Separate Financial Statements and

The Auditors' Report thereon

For the year ended 31 December 2014

Allied for Accounting and Auditing
E & Y

Mansour & Co. Price Water House Coopers
Public Accountants & Consultants

ADIB مصرف أبوظبي الإسلامي

Translation of Financial Statements originally issued in Arabic

Separate Balance sheet as at 31 December 2014

All amounts are in thousand Egyptian pounds

	Note	31 December 2014 LE 000's	31 December 2013 LE 000's
Assets			
Cash and due from Central Bank of Egypt (CBE)	14	**1,317,845**	1,694,008
Due from banks	15	**1,210,003**	1,272,051
Treasury bills	16	**4,126,910**	3,256,763
Conventional loans to customers (Net)	2/17	**227,952**	294,736
Facilities to customers (Net)	2/17	**8,647,545**	6,308,586
Financial Investments:			
Available for sale	1/18	**1,610,492**	1,177,479
Held to maturity	2/18	**12,555**	12,181
Investments in associates and subsidiaries(Net)	19	**189,002**	170,326
Intangible assets(Net of accumulated amortization)	20	**4,093**	4,501
Other assets	21	**1,104,520**	1,016,448
Fixed assets (Net of accumulated depreciation)	22	**355,576**	231,426
Deferred tax asset	28	**828,065**	899,097
Total Assets		**19,634,558**	16,337,602
Liabilities :			
Due to banks	23	**793,126**	1,099
Customers' deposits	24	**16,601,728**	14,614,095
Subordinated financing	25	**203,209**	209,023
Other liabilities	26	**754,513**	485,075
Other provisions	27	**74,259**	83,493
Defined benefits obligation	34	**45,020**	30,559
Total Liabilities		**18,471,855**	15,423,344
Equity:			
Paid-up capital	2/29	**2,000,000**	2,000,000
Paid under capital increase	3/29	**1,861,418**	1,861,418
Reserves	30	**197,758**	214,649
Difference between face value and present value for subordinated financing		**73,137**	53,777
Accumulated losses	4/30	**2,969,610-**	3,215,586-
Total equity		**1,162,703**	914,258
Total liabilities and equity		**19,634,558**	16,337,602
Contingent liabilities and commitments	32/2	**1,164,392**	998,245

-The auditors' report is attached

-The accompanying notes from (1) to (37) are integral part of these separate financial statements.

Nevine Loutfy	Haythem Soliman
Chairman, Chief Executive Officer and Managing Director	**Chief Financial Officer**

Cairo on 10 September, 2015

Separate statement of Income for the year ended 31 December 2014

All amounts are in thousand Egyptian pounds

	Note	31 December 2014	31 December 2013
		LE 000's	LE 000's
Income from Murabaha, Musharaka, Mudaraba and similar income	5	1,472,046	1,229,451
Cost of deposits and similar expenses	5	(824,299)	(822,258)
NET PROFIT INCOME		647,747	407,193
Fees and commission income	6	249,056	117,418
Fees and commission expense	6	(12,404)	(5,626)
NET FEES AND COMMISSION INCOME		236,652	111,792
Dividends income	7	3,327	3,827
Net trading income	8	101,887	220,895
Administrative expenses	9	(583,508)	(506,338)
Other operating expenses	10	(58,949)	(194,529)
Reversal of impairment credit losses	11	64,217	69,144
Gain from financial investments	3/18	14,171	6,581
Profits / (Losses) before income tax		425,544	118,565
Income tax	12	(160,032)	88,231
NET PROFIT FOR THE YEAR		265,512	206,796
EARNINGS PER SHARE	13	1.33	1.03

- The accompanying notes from (1) to (37) are integral part of these separate financial statements.

Separate statement of change in equity for the year ended 31 December 2014

All amounts are in thousand Egyptian pounds

	Paid-up capital	Paid under capital increase	Reserves					Difference between face value and present value of subordinated financing	Accumulated losses	Total
			Legal reserve	General reserve	Special reserve	Available for sale investments revaluation reserve	General banking risk reserve			
Balance at 31 December 2012 - as previously issued	2,000,000	1,861,418	22,878	42,522	26,257	23,703	106,114	64,189	(3,522,315)	624,766
Prior year adjustments (Note 35)	-	-	-	-	-	-	-	-	44,831	44,831
Balance at 1 January 2013 - adjusted	2,000,000	1,861,418	22,878	42,522	26,257	23,703	106,114	64,189	(3,477,484)	669,597
Paid Under Capital increase	-	-	-	-	-	-	-	-	-	-
Transferred from general banking risk reserve	-	-	-	-	-	-	(44,690)	-	44,690	-
Net change in fair value of available for sale investments	-	-	-	-	-	37,865	-	-	-	37,865
Amortization of the difference between face value and present value for subordinated financing	-	-	-	-	-	-	-	(10,412)	10,412	-
Net profit for the year	-	-	-	-	-	-	-	-	206,796	206,796
Balance as at 31 December 2013	2,000,000	1,861,418	22,878	42,522	26,257	61,568	61,424	53,777	(3,215,586)	914,258
Balance at 31 December 2013 - as previously issued	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**26,257**	**61,568**	**61,424**	**53,777**	**(3,364,415)**	**765,429**
Prior year adjustments (Note 35)	-	-	-	-	-	-	-	-	**148,829**	**148,829**
Balance at 1 January 2014 - restated	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**26,257**	**61,568**	**61,424**	**53,777**	**(3,215,586)**	**914,258**
Adjustments due to settlement of subordinated financing granted on 27 December 2012	-	-	-	-	-	-	-	-	**(7,805)**	**(7,805)**
Transferred to general banking risk reserve	-	-	-	-	-	-	**22,009**	-	**(22,009)**	-
Net change in fair value for available for sale investments (Note 18)	-	-	-	-	-	**(38,900)**	-	-	-	**(38,900)**
Amortization of the difference between face value and present value for subordinated financing	-	-	-	-	-	-	-	**(10,278)**	**10,278**	-
Closure of subordinated loan given on 27 December 2012	-	-	-	-	-	-	-	**(51,038)**	-	**(51,038)**
Difference between face value and present value for subordinated financing provided during the year	-	-	-	-	-	-	-	**80,676**	-	**80,676**
Net profit for the year	-	-	-	-	-	-	-	-	**265,512**	**265,512**
Balance as at 31 December 2014	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**26,257**	**22,668**	**83,433**	**73,137**	**(2,969,610)**	**1,162,703**

- The accompanying notes from (1) to (37) are integral part of these separate financial statements

Separate statement of Cash Flows for the year ended 31 December 2014

All amounts are in thousand Egyptian pounds

	Note	31 December 2014 LE000's	31 December 2013 LE 000's
Cash flows from operating activities			
Profit before tax		**425,544**	118,565
Adjustments to reconcile profit before tax to cash flows from operating activities:			
Depreciation of fixed assets	22	**51,752**	45,576
Amortization of intangible assets	20	**21,070**	16,287
Impairment losses for financing and held to maturity investments	11-2/17	**37,033**	11,304
Other provisions formed	27	**40,735**	66,630
MTM of Assets held for trading	8	**-**	29
Credit loss impairment no longer required	2/17	**101,250-**	(79,110)
Foreign currency revaluation of credit loss allowances	2/17	**469**	31,786
Foreign currency revaluation of other provisions	27	**26-**	(4)
Foreign currency revaluation of Held to Maturity Investments	18	**150-**	(888)
Foreign currency revaluation of Available for Sale Investments	18	**495-**	(1,521)
Impairment losses for assets reverted to the bank	10	**359**	1,181
Gain on sale of fixed assets	10	**4,625-**	(7,907)
Gain on sale of assets reverted to the bank	10	**847**	(16,496)
Impairment losses of financial investment in subsidiaries and associate	3/18	**11,676-**	4,855
Gain on sale of financial assets Held for Trading	8	**318-**	265
Gain on sale of Available For Sale investments	3/18	**398-**	(7,913)
Gain on sale of Treasury Bills	3/18	**2,097-**	(3,523)
Dividends income	7	**3,326-**	(3,827)
Amortization of subordinated financing using EIR method	25	**10,278**	10,411
Foreign currency revaluation of subordinated financing	25	**-**	17,835
Cash flows from operating activities before changes in operating assets and liabilities		**463,726**	203,535
Net decrease /increase in assets and liabilities			
Due from banks		**42,287**	481,867
Treasury bills		**103,024-**	803,225
Financial assets Held for Trading		**318**	(294)
Financing to customers		**2,303,637-**	2,131,986
Other assets		**16,779**	(497,555)
Due to banks		**792,026**	(336,634)
Customers' deposits		**1,987,633**	1,643,245
Other liabilities		**186,661**	144,142
Defined Benefit Obligation		**14,461**	-
Cash flows provided from operating activities		**1,097,230**	4,573,517
Used provisions - other than credit provision	27	**(49,943)**	(17,789)
Used provisions - credit provisions	2/17	**(11,757)**	(3,235,252)
Net cash flow from operations		**1,035,530**	1,320,476

Separate statement of Cash Flows for the year ended 31 December 2014 (Cont.)

All amounts are in thousand Egyptian pounds

	Note	31 December 2014 LE000's	31 December 2013 LE 000's
Cash flows from investing activities			
Purchase of Available for Sale Investments	2/18	**645,472-**	(322,550)
Proceeds from sale of Available for Sale Investments	2/18	**174,452**	267,408
Payments to acquire fixed assets	22	**178,516-**	(41,707)
Payments to acquire Intangible assets	20	**20,662-**	(9,463)
Proceeds from sale of fixed assets		**7,240**	16,696
Payments to acquire investment in subsidiaries and associate		**7,000-**	(25,918)
Proceeds from redemption of investment Held to Maturity	2/18	**429**	8,321
Proceeds from sale of Treasury Bills	3/18	**2,097**	3,523
Dividends income	7	**3,102**	3,827
Net cash flows used in investing activities		**(664,330)**	(99,863)
Net change in cash and cash equivalents during the year		**371,200**	1,220,613
Cash and cash equivalents at the beginning of the year		**1,090,351**	(130,262)
Cash and cash equivalents at the end of the year		**1,461,551**	1,090,351
Cash and cash equivalents at end of year are represented in :			
Cash and due from CBE	14	**1,317,845**	1,694,008
Due from banks	15	**1,210,003**	1,272,051
Treasury bills	16	**4,126,910**	3,256,763
Due from banks (mature in more than 3 months)	15	**1,089,166-**	(1,131,453)
Treasury bills (mature in more than 3 months)		**4,104,041-**	(4,001,018)
Cash and cash equivalents at end of the year	31	**1,461,551**	1,090,351

- The accompanying notes from (1) to (37) are integral part of these separate financial statements.

Notes to the separate the financial statements for the year ended 31st December 2014

1- General information:

Abu Dhabi Islamic Bank – Egypt S.A.E (formerly National Bank for Development) was established in 1974 in accordance with Investment Law No. 43 of 1974 and its executive regulations and the amendments thereon and is listed on the Egyptian Stock Exchange (EGX). The bank provides a full range of banking services to corporate, retail and micro finance clients through its head office located in Cairo and its 70 branches across all governorates and are served by 2,098 employees at 31 December 2014.

Abu Dhabi Islamic Bank - Egypt is subject as a financial institution to the supervision and control of the Central Bank of Egypt (CBE). In addition, as a Shari'a compliant bank it complies with Shari'a principles in all transactions and products provided to its clients, whether such products are investment deposits, investment certificates or savings accounts as well as meeting client's various financing needs by providing options such as Murabaha (Cost-plus), Musharka (Joint Venture), Ijarah (Leasing) and cash back cards. It also offers Islamic options for letter of guarantee and letter of credit. The Bank has a Shari'a Board composed of Islamic jurists who are continually consulted regarding all aspects of new existing and banking transactions.

On April 3rd, 2013 the Bank's name was changed in the commercial register from the National Bank for Development" to "Abu Dhabi Islamic Bank - Egypt".

The separate financial statements for the year ended 31 December 2014 were approved by the bank's Board of Directors on 10 September 2015.

2- Summary of significant accounting policies:

A) Basis of preparation of the separate financial statements:

The separate financial statements have been prepared in accordance with the Central Bank of Egypt (CBE) basis of preparation of the Bank's financial statements and principles of recognition and measurement as approved by its Board of Directors on 16th, 2008. These separate financial statements have been prepared under the historical cost convention as modified by the revaluation of financial investment at fair value through the profit & loss account, available for sale financial assets.

There separate financial statements have been prepared in accordance with the requirements of related applicable Egyptian laws and regulations. The bank has also prepared consolidated financial statements for the bank and its subsidiaries in accordance with the central bank of Egypt (CBE) basis of preparation, which are companies in which the bank owns directly or indirectly more than half of the voting rights, or has the ability to control the financial and operational policies regardless of the type of activity.

Consolidated and separate financial statements are to be read together as of 31 December 2014 to gather sufficient information to understand the banks' activities, results, cash flows and change in equity.

B) Going concern principle:

The accumulated losses were **LE 2,970mn** as of 31 December 2014 (31 December 2013: **LE 3,216mn**), which exceeds half of the paid up and issued capital which requires the calling of Extraordinary General Assembly meeting to discuss the bank's continuity as per article no. 69 of company's law no. 159 for year 1981. An Extraordinary General Assembly meeting held on 17th April 2014 which approved the bank's continuity as a going concern.

C) Associates and Subsidiary Companies:

C/1 Subsidiaries:

Subsidiaries are entities which the bank has the power to govern its financial and operating policies. Usually the bank's ownership exceeds half the voting power taking into consideration potential future voting power where the bank has the option to exercise or convert that option at the time of assessment.

C/2 Associates:

Associates are companies where the bank owns (from 20% to 50%) either directly or indirectly enough shares to influence the financial and operating policies of the company whilst not reaching control.

- The purchase method is used to account for the acquisition of subsidiaries and associates by the Bank. The cost of an acquisition is measured at the fair value or/and asset given or/and equity instruments issued or/and liabilities 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 Banks' share of the fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item "Other operating income/(expenses)".

- Associates and subsidiaries in the financial statements are accounted for using the cost basis, investments are recognized by the acquisition expenses basis, deducting any impairment loss in value and dividend income is recognized in the income statement when it is declared, and the bank's right to receive payments is established.

D) Segment Reports:

A business segment is a group of assets and operations engaged in producing products and services which have similar risks and benefits; each sector is distinct from the other. Geographical sectors are related within an economic environment each with distinct characteristics.

The bank does not have any geographical sectors that operate in a different economic environment as at 31 December 2014.

E) Foreign Currency Transactions:

E/1 Trade and presentation currency

The Egyptian pound is the currency of preparation and presentation of the financial statements.

E/2 Transactions and balances in foreign currency

The Banks' accounting records are maintained in Egyptian pounds whilst transactions in other currencies are recorded at rates of exchange ruling on the transaction date. Monetary assets and the liabilities in foreign currencies are revalued into Egyptian pounds at the rates of exchange ruling at the balance sheet date with any resultant gain or loss being recorded in the income statement as follows:

- Net trading income or net income from financial instruments originally classified as a change in fair value through Income Statement according to its type.
- Other operating income/loss for other items.

The changes in fair value of monetary financial instruments denominated in foreign currencies and classified as available for sale (debt instruments) are classified into:

- Differences due to change in amortized cost of the instrument; these are recognized through Income Statement in "Profit/Interest and similar income"
- Differences due to changes in foreign currencies exchange rates; these are recognized through Income Statement in "Other operating income /expense"
- Differences due to change in fair value of the instrument which are recognized through equity in "Available for sale fair value reserve".

Translation differences on non-monetary items such as equity securities held at fair value though profit or loss are reported as part of the fair value gain or loss translation difference on non-monetary items such as available for sale the income is recorded directly in equity within "Net unrealized gains and losses on available for sale assets" .

F) Financial assets:

The Bank classifies its financial assets into the following groups:

- Financial assets designated at fair value through Income Statement.
- Financings and receivables.
- Financial investments held to maturity.
- Financial investments available for sale.

The management's classification depends on the purpose of the investments at the time of its purchase.

F-1 Financial assets designated at fair value through Income Statement

Financial assets include investments Held for Trading:

- Financial instrument are recorded as held for trading if they are acquired for resale in the short term, or if they represent part of a specific financial instrument or portfolio that are managed together and there is an evidence of actual recent transactions which refers to gains\losses of income in the short term.

- Under all circumstances the bank does not re-classify any financial instrument into financial instruments measured at fair value through income statement or to a group of financial assets held for trading.

F-2 Financings and receivables

Financings 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 are classified as financial assets designated at fair value through the income statement account.

- That the bank upon initial recognition designates the asset as available for sale.

- For which the bank may not recover substantially all of its initial investment other than because of a credit deterioration of the issuer.

- Historical probability of default for the retail portfolio was calculated according to the realized loss for the past 3 to 6 months and based on average delinquency period for each product. For corporate portfolio, Historical probability of default was calculated as per the rates issued by Moody's for the Middle East for each facility as per its facility risk rating.

F-3 Investments held to maturity

Held to maturity financial investments are non-derivative assets which carry fixed or determinable payments and where the bank has the intention and the ability to hold to maturity. All held to maturity financial investments are reclassified as available for sale in case of a sale of significant portion unless the sale is in an emergency situation.

F-4 Financial investments available for sale

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

The following principles are followed for financial assets:

- Purchases or sales of financial assets designated at fair value through the income statement account, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.

- Financial assets that are not classified as designated at fair value through the income statement account at the initial measurement are recognized at fair value plus directly attributable costs of acquisition or issue while financial assets designated at fair value through the income statement account at initial measurement are recognized only at fair value with any directly attributable acquisition or issue costs recorded in the "Net Trading Income" in the income statement.

- Financial assets are de-recognized where the rights to receive cash flows from the asset have expired or the bank has transferred all the risks and rewards of the asset to another party, whilst a financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

- Available for sale financial investments and financial assets designated at fair value through the income statement account are subsequently measured at fair value.

- Held to maturity financial investments are subsequently measured at amortized cost.

- Profits and losses arising from changes in the fair value of financial assets designated at fair value through income statement are recorded in income statement during the period it occurred.

- Profits and losses arising from changes in fair value of available for sale financial investments are recognized directly in equity, when the asset is disposed of or impaired, the cumulative profit or loss previously recognized in equity is recognized in the income statement.

- Monetary assets' interest/profit income is recognized based on the amortized cost method in the income statement. The foreign currency revaluation differences related to available for sale investments are recognized in the income statement. Available for sale equity instruments related to dividends are recognized in the income statement when they are declared.

- Fair values are obtained from quoted market prices in liquid markets. Where no active market exists, or quoted prices are unobtainable, the fair value is estimated using a variety of valuation techniques, including discounted cash flow and other pricing models. Inputs to pricing models are generally market-based where available and taken from reliable external data sources.

- If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity can measure the equity instrument at cost minus any impairment losses.

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

- Available for sale financial assets, Held for Trading and financial assets at fair value through profit or loss are all subsequently measured at fair value. Financings and receivables and held to maturity investments are subsequently measured at amortized cost.
- Interest/profit calculated using the effective interest/profit method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available for sale equity instruments are recognized in the income statement when the banks right to receive payment is established.

- The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, the bank measures the equity instruments that are classified as available for sale at cost net of impairment loss, if any.

- Debt instruments can be reclassified from Available for Sale Investments to Held to Maturity Investments when the bank has the intention and ability to hold to maturity including financings and bonds, Any related Income statement that were previously recognized are treated as follows:

    i. Financial assets with fixed or determinable payments and fixed maturity is valued at amortized cost, using the effective interest method in case of impairment the profit/interest and loss that have been previously recognized directly in equity is removed from equity and recognized in the income statement.

    ii. Income statement related to financial assets without fixed or determinable maturity are held in equity till sale or disposal of the asset then removed from equity and recognized in the income statement, In case of impairment the profits and losses that have been previously recognized directly in equity are removed from equity and recognized in the income statement.

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

G) Offset of financial assets and financial liabilities

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. REPO and reverse REPO agreements are netted in balance sheet under treasury bills.

H) Profit/Interest income and expenses

G/1 Interest income and expense for all interest/profit-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized within 'profit/interest income' and 'profit/interest expense' in the income statement using the effective profit/interest rate method, The effective profit/interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the profit/interest income or profit/interest expense over the relevant year.

The effective profit/interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective profit/interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit/interest rate, transaction costs and all other premiums or discounts. Profit/interest income on financings is recognized on accrual basis except for the interest income on non-performing financings, which ceases to be recognized as revenue when the recovery of interest or principle is in doubt.

When financings or debts are classified as non-performing or impaired, related profit/interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues on the cash basis as follows:

- When collected and after recovery of all areas for retail financings, personal financings, real estate financings for personal housing and financings to small business.
- For corporate financings, profit/interest income is also recognized on the cash basis, according to which interest earned during the periods subsequent to reschedule agreements does not start to accrete on the financing principal until the bank collects 25% of the rescheduled installments and after payments of the installments continue to be regular for at least one year.

I) Fees and Commission Income

Fees and commissions charged by the bank for servicing a financing or facility that is measured at amortized cost and that are an integral part of the effective interest rate of that financial instrument are recognized as revenue as the services are provided.

H/1 Recognition of such fees and commission in profit or loss ceases when a financing becomes non-performing or is impaired in which case fees and commission income is rather marginalized and carried off the balance sheet. Recognition of such fees and commissions as revenues continues on the cash basis when the relevant profit/interest income on the financial instrument is recognized since they are generally treated as an adjustment to the effective profit/interest rate on the financial asset.

H/2 If it is probable that the bank will enter into a specific lending arrangement, the commitment fee received is regarded as compensation for an ongoing involvement with the acquisition of a financial instrument and, together with the related transaction costs, is deferred and recognized as an adjustment to the effective profit/interest rate, If the commitment expires without the bank making the financing, the fee is recognized as revenue on expiry.

H/3 a syndication fee received by the bank that arranges a financing and retains no part of the financing package for itself (or retains a part at the same effective profit/interest rate for comparable risk as other participants) is compensation for the service of syndication; such a fee is recognized as revenue when the syndication has been completed.

Fees and commissions resulting from direct negotiations or participation in such negotiations for the benefit of or on behalf of another party, such as those earned on the allotment of shares or other financial assets to a client or acquisition or disposal of entities for a client, are recognized as revenue when the specific transaction has been completed.

H/4 Administrative and other services fees are recognized as income on a time proportionate basis over the lifetime of the service.

J) Dividends:

Dividends are recognized in the income statement when the right to receive dividends is established.

K) REPO and Reverse Repo agreements:

Financial instruments sold in accordance to re-purchase agreements are recognized as assets added to the balance of treasury bills on the balance sheet. Liabilities under purchase and re-sale agreements are deducted from the balance of treasury bills and the difference between sale price and re-purchase price is recognized as accrued income over the term of the agreement using effective interest method.

L) Impairments of financial assets:

L-1 Financial assets held with cost to depreciation:

- The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of assets is impaired. A financial asset or a portfolio of assets is impaired and impairment losses is incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet data ('a Loss Event') and that loss event or events has had an impact on the estimated cash flow of the financial asset or the portfolio of financial assets that can be reliably estimated. Objective evidence that a financial asset or a portfolio of financial assets is impaired includes observable data that comes to the attention of the bank about the following loss events:
- Significant financial difficulty of the issuer or the obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becomes probable that the borrower will enter bankruptcy or liquidation.
- Deterioration of financial position of the borrower.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of guarantee.
- Deterioration of creditworthiness.

A measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The bank estimates the period between the date on which the loss event has occurred and the date on which the impairment loss has been identified for each specific portfolio, for application purposes, the bank considers this period to equal one.

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:

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

- Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized, are not included in a collective assessment of impairment.

- An asset that is individually assessed for impairment, but for which an impairment loss is not recognized is included in a group of other similar assets.

- If there is objective evidence that an impairment loss on financings and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

- For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (asset nature, business nature, geographical location, etc.) that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Provisions are then related to estimate future payments as an indication of the borrowers' ability to fulfill his contract.

- When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the Bank's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

- The Bank ensures that estimates of changes in future cash flow reflects changes in related observable data from period to period. The methodology and assumptions used for estimating the future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

L-2 Financial investments available for sale and held to maturity date in associates and subsidiary companies

At each balance sheet date, the bank assesses whether there is objective evidence that any financial asset or group of financial assets, that are classified as available for sale has been impaired. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.
Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

In respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. However, if in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for that debt instrument.

M) Intangible Assets

M-1 Software (computer programs):

- Expenditure on the upgrade and maintenance of computer programs is recognized as an expense in the income statement in the year in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits that exceed its' cost within more than one year. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.

- Upgrade costs are recognized and added to the original cost of the software, when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond their original specification.
- Cost of the computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed three years.

N) Fixed Assets:

All fixed assets are carried at historical cost net of accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the items, subsequent costs are included in the assets carrying amount or recognized separately, 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. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial year in which they are incurred.

Depreciation is charged on all assets other than land so as to write off the cost of assets over their estimated useful lives. A straight-line method is used based on the following annual rates:

Buildings	20 years
Decorations and preparations	20 years
Integrated systems & equipment	5 years
Motor vehicles	5 years
Furniture and fittings	10 years
Other equipment	8 years

The bank reviews the carrying amounts of its depreciable fixed assets whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use, gains and losses on disposals are determined by comparing proceeds with relevant carrying amount, these are included in profit or loss in other operating income/(costs) in the income statement.

O) Impairment of non-financial assets:

Non-financial assets that do not have definite useful lives, except for goodwill, shall not be amortized. These are annually tested for impairment. Depreciable fixed assets are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered.

Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
At each balance sheet date, non-financial assets for which an impairment loss is recognized shall be reviewed to assess whether or not such impairment losses should be reversed through profit or loss.

P) Leasing

This is calculated as per law no. 95 for the year 1995, about finance leasing in case the contract grants the right to the tenant to purchase the asset by a set date and a set value, in addition to contract life covers more than 75% of estimated useful life, or if the fair value of total rental payments represent payments more than 90% of the assets value. Other contracts represent operational rent contracts.

P-1 Rent

For leasing contracts the expense of rent in addition to maintenance is recognized as expenses in the income statement. If the Bank exercises its right to purchase the rented asset, the expenses of purchase is capitalized and depreciated over the remaining useful life. The payments are recognized under operational rent and decreased by the amount of any payments received within the stated period and registered in the income statement as steady installments.

Q) Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise balances due within three months from date of acquisition; they include cash and balances due from central bank of Egypt, other than those within the mandatory reserve, current accounts with banks and treasury bills, certificates of deposits and other governmental notes.

R) Other provisions

Provisions for obligations are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the balance sheet date.

For obligations due, provisions are calculated based on undiscounted expected outflows unless the time value of money has a significant impact on the amount on provision, then it is measured at the present value.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income/expenses.

Provisions for obligations due within more than 12 months from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the balance sheet date, An appropriate pre-tax discount rate that reflects the time value of money is used to calculate the present value of such provisions, For obligations due within less than twelve months from the balance sheet date, provisions are calculated based on undiscounted expected outflows unless the time value of money has a significant impact on the amount of provision, then it is measured at the present value.

S) Taxes

Taxes include income taxes and deferred taxes are recognized in the income statement except for income tax relating to the owners' equity which is recognized directly within the owners' equity statement.

Income tax on the year's profit or loss represents the sum of the tax currently payable and deferred tax and is recognized in the income statement.

The bank's liability for current year tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax adjustments related to previous years, Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered, However, when it is expected that the tax benefit will increase, the carrying amount of deferred tax assets shall increase to the extent of previous reduction.

I) Employees Benefits.

Employees saving insurance fund:

In the first of July 2013 the bank established a private social insurance fund (Alsondoq) according to the law number 54 for the year 1975 "private insurance funds law and the regulations", The bank has registered the fund in 14 January of 2014 with a number of registration (884), Working in this fund started on the first of April 2014, terms and modification of the fund is applied on the employees working in the head office of the bank and its branches in the Arab republic of Egypt.

The bank is committed to pay the subscriptions to the fund monthly calculated according to the rules of the fund and its modifications. Generally the fund is financed through the monthly subscriptions and some other resources specified in fund's list

Legacy staff medical benefit plan

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the liabilities of this system represent in the present value of its liabilities minus its assets at the end of each period including the actuarial loss and revenues settlements and also the prior year cost. The liability determined by independent actuarial expert using the Projected Unit Credit method. the fair value of the liabilities are determined by the projected forecasted cash outflow using discount rate of governmental bonds with maturities similar the maturity of liability. The liability recorded in other liabilities.

The actuarial revenues or losses arising from experience, change in actuarial assumptions and amendments in the medical plan are hitting the income statement. The bank applies the monthly payment method to the medical plan for current employees, this payments hit the income statement in employee's benefits item.

T) Comparative figures

Comparative figures are reclassified, where necessary, for consistency with changes in the current period's presentation. (Note 35).

3- Management of financial risks

The bank, as a result of conducting its activities, is exposed to various financial risks. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks together, the bank aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency risk, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and up–to–date systems. The bank regularly reviews the risk management policies and systems and amendments thereto, so that they reflect the changes in markets, products and services and the best up-to–date applications.

Risks are managed in accordance with preapproved policies by the board of directors; the risk management department identifies, evaluates and covers financial risks, in close collaboration with the bank's various operating units.

The board of directors provides written rules which cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments.

3/1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The bank deems financings to customers, banks and financial investments in terms of bills, current accounts, deposits at banks, as financial assets exposed to credit risk of settling part or all of the dues by the concerned parties on the maturity date. Credit risk also exists on items not registered in the balance sheet such as financing commitments.

3/1/1 Measurement of Credit Risk

Financings and facilities to clients:

To evaluate credit risk relating to financings and facilities to banks and/or clients.3 components are to be considered:

- Probability of default – by the client or counter party on its contractual obligations.
- Exposure at default – current exposure to the counter party and its likely future developments from which the bank derive the exposure at default.
- Loss given default

The banks daily activities include measurement of credit risk, which reflects estimated loss (expected loss model) required by Basel banking observatory committee, a conflict could generate between operational measurements and impairments as per the Egyptian Accounting Standards, which recognizes losses encountered on balance sheet "Recognized losses" rather than "Expected loss" (note 3/1/3).

The bank evaluates each client through a detailed weight categorization; these methods have been developed for internal evaluation usage and for analysis to reach the appropriate weighting. The banks' clients have been categorized to 4 categories, reflecting the delay in payment, therefore clients could move between the various categories depending on evolving circumstances. The bank frequently and periodically reviews the efficiency of this method to estimate any cases.

Internal Categories:

Category	Description
1	Good debts
2	Regular follow up
3	Special follow up
4	Bad debts

-Exposure at default is based on the amounts the bank expects to be outstanding at the time of default.
-The estimated loss, is the loss incurred when delay in payment occurs, being a percentage of financing which differs depending upon client, nature of claim, available collaterals and guarantees.

Debt Instruments and Treasury Bills:

The bank, in this case uses external categorization, such as standard and poor or other equivalents. If external classification is not available, the method of credit risk is followed. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

3/1/2 Minimization and avoidance of risk:

The bank manages and controls the credit risk on the debt category and various circumstances, nature, country, manufacture, etc. The assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his payment track record.

Framework for categorizing debts is drawn by sub borders including on/off balance sheet figures, the daily risk relating to trade items (e.g. Foreign exchange). Actual figures are compared to daily limits.

Periodical monitor and review of credit risk through analyzing the ability of clients and estimated clients. In light of the results, amendments to the debt limitation take place as appropriate.

Several methods to eliminated risk are as follows:

Collaterals:

Several rules and policies are stated by the bank to minimize credit risk, one of which is collaterals, the bank specifies guidelines for certain types of collaterals. Major types are as follows:

- Real estate mortgage
- Operating asset mortgage such as machinery and goods
- Mortgage of financial instruments such as: securities or equities

Usually the long term facilities are related to corporate, while short term facilities or credit for retail to minimize any losses to minimal. The bank seeks extra collaterals from related parties if a sign of impairment of any financing or facility occurs.

Collaterals depend mainly on type of facility, treasury bills and securities are usually with no collaterals, except for financial pools covered by asset-backed securities and similar guaranteed by financial instruments.

Commitments related to credits:

The major need for commitments related to credits is for the client to have liquidity when needed, Guarantees and standby letters of credit issued by the bank on behalf of the client; to grantee a third party the right to withdrawal from the clients account within a certain limit.

Usually this is guaranteed by shipped merchandise or goods therefore the risk weight is less than direct financings.

Credit commitments represent the hidden unused part of the risk tolerated by the bank such as granting financings, LCs and LGs, the Bank then is subject to losses to equal value of credits. Losses indorsed by unused credits are less than the value, due to facilities being granted for possible commitments for a specific client with certain conditions, The Bank observes the credits till maturity date (long term credits hold a higher risk weight).

3/1/3 Impairment & Provisioning Policies

Impairment loss provisions stated on the end of year balance sheet are extracted from the categorized weight risk rating. Provisions are mainly calculated for credits holding the lowest category and the following table clarifies the percentage upon which the provisions are calculated:

	31 December 2014		31 December 2013	
Banks Rating	**Financings and Facilities**	**Impairment loss provisions**	Financings and facilities	Impairment loss
Good debts	**84%**	**20%**	77%	12%
Regular follow up	**12%**	**12%**	16%	15%
Special follow up	**0%**	**1%**	1%	3%
Bad debts	**4%**	**67%**	6%	70%
	100%	**100%**	100%	100%

Internal evaluation helps to clarify if there are any significant indications existing for provisions, as per Egyptian Accounting Standards no. 26. Guided by the following points set by the bank:

- Financial problems faced by the client.
- Breaching of financing contract for example overdue installments.
- Prediction of bankruptcy or liquidation or financial restructure.
- Deterioration of competitive position.
- The Bank granting superior or extraordinary facilities that the bank could normally not agree upon.
- Impairment of the collateral.
- Deterioration of credit status

The bank's policy includes revising all the bank's assets (exceeding a certain percentage of importance) at least once per year or more if needed.

Loss is evaluated at the balance sheet date on all major accounts. Evaluation normally includes the existing collateral, verifying all payments and withdrawals from the account, impairment loss is accumulated on similar assets; historical expertise, personal judgment statistical methods.

3/1/4 Model of General Risk Measurement

In addition to the 4 categories stated in note 3/1/1, the management takes on several other detailed measurements, to comply with the CBE requirements. Assets exposed to risk are categorized as per the CBE's conditions and instructions, mainly related to the client, such as: activity, financial position, payment stability.

The bank calculates the impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the required for impairment losses as per CBE credit worthiness rules exceeds the provisions, that excess shall be debited to retained earnings and carried to the general reserve for banking risks in the equity section.

Such reserve is always adjusted on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution (note 31/2) and shows the movement on the general reserve for banking risks during the financial year.

As follows is the statement of credit rating for corporations as per the Bank's internal ratings as compared with those of CBE's; it also includes the percentages of provisions required for impairment of assets exposed to credit risk.

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

3/1/5 Maximum limit for credit risk before guarantees

5/A Maximum limit for credit risk before guarantees:

3/1/5 Maximum limit for credit risk before guarantees

(All amounts are in thousand egyptian pounds)

	31 December 2014	31 December 2013
Balance sheet items exposed to credit risks		
Treasury bills	**4,324,478**	3,456,178
Financing to customers		
Retail loans		
- Overdraft	**1,407**	1,749
- Covered cards	**398,482**	143,854
- Personal financing	**3,928,311**	3,020,518
- Real estate mortgage	**1,164**	6,332
Corporate loans:		
- Overdraft	**1,097,024**	614,716
- Direct financing	**4,573,044**	3,446,222
- Syndicated financing	**270,787**	332,321
Financial investments:		
Debt instruments	**1,586,926**	1,149,033
Other assets	**1,104,520**	1,016,448
Total	**17,286,143**	13,187,371
Off balance sheet items exposed to credit risks		
Letters of credit (import & confirmed export)	**359,913**	288,566
Letters of guarantee	**423,305**	300,071
Documentary credit	**184,965**	75,711
Bank guarantees	**196,209**	333,897
Total (note 32/2)	**1,164,392**	998,245

The above table represents the maximum limit of risk to be exposed to at the end of September 30th, 2014 and without taking into consideration any guarantees, for balance sheet items, amounts stated depends on the net carrying amount shown in the balance sheet.

As shown in the preceding table **59,41** % (31 December 2013: **57.37**%) of the maximum limit exposed to credit risk results from financings and facilities to customers, while investments in debt instruments represents **9.18%**(31 December 2013: **8.71**%).

The management is confident in its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from financing portfolio, facilities, and debt instruments as follows:

- **95.86** % (31 December 2013: **92.43** %) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.

- **83.75** % (31 December 2013:**76.74** %) of the financing portfolio and facilities having no arrears or indicators of impairment.

- Financings and facilities valued on a separate basis amounting to LE **416mn** (31 December 2013: LE **462mn**) with impairment less than **4.05** % from its value against (31 December 2013: **6.11** %).

- The bank applied more prudential selection process on granting financings and facilities during the financial Year ended at 31 December 2014

- **100** % of investments in debt instruments and treasury bills represent debt instruments due from the Egyptian government.

3/1/6 Financing and facilities to customers:

The status of balances of financings and facilities in terms of credit rating are as follows:

3/1/6 Financings and Facilities:

		Value in LE 000's
	31 December 2014	31 December 2013
Financings and facilities	**Financings and facilities to customers**	Financings and facilities to customers
Neither past due nor impaired	**8,601,263**	5,806,147
Past due not impaired	**1,252,618**	1,297,449
Subject to impairment*	**416,338**	462,116
Total (note 2/17)	**10,270,219**	7,565,712
Less:		
Impairment loss provision **	**256,492-**	233,538-
profit in suspense	**21,918-**	34,392-
Deferred profits	**1,116,312-**	694,460-
Net (note 2/17)	**8,875,497**	6,603,322

Non-performing financing against guarantees and not subject to impairment after taking into consideration the collectability of the guarantees, Financings and facilities portfolio has increased by **35.75**% as of 31 December 2014 (31 December 2013: increased by **22.59**%).

*Customers financing and facilities subjected to impairment related to the period before acquisition.

** The impairment loss provision for non-performing portfolio amounted to LE 107 mm as of 31 December 2013 as the bank has written off non-performing facilities of total amount LE 3235 mm related to the period before the acquisition .

3/1/6 Financing and facilities to customers - continued.

Financing to banks and customers:

Value in LE '000

31 December 2014

Rating	Retail: Overdraft	Retail: Covered cards	Retail: Personal financing	Retail: Real estate mortgage	Corporate: Overdraft	Corporate: Direct facilities	Corporate: Syndicated financing	Total
Good financing	1,407	393,135	3,806,934	61	953,813	3,365,725	80,188	8,601,263
Regular follow up	-	4,395	34,057	1,053	143,159	870,436	190,599	1,243,699
Special follow up	-	801	3,930	50	52	4,086	-	8,919
Bad debts	-	151	83,390	-	-	332,797	-	416,338
Total	1,407	398,482	3,928,311	1,164	1,097,024	4,573,044	270,787	10,270,219

Value in LE '000

31 December 2013

Rating	Retail: Overdraft	Retail: Covered cards	Retail: Personal financing	Retail: Real estate mortgage	Corporate: Overdraft	Corporate: Direct facilities	Corporate: Syndicated financing	Total
Good financing	1,749	142,297	2,903,923	472	614,525	2,105,682	37,500	5,806,148
Regular follow up	-	1,149	31,919	4,650	190	854,157	294,821	1,186,886
Special follow up	-	290	4,284	-	1	105,989	-	110,564
Bad debts	-	118	80,392	1,210	-	380,394	-	462,114
Total	1,749	143,854	3,020,518	6,332	614,716	3,446,222	332,321	7,565,712

Financing and facilities neither past due nor impaired

The credit worthiness for financings and facilities portfolio that are neither past due nor impaired is based on the banks' internal rating.

3/1/6 Financing and facilities to customers – continued

Financing and facilities past due but not impaired:

They are financings and facilities having arrears until 90 days and they are not subject to impairment unless there is information to the contrary, Financings and facilities to customers having arrears and not subject to impairment are represented as follows:

Value in LE'000

31 December 2014	Retail				
	Overdraft	Covered cards	Personal financings	Real Estate Mortgage	Total
30 to 60 days arrears	-	4,395	34,057	1,053	39,505
60 to 90 days arrears	-	801	3,930	50	4,781
Total	-	5,196	37,987	1,103	44,286

31 December 2013	Retail				
	Overdraft	Covered cards	Personal financings	Real Estate Mortgage	Total
30 to 60 days arrears	-	-	-	-	-
60 to 90 days arrears	-	-	-	-	-
Total	-	-	-	-	-

Value in LE'000

31 December 2014	Corporate				
	Overdraft	Direct financing	Syndicated financings	Others	Total
30 to 60 days arrears	143,159	870,436	190,599	-	1,204,194
60 to 90 days arrears	52	4,086	-	-	4,138
Total	143,211	874,522	190,599	-	1,208,332

31 December 2013	Corporate				
	Overdraft	Direct financing	Syndicated financings	Others	Total
30 to 60 days arrears	-	-	-	-	-
60 to 90 days arrears	-	-	-	-	-
Total	-	-	-	-	-

At the initial recognition of financings and facilities, the fair value of the guarantees is determined using similar techniques for similar assets subsequently, its fair value is updated to reflect either the market price or prices of similar assets.

3/1/6 Financing and facilities to customers – continued

Financing subject to individual impairment:

Financing and facilities to customers

Value in LE '000

31 December 2014	**Retail**			**Corporate**	**Total**
	Covered cards	**Personal financing**	**Real estate mortgage**	**Direct financing**	
Financings subject to individual impairment	**151**	**83,390**	**-**	**332,797**	**416,338**

31 December 2013	Retail			Corporate	Total
	Covered cards	Personal financing	Real estate mortgage	Direct financing	
Financings subject to individual impairment	119	80,392	1,211	380,394	462,116

Re-structured financing

Restructuring activities include renegotiating, extending payment terms, applying mandatory management policies, and adjusting/postpone repayment terms. Renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability. These policies are subject to regular review. Long-term financings, especially financings to customers are usually subject to renegotiation.

Financing and facilities to customers		**Value in EGP '000**
Corporate	**31 December 2014**	31 December 2013
Direct financing	**208,950**	214,200
	208,950	214,200

3/1/7 Investments in debt instruments and treasury bills:

The following table represents breakdown of debt instruments and Treasury Bills, as per rating agencies at the end of the financial Year (Standard and Poors – Mercis).

Value in LE'000

31 December 2014	Treasury bills	Investments in debt instruments	Total
Less than B-	4,324,478	1,586,926	5,911,404
	4,324,478	**1,586,926**	**5,911,404**

3/1/8 Collaterals acquisition:

-During the current year, assets reverted to bank are:

	31 December 2014 Book value
Asset nature	
Real estate	114,412
Total	114,412

-Assets reverted to bank are classified under other assets caption in the balance sheet and those assets are sold when this is practical.

3/1/9 Activities Sectors

Value in LE '000

31 December 2014	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Total
Revenue and expense according to activity sector					
Revenue from activity sectors	434,987	633,915	439,055	323,621	1,831,578
Expenses of activity sectors	121,908-	39,502-	667,851-	576,773-	1,406,034-
Profit before tax for the year	313,079	594,413	228,796-	253,152-	425,544
Tax	-	-	-	160,032-	160,032-
Profit for the year	313,079	594,413	228,796-	413,184-	265,512
Assets and liabilities according to activity sectors					
Assets related to activity sectors	5,940,855	6,959,960	4,329,364	-	17,230,179
Non-classified assets	-	-	-	2,404,379	2,404,379
Total assets	5,940,855	6,959,960	4,329,364	2,404,379	19,634,558
Liabilities of activity sectors	4,429,842	996,335	12,171,886	-	17,598,063
Non-classified liabilities	-	-	-	873,792	873,792
Total liabilities	4,429,842	996,335	12,171,886	873,792	18,471,855

Value in LE '000

31 December 2013	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Total
Revenue and expense according to activity sector					
Revenue from activity sector	384,534	803,388	378,244	-	1,566,166
Expenses of activity sector	88,117-	64,935-	400,061-	894,488-	1,447,601-
Profit before tax for the year	296,417	738,453	21,817-	894,488-	118,565
Tax	-	-	-	88,231	88,231
Profit for the year	296,417	738,453	21,817-	806,257-	206,796
Assets and liabilities according to activity sectors					
Assets related to activity sectors	4,846,717	5,504,882	3,861,550	-	14,213,149
Non-classified assets	-	-	-	2,124,453	2,124,453
Total assets	4,846,717	5,504,882	3,861,550	2,124,453	16,337,602
Liabilities of activity sectors	3,065,387	210,122	11,284,722	-	14,560,231
Non-classified liabilities	-	-	-	863,113	863,113
Total liabilities	3,065,387	210,122	11,284,722	863,113	15,423,344

3/1/10 Geographical sectors:

Value in LE'000

	Arab Republic of Egypt				Other Countries	
	Cairo	Alex, Delta & Sinai	Upper Egypt	Total		Total
Treasury bills	**4,324,478**	**-**	**-**	**4,324,478**	**-**	**4,324,478**
Investments in debt instruments	**1,586,926**	**-**	**-**	**1,586,926**	**-**	**1,586,926**
Financing to customers						
Retail:						
Overdraft	**969**	**317**	**121**	**1,407**	**-**	**1,407**
Covered cards	**398,482**	**-**	**-**	**398,482**	**-**	**398,482**
Personal Financing	**2,228,029**	**1,235,791**	**464,491**	**3,928,311**	**-**	**3,928,311**
Realestate mortgage	**1,164**	**-**	**-**	**1,164**	**-**	**1,164**
Corporate financing:						
Overdraft	**1,097,002**	**22**	**-**	**1,097,024**	**-**	**1,097,024**
Direct financing	**4,559,372**	**13,664**	**8**	**4,573,044**	**-**	**4,573,044**
Syndicated financing	**270,787**	**-**	**-**	**270,787**	**-**	**270,787**
Total as of 31 December 2014	**14,467,209**	**1,249,794**	**464,620**	**16,181,623**	**-**	**16,181,623**
Total as of 31 December 2013	10,778,094	1,060,051	332,778	12,170,923	-	12,170,923

3/1/11 Activities sectors

Value in LE'000

	Financial institution	Manufacturing institution	Services	Wholesale and retail	Governmental sector	Retail	Total
Treasury bills	-	-	-	-	4,324,478	-	4,324,478
Financings and facilities to customers							
Consumer loans:							
Overdrafts	-	-	-	-	-	1,407	1,407
Covered cards	-	-	-	-	-	398,482	398,482
Personal financing	-	-	-	-	-	3,928,311	3,928,311
Mortgage financing	-	-	-	-	-	1,164	1,164
Corporate financing							
Overdrafts	-	316,721	-	109,137	671,166	-	1,097,024
Directs financing	114,239	1,975,329	55,396	1,775,928	652,152	-	4,573,044
Syndicated financing	-	80,188	-	-	190,599	-	270,787
Financial investments							
Debt instruments	1,974	-	-	-	1,584,952	-	1,586,926
Total as of 12/31/2014	**116,213**	**2,372,238**	**55,396**	**1,885,065**	**7,423,347**	**4,329,364**	**16,181,623**
Total as of 12/31/2013	2,005	1,943,927	1,006,704	624,818	6,022,016	3,330,558	12,930,028

3/2 Market Risk

The bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open 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.

Bank treasury is responsible for managing the market risks arising from trading and non-trading activities of which 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 includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

3/2/1 Market Risk Measurement techniques

The following are the major measurement techniques used:

A. Value at risk

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board 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 market risk department.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding 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 five hundred days. The Bank applies these historical changes in rates prices indicators….etc. directly to its current positions this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

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

As VAR 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 period was LE 1,586,926 against LE 1,149,033 as at 31 December 2013.

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

B. Stress Testing:

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

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

3/2/2 VAR summary

Total value at risk according to type of risk:

Value in LE '000

	12 months to 31 December 2014			12 months to 31 December 2013		
	Average	**High**	**Low**	Average	High	Low
profit rate risk	**1,586,926**	-	-	1,149,033	-	-
Total value upon risk	**1,586,926**	-	-	1,149,033	-	-

The increase in VAR especially the interest rate risk mainly 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.

3/2/3 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 set aggregate limits for foreign exchange in the total value (summation value) for each position at the end of the day, and during the day which is controlled on timely basis. The following table summarizes the Bank' exposure to foreign exchange volatility risk at the end of the financial year. The following table includes the carrying amounts of the financial instruments in their currencies:

31 December 2014							Value in LE '000
	LE	**USD**	**Euro**	**Sterling**	**Yen**	**Others**	**Total**
Assets							
Cash and due from CBE	**1,298,303**	**13,313**	**428**	**1,633**	**30**	**4,138**	**1,317,845**
Due from banks	**501,269**	**548,267**	**20,153**	**113,850**	**272**	**26,192**	**1,210,003**
Treasury bills	**3,986,850**	**285,604**	**-**	**52,024**	**-**	**-**	**4,324,478**
Financing and facilities to customers	**7,879,445**	**2,381,500**	**750**	**8,524**	**-**	**-**	**10,270,219**
Financial Investments							
Available for sale	**1,589,370**	**21,122**	**-**	**-**	**-**	**-**	**1,610,492**
Held to maturity	**12,555**	**-**	**-**	**-**	**-**	**-**	**12,555**
Investment in associates and subsidiaries	**189,002**	**-**	**-**	**-**	**-**	**-**	**189,002**
Other assets	**1,104,520**	**-**	**-**	**-**	**-**	**-**	**1,104,520**
Total Financial Assets	**16,561,314**	**3,249,806**	**21,331**	**176,031**	**302**	**30,330**	**20,039,114**
Liabilities							
Due to banks	**21,043**	**693,953**	**-**	**78,035**	**-**	**95**	**793,126**
Customers' deposits	**15,373,960**	**1,079,397**	**21,271**	**98,187**	**596**	**28,317**	**16,601,728**
Subordinated financing	**-**	**203,209**	**-**	**-**	**-**	**-**	**203,209**
Total Financial Liabilities	**15,395,003**	**1,976,559**	**21,271**	**176,222**	**596**	**28,412**	**17,598,063**
Net Financial Position	**1,166,311**	**1,273,247**	**60**	**(191)**	**(294)**	**1,918**	**2,441,051**
31 December 2013							
Total Financial Assets	13,274,716	2,667,745	22,774	114,536	558	26,711	16,107,040
Total Financial Liabilities	13,647,233	957,572	23,017	118,901	549	26,517	14,773,789
Net Financial Position	(372,517)	1,710,173	(243)	(4,365)	9	194	1,333,251

3/2/4 Interest rate risk

The Bank is exposed to interest rate risk which 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 may profit decrease in the event that unexpected movements arise. The Board of Director sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by Bank risk department

Value in EGP '000

31 December 2014	Up to 1 Month	1-3 months	3-12 Months	1-3 years	More than 3 years	Total
Financial Assets						
Cash and due from CBE	152,218	-	-	1,165,627	-	1,317,845
Due from banks	1,102,859	107,144	-	-	-	1,210,003
Treasury bills	1,310,452	803,101	2,210,925	-	-	4,324,478
Financing and facilities to customers	626,104	1,310,091	3,412,948	3,630,205	1,290,871	10,270,219
Financial Investments						
Available for sale	480,871	56,000	194,478	546,628	332,515	1,610,492
Held to maturity	-	-	-	-	12,555	12,555
Investments in subsidiaries and associates	-	-	-	189,002	-	189,002
Other financials assets	33,035	16,261	269,405	1,566,259	480,420	2,365,380
Total Financial Assets	3,705,539	2,292,597	6,087,756	7,097,721	2,116,361	21,299,974
Financial Liabilities						
Dues to banks	793,126	-	-	-	-	793,126
Customers deposits	3,293,426	1,261,788	1,890,378	8,167,855	1,988,281	16,601,728
Subordinated financing	-	-	-	-	203,209	203,209
Other financials liabilities	522	250	360,018	960,991	2,380,130	3,701,911
Total Financial Liabilities	4,087,074	1,262,038	2,250,396	9,128,846	4,571,620	21,299,974
Profit re-pricing	(381,535)	1,030,559	3,837,360	(2,031,125)	(2,455,259)	-

3/3 Liquidity risk

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

The Bank's liquidity management process carried out by the Bank risk department includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be borrowed to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios in relation with internal requirements and central bank of Egypt requirements.
- Managing financing and facilities concentration and dues.

For monitoring and reporting purposes The Bank calculates the expected cash flow for the next day, week and month which are the main time Spain to manage liquidity

The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Its' role is also to monitor the liquidity gaps between average maturity assets and the level and type of unused financing commitments, the ratio of usage of debit current accounts, and the effect of contingent liabilities such as LCs and LGs.

Funding strategy:

Liquidity resources are reviewed through a separate team at the risk department to maintain wide diversification by currencies, geographical location, sources as well as maturities.

Assets available to meet all liabilities and cover financing commitments include cash, balance with the central bank, balances due from banks, treasury bills and financings and facilities to banks and customers. Moreover, some financing and facilities to customers may be extended during the normal course of business of the bank. The bank has the ability to meet unexpected net cash flows through selling financial papers, and finding other financing sources.

3/4 Capital Management

Basel II

The bank's objectives in managing its capital include elements in addition to 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 ratio and capital usage is reviewed on a daily basis in accordance with regulatory authority's requirements (CBE), through set models based on Basel II instructions, the required information is presented to the CBE on a quarterly basis.

The CBE regulations require compliance with the following:

- Maintaining LE 500mn as a minimum requirement for the authorized and issued capital.
- Maintaining a ratio between capital elements, asset and contingent liability elements weighted by risk weights at 10% or more.

The capital adequacy ratio consists of the following two tiers:

Tier 1:

It is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks), retained earnings, reserves resulting from profit appropriations except the general banking risk reserve less any goodwill previously recognized and any carried forward losses.

Tier 2:

Is the sub-ordinate capital comprising the equivalent of the general banking risk reserve in accordance with CBE credit rating deposits not more than 1.25 % of total assets and contingent liabilities (credit risk weights), subordinate deposits / financings maturing after more than 5 years (amortizing 20% of their value each year), and 45 % of the increase between the fair value and carrying amount for the available for sale investments, investments held to maturity, and investments in affiliates and subsidiaries.

The numerator of capital adequacy ratio calculation has to consider:

- Subordinated capital not exceed the basic capital.
- Subordinated financing (deposits) not exceed half basic capital.

Assets are risk weighted in a range from 0% to 100 % according to the debit party for each asset, to reflect 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.

The bank has complied with all the local capital requirements during the last two years. Following is a table summarizing capital and capital adequacy ratio:

Basel II

	31 December 2014	31 December 2013
Tier 1 - Part A	**EGP '000**	EGP '000
Going concern capital		
Capital shares	**2,000,000**	2,000,000
Paid under capital increase	**1,861,418**	1,861,418
Reserves	**65,400**	65,400
Accumulated loss	**3,136,166-**	3,229,909-
Dedcut: Financial institutions investment	**3,819-**	978-
Total Tier 1 - Part A - Going concern capital	**786,833**	695,931
Tier 1 - Part B Gone concern capital		
Differnce between FV and PV for subordinated financing	**73,137**	53,777
Total Tier 1 - Part B - Gone concern capital	**73,137**	53,777
Total qualifying Tier 1 (Part A+B)	**859,970**	749,708
Tier 2		
Impairment losses related to financing, facilities, performing contingent liabilities	**86,571**	70,331
Subordinated financing	**203,210**	209,023
45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates	**38,541**	53,438
45% of special reserve	**7,724**	7,724
Total qualifying Tier 2	**336,046**	340,516
Capital Base (Tier 1 +Tier 2)	**1,196,016**	1,090,224
Contingent assets and liabilities weighted risk	**8,795,255**	7,998,033
Capital requirement for market risk	**303,129**	289,633
Capital requirement for operation risk	**1,141,608**	756,492
Total assets and contingent liabilities weighted risk , Market and operations	**10,239,992**	9,044,158
Capital adequacy ratio (%) *	**11.68%**	12.05%

- Based on consolidated Banking group with its financial institutions and in accordance with The CBE instructions issued on 24 December 2012.
- On 31 December 2013 the CAR% reached 10.75% as published and it was adjusted to reach 10.40% according to adjustment of comparative figures on 31 December 2014.

4- Significant accounting estimates

The bank undertakes estimations and judgments that affect the value of assets and liabilities, consistently estimations and judgments are based on historical experience and other factors, including the expectations of future events that are reasonably estimated in accordance with the available information.

A) Impairment loss for financings and facilities

The bank reviews the portfolio of financings and facilities on at least a quarterly basis. The bank uses discretionary judgment on determining whether it is necessary to record impairment in the income statement using reliable data indicating measurable decline in the expected future cash flows from financing portfolio before identifying any decline at the level of one financing. This evidence include data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having credit risks. Such experience refers to impairment similar to that of the portfolio in question.

The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on given experience.

B) Impairment loss of equity instruments available for sale

In the case of available for sale financial investments, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. Where such evidence exists, significant or prolonged decline needs a personal judgment. To make this judgment the bank assesses, besides other factors, the common share price volatility. In addition, impairment exists when there is objective evidence that a certain company has a financial difficulty in its cash flow from operating and financing activities, industry tool or sector or technological advances.

C) Financial Investments Held to Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as investments held to maturity. This category requires personal judgment and therefore the bank tests whether there is a genuine intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity (except for certain tightly defined circumstance such as if an entity sells an insignificant amount of held to maturity investments close to maturity date), investments should be reclassified as available for sale, which will be measured at fair value instead of amortized cost.

5- Net profit income

	31 December 2014 LE000's	31 December 2013 LE 000's
Financing and facilities		
To banks	-	309
To customers	874,043	650,986
Treasury bills and bonds	589,635	574,280
Deposits and current accounts	8,368	3,876
Total	1,472,046	1,229,451
Cost of Deposits and similar expenses		
Deposits and Current Accounts:		
To banks	34,541-	65,814-
To customers	789,758-	756,444-
Total	824,299-	822,258-
Net	647,747	407,193

6- Net fees and commission income

	31 December 2014 LE000's	31 December 2013 LE 000's
Fees and commissions income:		
Fees and commissions related to financing	29,458	18,820
Fees related to corporate finance	155,841	54,514
Other fees	63,757	44,084
Total	249,056	117,418
Fees and commissions expenses:		
Other fees paid	12,404-	5,626-
Net	236,652	111,792

7- Dividends income

	31 December 2014 LE000's	31 December 2013 LE 000's
Available for sale investments	**636**	3,452
Sanable Fund dividends	**225**	375
Investments in associates and subsidiaries	**2,466**	-
Total	**3,327**	3,827

8- Net trading income

	31 December 2014 LE000's	31 December 2013 LE 000's
Foreign currencies operations		
Gain from foreign currencies exchange	**101,569**	221,189
Loss on revaluation of assets and liabilities by foreign currency for trading	**-**	29-
Gain / (loss) on sale of held for trading investments	**318**	265-
Total	**101,887**	220,895

9- Administrative expenses

	31 December 2014 LE000's	31 December 2013 LE 000's
Salaries and wages*	**267,611-**	265,695-
Social insurance	**12,438-**	11,999-
Employees benefits:		
Defined contribution plan	**18,000-**	8,855-
Defined benefit plan	**7,933-**	5,905-
Depreciation and amortization	**72,822-**	61,863-
Other administrative expenses	**204,704-**	152,021-
Total	**(583,508)**	(506,338)

* Salaries and wages for the year ended 31 December 2014 includes an amount of LE **20,586** which represents average total top 20 salaries paid during the year.

10- Other operating expenses

	31 December 2014 LE000's	31 December 2013 LE 000's
(Loss) / Gain on sale of assets reverted to Bank	847-	16,496
Gain on sale of fixed assets	4,625	7,907
Software cost	5,450-	4,670-
Operating lease	19,171-	49,072-
Early retirement costs	8,883-	102,973-
Impairment loss for assets reverted to Bank	359-	1,181-
Impairment of other provisions (Note 27)	40,735-	66,630-
Others	11,871	5,594
Total	(58,949)	(194,529)

11- Impairment loss

	31 December 2014 LE000's	31 December 2013 LE 000's
Financing to banks(17/1)	-	19
Financing and facilities to customers net (17/2)	63,564	68,265
Impairment loss recovery of HTM investments	653	860
Total	64,217	69,144

12- Tax

	31 December 2014 LE000's	31 December 2013 LE 000's
Deferred tax (expense) / income	(160,032)	88,231
Total	(160,032)	88,231
The settlement actual price for income tax		
Income before tax	425,544	118,565
Income tax based on applied tax price	127,663	29,641
Taxable effect Per each of :		
Non-deductible expenses	3,649	107,317
Non-taxable Income	(3,231)	(1,829)
Tax losses not previously recognized	(57,049)	(223,360)
Other taxes	89,000	-
Taxable income	160,032	88,231-
Income tax according to effective tax rate	38%	0%

Additional information about deferred tax is presented in note 28. The effective tax that has been charged to the income statement from the amount that would arise using the tax rate applied on the bank's net income.

13- Earnings per share

Earnings per share calculated by dividing the net profit of the year by weighted average number of ordinary issued shares during the year.

	31 December 2014 LE 000's	31 December 2013 LE 000's
Net Profit for the year	**265,512**	206,796
Weighted average of ordinary shares	**200,000**	200,000
Earning per share	**1.33**	1.03

* For the purpose of presenting gain per share, the bank did not discounted board members and staff bonus due to accumulated loss which comply with companies' law no. 159 for 1981 article 194.

14- Cash and due from Central Bank of Egypt

	31 December 2014 EGP '000	31 December 2013 EGP '000
Cash	**152,218**	173,310
Due from Central Bank mandatory reserve requirements	**1,165,627**	1,520,698
Total	**1,317,845**	1,694,008
Non-profit bearing balances	**1,317,845**	1,694,008

15- Due from banks

	31 December 2014 EGP '000	31 December 2013 EGP '000
Current accounts	**120,837**	140,598
Deposits	**1,089,166**	1,131,453
Total	**1,210,003**	1,272,051
Central bank (including the required reserve percentage)	**504,144**	93,584
Local banks	**279,659**	229,527
Foreign banks	**426,200**	948,940
Total	**1,210,003**	1,272,051
Non profit bearing balances	**120,837**	141,060
Fixed profit balances	**1,089,166**	1,130,991
Total	**1,210,003**	1,272,051

16- Treasury bills

	31 December 2014 EGP '000	31 December 2013 EGP '000
91 days maturity	23,000	15,000
182 days maturity	150,700	78,025
273 days maturity	1,406,425	1,524,650
364 days maturity	2,744,353	2,597,608
	4,324,478	4,215,283
Unearned revenues	(197,568)	(199,415)
Total	4,126,910	4,015,868
Repo's		
Repo's matured during 1 week	-	(759,105)
Total (1+2)	4,126,910	3,256,763

17- Financing and facilities to banks and customers

17-1 Facilities to banks

	31 December 2014 EGP '000	31 December 2013 EGP '000
Syndicated facilities	-	-
	-	-
Less		
Impairment loss Provision	-	-
Net	-	-

Impairment loss Provision		
Balance at the beginning of the year	-	19
Impairment loss charged during the year	-	1
Provision no longer required	-	(20)
	-	-

17 – Financing and facilities to banks and customers – Continued

17/2 Financing and facilities to customers – Continued

	31 December 2014 EGP '000	31 December 2013 EGP '000
Retail		
Overdraft	**1,407**	1,749
Covered cards	**398,482**	143,854
Personal financing	**3,928,311**	3,020,518
Real estate mortgage	**1,164**	6,332
Total (1)	**4,329,364**	3,172,453
Corporate (including SMEs)		
Overdraft	**1,097,024**	614,716
Direct financing (*)	**4,573,044**	3,446,222
Syndicated financing	**270,787**	332,321
Total (2)	**5,940,855**	4,393,259
Total financing and facilities (1 + 2)	**10,270,219**	7,565,712
Impairment loss	**256,492-**	233,538-
Profit in suspense (**)	**21,918-**	34,392-
Deferred profit	**1,116,312-**	694,460-
Net	**8,875,497**	6,603,322
Net distributed as follows:		
Conventional loans to customers (Net)	**227,952**	294,736
Financing to customers (Net)	**8,647,545**	6,308,586
Net	**8,875,497**	6,603,322

* During 2013, the bank has written off some of non-performing debts by total amount of LE 3,235,252k.

** Profit in suspense was previously formed in accordance with credit instructions issued by CBE.

	31 December 2014 EGP '000	31 December 2013 EGP '000
Impairment loss Provision		
Balance at the beginning of the year	**233,538**	3,505,882
Impairment loss charged during the year	**37,686**	12,163
Recoveries during the year	**94,635**	-
Utilized during the year	**(11,757)**	(3,235,252)
Transferred to other liabilities	**3,171**	(1,951)
Provision no longer required	**(101,250)**	(79,090)
Foreign currency revaluation differences	**469**	31,786
Balance at the end of year	**256,492**	233,538

17/2 Financing and facilities to customers – Continued

Total financing and facilities to customers (net of deferred profit)

	31 December 2014 EGP '000	31 December 2013 EGP '000
Retail		
Overdraft	**1,407**	1,749
Covered cards	**111,036**	34,112
Personal financing	**3,124,576**	2,439,923
Real estate mortgage	**1,164**	6,332
Total (1)	**3,238,183**	2,482,116
Corporate (including SMEs)		
Overdraft	**1,097,036**	614,715
Direct financing	**4,547,901**	3,442,100
Syndicated financing	**270,787**	332,321
Other Loans	**-**	-
Total (2)	**5,915,724**	4,389,136
Total financing and facilities to customers	**9,153,907**	6,871,252
Less		
Impairment losses	**(256,492)**	(233,538)
Profit in suspense *	**(21,918)**	(34,392)
Net	**8,875,497**	6,603,322
Net distributed as follows:		
Conventional financing (Net)	**227,952**	294,736
Islamic financing (Net)	**8,647,545**	6,308,586
Net	**8,875,497**	6,603,322

* Profit in suspense was previously formed in accordance with credit instructions issued by CBE.

17/2 – Financing and facilities to customers – Continued

Movement for impairment losses for financing as per type:

31 December 2014 — Value in EGP '000

Retail	**Overdraft**	**Covered Cards**	**Personal Financing**	**Real Estate Mortgage**	**Total**
Balance as at 1 January 2014	-	431	92,263	1,213	93,907
Impairment loss charged during the year	-	649	4,470	480-	4,639
Used during the year	-	527-	2,838-	497-	3,862-
Recoveries during the year	-	110	241	-	351
Provision no longer required	-	110-	558-	-	668-
Balance as at 31 December 2014	-	553	93,578	236	94,367

31 December 2013

Retail	Overdraft	Covered Cards	Personal Financing	Real Estate Mortgage	Total
Balance as at 1 January 2013	-	46	288,468	1,622	290,136
Impairment loss charged during the year	-	1,131	13,799	409-	14,521
Used during the year	-	746-	209,923-	-	210,669-
Recoveries during the year	-	-	81-	-	81-
Balance as at 31 December 2013	-	431	92,263	1,213	93,907

31 December 2014

Corporate	**Overdraft**	**Direct Financing**	**Syndicated Financing**		**Total**
Balance as at 1 January 2014	1,196	130,029	8,406	-	139,631
Impairment loss charged during the year	5,455	31,280	3,688-	-	33,047
Used during the year	-	7,895-	-	-	7,895-
Recoveries during the year	-	94,284	-	-	94,284
Transferred to other liabilities	-	3,171	-	-	3,171
Provision no longer required	-	100,582-	-	-	100,582-
Foreign currency revaluation differences	-	449	20	-	469
Balance as at 31 December 2014	6,651.00	150,736	4,738	-	162,125

31 December 2013

Corporate	Overdraft	Direct Financing	Syndicated Financing		Total
Balance as at 1 January 2013	2,979	3,203,140	9,627	-	3,215,746
Impairment loss charged during the year	1,783-	1,117	1,692-	-	2,358-
Used during the year	-	3,024,583-	-	-	3,024,583-
Provisions not required	-	79,009-	-	-	79,009-
Transferred from other provisions	-	1,951-	-	-	1,951-
Foreign currency revaluation differences	-	31,315	471	-	31,786
Balance as at 31 December 2013	1,196	130,029	8,406	-	139,631

18- Financial investments

	31 December 2014 LE 000's	31 December 2013 LE 000's
18/1 Available for sale investment		
Debt instruments - at Fair value		
Listed	**1,586,871**	1,143,699
Equity instruments - at fair value		
Unlisted	**23,621**	33,780
Total available for sale investments (1)	**1,610,492**	1,177,479
18/2 Financial Investment Held to maturity		
Debt Instruments- at amortized cost		
Listed	**55**	5,334
Sanabel Fund (*)	**7,500**	6,847
El-Naharda Fund (**)	**5,000**	-
Total Investments held to maturity (2)	**12,555**	12,181
Total Financial Investments (1 + 2)	**1,623,047**	1,189,660
Categorized as follows:		
Current	**1,586,926**	1,149,033
Non-Current	**36,121**	40,627
Total	**1,623,047**	1,189,660
Categorized as follows:		
Fixed profit debt instruments	**1,584,953**	1,140,377
Variable profit debt instruments	**14,473**	15,503
Variable profit equity instruments	**23,621**	33,780
Total	**1,623,047**	1,189,660

- Mutual Funds

*** Sanabel Islamic Mutual Fund:**

- The investments held to maturity include the bank's investment in Sanabel Islamic mutual fund in association with ABC bank, managed by HC Company.
- The number of bank's IC's share is **75k** (7.5%) of par value **LE 100**. The acquisition cost amounted to LE **7,635k.**
- The redeemable value of the certificate as 31 December 2014 amounted of LE **104.51** (December 31, 2013: LE **79.82**).

**** Abu Dhabi Islamic Bank (El-Nahrda) Mutual Fund:**

- The Bank has established Abu Dhabi Islamic Bank (El-Nahrda) Mutual Fund (compatible with the principles of Islamic Sharia law, the fund is managed by Beltone management of investment funds.
- The number of bank's IC's share is 50k (2%) of par value LE 100.
- The redeemable value of the certificate as 31 December 2014 amounted of LE 100.96.

18- Financial investments (continued)

Value in LE000's

	Financial Investment AFS	Financial Investment HTM	Total
Balance as at 1 January 2014	**1,177,479**	**12,181**	**1,189,660**
Additions	**645,472**	**5,000**	**650,472**
Disposals (sales/redemption)	**(174,054)**	**(5,429)**	**(179,483)**
Foreign currency revaluation difference	**495**	**150**	**645**
Change in the fair value	**(38,900)**	**-**	**(38,900)**
Impairment loss recoveries	**-**	**653**	**653**
Balance as at 31 December 2014	**1,610,492**	**12,555**	**1,623,047**
Balance as at 1 January 2013	1,075,038	18,754	1,093,792
Additions	322,550	-	322,550
Disposals (sales/redemption)	(259,495)	(8,321)	(267,816)
Foreign currency revaluation difference	1,521	888	2,409
Change in the fair value	37,865	-	37,865
Impairment loss	-	860	860
Balance as at 31 December 2013	1,177,479	12,181	1,189,660

18/3 Gain from financial investment

	31 December 2014 LE000's	31 December 2013 LE 000's
Gain on sale of investments available for sale	**398**	7,913
Gain on sale of treasury bills	**2,097**	3,523
Recovery / Impairment loss of investments in associates and subsidiaries	**11,676**	(4,855)
	14,171	6,581

19- Financial investments in subsidiaries and associates

Value in EGP '000

(All amounts are in thousand egyptian pounds)

	31 December 2014		31 December 2013	
	Value	**Share %**	Value	Share %
Investments in subsidiaries				
National Company for Crystal and Glass*	**10,036**	**5.42%**	10,036	5.42%
Cairo National Company for Investment	**76,797**	**64.75%**	76,797	64.75%
National Company for Trading and Development (Entad)	**19,206**	**40.00%**	19,206	40.00%
Assuit Islamic National for Trading and Development	**23,477**	**40.00%**	23,477	40.00%
ADI Holding Company	**4,980**	**99.60%**	4,980	99.60%
ADI Capital Company	**125**	**2.50%**	125	2.50%
ADI Properities	**13**	**5.00%**	13	5.00%
Cairo National Company for Brokerage and Securities	**538**	**32.00%**	538	32.00%
Alexandria National Company for Investments	**2,181**	**9.04%**	2,181	9.04%
ADILease Leasing Company	**31,649**	**60.06%**	31,649	60.06%
Total subsidiaries companies	**169,002**		169,002	
Investments in associates				
Youth Company For Investment and General Services (SERVICO)	**126**	**1.8%**	126	1.8%
Arab Mashriq Company for Takaful Insurance	**20,000**	**20.0%**	13,000	20.0%
Total associates companies	**20,126**		13,126	
Investment in subsidiaries and associate companies	**189,128**		182,128	
Less: impairment loss	**(126)**		(11,802)	
Net investment in subsidiary and associate companies (1)	**189,002**		170,326	

*The bank sold (**77.46%**) of National Company for Crystal & Glass to Abu Dhabi Islamic Holding (Subsidiary Company) with a fair value of LE 164,185k and completed legal and formal process on 23 January 2014 .

During year of 2013 ADIB has acquired 43.08% of ADI Lease capital stock against settlement of some debts related to companies invested in ADI Lease shares, the acquisition was done with a fair value of EGP 22,906k, during 2014 the completion of the legal and formal process has completed.

As per a study by the bank's management to determine the level of control exercised over the companies, classified as associated companies, has resulted in some of these companies being reclassified to be subsidiaries.

19- Financial investments in subsidiaries and associates - continued

The bank's contribution percentage in associates and subsidiaries reached:

Value in LE '000

	Country of company	Company's assets	Company's liabilities (without equity)	Company's revenues	Net profit/loss for company	Contribution percentage
Contribution in subsidiaries						
National Company for Crystal and Glass	**Egypt**	256,665	255,653	94,070	3,924-	**5.4%**
Cairo National Company for Investment	**Egypt**	101,554	85	5,253	3,122	**64.8%**
National Company For Trade and development (ENTAD)	**Egypt**	51,048	7,287	2,731	467	**40.0%**
Assuit Islamic Company For Trade and Development	**Egypt**	79,613	7,617	3,128	905	**40.0%**
ADI Holding	**Egypt**	207,133	188,095	3,548	3,064	**99.6%**
ADI Capital	**Egypt**	8,020	3,781	6,686	1,993	**2.5%**
ADI Lease	**Egypt**	174,462	126,849	63,611	1,397	**60.1%**
ADI Properties	**Egypt**	140,996	146,609	84	4,998-	**5.0%**
Cairo National Company for Brokerage & Securities	**Egypt**	7,276	2,959	2,425	699	**32.0%**
Alexandria National Company for Financial Investments	**Egypt**	15,714	1,654	500	1,391-	**9.0%**
Contribution in associates						
Arab Mashriq Company for Takaful Insurance	**Egypt**	368,774	228,902	58,347	29,956	**20.0%**
Total		**1,411,255**	**969,491**	**240,383**	**31,290**	

20- Intangible assets (Net)

	31 December 2014 EGP '000	31 December 2013 EGP '000
Computer software		
Net book value at the beginning of year	**4,501**	11,325
Additions	**20,662**	9,463
Amortization for the year	**(21,070)**	(16,287)
Net book value at end of year	**4,093**	4,501

21- Other assets

	31 December 2014 EGP '000	31 December 2013 EGP '000
Accrued revenues	**168,582**	122,669
Pre-paid expenses	**69,343**	84,138
Down payments under purchase fixed assets	**11,349**	11,412
Assets reverted to the bank in settlement of debts (Net of Impairment)	**115,137**	10,028
Deposits and custody	**4,564**	2,887
Due from related Parties*	**192,926**	346,179
Due from tax authority - Debit balance **	**398,277**	271,010
Other debit balances	**144,342**	168,125
Total	**1,104,520**	1,016,448

*Due from related parties consists of

	31 December 2014 EGP '000	31 December 2013 EGP '000
Abu Dhabi Islamic Bank(Emirates)	**734**	425
ADI Holding ***	**187,716**	187,089
ADI Properties	**-**	154,349
ADI Lease	**1,192**	116
ADI Capital	**3,284**	4,200
Total	**192,926**	346,179

* On 23 June 2013, assets reverted to the bank of total book value LE 138,148 thousands and fair value of LE 154,066 thousand were sold to ADI Properties Company resulted in gain of total amount LE 15,918 thousand transferring an amount of LE 50.8mn has been transferred from general banking reserve to accumulated losses (Note 30/3).

During the fourth quarter of 2014 the debit balance was reclassified to be financing to customers, Impairment loss has been calculated using same methodology applied to financings and facilities to customers (Note 17/2).

** Represents amounts under settlements in dispute with the Tax Authority (Note 35).

*** The Bank Board of Directors approved to contribute in the capital increase of ADI Holding Company in its meeting held on 15 December 2014 after fulfilling the CBE consent.

22- Fixed assets (Net of accumulated depreciation)

Value in EGP '000

	Land & Premises	Machinery & Equipment	Other Assets	Total
Net book value at 1 January 2014	**30,863**	**1,774**	**198,789**	**231,426**
Additions	**107,159**	**166**	**71,191**	**178,516**
Disposals	**(3,198)**	**-**	**(158)**	**(3,356)**
Depreciation	**(5,547)**	**(354)**	**(45,851)**	**(51,752)**
Depreciation related to disposals	**670**	**-**	**72**	**742**
Net book value at 31 December 2014	**129,947**	**1,586**	**224,043**	**355,576**
Cost	**158,024**	**4,714**	**490,744**	**653,482**
Accumulated depreciation	**(28,077)**	**(3,128)**	**(266,701)**	**(297,906)**
Net book value at 31 December 2014	**129,947**	**1,586**	**224,043**	**355,576**

Value in EGP '000

	Land & Premises	Machinery & Equipment	Other Assets	Total
Net book value at 1 January 2013	19,093	1,404	223,587	244,084
Additions	22,944	667	18,096	41,707
Disposals	(10,799)	-	(139)	(10,938)
Depreciation	(2,497)	(297)	(42,782)	(45,576)
Depreciation related to disposals	2,122	-	27	2,149
Net book value at 31 December 2013	30,863	1,774	198,789	231,426
Cost	54,063	4,548	419,711	478,322
Accumulated depreciation	(23,200)	(2,774)	(220,922)	(246,896)
Net book value at 31 December 2013	30,863	1,774	198,789	231,426

- Fixed Assets not registered to the name of the bank amounted to LE **8.43mn** (31 December 2013: **EGP 10.3mn**) as of 31 December 2014. Legal registration procedures are under progress.

- Fully depreciated assets as of 31 December 2014 and still in use amounted to LE 108mn (31 December 2013: LE 107mn)

22- Fixed assets (Net of accumulated depreciation) – Continue

-Exercising the right to purchase the leased assets held under financial leasing.

-On 27th February 2014 the Bank exercised the right to purchase the leased assets held under the financial leasing from Al-Tawfik leasing company amounted to LE 115 million. The bank recorded it as fixed asset by total amount of unpaid installments of finance leasing contract and depreciated over the remaining estimated useful life for those assets.

-On 30th March 2009 the bank signed sale and finance leaseback contract of the Bank's 29 branches with Al-Tawfik Company for Financial Leasing of net book value amounted to LE 20 million compared to the total selling price amounted to LE 214 million resulted in deferred profit of LE 194 million.

-The bank paid LE 171 million of the total selling price representing the rental value for the first five years of financial lease agreement with Al-Tawfik company for a period of ten years starting from 30 April, 2009 of total rental value of LE 321 million to be paid ten annual installments (120 monthly installments) with the Bank’s option to buy the assets in whole or in part at any time during the duration of the contract

-Based on the CBE approval the bank used the profit to reduce its losses starting from year 2009 instead of recording it in capital reserve and amortizing it on the period of contract with a condition of not financing the finance leasing company to complete the sale process.

23- Due to banks

	31 December 2014 EGP '000	31 December 2013 EGP '000
Current accounts	**29,641**	1,099
Deposits	**763,485**	-
Total	**793,126**	1,099
Local banks	**170,923**	185
Foreign banks	**622,203**	914
Total	**793,126**	1,099
Non - proft balances	**29,641**	1,099
Fixed profit balances	**763,485**	-
Total	**793,126**	1,099

24- Customers' deposits

	31 December 2014 EGP '000	31 December 2013 EGP '000
Demand deposits	**3,445,836**	2,380,866
Time deposits and call accounts	**3,035,747**	3,511,273
Term saving certificates	**5,773,466**	5,014,688
Savings deposits	**3,943,351**	3,508,599
Other deposits	**403,328**	198,669
Total	**16,601,728**	14,614,095
Classified as follows:		
Corporate deposits	**4,429,842**	4,149,118
Retail deposit	**12,171,886**	10,464,977
Total	**16,601,728**	14,614,095
Non profit balances	**2,107,506**	1,521,046
Variable profit balances	**14,494,222**	13,093,049
Total	**16,601,728**	14,614,095
Current balances	**10,828,262**	9,599,406
Non-current balances	**5,773,466**	5,014,689
Total	**16,601,728**	14,614,095

25- Subordinated financing

	31 December 2014 EGP '000	31 December 2013 EGP '000
Balance at the beginning of financial year(face value of the loan)	**209,023**	180,777
Cost of subordinated loan using EIR	**10,278**	10,411
Foreign exchange differences	**5,557**	17,835
Closure of subordinated financing given in 27-dec-2012	**212,316-**	-
Present value of subordinated financing given during the year	**190,667**	-
Total	**203,209**	209,023

The subordinated financing by amount of USD 39mn equivalent to LE 278mn granted by ADIB- UAE under Wakala investment agreement for tenor of seven years starts on March 27th, 2014 with a profit rate of 0.125% from the investment amount and the expected profit equals to Libor USD on any extension period after seven years.

The bank has recognized the subordinated financing by the present value using discount rate of 5.17% and the difference between the face value and the present value in the agreement date was LE 80,676K, added to equity statement as per the CBE regulations.

26- Other liabilities

	31 December 2014 EGP '000	31 December 2013 EGP '000
Accrued revenues	**28,426**	47,580
Accrued expenses	**97,421**	59,909
Due to Tax Authority - Credit balances *	**398,277**	271,010
Other credit balances	**230,389**	106,576
Total	**754,513**	485,075

* Represents amounts under settlements in dispute with the Tax Authority (Note 36).
** Due to related parties represents the amount due to Abu Dhabi-Islamic bank-Emirates.

27- Other provisions

Value in EGP '000

	Provisions for contingent claims	Provisions for tax	Provisions for contingent liabilities	Total
Balance as at 1 January 2014	**8,805**	**62,723**	**11,965**	**83,493**
Formed during the year	**14,119**	**26,167**	**449**	**40,735**
Used during the year	**(1,646)**	**(48,297)**	**-**	**(49,943)**
Foreign exchange difference	**-**	**-**	**(26)**	**(26)**
Balance as at 31 December 2014	**21,278**	**40,593**	**12,388**	**74,259**

Value in EGP '000

	Provisions for contingent claims	Provisions for tax	Provisions for contingent liabilities	Total
Balance as at 1 January 2013	9,650	15,800	9,206	34,656
Formed during the year	922	62,945	2,763	66,630
Used during the year	(1,650)	(16,139)	-	(17,789)
Foreign exchange difference	-	-	(4)	(4)
Transferred from contingent liabilities to tax provision	(117)	117	-	-
Balance as at 31 December 2013	8,805	62,723	11,965	83,493

28- Deferred tax

The deferred tax calculated on the differences based on the liability using the actual tax rate.

	31 December 2014	31 December 2013
	EGP '000	EGP '000
	Assets / (Liabilities)	Assets / (Liabilities)
Fixed assets	**(26,588)**	(26,054)
Provisions (other than the impairment loss for financing)	**8,350**	5,119
Profits in suspense	**5,479**	8,598
Tax losses carried forward	**840,824**	911,434
Net tax resulted in assets	**828,065**	899,097

Movement of deferred tax assets and liabilities method:

Beginning balance	**899,097**	810,866
Additions	**3,231**	330,474
Disposals	**(74,263)**	(242,243)
Ending Balance	**828,065**	899,097

Deferred tax assets resulted from tax losses carried forward are not recognized unless there's future taxable profits is likely to happen by which the bank can benefit from on the short term.

29- Capital

29/1 Authorized capital

The authorized capital amounts to **LE 4**bn (31 December 2013: **LE 4**bn)

29/2 Issued and paid in capital:

The issued and paid in capital amounted to **LE 2**bn (31 December 2013: **LE 2**bn) represented by 200mn shares (31 December 2013: **200**mn shares) with a nominal value of LE 10 per share.

29/3 Amounts paid under capital increase

ADIB – UAE made cash deposit of **LE 1,662**k as amounts paid under capital increase up till year 2012**,** on 28 December, 2011 ADIB – UAE approved to transfer the full amount of subordinated financing of **LE 199**mn to amounts paid under capital increase, Accordingly balance of total amounts paid under capital increase reached LE **1,861**mn (31 December 2013 LE **1,861**mn).

30- Reserves and accumulated losses

Reserves	31 December 2014 EGP '000	31 December 2013 EGP '000
Legal reserves	**22,878**	22,878
General reserves	**42,522**	42,522
Special reserves	**26,257**	26,257
Fair value reserves - investments available for sale	**22,668**	61,568
General banking risk reserve	**83,433**	61,424
Total Reserves	**197,758**	214,649

30/1 Special reserves*

	31 December 2014 EGP '000	31 December 2013 EGP '000
Adjustments resulted from change in the valuation policy of AFS Investments related to prior years	**17,165**	17,165
Adjustment resulted from valuation policy of impairment loss for financing and facilities of prior years	**9,092**	9,092
	26,257	26,257

* Distribution from this reserve prohibited unless there is CBE approval.

30/2 Fair value reserve – available for sale investments

	31 December 2014 EGP '000	31 December 2013 EGP '000
Beginning balance	**61,568**	23,703
Change in fair value	**(37,178)**	37,135
Losses (profit) transferred to income statement related to AFS disposals	**(1,722)**	730
	22,668	61,568

30/3 General Banking Risk Reserves

	31 December 2014 EGP '000	31 December 2013 EGP '000
Beginning balance	**61,424**	106,114
Adjustments related to change in the measurement policy of impairment loss for financings and facilities	**21,901**	6,122
Transferred from reserves to accumulated losses	**108.00**	50,812-
	83,433	61,424
Balance of general banking risk reserve		
General banking risk reserve for financing and facilities	**83,325**	61,424
General Banking Risk Reserve related to assets reverted to the Bank	**108**	-
	83,433	61,424

- The CBE instructions require the Bank to provide general bank reserves to guarantee any differences in impairment loss measurement methods for financings/facilities and assets reverted to the Bank.

30/4 Accumulated Losses

	31 December 2014 EGP '000	31 December 2013 EGP '000
Balance at the beginning of the year	**(3,215,586)**	(3,477,484)
Adjustments due to settlement of subordinated financing granted on 27 December 2012	**(7,805)**	-
Net profit for the year	**265,512**	206,796
Transferred From general banking risk reserve	**(22,009)**	44,690
Amortization of the subordinated financing using EIR	**10,278**	10,412
	(2,969,610)	(3,215,586)

31- Cash and cash equivalent

For the purpose of presenting the cash flow statement, cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

	31 December 2014 EGP '000	31 December 2013 EGP '000
Cash and due from CBE	**1,317,845**	1,694,008
Due from banks	**1,210,003**	1,272,051
Treasury bills	**4,126,910**	3,256,763
Due from banks maturities more than3 months	**(1,089,166)**	(1,131,453)
Treasury bills maturities more than 3 months	**(4,104,041)**	(4,001,018)
	1,461,551	1,090,351

32- Contingent liabilities and commitments

A- Capital commitments

The Banks contracts for capital commitments reached **LE 4,423k** as of 31 December 2014 (31 December 2013: **LE 4,694k**). Representing purchases of fixed assets and the management is adequately confident that finance shall be made available to cover these commitments when due.

B- Contingent Liabilities

	31 December 2014 EGP '000	31 December 2013 EGP '000
Letters of credit	**359,913**	288,566
Letters of guarantee	**423,305**	300,071
Documentary credit	**184,965**	75,711
Bank guarantees	**196,209**	333,897
	1,164,392	998,245

C- Operating Lease commitment

	31 December 2014 EGP '000	31 December 2013 EGP '000
From 1 year up to 5 years	**27,653**	42,906
More than 5 years	**20,761**	23,082
	48,414	65,988

33- Related party transactions

33/1 The related party balances included in the consolidated financial statement were as follows:

	Directors	*Subsidiaries and Associates*	*Major shareholder*	*Total*
	EGP '000	*EGP '000*	*EGP '000*	*EGP '000*
31 December 2014				
Financing and facilities to customers	**-**	**302,562**	**-**	**302,562**
Due from banks	**-**	**-**	**17,961**	**17,961**
Other assets	**-**	**-**	**194,040**	**194,040**
	-	**302,562**	**212,001**	**514,563**
Due to banks	**-**	**-**	**635,249**	**635,249**
Customers' deposits	**-**	**311,016**	**-**	**311,016**
Other liabilities	**-**	**-**	**-**	**-**
Subordinated financing	**-**	**-**	**203,209**	**203,209**
Paid under capital increase	**-**	**-**	**1,861,418**	**1,861,418**
Difference between face value and present value (Subordinated Financing)	**-**	**-**	**73,137**	**73,137**
	-	**311,016**	**2,773,013**	**3,084,029**
31 December 2013				
Financing and facilities to customers	-	69,366	-	69,366
Due from banks	-	-	60,455	60,455
Other assets	-	341,155	425	341,580
	-	410,521	60,880	471,401
Due to banks	-	-	914	914
Customers' deposits	-	20,432	-	20,432
Paid under capital increase	-	-	1,861,418	1,861,418
Subordinated financing	-	-	209,023	209,023
Other liabilities	-	-	-	-
	-	20,432	2,071,355	2,091,787

33- Related party transactions - continued

33/2 During the year significant transactions with related parties included in the consolidated income statement are as follows:

	Directors	Subsidiaries and Associates	Major shareholder	Total
	EGP '000	EGP '000	EGP '000	EGP '000
31 December 2014				
Profit from Murabaha, Musharaka, Mudaraba and similar income	**-**	**25,769**	**-**	**25,769**
Cost of deposits and similar expenses	**-**	**520**	**-**	**520**
Fees and commissions cost	**-**	**1,401**	**-**	**1,401**
Salaries and short term benefits	**5,876**	**-**	**-**	**5,876**
Cost of subordinated loan using the effective profit rate	**-**	**-**	**10,278**	**10,278**
Dividends income	**-**	**2,466**	**-**	**2,466**
31 December 2013				
Profit From Murabaha, Musharaka, Mudaraba and Other Similar Income	-	26,033	-	26,033
Cost of deposits and similar costs	-	23	-	23
Salaries and short term benefits	4,204	-	-	4,204
Cost of subordinated loan using the effective profit rate	-	-	10,411	10,411

34- Employees benefits

	31 December 2014	31 December 2013
	EGP '000	EGP '000
Liabilities listed on balance sheet:		
Pension benefits	**14,461**	-
Medical benefits after retirement	**30,559**	30,559
	45,020	30,559
Amounts recognized in the income statement		
Pension benefits	**18,000-**	8,855-
Medical benefits after retirement	**7,933-**	5,905-
	25,933-	14,760-

34- Employees benefits - Continued

Private insurance fund

At the first of July 2013, the bank established private insurance fund (the fund) according to Law No.54 for year 1975, the fund registered in EFSA on 14 January 2014 with No. (884), on 1 July 2014 the fund started its work. The employees in the head office and all branches are committed to the fund regulations

The bank obligated to pay monthly contributions, in which, calculated according to fund regulation, generally the fund financed through monthly contributions in addition to other resources that detected in fund regulation.

Legacy staff medical benefit plan

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the bank hired independent actuarial expert to conduct the study and determine the necessary amount of the obligation to be recorded in financial statements using the (projected unit credit method).

The main assumptions are used by the actuarial expert listed as follows:-

- Death rate from British table A49-ULT52
- Discount rate 12%
- Inflation rate 15%
- (projected unit credit method)

The liability hits the accumulated losses according to Egyptian accounting standard No. 5 (change in accounting policies, errors and estimates)

35- Prior year adjustments

Since 2010 The Bank has a Defined Benefit medical Plan for its legacy employees during their service period and post retirement, the bank retroactively applied employees benefit accounting policies in accordance with the Egyptian accounting standard no. 38 “Employee benefits”. During 2014, the Bank hired independent actuarial expert to conduct the study and determine the liability amount has to be recorded.

The actuarial study reached t to LE 30,599k by which has been recorded into accumulated losses as of 1 January 2013 and 2014 taking into consideration its accumulative effect.

As per the Bank management, year 2013 is considered the first year by which liability can be reasonably estimated and the liability difference between years 2013 and 2014 is not material accordingly year 2013 has not been affected and earning per share.

The following is the accumulative effect of the adjustment on the balance sheet items as of 1st Jan 2013 and 1st Jan 2014.

35- Prior year adjustments - Continued

	Item type	1 January 2013 Before adjustment 000" LE	Debit/(Credit) 000" LE	1 January 2013 After adjustment 000" LE
Employee's retirement benefits	liabilities	-	30,559	**30,559**
Accumulated losses	Equity	**(3,522,315)**	(30,559)	**(3,552,874)**
		(3,522,315)	-	**(3,522,315)**

	Item type	1 January 2014 Before adjustment 000" LE	Debit/(Credit) 000" LE	1 January 2014 After adjustment 000" LE
Employee's retirement benefits	liabilities	-	30,559	**30,559**
Accumulated losses	Equity	**(3,364,415)**	(30,559)	**(3,394,974)**
		(3,364,415)	-	**(3,364,415)**
CAR%		**10.75%**	**-0.35%**	**10.40%**

36- Re-issuance of the financial statements :

The financial statements of the Bank for the year ended 31 December 2014 were classified in accordance with the regulations of the preparation and presentation of financial statements as per the Central Bank of Egypt instructions issued on 16 December 2008 based on the following:

During the period from 2010 to 2012, ADIB UAE transferred amounts of USD 255 Mil under the Capital Increase account of ADIB Egypt, additionally ADIB UAE transferred an amount of USD 39 Mil for the subordinated loan to reach USD 70 Mil during the year 2014. The Increment deducted from the balance due to ADIB UAE, this balance was created to recognize the liability due to ADIB UAE as a result from the surplus of USD transferred amounts as of the balance sheet date.

Pursuant to the change in the accounting treatment regarding the USD amounts deposited by ADIB UAE under the increase in Paid up capital resulted in a material change in the financial statements to derecognize the said liability and recognize the resulting forex differences into the relevant years' income statement accounts and consequently reverse the increase in subordinated loan and all related adjustments for the financial statements of the years 2012,2014, which resulted in the following :

	Item type	31 December 2013 Before adjustment 000" LE	Debit/(Credit) 000" LE	31 December 2013 After adjustment 000" LE
Deferred tax assets	Assets	**958,893**	(59,796)	**899,097**
		958,893	(59,796)	**899,097**
Other liabilities (26)	liabilities	**724,259**	(239,184)	**485,075**
Accumulated losses (30/4)	Equity	**(3,394,974)**	179,388	**(3,215,586)**
		(2,670,715)	(59,796)	(2,730,511)
CAR%		**10.40%**	1.65%	**12.05%**
Income statement items				
Net trading income	Income	**57,102**	163,793	**220,895**
Tax	Expense	**148,026**	(59,795)	**88,231**
		205,128	103,998	**309,126**

	Item type	31 December 2014 Before adjustment 000" LE	Debit/(Credit) 000" LE	31 December 2014 After adjustment 000" LE
Deferred tax assets	Assets	**897,392**	(69,327)	**828,065**
		897,392	(69,327)	**828,065**
Subordinated loan (25)	liabilities	**364,736**	(161,527)	**203,209**
Other liabilities (26)	liabilities	**798,679**	(44,166)	**754,513**
Difference between PV and FV of subordinated loan	Equity	**131,237**	(58,100)	**73,137**
Accumulated losses (30/4)	Equity	**(3,164,076)**	194,466	**(2,969,610)**
		(1,869,424)	(69,327)	**(1,938,751)**
CAR%		**12.08%**	-0.40%	**11.68%**
Income statement items				
Cost of deposits and similar Costs	Expense	**(830,327)**	6,028	**(824,299)**
Net trading income	Income	**69,472**	32,415	**101,887**
Tax	Expense	**(150,500)**	(9,532)	**(160,032)**
		(911,355)	28,911	**(882,444)**

37- Tax position

Corporate Tax:

- Tax inspections for the years prior 2008 have been fully completed and all due taxes have been paid and the internal committee was set and no due taxes were reported.

- The tax authority has inspected the corporate tax due for the period from 2009 till 2012 and informed the bank through form no. 19A. The bank objected the deemed tax claim at the due date.

- The bank prepared and presented the tax return for the years till 2013 to the tax authority as per law no. 91 for the year 2005.

- Starting from February 2012, and based on the Banks legal and tax advisor , the Bank raised a legal case against the unconstitutional nature of taxes on T bills for taxable loss making entities during the loss years from 2010 up to 2012 accordingly the Bank stopped paying those taxes and its related penalties. The balance is recorded under other debit balances" note (no.21) to the financial statements. As per the Bank's tax and legal advisors opinions that it is probable that the bank will win such legal case, The legal case has been postponed to 28 February 2015 till finalizing the expert reports.

- During the first quarter of 2014 the bank fully provided the tax provision shortfall amounted to LE 28MN.

Salary tax:

- Tax inspections and internal committee for the years prior 2008 has been finalized and no tax due for this period
- The tax authority inspection and settlement took place for the period since 2009 till 2012 and all taxes due were paid in full.
- The bank pays the payroll taxes on monthly basis on the due dates as stated by law.

Stamp duty tax:

<u>First: In light of law no. 111 for the year 1980 (before amendments)</u>

- Inspection of all 18 branches of Upper Egypt branches has been finalized starting from opening date of those branches till 31/7/2006 and with all tax liabilities has been settled.

- Inspection of 14 out of 20 of East Delta branches has been finalized from opening of the branches till 31/7/2006 with all tax liabilities settled.

- Inspections of 12 out of 14 West Delta branches have been finalized from opening of the branches till 31/7/2006 with all tax liabilities settled.

- Inspection of 12 out of 17 Cairo branches has been finalized from start of their activities to 31/7/2006. Tax liabilities for 10 branches were settled and 7 branches are still under settlement after tax disputes.

- The bank raised appeal in the court For 45 branches. The bank paid all the branches' due settlement to avoid delay penalties since the court appeal does not stop the tax liability due.

<u>Second: In light of law no. 143 for the year 2006 amended by law 111 of 1980 (after amendments)</u>

- Inspections of the bank branches have been completed for the years starting 1/8/2006 to 31/12/2007. A tax claim has been raised and the bank objected on it, an internal committee has been formed and transferred to appeal committee.

37- Tax position - Continued

Sales tax:

- Inspection of the bank branches from 2002 till 2006 has been finalized and all taxes due were paid.
- Year 2007 up to 2011, the tax inspection is in process till 31 December 2011, All supporting documents has been submitted to the tax authority, the bank is still waiting for tax authority claims.

Real estate Tax:

- The bank received claims for real estate tax for some branches and the bank objected on these claims in the legal deadlines.

38- Translation

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