974,650)**	**(807,065)**	**(87,036)**	**(12,672,599)**
Treasury bills	**(18,326,496)**	**—**	**—**	**—**	**—**	**(18,326,496)**
Financial assets held for trading	**(10,267)**	**—**	**—**	**—**	**—**	**(10,267)**
Loans and advances to banks	**—**	**(556,702)**	**—**	**—**	**—**	**(556,702)**
Loans and advances to customers	**(11,195,807)**	**(7,821,439)**	**(1,054,360)**	**(107,263)**	**(9,986)**	**(20,188,855)**
Derivative financial instruments	**—**	**(11,869)**	**—**	**(1,788)**	**—**	**(13,657)**
Financial investments:						
Available-for-sale	**(4,106,788)**	**(419,429)**	**—**	**—**	**—**	**(4,526,217)**
Held-to-maturity	**(32,143)**	**—**	**—**	**—**	**—**	**(32,143)**
Other financial assets	**(878,537)**	**(76,893)**	**(9,424)**	**(900)**	**(5,638)**	**(971,392)**
Total financial assets	**(43,341,321)**	**(16,778,919)**	**(2,063,136)**	**(932,343)**	**(108,468)**	**(63,224,187)**
Financial liabilities						
Due to banks	**2,642,479**	**268,749**	**86,063**	**231**	**651**	**2,998,173**
Customer deposits	**32,049,502**	**16,346,922**	**1,918,442**	**928,932**	**145,641**	**51,389,439**
Financial derivative	**—**	**11,931**	**—**	**1,775**	**—**	**13,706**
Other financial liabilities	**1,511,161**	**96,625**	**11,731**	**29,220**	**43,748**	**1,692,485**
Total financial liabilities	**36,203,142**	**16,724,227**	**2,016,236**	**960,158**	**190,040**	**56,093,803**
Net financial position	**(7,138,179)**	**(54,692)**	**(46,900)**	**27,815**	**81,572**	**(7,130,384)**
Commitments related to credit	**4,685,377**	**5,970,088**	**2,186,712**	**20,976**	**1,075,555**	**13,938,708**

31 December 2014						
Total financial assets	(42,332,114)	(18,270,253)	(2,262,314)	(969,704)	(125,236)	(63,959,621)
Total financial liabilities	36,295,554	18,070,963	2,239,092	1,018,061	182,277	57,805,947
Net financial position – balance sheet	(6,036,560)	(199,290)	(23,222)	48,357	57,041	(6,153,674)
Commitments related to credit	4,535,795	5,069,007	1,252,177	75,395	1,146,106	12,078,480

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

b. Market risk *(continued)*

b.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which are monitored daily by Bank Treasury.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts categorised by the earlier repricing or maturity dates:

31 December 2015						EGP (000)
	Up to one month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Financial assets:						
Cash and balances with Central bank	**(3,827,369)**	**(2,098,490)**	—	—	—	**(5,925,859)**
Due from banks	**(12,672,599)**	—	—	—	—	**(12,672,599)**
Treasury bills	**(333,092)**	**(3,780,438)**	**(14,212,966)**	—	—	**(18,326,496)**
Financial assets held for trading	—	—	—	**(10,267)**	—	**(10,267)**
Loans and advances to banks	—	—	—	**(556,702)**	—	**(556,702)**
Loans and advances to customers	**(7,118,904)**	**(1,643,132)**	**(1,862,950)**	**(9,563,869)**	—	**(20,188,855)**
Derivative financial instruments	—	—	**(13,657)**	—	—	**(13,657)**
Financial investments:						
Available-for-sale	—	—	**(1,873,086)**	**(2,628,178)**	**(24,953)**	**(4,526,217)**
Held-to-maturity	—	—	—	—	**(32,143)**	**(32,143)**
Other financial assets		**(323,797)**	**(323,797)**	**(323,798)**	—	**(971,392)**
Total financial assets	**(23,951,964)**	**(7,845,857)**	**(18,286,456)**	**(13,082,814)**	**(57,096)**	**(63,224,187)**
Financial liabilities						
Due to banks	**1,598,173**	**250,000**	**1,150,000**	—	—	**2,998,173**
Customer deposits	**45,686,205**	**1,518,228**	**541,068**	**3,643,938**	—	**51,389,439**
Derivative financial instruments	—	—	**13,706**	—	—	**13,706**
Other financial liabilities	—	—	—	**1,692,485**	—	**1,692,485**
Total financial liabilities	**47,284,378**	**1,768,228**	**1,704,774**	**5,336,423**	—	**56,093,803**
Interest repricing gap	**23,332,414**	**(6,077,629)**	**(16,581,682)**	**(7,746,391)**	**(57,096)**	**(7,130,384)**

31 December 2014						
Total financial assets	(25,650,654)	(13,415,429)	(12,923,717)	(11,526,333)	(443,488)	(63,959,621)
Total financial liabilities	46,684,472	3,251,607	2,124,136	5,745,732	—	57,805,947
Interest repricing gap	21,033,818	(10,163,822)	(10,799,581)	(5,780,601)	(443,488)	(6,153,674)

c. Liquidity risk

Liquidity risk represents the Bank's difficulty in meeting its financial commitments when they fall due and replacing funds when they are withdrawn. This may result in failure in fulfilling the Bank's obligation to repay depositors and fulfilling lending commitments.

Liquidity risk management process

The Bank's liquidity management process carried out by the Bank Treasury includes the following:

— Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be lent to customers. To ensure that the Bank reaches its objective, the Bank maintains an active presence in global money markets

— The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow

— Monitoring liquidity ratios in relation with internal requirements and CBE requirements

— Managing loans concentration and dues

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

The Credit Risk department monitors the mismatch between medium-term assets, the level and nature of unused loans limits, overdraft utilisations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

Non-derivative cash flows

31 December 2015						EGP (000)
Financial liabilities	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Due to banks	**2,998,173**	—	—	—	—	**2,998,173**
Customers' deposits	**44,352,086**	**1,768,969**	**1,942,802**	**3,415,626**	**68,149**	**51,547,632**
Total of financial liabilities according to maturity date	**47,350,259**	**1,768,969**	**1,942,802**	**3,415,626**	**68,149**	**54,545,805**

31 December 2014						EGP (000)
Financial liabilities	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	Total
Due to banks	1,543,264	—	—	—	—	1,543,264
Customers' deposits	45,633,827	3,341,576	2,263,303	3,772,661	75,670	55,087,037
Total of financial liabilities according to maturity date	47,177,091	3,341,576	2,263,303	3,772,661	75,670	56,630,301

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

3 Financial Risk Management *(continued)*

c. Liquidity risk *(continued)*

Funding approach

Sources of liquidity are regularly reviewed by managing the Bank Treasury to maintain a wide diversification by currency, geography region, source, products and terms.

Off-balance sheet items

According to the table below and note 38

31 December 2015				EGP (000)
	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total
Letter of credit commitments	**1,018,940**	—	—	**1,018,940**
Loans commitments	**2,884,369**	—	—	**2,884,369**
Long commitments, bills on discount and other financial assets	**10,039,399**	—	—	**10,039,399**
Operating lease commitments	**18,430**	**21,219**	19,167	**58,816**
Total	**13,957,138**	**21,219**	**19,167**	**13,997,524**

31 December 2014				EGP (000)
	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total
Letter of credit commitments	1,016,777	—	—	1,016,777
Loans commitments	2,107,974	—	—	2,107,974
Long commitments, bills on discount and other financial assets	8,953,729	—	—	8,953,729
Operating lease commitments	23,060	3,994	—	27,054
Total	12,101,540	3,994	—	12,105,534

d. Fair value of financial assets and liabilities

d.1 Financial instruments measured at fair value using a valuation method

The total amount of the change in estimated fair value using a valuation method during the current year amounted to EGP16,880 thousand against EGP16,175 thousand as at 31 December 2014.

3 Financial Risk Management *(continued)*

d. Fair value of financial assets and liabilities *(continued)*

d.2 Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values for those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	EGP (000)	
	Book value	Fair value
	Current year	Current year
Financial assets		
Due from banks	12,672,599	12,672,599
Loans and advances to customers		
Retail	4,233,481	4,053,597
Corporate	17,006,722	15,518,131
Financial investments		
Equity instruments available-for-sale	24,953	24,953
Held-to-maturity	32,143	49,023
Financial liabilities		
Due to banks	2,998,173	2,998,173
Customer deposits		
Retail	26,717,378	26,717,378
Corporate	24,672,061	24,672,061

Due from banks

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

Loans and advances to customers

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

Financial investments

Financial investments shown in the above schedule includes only held-to-maturity assets investments as available-for-sale investments are measured at fair value except for equity instruments whose market value cannot be reliably determined. Fair value of held-to-maturity investments is based on market prices or broker prices. Fair value is estimated using quoted market prices for financial paper with similar credit maturity and yield characteristics, where information is not available.

Due to banks and customers

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

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

3 Financial Risk Management *(continued)*

e. Capital management

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

— Compliance with capital legal requirements in Egypt

— Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank

— Maintaining a strong capital base to enhance growth

Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE) by the Bank's management through models based Basel committee for banking control instructions. These data are submitted to CBE on a quarterly basis.

CBE requires the following from the Bank:

— Maintaining EGP500 million as a minimum requirement for the issued and paid-up capital

— Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10% or more

The numerator in capital adequacy comprises the following two tiers:

Tier 1: It is the basic capital comprising of (going concern capital and additional going concern capital)

Tier 2: It is the going concern capital comprising:

— 45% of the increase between the fair value and carrying amount for (fair value reserve if positive, available-for-sale investments, held-to-maturity investments, investments in subsidiaries)

— 45% of the special reserves

— 45% of positive foreign currency reserves

— Embedded derivatives

— Loans (deposits) subordinated

— Provision for impairment losses for loans and contingent liabilities (not exceeding 1.25% of total assets and contingent liabilities applying the risk weights, the provision for the non-performing loans, contingent liabilities) must be enough to face any liabilities it formed for

The denominator of the capital adequacy comprises:

1. Credit risk
2. Market risk
3. Operation risk

Assets are weighted by risk in a range from 0% to 100%. Classification is made according to the debit party for each asset to reflect the related credit risk, taking into consideration cash guarantees. The same treatment is used for the off-balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.

3 **Financial Risk Management** *(continued)*

e. Capital management *(continued)*

The Bank complied with all internal requirements during the last years. The schedule below shows the calculation of the capital adequacy ratio for the year according to Basel II:

	31 December 2015	31 December 2014
	EGP (000)	EGP (000)
Capital		
Tier 1 after disposals (going concern capital)		
Share capital	**2,795,568**	2,795,568
Reserves	**1,682,901**	1,680,178
Total disposals from going concern capital	**(143,729)**	(65,797)
Total going concern capital after disposals (common equity)	**4,334,740**	4,409,949
Tier 2 (gone - concern capital)		
45% of fair value of available-for-sale investments	**24,934**	10,656
45% of fair value of investments held-to-maturity	**7,596**	7,279
Subordinated (deposits) loans	**272,000**	272,000
Performing impairment losses provision for loans and advances contingent liabilities	**358,811**	333,465
Total tier 2 after disposals (gone - concern capital)	**663,341**	623,400
Total capital adequacy after disposals (1+2)	**4,998,081**	5,033,349
Risk (credit, market and operation)		
Credit risk	**28,954,133**	27,029,743
Operation risk	**567,483**	492,018
Total risk (credit, market and operation)	**34,628,967**	31,949,927
Capital adequacy ratio (%)	**14.43%**	15.75%

4 Significant accounting estimates and assumptions

The Bank makes subjective estimates and judgements that affect the reported amounts of assets and liabilities in the next financial year. Consistent estimations and judgements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable through the available information and circumstances.

a. Impairment losses for loans and advances

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

b. Impairment of available-for-sale equity investments

The Bank recognises impairment loss relating to available-for-sale equity investments when there is a significant or prolonged decline in the fair value below its cost. A judgement is required to determine that the decline is significant or prolonged. In making this judgement, the Bank evaluates among other factors the volatility in share price. In addition, impairment loss is recognised when there is evidence of deterioration in the investee's financial position or operating/finance cash flow industry and sector performance technology changes.

c. Fair value of derivatives

Fair value of financial instruments not quoted in an active market is determined using valuation techniques. These techniques (as models) are tested and reviewed yearly using qualified independently personnel other than those who prepared the techniques. All the models were prepared before and after using them to ensure that their results reflect accurate data and prices comparable to the market. These models are used to the extent it is practical actual data; however, some areas such as credit risk related to the Bank and counterparty volatility and correlations require management estimations. Changes in these estimation factors can affect the financial instrument's fair value disclosure. For example, to the extent that management uses credit marginal less than 20 points, the estimated net fair value of derivatives amounted to EGP13,657 thousand in assets against EGP13,706 thousand in liabilities that represent its fair value as shown in note 21.

d. Held-to-maturity investments

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

If classification of investments as held-to-maturity is suspended, the carrying amount shall increase by EGP16,880 thousand to reach its fair value by increasing the valuation reserve available-for-sale within the equity caption.

e. Income tax

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

5 Segment analysis

a. By activity segment

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

a.1 Large enterprises medium and small

Activities include current accounts deposits, overdraft loans credit facilities and financial derivatives.

a.2 Investment

Includes merging of the company's purchase of investments, financing company's restructure and financial instruments.

a.3 Individuals

Activities include current account savings deposits, credit cards, personal loans and mortgage loans.

a.4 Other activities

Includes other banking activities such as fund management

Inter-segment transactions occur in the normal course of the Bank's business. Assets and liabilities at the balance sheet include operating assets and liabilities.

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

5 Segment analysis *(continued)*

a. By activity segment *(continued)*

31 December 2015	Corporate	Medium and small enterprises	Global markets	RBWM	Other activities	Total EGP (000)
Income and expenses according to the activity segment						
Income activity segment	**2,273,924**	**213,907**	**796,603**	**1,223,638**	**84,818**	**4,592,890**
Expenses activity segment	**(446,782)**	**(70,584)**	**(30,257)**	**(714,020)**	**—**	**(1,261,643)**
Profit before tax	**1,827,142**	**143,323**	**766,346**	**509,618**	**84,818**	**3,331,247**
Tax	**(465,880)**	**(33,445)**	**(194,797)**	**(104,261)**	**(59)**	**(798,442)**
Profit for the year	**1,361,262**	**109,878**	**571,549**	**405,357**	**84,759**	**2,532,805**
Assets and liabilities according to activity segment						
Assets activity segment	**(54,218,769)**	**(996,311)**	**—**	**(3,345,011)**	**(4,664,096)**	**(63,224,187)**
Total assets	**(54,218,769)**	**(996,311)**	**—**	**(3,345,011)**	**(4,664,096)**	**(63,224,187)**
Liabilities activity segment	**29,220,395**	**2,817,822**	**58,383**	**26,711,982**	**4,415,605**	**63,224,187**
Total liabilities	**29,220,395**	**2,817,822**	**58,383**	**26,711,982**	**4,415,605**	**63,224,187**

31 December 2014	Corporate	Medium and small enterprises	Global markets	RBWM	Other activities	Total EGP (000)
Income and expenses according to activity segment						
Income activity segment	1,729,771	215,301	471,030	1,198,118	74,877	3,689,097
Expenses activity segment	(377,566)	(66,131)	(19,618)	(659,343)	(43,941)	(1,166,599)
Profit before tax	1,352,205	149,170	451,412	538,775	30,936	2,522,498
Tax	(431,813)	(44,698)	(142,997)	(135,962)	—	(755,470)
Profit for the year	920,392	104,472	308,415	402,813	30,936	1,767,028
Assets and liabilities according to activity segment						
Assets activity segment	(56,257,798)	(909,911)	(353,778)	(2,809,923)	(3,628,211)	(63,959,621)
Total assets	(56,257,798)	(909,911)	(353,778)	(2,809,923)	(3,628,211)	(63,959,621)
Liabilities activity segment	28,255,715	2,850,323	394,646	28,669,773	3,789,164	63,959,621
Total liabilities	28,255,715	2,850,323	394,646	28,669,773	3,789,164	63,959,621

5 Segment analysis *(continued)*

b. Analysis according to the geographical segment

31 December 2015		Arab Republic of Egypt		EGP (000)
	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red Sea	Total
Income and expenses according to geographical segment				
Income geographical segment	**4,308,148**	**225,318**	**43,454**	**4,576,920**
Expenses geographical segment	**(1,202,278)**	**(25,593)**	**(17,802)**	**(1,245,673)**
Profit before tax	**3,105,870**	**199,725**	**25,652**	**3,331,247**
Tax	**(798,442)**	—	—	**(798,442)**
Profit for the year	**2,307,428**	**199,725**	**25,652**	**2,532,805**
Assets and liabilities according to geographical segment				
Assets geographical segment	**(60,857,459)**	**(1,930,670)**	**(436,058)**	**(63,224,187)**
Total assets	**(60,857,459)**	**(1,930,670)**	**(436,058)**	**(63,224,187)**
Liabilities geographical segment	**57,522,703**	**4,703,706**	**997,778**	**63,224,187**
Total liabilities	**57,522,703**	**4,703,706**	**997,778**	**63,224,187**

31 December 2014		Arab Republic of Egypt		EGP (000)
	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red Sea	Total
Income and expenses according to geographical segment				
Income geographical segment	3,444,412	166,701	77,983	3,689,096
Expenses geographical segment	(988,573)	(123,760)	(54,265)	(1,166,598)
Profit before tax	2,455,839	42,941	23,718	2,522,498
Tax	(755,470)	—	—	(755,470)
Profit for the year	1,700,369	42,941	23,718	1,767,028
Assets and liabilities according to geographical segment				
Assets geographical segment	(61,521,043)	(1,915,704)	(522,874)	(63,959,621)
Total assets	(61,521,043)	(1,915,704)	(522,874)	(63,959,621)
Liabilities geographical segment	58,246,963	4,511,822	1,200,836	63,959,621
Total liabilities	58,246,963	4,511,822	1,200,836	63,959,621

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

6 Net interest income

		EGP (000)
		The year ended
	31 December 2015	31 December 2014
Interest from loans and similar income:		
Loans and advances to customers	**1,787,332**	1,681,349
Treasury bills and Treasury bonds	**1,859,388**	1,108,838
Deposits and current accounts	**374,135**	403,101
Investments in debt instruments available-for-sale	**618,596**	703,992
	4,639,451	3,897,280
Interest on deposits and similar expenses:		
Deposits and current accounts:		
Banks	**(87,573)**	(52,397)
Customers	**(960,001)**	(1,068,736)
Net	**(1,047,574)**	(1,121,133)
	3,591,877	2,776,147

7 Net fees and commissions income

		EGP (000)
		The year ended
	31 December 2015	31 December 2014
Fees and commissions income:		
Fees and commissions related to credit	**712,327**	629,083
Custody fees	**38,562**	39,687
Other fees	**11,892**	14,966
	762,781	683,736
Fees and commissions expenses:		
Brokerage fees paid	**(4,795)**	(2,650)
Other fees paid	**(89,016)**	(57,406)
	(93,811)	(60,056)
Net	**668,970**	623,680

8 Dividends income

	EGP (000)	
	The year ended	
	31 December 2015	31 December 2014
Investments available-for-sale	3,597	2,325
Net	**3,597**	2,325

9 Net trading income

	EGP (000)	
	The year ended	
	31 December 2015	31 December 2014
Foreign exchange operations:		
Gain from foreign currency transactions	**190,734**	195,602
Gain from debt instruments held for trading	**3,400**	3,181
Gain/(loss) from forward deals revaluation	**328**	(312)
Net	**194,462**	198,471

10 Administrative expenses

	EGP (000)	
	The year ended	
	31 December 2015	31 December 2014
Staff costs		
Wages and salaries	**374,876**	357,959
Social insurance	**17,153**	15,830
	392,029	373,789
Other administrative expenses	**811,445**	694,265
	1,203,474	1,068,054

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

11 Other operating income (expenses)

	EGP (000)	
	The year ended	
	31 December 2015	31 December 2014
Profit/(Loss) from revaluation of monetary assets and liabilities determined in foreign currency other than those classified for trading or originally classified at fair value through profit and loss	**12,092**	(1,918)
(Loss)/Gain from sale of property and equipment	**(1,958)**	2,721
Operating lease	**41,459**	46,619
Accruals no longer required	**10,601**	—
Other provision (loss)	**19,816**	(6,468)
Gain from services provided to operation lease user	**20,849**	16,184
Head office services revenue	**4,566**	7,783
Customer settlements	**34,516**	—
Other	**2,229**	1,244
Net	**144,170**	66,165

12 Credit impairment (charged)

	EGP (000)	
	The year ended	
	31 December 2015	31 December 2014
Loans and advances to customers		
Impairment losses	**(153,171)**	(156,354)
Impairment recovery	**79,875**	65,194
Net	**(73,296)**	(91,160)

13 Income tax expenses

	EGP (000)	
	The year ended	
	31 December 2015	31 December 2014
Current taxes	**(787,006)**	(782,000)
Prior year adjustments	**4,412**	12,582
Deferred tax (note 32)	**(15,848)**	13,948
Net	**(798,442)**	(755,470)

Note 32 shows additional information about deferred income tax. Income taxes differ when current applicable tax rates are used, as follows:

	EGP (000)	
	The year ended	
	31 December 2015	31 December 2014
Profit before tax		
Income tax calculated on accounting profit	**3,331,247**	2,522,498
Tax rate	**22.50%**	30%
Add (less)	**749,531**	756,699
— Non-deductible expenses	**31,523**	21,856
— Tax exemptions	**—**	(10,503)
— Prior year adjustments	**(4,412)**	(12,582)
— Deferred tax adjustments	**21,800**	—
Total differences	**48,911**	(1,229)
— Income tax according to the tax return	**798,442**	755,470
Net income tax	**798,442**	755,470
Effective tax rate	**23.97%**	29.95%

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

13 Income tax expenses (continued)

Taxation position

A summary of HSBC Bank Egypt's tax position is as follows:

a. Corporate Tax

— **Years since inception until 2004**

These years were inspected and disputes were settled in the Internal Committee.

— **From 2005 till 2011**

These years were inspected and disputes are currently being discussed with the concerned internal committee. The Bank has not been informed with the committee date.

— **From 2012 till 2013**

These years were inspected and disputes were settled with the tax authority.

— **Year 2014**

The bank submitted the tax return in the due date according to tax law no.91 for year 2005.

b. Salary Tax

— **Years from 1982 until 2011**

These years were inspected and were settled.

— **Year 2014**

The final settlement for this year is being delivered.

c. Stamp Duty Tax

— **From 1982 until 31 July 2006**

These years were inspected and tax was fully settled.

— **From 1 August 2006 until 31 December 2008**

The tax appeal committee had transferred some disputed items to the large tax payers' centre for re-inspection, and some other disputed items to the court.

— **From 2009 until 31 March 2013**

These years were inspected and disputes are currently under discussion.

— **From 1 April 2003 until 31 December 2014**

These years were not inspected by the tax authority.

— On 4 June 2015, decree number 44 for 2015 has been issued with a temporary additional tax for three years starting from the current tax period amounting to 5% for corporate taxable income exceeding EGP1 million, according to corporate law rules, to be accrued for and collected in accordance to these rules. This law is effective from 5 June 2015.

— On 30 June 2015, law number 53 for 2015 was issued by a presidential decree to amend corporate tax law number 91 for 2005. Major amendments include:

— Imposing tax over dividends distribution

— Imposing tax over capital gains from sale of quotes and securities

— On 20 August 2015, decree number 96 for 2015 has been issued by a presidential decree to amend corporate tax law number 91 for 2005 to apply 22.5% on taxable income.

14 Earnings per share

Earnings per share are calculated by dividing profit related to the shareholders by the ordinary shares' weighted average issued during the year after, excluding the average repurchased shares during the year and kept as Treasury stocks.

		EGP (000)
		The year ended
	31 December 2015	31 December 2014
Net profit applicable to be distributed on the shareholders	**2,532,758**	1,764,260
Employees' profit share	**(253,276)**	(176,426)
	2,279,482	1,587,834
Common shares issued - weighted average (1,000 shares)	**33,281**	24,744
Earnings per share/EGP	**68.49**	64.17

15 Cash and balances with the CBE

		EGP (000)
	31 December 2015	31 December 2014
Cash	**752,772**	745,034
Due from Central Bank (within the statutory reserve)	**5,173,087**	4,224,219
	5,925,859	4,969,253
Non-interest-bearing balances	**3,827,369**	2,877,496
Fixed interest-bearing balances	**2,098,490**	2,091,757
	5,925,859	4,969,253

16 Due from banks

		EGP (000)
	31 December 2015	31 December 2014
Current accounts	**413,184**	651,848
Deposits	**12,259,415**	17,641,119
	12,672,599	18,292,967
Due from Central Bank (other than the statutory reserve)	**6,156,004**	9,447,565
Local banks	**60,763**	80,045
Foreign banks	**6,455,832**	8,765,357
	12,672,599	18,292,967
Non-interest-bearing balances	**413,184**	1,050,563
Fixed interest-bearing balances	**12,259,415**	17,242,404
	12,672,599	18,292,967
Current balances	**12,672,599**	18,292,967

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

17 Treasury bills

		EGP (000)
	31 December 2015	31 December 2014
Treasury bills – Egyptian	**18,326,496**	13,266,703
Treasury bills – United States	—	713,360
Total	**18,326,496**	13,980,063
Treasury bills represent the following:		
91 days maturity	**4,160,175**	6,174,125
182 days maturity	**7,660,250**	7,206,650
273 days maturity	**4,267,025**	25,000
364 days maturity	**2,715,150**	864,335
Unearned interest	**(476,104)**	(290,047)
Total	**18,326,496**	13,980,063

18 Financial assets held for trading

		EGP (000)
	31 December 2015	31 December 2014
Debt instruments		
Governmental bonds	**10,267**	21,573
Total debt instruments	**10,267**	21,573
Total finance assets held for trading	**10,267**	21,573

19 Loans and advances to banks

		EGP (000)
	31 December 2015	31 December 2014
Term loans	**556,702**	71,737
Total	**556,702**	71,737
Provision for impairment	—	—
Net	**556,702**	71,737
Current balances	—	71,737
Non-current balances	**556,702**	—
	556,702	71,737

20 Loans and advances to customers

		EGP (000)
	31 December 2015	31 December 2014
Retail:		
Current debit balances	**123,098**	196,369
Credit cards	**888,549**	839,001
Personal loans	**3,216,016**	2,607,142
Mortgage loans	**5,818**	6,413
Total	**4,233,481**	3,648,925
Corporate loans including small loans:		
Overdrafts	**2,494,626**	2,282,864
Direct loans	**9,374,055**	8,907,602
Syndicated loans	**5,138,041**	5,739,003
Total	**17,006,722**	16,929,469
Total loans and advance to customers	**21,240,203**	20,578,394
Less: provision for impairment losses	**(957,042)**	(932,330)
Less: interest in suspense	**(94,306)**	(78,029)
Net	**20,188,855**	19,568,035
Distributed as follows:		
Current balances	**10,624,986**	11,035,473
Non-current balances	**9,563,869**	8,532,562
Total	**20,188,855**	19,568,035

During the year ended 31 December 2015, the Bank has accepted trading financial securities with a fair value amounting to EGP258,564 thousand as a commercial loan guarantee.

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

20 Loans and advances to customers *(continued)*

Provision for impairment losses

The provision for impairment losses movement for loans and advances to customers classified according to their types is as follows:

31 December 2015					EGP (000)
					Retail
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Total
Balance at the beginning of the year	**1,269**	**15,268**	**27,984**	**61**	**44,582**
Impairment losses charged/(released)	**659**	**6,012**	**17,354**	**(50)**	**23,975**
Amounts written off during the year	**(735)**	**(9,890)**	**(22,707)**	**—**	**(33,332)**
Balance at the end of the year	**1,193**	**11,390**	**22,631**	**11**	**35,225**

31 December 2015				EGP (000)
				Corporate
	Overdrafts	Direct loans	Syndicated loans	Total
Balance at the beginning of the year	**104,709**	**273,620**	**509,419**	**887,748**
Impairment losses charged	**7,253**	**27,130**	**14,938**	**49,321**
Amounts written off during the year	**(15,632)**	**(57,697)**	**(32,197)**	**(105,526)**
Foreign revaluation difference related to provision	**13,377**	**49,345**	**27,552**	**90,274**
Balance at the end of the year	**109,707**	**292,398**	**519,712**	**921,817**

31 December 2014					EGP (000)
					Retail
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Total
Balance at the beginning of the year	1,438	13,685	21,259	—	36,382
Impairment losses charged	345	14,346	41,284	61	56,036
Amounts written off during the year	(514)	(12,763)	(34,559)	—	(47,836)
Balance at the end of the year	1,269	15,268	27,984	61	44,582

31 December 2014				EGP (000)
				Corporate
	Overdrafts	Direct loans	Syndicated loans	Total
Balance at the beginning of the year	99,973	304,310	497,512	901,795
Impairment losses charged	4,736	18,481	11,907	35,124
Amounts written off during the year	—	(62,556)	—	(62,556)
Foreign revaluation difference related to provision	—	13,385	—	13,385
Balance at the end of the year	104,709	273,620	509,419	887,748

21 Financial derivatives

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

- Currency forward contracts represent commitments to purchase/sell foreign and local currencies, including in unexecuted portion of spot transactions
- Credit risk at the Bank is considered low. Future interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future dates based on contractual amount/nominal value agreed on
- Currency and/or interest swap contracts represent the commitments to exchange a group of cash flows with another. These contracts' result is the exchange of currencies or interest rates (ie fixed rate for floating rate) or both (ie 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 fulfil their obligation. This risk is monitored on an ongoing basis by comparing current fair value and contractual amount. To control an existing credit risk, the Bank assesses counterparties using the same techniques as for its lending activities
- Option contracts in foreign currencies and/or interest rates represent contract agreements in which the buyer (issuer) give to seller (holders) a right, not an obligation, to buy (buy option) or to sell (sell option) at a certain date or within a certain year of time by certain amount denominated in foreign currency or a financial instrument with prior agreed price. The buyer receives, in return, a commission against the burden of risk he took on option contracts that are either traded in the market or negotiable between the Bank and one of its customers. The Bank is exposed to credit risk for the purchased options' contracts only and to the extent of its book value which represent its fair value
- The notional amounts of certain types of financial instrument are used as a basis for comparison purpose, with financial instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments, and therefore, does not indicate the Bank's exposure to credit or price risks

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates related to them. The aggregate contractual or notional amount of the existing financial derivative instruments, the duration to which instruments are favourable or unfavourable, and the aggregate fair value of financial assets and liabilities derivatives can fluctuate significantly from time to time

- The table below represents the fair value of financial derivatives existing at the balance sheet date

31 December 2015				EGP (000)
	Contract amount Assets	Contract amount Liabilities	Assets	Liabilities
Derivatives held for trading				
Foreign currency derivatives				
Currency swap contracts	**178,788**	**(178,788)**	**7,184**	**(7,184)**
Currency forward contracts	**102,736**	**(102,736)**	**6,473**	**(6,522)**
Currency exchange contacts	**180,982**	**(180,982)**	—	—
Interest rate derivatives				
Interest rate swap contracts	—	—	—	—
Total assets (liabilities) of derivatives held for trading			**13,657**	**(13,706)**

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

21 Financial derivatives *(continued)*

31 December 2014				EGP (000)
	Contract amount Assets	Contract amount Liabilities	Assets	Liabilities
Derivatives held for trading				
Foreign currency derivatives				
Currency swap contracts	138,963	(138,963)	3,470	(3,470)
Currency forward contracts	555,992	(555,992)	10,535	(8,519)
Currency exchange contacts	544,004	(544,004)	—	—
Interest rate derivatives				
Interest rate swap contracts	974,624	(974,624)	2,761	(2,761)
Total assets (liabilities) of derivatives held for trading			**16,766**	**(14,750)**

22 Financial investments

		EGP (000)
	31 December 2015	31 December 2014
A.) Available-for-sale		
Equity instruments unlisted (at cost)	**24,953**	24,456
Debt instruments listed (at FMV)**	**4,501,264**	5,942,046
Total available-for-sale investments (1)	**4,526,217**	5,966,502
B.) Held-to-maturity		
Debt instruments unlisted* (mutual fund)	**32,143**	39,928
Total held-to-maturity investments (2)	**32,143**	39,928
Total financial investments (1+2)	**4,558,360**	6,006,430
Current balances	**4,501,264**	5,942,046
Non-current balances	**57,096**	64,384
	4,558,360	6,006,430
Fixed interest debt instruments	**4,495,732**	5,848,044
Variable interest debt instruments	**37,675**	133,930
	4,533,407	5,981,974

22 Financial investments *(continued)*

31 December 2015			EGP (000)
	Available-for-sale	Held-to-maturity	Total
Balance at beginning of the year	**5,966,502**	**39,928**	**6,006,430**
Additions	**1,432,824**	**—**	**1,432,824**
Disposals (sale/redemption)	**(2,926,541)**	**(7,785)**	**(2,934,326)**
Monetary assets forex differences	**21,700**	**—**	**21,700**
Gain from change in FMV	**31,732**	**—**	**31,732**
Balance at end of the year	**4,526,217**	**32,143**	**4,558,360**
31 December 2014			
Balance at beginning of the year	6,265,256	74,839	6,340,095
Additions	867,075	—	867,075
Disposals (sale/redemption)	(1,130,245)	(34,911)	(1,165,156)
Monetary assets forex differences	10,699	—	10,699
(Loss) from change in FMV	(46,283)	—	(46,283)
Balance at end of the year	5,966,502	39,928	6,006,430

**The redemption amount of the mutual funds certificates as at 31 December 2015 amounted to EGP49,023 thousand against EGP56,103 thousand as at 31 December 2014.*

***Debt instruments at listed fair market value include local bonds amounting to EGP4,495,732 thousand secured by the Egyptian Ministry of Finance.*

Gain from investments

		EGP (000)
		The year ended
	31 December 2015	31 December 2014
Gain impairment from available-for-sale equity instruments	**737**	1,302
Loss on sale of available-for-sale instruments	**294**	—
Gain on sale of held-to-maturity debt instruments	**3,910**	13,622
	4,941	14,924

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

23 Investment in subsidiaries

The Bank's total investment in subsidiaries amounted to EGP35,517 thousand (EGP35,517 thousand as at 31 December 2014). The Bank's ownership percentage is as follows **(based on the last financial position for the company as at 30 September 2015)**:

						EGP (000)
	Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's profits	Percentage %
HSBC Securities Egypt Company SAE	Egypt	45,547	19,528	7,602	(1,355)	98%
Total		**45,547**	**19,528**	**7,602**	**(1,355)**	

24 Intangible assets

		EGP (000)
		Computer software
	31 December 2015	31 December 2014
Balance at the beginning of the current year		
Cost	**10,500**	7,320
Amortisation	**(5,765)**	(4,171)
Net book value at the beginning of the current year	**4,735**	3,149
Additions	**8,409**	3,180
Disposals	**(1,852)**	—
Amortisation cost	**(3,263)**	(1,594)
Net book value as at end of year	**8,029**	4,735
Cost	**17,057**	10,500
Amortisation	**(9,028)**	(5,765)
Net book value as at end of year	**8,029**	4,735

25 Other assets

		EGP (000)
	31 December 2015	31 December 2014
Accrued revenues	**255,609**	285,863
Prepaid expenses	**61,764**	24,635
Advances to purchase fixed assets	**—**	21,750
Assets reverted to the Bank (after deducting the impairment)	**470**	470
Costs of branches under construction	**3,545**	2,895
Paid to tax authority under stamp tax duty	**—**	30,300
Others	**70,502**	60,284
Total	**391,890**	426,197

26 Fixed assets

EGP (000)

	Land and buildings	Leasehold improvement	Machines and equipment	Others	Total
Balance as at the beginning of the current year					
Cost	438,279	119,746	110,056	161,276	**829,357**
Accumulated depreciation	(134,562)	(106,668)	(61,424)	(120,743)	**(423,397)**
Net book value at the beginning of the current year	**303,717**	**13,078**	**48,632**	**40,533**	**405,960**
Additions	-	7,583	6,926	31,879	**46,388**
Investment property	(4,172)	-	-	-	**(4,172)**
Disposals (net)	-	(1)	(578)	(5)	**(584)**
Depreciation for the year	(18,323)	(10,228)	(9,932)	(14,531)	**(53,014)**
Net book value at the end of the year	**281,222**	**10,432**	**45,048**	**57,876**	**394,578**
Balance as at the end of the current year					
Cost	434,107	127,328	116,404	193,150	**870,989**
Accumulated depreciation	(152,885)	(116,896)	(71,356)	(135,274)	**(476,411)**
Net book value at the end of the year	**281,222**	**10,432**	**45,048**	**57,876**	**394,578**

27 Investment property

As per CBE approval dated 9 September 2004, the Bank leased some of its head office floors which are located at Corniche El Nile Maadi and Smart Village.

EGP (000)

	31 December 2015	31 December 2014
Balance at the beginning of the year		
Cost	**130,902**	140,426
Accumulated depreciation	**(34,371)**	(30,211)
Net book value at the beginning of the year	**96,531**	110,215
Transferred from investment property	**4,172**	(9,524)
Depreciation	**(7,335)**	(4,160)
Net book value as at the end of year	**93,368**	96,531
Balance at the end of the year		
Cost	**135,074**	130,902
Accumulated depreciation	**(41,706)**	(34,371)
Net book value as at the end of year	**93,368**	96,531

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

28 Due to banks

		EGP (000)
	31 December 2015	31 December 2014
Current accounts	1,598,173	1,123,264
Deposits	1,400,000	420,000
	2,998,173	1,543,264
Foreign banks	2,998,173	1,543,264
	2,998,173	1,543,264
Non-interest-bearing balances	1,598,173	1,123,264
Fixed interest-bearing balances	**1,400,000**	420,000
	2,998,173	1,543,264
Current Deposits	**2,998,173**	1,543,264

29 Customers' deposits

		EGP (000)
	31 December 2015	31 December 2014
Demand deposits	**22,010,746**	23,299,203
Time and call deposits	**7,457,515**	7,634,307
Certificates of deposits	**5,022,613**	6,611,426
Saving deposits	**15,184,193**	15,905,083
Other deposits	**1,714,372**	1,098,657
	51,389,439	54,548,676
Corporate deposits	**24,672,061**	25,629,259
Retail deposits	**26,717,378**	28,919,417
Net book value as at the end of year	**51,389,439**	54,548,676
Non-interest bearing balances	**22,816,670**	23,635,672
Fixed interest bearing balances	**28,572,769**	30,913,004
Net book value as at the end of year	**51,389,439**	54,548,676
Current balances	**47,745,501**	50,504,961
Non-current bearing balances	**3,643,938**	4,043,715
Net book value as at the end of year	**51,389,439**	54,548,676

Customers' deposits include deposits of EGP1,223,692 thousand as at 31 December 2015 against EGP696,325 thousand as at 31 December 2014, which represent collateral for irrecoverable export letter of credit. There is no major difference between its carrying value and fair value.

30 Other liabilities

	31 December 2015	31 December 2014
		EGP (000)
Accrued interest	**153,531**	148,973
Unearned revenue	**82,680**	71,052
Accrued expenses	**257,720**	226,378
Creditors	**262,197**	141,265
Amounts payable under sale of fixed assets	**13,405**	—
Other credit balances	**137,258**	113,929
Total	**906,791**	701,597

31 Other provisions

EGP (000)

	Provision for claims		Provision for contingent liabilities		Total	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Balance at the beginning of the year	**124,918**	311,603	**48,166**	39,360	**173,084**	350,963
Formed during the year	**34,578**	26,579	**1,368**	8,247	**35,946**	34,826
Provisions valuation differences	**147**	51	**1,731**	559	**1,878**	610
	159,643	338,233	**51,265**	48,166	**210,908**	386,399
Used during the year	**(62,814)**	(172,376)	**(299)**	—	**(63,113)**	(172,376)
No longer required	**(60,174)**	(40,939)	**—**	—	**(60,174)**	(40,939)
Balance at the end of the year	**36,655**	124,918	**50,966**	48,166	**87,621**	173,084

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

32 Deferred tax

Deferred income taxes calculated entirely on the differences of deferred tax in accordance with liabilities method using effective tax rate of 22.5% for the current financial year.

Offset between deferred tax assets and deferred tax liabilities if there is legal reason to set off current tax assets against current tax liabilities and also when the deferred income taxes belong to the same department of taxation.

Deferred tax assets and liabilities

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

Deferred tax assets and liabilities balances

				EGP (000)
	Deferred tax assets		Deferred tax liabilities	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Fixed assets	—	—	**(7,726)**	(4,743)
Provisions (other than loans provision)	**55,736**	68,600	—	—
Total tax assets (liabilities)	**55,736**	68,600	**(7,726)**	(4,743)
Net tax assets	**48,010**	63,857		

Deferred tax assets and liabilities movements

				EGP (000)
	Deferred tax assets		Deferred tax liabilities	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Balance at the beginning of the year	**68,600**	55,708	**(4,743)**	(5,799)
Additions	**(12,864)**	12,892	**(2,983)**	1,056
Balance at the end of the year	**55,736**	68,600	**(7,726)**	(4,743)

33 End of service compensation benefit

The end of service compensation benefits amounted to EGP247,718 thousand as at 31 December 2015 (EGP223,758 thousand as at 31 December 2014).

		EGP (000)
	31 December 2015	31 December 2014
Liability stated in balance sheet for:		
End of service benefits		
Balance at the beginning of the year	**223,758**	216,737
Bank's contribution	**26,149**	26,014
Investment income	**20,144**	18,904
Used during the year	**(22,333)**	(37,897)
Balance at the end of the year	**247,718**	223,758

33 End of service compensation benefit *(continued)*

As per the actuarial report, end of service liability amounted to EGP243,950 thousand; accordingly, end of service fund balance is sufficient to meet the bank's end of service obligations for the employees

		EGP (000)
	31 December 2015	31 December 2014
Amounts recognised in income statement:		
End of service benefits	**26,149**	26,014

The principal actuarial assumptions used are as follows:

— Rates of death/disability of the British table A49-52ULT

— Rate of salary increase Sx=S20 *(1.05) ^ (X-20)

34 Capital

				EGP (000)
	Number of shares (in millions)	Common shares	Total	Issuance premium included in other reserve-issuance premium
Balance at the beginning of the year	24.744049	2,078,500	2,078,500	6,728
Proceeds from issuance of shares	8.536517	717,067	717,067	—
Balance at the end of the year 2014	**33.280566**	**2,795,567**	**2,795,567**	**6,728**
Balance at the beginning of the year	33.280566	2,795,567	2,795,567	6,728
Balance at the end of the year 2015	**33.280566**	**2,795,567**	**2,795,567**	**6,728**

a. Authorised capital

The authorised capital amounted to EGP1,750,000,000.

According to the extraordinary general assembly decision on 30 November 2010, the authorised capital has been increased to EGP5,000,000,000.

b. Issued and paid up capital

— The issued and paid-up capital amounted to EGP1,508,500,056 represented in 17,958,334 fully paid shares at par value of EGP84 each. The foreign shareholders own 94.53% of the capital, which was paid in US dollars at the prevailing rates on the subscription dates.

— According to the extraordinary general assembly decision on 30 November 2010, the issued capital has been increased to EGP2,078,500,116, increasing by EGP570,000,060 by issuing 6,785,715 shares.

— According to the extraordinary general assembly's decision on 26 September 2013, it was approved to increase the issued capital to an amount not exceeding EGP2,796,006,192, by an increase of EGP717,506,076 representing 8,541,739 shares, in which the paid amount was EGP717,067,428 representing 8,536,517 shares still under registration as at the balance sheet date.

— Accordingly, the issued and fully paid-up capital is EGP2,795,567,544 represented in 33,280,566 fully paid shares at par value of EGP84 each.

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

35 Reserves and retained earnings

		EGP (000)
	31 December 2015	31 December 2014
Reserves		
General reserve	**1,111,985**	1,023,767
Legal reserve	**561,392**	473,177
Special reserve	**63,466**	63,466
General banking risk reserve	**282**	235
Capital reserve	**2,794**	73
Other reserves – issuance premium	**6,728**	6,728
Fair value reserve – investments available-for-sale	**55,412**	23,680
Total reserves at the end of the year	**1,802,059**	1,591,126

Reserves movements during the year are as follows:

a. General reserve

		EGP (000)
	31 December 2015	31 December 2014
Balance at the beginning of the year	**1,023,767**	1,022,238
Transferred from prior year profits	**88,218**	1,529
Balance at the end of the year	**1,111,985**	1,023,767

b. Legal reserve

		EGP (000)
	31 December 2015	31 December 2014
Balance at the beginning of the year	**473,177**	452,714
Transferred from prior year profits	**88,215**	20,463
Balance at the end of the year	**561,392**	473,177

In accordance with local laws, 5% of the net profit shall be transferred to undistributable reserve until it reaches to 50% of the capital.

c. General banking risk reserve

		EGP (000)
	31 December 2015	31 December 2014
Balance at the beginning of the year	**235**	188
Transferred to general banking reserve	**47**	47
Balance at the end of the year	**282**	235

In accordance with the CBE instructions, general banking risk reserve is formed to meet unexpected risks and this reserve is undistributable except after obtaining the approval of the CBE.

35 Reserves and retained earnings *(continued)*

Reserves movements during the year are as follows *(continued)*:

d. Special reserve

	EGP (000)	
	31 December 2015	31 December 2014
Balance at the beginning of the year	**63,466**	63,466
Balance at the end of the year	**63,466**	63,466

In accordance with the CBE instructions, special reserve is formed to meet unexpected risks and this reserve is undistributable except after obtaining the approval of the CBE.

e. Reserve for excess than par value - issuance premium

	EGP (000)	
	31 December 2015	31 December 2014
Balance at the beginning of the year	**6,728**	6,728
Balance at the end of the year	**6,728**	6,728

This reserve represents the difference between the value of shares acquired by the shareholders and employees during capital increase in years 1998 and 1999 (price per share was EGP168) and its par value (price per share EGP84) in addition to the gain resulted from sale of Treasury shares in year 2000 after deducting the capital increase that occurred in year 2002.

f. Fair value reserve available-for-sale investments

	EGP (000)	
	31 December 2015	31 December 2014
Balance at the beginning of the year	**23,680**	69,963
Net change in available-for-sale investments	**31,732**	(46,283)
Balance at the end of the year	**55,412**	23,680

This reserve represents the change in available-for-sale investments fair value.

g. Capital reserve

	EGP (000)	
	31 December 2015	31 December 2014
Balance at the beginning of the year	**73**	—
Net change in investments available-for-sale	**2,721**	73
Balance at the end of the year	**2,794**	73

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

35 Reserves and retained earnings *(continued)*

Reserves movements during the year are as follows *(continued)*:

h. Retained earning

		EGP (000)
	31 December 2015	31 December 2014
Movement on retained earnings		
Balance at the beginning of the year	**1,766,981**	529,792
Net profit for year	**2,532,805**	1,767,028
Dividends for year	**(1,587,827)**	(507,727)
Transferred to legal reserve	**(88,215)**	(20,463)
Transferred to general banking risk reserve	**(47)**	(47)
Transferred to capital reserve	**(2,721)**	(73)
Transferred to general reserve	**(88,218)**	(1,529)
Balance at the end of the year	**2,532,758**	1,766,981

36 Dividends

Payment of dividends is not registered unless being approved by the general assembly. The Board of Directors proposed to the general assembly that was held on 10 March 2016 a payment of EGP38.05 per share as cash dividends for the year 2015 with a total amount of EGP1,266,379,151 (payment of EGP57.04 per share as cash dividends for year 2014 with a total amount of EGP1,411,400,555). In addition to cash dividends of the Board of Directors, the Board of Directors proposed in the general assembly meeting to distribute EGP253,275,800 as employee's distribution related to the profit in year 2015. (The actual employees dividends distributed in 2014 amount to EGP176,426,025.).

37 Cash and cash equivalents

For the purpose of preparing the statement of cash flow, cash and cash equivalents include the following balance of maturity dates within less than three months from the date of acquisition:

		EGP (000)
	31 December 2015	31 December 2014
Cash and due from the CBE (note 15)	**752,772**	745,034
Due from banks (note 16)	**12,672,599**	18,276,402
Treasury bills (note 17)	**4,113,530**	6,088,989
	17,538,901	25,110,425

38 Commitment and contingent liabilities

a. Legal claims

There are lawsuits filed against the Bank as at 31 December 2015. The charged provision amounting to EGP1,236 thousand, provision of EGP386 thousand has been refunded and the used provision amounting to EGP1,426 thousand during the year.

b. Commitments for loans, guarantees and facilities

Bank commitments for loans, guarantees and facilities are represented as follows:

		EGP (000)
	31 December 2015	31 December 2014
Acceptances	**294,651**	141,584
Letters of guarantee*	**10,849,519**	9,393,040
Letters of credit (import and export)	**1,018,940**	1,016,777
Other contingent liabilities	**114,921**	115,430
Commitments for loans	**2,884,369**	2,107,974
Cash margin	**(1,223,692)**	(696,325)
Total	**13,938,708**	12,078,480

c. Commitments for operating lease contracts

The total minimum lease payments for irrevocable operating leases are as follows:

		EGP (000)
	31 December 2015	31 December 2014
Less than one year	**18,430**	23,060
More than one year and less than five years	**21,219**	3,994
More than five years	**19,167**	—
Total	**58,816**	27,054

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

39 Related party transactions

The Bank is a subsidiary of parent HSBC Holdings London, which owns 94.53% of ordinary shares. The remaining percentage (5.47%) is owned by other shareholders.

Number of banking transactions with related parties has been conducted in the normal course of the business, including loans deposits and foreign currency swaps. There is no related party transaction with the parent company other than the payment of dividends on ordinary shares.

Related parties transactions and balances at the end of the financial year are as follows:

a. Loans and advances to related parties

	EGP (000)	
	Subsidiaries	
	31 December 2015	31 December 2014
Loans and advances to customers		
Existing loans at the beginning of the year	1,675	—
Loans issued during the year	—	1,675
Loans collected during the year	**(177)**	—
Existing loans at the end of the year	**1,498**	1,675
Interest on loans	**367**	55

No provisions formed for loan given to related parties.

b. Deposits from related parties

	EGP (000)	
	Subsidiaries	
	31 December 2015	31 December 2014
Due to customers		
Deposits at the beginning of the financial year	**29,893**	37,246
Deposits received during the financial year	**466**	14,031
Deposits redeemed during the financial year	**(14,396)**	(21,384)
Deposits at the end of the financial year	**15,963**	29,893
The cost of deposits and similar costs	—	465

The preceding deposits are of no guarantee and of fixed interest rate and recoverable on call.

39 Related party transactions *(continued)*

c. Other related party transactions

	EGP (000)	
	Subsidiaries	
	31 December 2015	31 December 2014
Fees and commission income	**22,282**	17,738

The cost of services by HSBC Group as at 31 December 2015 amounted to EGP431,767 thousand against EGP368,180 thousand as at 31 December 2014.

	EGP (000)			
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
	HSBC Group and top management members		Subsidiaries	
Due from banks	**66,352**	69,389	—	—
Investments held-to-maturity	**32,143**	39,928	—	—
Due to banks	**355,166**	128,815	—	—
Investments in subsidiaries	—	—	**35,517**	35,517

On 17 September 2007, HSBC Middle East agreed with HSBC Egypt and HSBC Bahrain (dated 2 November 2007) and HSBC Hong Kong (21 September 2011) to sell to HSBC Egypt part of loans portfolio. HSBC Egypt purchased these loans based on nominal value with no recourse. According to the above-mentioned agreement, interest will be split among parties based on the percentage of loans bought by HSBC Egypt to the total loan portfolio granted by HSBC Middle East. These loans are subject to loans classification and provisioning rules as set out by the CBE. The balance as at 31 December 2015 amounted to USD34,472 thousand equivalent to EGP266,473 thousand and has been added to customers' loans.

d. Board of Directors' benefits

The average net monthly salary paid to the top 20 employees in the Bank for the year of 2015 amounted to EGP2,554 thousand (EGP1,886 thousand average net monthly salary paid to the top 20 employees for the year 2014).

Notes to the Separate Financial Statements (continued)

To the shareholders of HSBC Bank Egypt S.A.E.

40 Subordinated loans

			EGP (000)
	Current Interest rate	**31 December 2015**	31 December 2014
Subordinated loans	13.75%	**272,000**	272,000
		272,000	272,000

'Other loans' represents a loan obtained from HSBC holding BV by EGP272 million, according to an agreement extension of 15 years (starting from December 2014 and ending in December 2028).

41 Mutual funds

41.1 HSBC first Mutual fund (kol youm)

— The mutual fund is an activity authorised for the Bank by virtue of Capital Market Law No.95/1992 and its Executive Regulations. The fund is managed by Hermes for Managing Mutual Funds. The certificates of the fund reached 1,000,000 certificates with an amount of EGP100,000,000 of which 50,000 certificate (with nominal value of EGP5,000,000) were allocated to the Bank to undertake the funds' activity.

— The Bank holds as at 31 December 2015, a number of 276,210 certificates amounting to EGP32,142,862 with a redeemable value amounting to EGP49,022,527 against 343,108 certificates amounting to EGP39,927,856 with redeemable value amounting to EGP56,103,209 as at 31 December 2014.

— The redeemable value of the certificate amounted to EGP177.48 as at 31 December 2015 against EGP163.51 as at 31 December 2014. The outstanding certificates as at 31 December 2015 reached 12,112,199 certificates against 16,729,055 certificates as at 31 December 2014.

According to the fund's management contract and its prospectus, HSBC Egypt shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission amounted to EGP11,525 thousand for the year ended 31 December 2015 against EGP14,743 thousand for the year ended 31 December 2014 under the item of fees and commission income caption in the income statement.

42 Important events

The revolution which took place in 2011-15 had a severe impact on the dissolution of the political structures and deterioration of economic conditions. In order to mitigate the impact of the deteriorating political and economic conditions on the business sectors, and hence HBEG portfolio, a stress risking analysis was conducted to determine the needed provisions on a forecast looking basis. Accordingly, judgemental provisions were put in place which amount to EGP426.6 million as at 31 December 2015.

It is to be noted that total provisions in December 2015 stand at EGP957.04 million relative to EGP932.33 million at December 2014.

The total provisions encompass specific, collective and judgemental impairment. The specific provision stands at EGP381.9 million in December 2015 relative to EGP411.9 million in December 2014, while the total collective impairment stands at EGP575.2 million in December 2015 relative to EGP520.4 million as at December 2014.

43. Comparative figures

Comparative figures are adjusted as follows:

	EGP (000)	
	Before	After
Balance sheet adjustments		
Due to banks	**1,079,403**	1,543,264
Customer deposits	**54,788,779**	54,548,676
End of service compensation benefits	**223,758**	—
Other liabilities	**706,264**	701,597
Other provisions	**168,417**	173,084
Income statement adjustments		
Administrative expenses	**(1,072,721)**	(1,068,054)
Other operating income	**70,832**	66,165

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Fax: +2(02) 2672 0526

Baghdad Premier Centre
10 Baghdad Street, El Korba,
Cairo, Egypt
Tel: +2(02) 2418 9948
Fax:+2(02) 2418 9953

Cairo branch
3 Aboul Feda Street, Zamalek,
Cairo, Egypt
Tel: +2(02) 2739 6001
Fax: +2(02) 2736 4010

City Lights branch
1 Makram Ebeid, City Lights Building,
Nasr City
Cairo, Egypt
Tel: +2(02) 2671 8883
Fax: +2(02) 2273 7554

City Stars branch
Tower A2 City Stars, Omar Ibn El Khattab
Street, Heliopolis,
Cairo, Egypt
Tel: +2(02) 2480 2356
Fax: +2(02) 2480 2358

Corniche El Maadi branch
306 Corniche El Nil, Maadi,
Cairo, Egypt
Tel: +2(02) 2529 8750
Fax: +2(02) 2529 8080

Down Town branch
13 Kasr El Nil Street, Down Town,
Cairo, Egypt
Tel: +2(02) 2578 8819
Fax: +2(02) 2578 8455

Gezira Sporting Club branch
Gezira Sporting Club,
Saraya El Gezira Street, Zamalek,
Cairo, Egypt
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Fax: +2(02) 2736 0879

Hegaz branch
70 El Hegaz Street, Heliopolis,
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Heliopolis branch
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Fax: +2(02) 2258 3152

Korba branch
4 Ibrahim Street, El Korba Square,
Heliopolis,
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Fax: +2(02) 2291 1618

Maadi branch
1B Road 256, Maadi,
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Maadi Club branch
Maadi Club, Maadi,
Cairo, Egypt
Tel: +2(02) 2380 4729
Fax: +2(02) 2380 4775

Masaken Sheraton branch
3 Khaled Ibn ElWalid Street,
Masaken Sheraton, Heliopolis,
Cairo, Egypt
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Fax: +2(02) 2266 6430

Mokattam branch
3 El Nafoura Square, Mokattam
Cairo, Egypt
Tel: +2(02) 2667 9890
Fax: +2(02) 2667 9894

Nasr City branch
29 El Batrawy Street, Nasr City,
Cairo, Egypt
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Fax: +2(02) 2461 9703

New Maadi branch
10/2 El Nasr Road, New Maadi
Cairo, Egypt
Tel: +2(02) 2754 4816
Fax: +2(02) 2754 5521

Nile City branch
Nile City Tower, Corniche El Nil,
Ramlet Beaulac
Cairo, Egypt
Tel: +2(02) 2461 9701
Fax: +2(02) 2461 9703

El Obbour Buildings branch
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Salah Salem Street
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Fax: +2(02) 2403 1408

El Orouba branch
90 Beirut Street, Heliopolis
Cairo, Egypt.
Tel: +2(02) 2415 3371
Fax: +2(02) 2415 3378

Safir branch
1 El Sheikh Hassouna El Nawawi Street,
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Fax: +2(02) 2418 9943

El Shams Club branch
15 Abdel Hamid Badawy Street, Heliopolis
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Tel: +2(02) 2622 0828
Fax: +2(02) 2620 4982

Sun City branch
Sun City Mall, Square 1258F,
Autostrad Road
Sheraton Buildings, Heliopolis
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Fax: +2(02) 2268 9642

El Thawra branch
109 El Thawra Street, Ard El Golf,
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Fax: +2(02) 2417 4428

Zomor branch
64 Ahmed El Zomor Street,
Nasr City,
Cairo, Egypt
Tel: +2(02) 22713063
Fax: +2(02) 2401 3562

NEW CAIRO

Cairo Festival City branch
Cairo Festival City Mall, Unit No.10,
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Cairo, Egypt
Tel: +2(02) 26168155

Katameya Heights branch
Katameya Heights, Fifth District,
New Cairo, Egypt
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Fax: +2(02) 2759 3887

El Tagamoo branch
67, El Teseen Street,
5th Settlement, New Cairo
Cairo, Egypt
Tel: +2(02) 2920 1371/2920 1716
Fax: +2(02) 2920 0123

Rehab branch
Shop 411, New Souk El Rehab, ground
floor
El Rehab City
Cairo, Egypt
Tel: +2(02) 2693 2273

EL SHEROUK CITY AND OBBOUR CITY

Obbour City branch
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Obbour City, Egypt
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El Sherouk branch
El Sherouk Academy, Suez/Ismailia Road,
El Sherouk City, Egypt
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GIZA

Agouza branch
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El Batal branch
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Fax: +2(02) 3748 6072

Haram branch
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Lebanon branch
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Mohandessin branch
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Giza, Egypt
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Shooting Club branch
40 Kambiz Street,
Giza, Egypt
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Fax: +2(02) 3760 8298

Sphinx branch
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Tel: +2(02) 3303 5842
Fax: +2(02) 3303 5817

Vinni branch
8 El Sad El Aaly Street, Dokki
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Tel: +2(02) 3749 6336
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SHEIKH ZAYED CITY AND SIXTH OF OCTOBER CITY

Arkan branch
Arkan Mall,
El Sheikh Zayed City, Entrance No.2
Giza, Egypt
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Fax: +2(02) 3850 7993

Dandy Mall branch
Dandy Mall, 28th Km, Cairo/Alexandria
Desert Road
Giza, Egypt
Tel: +2(02) 3539 0174
Fax: +2(02) 3539 0173

Hyper One branch
Hyper One Market, El Sheikh Zayed City
Giza, Egypt
Tel: +2(02) 3850 7990
Fax: +2(02) 3850 799

Mall of Arabia branch
Mall of Arabia, Juhayna Square,
6th of October City
Giza, Egypt
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Smart Village branch
Building 122B, Smart Village
28th km Cairo/Alexandria Desert Road,
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Fax: +2(02) 3537 0606

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Fax: +2(03) 584 5562

Kafr Abdou branch
38 intersection of Ahmed Abdel Aziz
Street and Abdel Kader Ragab Street,
Kafr Abdou, Roushdy,
Alexandria, Egypt
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Fax: +2(03) 541 4139

Loran branch
264 Abdel Salam Aref Street, Loran
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Tel: +2(03) 541 4239
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Mirage Mall branch
International Garden, Alexandria/Cairo
Desert Road entrance
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Saraya branch
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Sidi Beshr
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Semouha branch
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DELTA REGION

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