Consolidated Financial Statements and

The Auditors' Report Thereon

For the Period ended 30 September 2015

Consolidated Balance sheet as at 30 September 2015

All amounts are in thousand Egyptian pounds

	Note No	30 September 2015 EGP '000	31 December 2014 EGP '000
Assets			
Cash and due from Central Bank of Egypt (CBE)	14	699,661	1,318,949
Due from banks	15	1,576,259	1,214,930
Treasury Bills	16	3,152,392	4,142,711
Financial assets held for trading	17	808,001	19,059
Conventional Financing to customers (Net)	18	231,128	227,952
Islamic Financing and facilities to customers (Net)	18	9,939,249	8,199,861
Financial investments			
Available for Sale Investment	1/19	4,098,440	1,694,472
Held to maturity	2/19	11,030	12,555
Net investments in associates	20	41,307	34,879
Intangible Assets, Net	21	8,393	4,482
Other assets	22	956,921	1,024,010
Assets Held for Sale, Net		996	996.00
Projects under construction	23	15,866	18,730
Fixed Assets, Net	24	590,583	546,288
Investment property, Net	25	103,403	123,385
Leased assets, Net	26	197,362	132,569
Deferred Tax Assets	32	639,930	829,056
Total assets		23,070,921	19,544,884
LIABILITIES AND SHAREHOLDERS' EQUITY :			
Liabilities :			
Due to banks	27	1,283,581	793,126
Customers' deposits	28	19,239,013	16,579,761
Subordinated financing	29	228,478	203,209
Other liabilities	30	968,206	821,877
Other provisions	31	166,158	79,459
End of services	38	52,885	67,120
Total Liabilities		21,938,321	18,544,552
Shareholders' equity:			
Issued and Paid Up Capital	2/33	1,999,503	1,999,503
Paid under capital increase	3/33	1,861,418	1,861,418
Reserves	34	242,002	250,624
Difference between Face value and Present value (Subordinated Financing)		64,807	73,138
Accumulated Loss	4/34	(3,058,058)	(3,201,676)
		1,109,672	983,007
Non controllable interest		22,928	17,325
Total shareholders' equity		1,132,600	1,000,332
Total liabilities and shareholders' equity		23,070,921	19,544,884
Contingent liabilities and commitments	2/36	1,232,940	1,164,392

- The auditors' report is attached.
- The accompanying notes from (1) to (42) are integral part of these financial statements.

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

Cairo 10 November 2015

ADIB مصرف أبوظبي الإسلامي

Translation of Financial Statements originally issued in Arabic

Consolidated Statement of Income for the Period Ended 30 September 2015

All amounts are in thousand Egyptian pounds

	Note No	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	Three Months Ended 30 September 2015 EGP '000	Three Months Ended 30 September 2014 EGP '000
Income from Murabaha, Musharaka, Mudaraba and other similar income	5	1,382,646	1,043,815	497,358	370,948
Cost of deposits and similar expenses	5	(682,823)	(606,225)	(240,039)	(208,528)
NET REVENUE FROM FUNDS		699,823	437,590	257,319	162,420
Fees and commission income	6	183,520	197,608	61,089	62,147
Fees and commission expense	6	(4,472)	(10,177)	(3,177)	354
NET FEES AND COMMISSION INCOME		179,048	187,431	57,912	62,501
Dividends income	7	5,478	7,176	333	357
Net trading income	8	90,672	51,008	24,465	22,957
Administrative expenses	9	(564,353)	(455,260)	(201,550)	(173,145)
Other operating expenses	10	40,512	21,681	(43,818)	12,751
Cost of credit	11	(20,803)	67,946	17,030	(1,434)
Share of associates results		6,729	5,740	6,729	5,695
Profit from financial investments	3/19	11,010	980	2,748	(578)
PROFITS BEFORE INCOME TAX		448,116	324,292	121,168	91,524
Income tax	12	(300,966)	(110,756)	(94,632)	(26,657)
NET PROFIT FOR THE PERIOD		147,150	213,536	26,536	64,867
Divided as follows:					
Bank's share		139,922	211,369	27,825	64,280
Non controllable interest share		7,228	2,167	(1,289)	587
NET PROFIT FOR THE PERIOD		147,150	213,536	26,536	64,867
Earnings per share attributable to ordinary share (EGP)	13	0.70	1.06	0.14	0.32

- The accompanying notes from (1) to (42) are integral part of these financial statements.

Translation of Financial Statements originally issued in Arabic

Consolidated statement of change in equity for the Period ended 30 September 2015

All amounts are in thousand Egyptian pounds

	Capital	Paid under capital increase	Reserves					Difference between face value and present value of subordinated financing	Accumulated losses	Total	Non-controlling interests	Total
			Legal reserve	General reserve	Special reserve	Investments available for sale fair value reserve	General banking risk reserve					
Balance at 1 January 2014 as previously issued	1,999,503	1,861,418	22,878	42,522	26,257	105,463	61,425	53,778	(3,562,690)	610,554	18,687	629,241
Prior year adjustments	-	-	-	-	-	(1,107)	-	-	143,577	142,470	(15,437)	127,033
Balance at 1 January 2014 - restated	1,999,503	1,861,418	22,878	42,522	26,257	104,356	61,425	53,778	(3,419,113)	753,024	3,250	756,274
Adjustments due to settlement of subordinated financing granted on 27 December 2012	-	-	-	-	-	-	-	-	(7,805)	(7,805)	-	(7,805)
Transfered to general banking risk reserve	-	-	-	-	-	-	14,979	-	(14,979)	-	-	-
Net change in fair value of investments available for sale	-	-	-	-	-	(29,903)	-	-	-	(29,903)	-	(29,903)
Amortization of the difference between face value from present value for subordinated financing	-	-	-	-	-	-	-	(7,733)	7,733	-	-	-
Settlement of subordinated financing granted on 27 December 2012	-	-	-	-	-	-	-	(51,038)	-	(51,038)	-	(51,038)
Difference between face value and present value for subordinated financing provided during the Period	-	-	-	-	-	-	-	80,676	-	80,676	-	80,676
Net profit for the Period	-	-	-	-	-	-	-	-	211,369	211,369	2,167	213,536
Balance at 30 September 2014	1,999,503	1,861,418	22,878	42,522	26,257	74,453	76,404	75,683	(3,222,795)	956,323	5,417	961,740
Balance at 1 January 2015 as previously issued	**1,999,503**	**1,861,418**	**22,878**	**42,522**	**26,258**	**75,532**	**83,434**	**73,138**	**(3,180,588)**	**1,004,095**	**7,525**	**1,011,620**
Prior year adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21,088)**	**(21,088)**	**9,800**	**(11,288)**
Balance at 1 January 2015 restated	**1,999,503**	**1,861,418**	**22,878**	**42,522**	**26,258**	**75,532**	**83,434**	**73,138**	**(3,201,676)**	**983,007**	**17,325**	**1,000,332**
Transfered to general banking risk reserve	**-**	**-**	**-**	**-**	**-**	**-**	**4,635**	**-**	**(4,635)**	**-**	**-**	**-**
Net change in fair value of available for sale investments	**-**	**-**	**-**	**-**	**-**	**(13,257)**	**-**	**-**	**-**	**(13,257)**	**-**	**(13,257)**
Amortization of the difference between face value and present value for subordinated financing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,331)**	**8,331**	**-**	**-**	**-**
Dividends Paid - Investments in Subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,625)**	**(1,625)**
Net profit of the Period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139,922**	**139,922**	**7,228**	**147,150**
Balance as at 30 September 2015	**1,999,503**	**1,861,418**	**22,878**	**42,522**	**26,258**	**62,275**	**88,069**	**64,807**	**(3,058,058)**	**1,109,672**	**22,928**	**1,132,600**

- The accompanying notes from (1) to (42) are integral part of these financial statements.

Translation of Financial Statements originally issued in Arabic

Consolidated statement of cash flows for the Period ended 30 September 2015

All amounts are in thousand Egyptian pounds

	Note	30 September 2015	30 September 2014
		LE '000	LE '000
Cash flows from operating activities			
Profit before tax		**448,116**	324,292
Adjustment to reconcile profit before tax to cash flows from operating activities:			
Depreciation of fixed assets		**49,525**	46,385
Amortization of intangible assets		**16,361**	12,199
Depreciation of investment property		**4,601**	2,848
Depreciation of leased assets		**55,235**	31,578
Impairment charged for credit losses and held to maturity investments		**36,562**	28,183
Other provisions formed		**105,063**	30,268
Credit loss impairment no longer required		**(15,759)**	(96,151)
loss(gain) from revaluation of assets held for trading		**2,503**	(1,979)
Foreign currency revaluation of Loan Loss provisions		**701**	476
Foreign currency revaluation loss of other provisions		**345**	(5)
Foreign currency revaluation gain of held to maturity investments		**-**	(150)
Foreign currency revaluation gain of available for sale investments		**(1,447)**	(399)
Impairment loss of investment in associates		**301**	-
Impairment loss of investment in AFS		**489**	1,015
Gain on sale of fixed assets		**(26,652)**	(2,813)
Gain on sale of Investment Property		**(1,528)**	-
Gain on sale of Leased assets		**(20)**	61
Gain on sale of financial assets held for trading		**(767)**	(1,090)
Gain on sale of available for sale investments		**(10,585)**	(77)
Gain on sale of treasury bills		**(1,215)**	(1,918)
Dividends Income		**(5,478)**	(7,176)
Share of Associates' results		**(6,729)**	(5,740)
Amortization of subordinated financing using EIR method		**8,331**	11,737
Employees Benefits charged		**2,902**	-
Operating profit before changes in assets and liabilities utilized in operational activities		**659,288**	371,544
Net decrease (increase) in assets & liabilities			
Due from banks with maturity more than 3 months		**(209,979)**	608,814
Treasury bills with maturity more than 3 months		**960,388**	(87,786)
Financial assets held for trading		**(790,659)**	(1,645)
Loans and Islamic facilities to customers & Banks		**(1,742,782)**	(1,619,111)
Employees Benefit used		**(17,138)**	10,265
Other assets		**51,795**	(58,182)
Due to banks		**490,455**	537,756
Customers' deposits		**2,637,295**	935,319
Other liabilities		**65,377**	125,836
Tax Paid		**(270)**	(99)
Net cash flows resulting from operating activities		**2,103,770**	822,711
Used provisions - Other than loan provisions		**(18,707)**	(49,911)
Used provisions - loan provisions		**(5,217)**	(10,034)
Net cash flows resulting from operating activities		**2,079,846**	762,766

Translation of Financial Statements originally issued in Arabic

Consolidated statement of cash flows for the Period ended 30 September 2015 Cont.

All amounts are in thousand Egyptian pounds

	Note	30 September 2015	30 September 2014
		LE '000	LE '000
Cash flows from investing activities			
Payments to acquire fixed assets		(106,165)	(162,155)
Proceeds from sale of fixed assets		38,993	2,895
Payments to acquire intangible assets		(20,271)	(12,414)
Payments to acquire Leased assets		(121,033)	(35,025)
Proceeds from sale of Leased assets		1,026	435
Proceeds from Sale of Investment Property		16,757	-
(Payments for) proceeds of Projects under construction		2,863	(1,457)
Payments to acquire investments available for sale		(3,922,498)	(517,708)
Proceeds from Investments available for sale		1,506,234	122,171
Payments to acquire investment in associates		-	(7,000)
Proceeds from redemption of investment Held to Maturity		-	5,355
Proceeds from sale of treasury bills		1,215	1,918
Proceeds from Dividends income		8,179	3,628
Net cash flows used in investing activities		(2,594,700)	(598,873)
Cash flows from financing activities			
Dividends paid		(4,966)	-
Net cash flows resulting from financing activities		(4,966)	-
Net increase (decrease) in cash and cash equivalents during the Period		(519,820)	163,893
Cash and Cash Equivalents at 1 January		1,494,526	1,124,910
Cash and cash equivalents at the end of the Period		974,706	1,288,803
Cash and cash equivalents at end of Period are represented in :			
Cash and due from Central Bank of Egypt		699,661	1,058,941
Due from banks		1,576,259	684,174
Treasury bills		3,152,392	4,164,956
Due from banks (mature in more than 3 months)		(1,299,145)	(522,638)
Treasury bills (mature in more than 3 months)		(3,154,461)	(4,096,630)
Cash and cash equivalents at end of the Period	35	974,706	1,288,803

- The accompanying notes from (1) to (42) are integral part of these financial statements.

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 2,184 employees at 30th September 2015.

Abu Dhabi Islamic Bank - Egypt is a bank that complies with the principles of Shari'a in all financing, banking and investment transactions and is subject, as a financial institution, to the supervision and control of the Central Bank. In addition, 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. An islamic bank also meets the client's various financing needs by providing many options such as: Murabaha (Cost-plus), Musharakah (Joint venture), Ijarah (Leasing); as well as offers Islamic options for letter of guarantee, letter of credit and covered cards. The Islamic bank has a Shari'a board composed of Islamic jurists who are continually consulted regarding all aspects of existing and new banking transactions.

On April 3rd, 2012 the bank's name was changed in the commercial register from National Bank for Development (S.A.E) to Abu Dhabi Islamic Bank – Egypt (S.A.E)

The Consolidated financial statements for the period ended 30 September 2015 have been approved by the bank's board of directors on 10 November 2015.

2- Summary of significant accounting policies

A) Basis of preparation

These consolidated financial statements have been prepared in accordance with the Central Bank of Egypt (CBE) basis of preparation of the bank's consolidated financial statements and principles of recognition and measurement as approved by its board of directors on December 16th, 2008. These consolidated 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, Available for sale financial assets.

There consolidated 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.

Investments in subsidiaries and associates are presented in the separate financial statements at cost less impairment loss.

Subsidiaries have been fully consolidated into these consolidated financial statements. Subsidiaries are the companies that the bank controls "directly or in-directly" more than 50% of the voting power and has the ability to control the operating and financial policies.

B) Going concern principle

The accumulated losses were LE 3,058mn as of 30 September 2015 (31 December 2014: LE 3,201mn), 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) Basis of consolidation:

C/1 Subsidiaries:

Subsidiaries are entities (including special purpose entities) which the group has the power to govern its financial and operating policies. Usually the group's ownership exceeds half the voting power taking into consideration potential future voting power that the group has the option to exercise or convert at the time of control assessment.
Subsidiaries are fully consolidated from the date the group assumed control; it is disposed at the date the group losses control.

Group acquisition of entities is accounted for using purchase method. The cost of acquisition is measured at the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued and any costs directly attributable to the acquisition process.
Identifiable acquired assets, liabilities and assumed contingent liabilities are recognized at fair value at the date of acquisition.

Excess of acquisition cost over the fair value of the group's share in net identifiable acquired assets is recognized as goodwill. If the acquisition cost is less than the fair value of net identifiable acquired assets, the difference is recognized in the income statement.

Subsidiaries which have been consolidated in the bank's financial statements are as follows:

Company	**Ownership**	**Industry**
National company for Glass	86.13%	Manufacturing
National company for trading and development (ENTAD)	55.21%	Commercial
Assuit Islamic company for trading and development	55.13%	Commercial
Cairo national company for investment	75.73%	Financial Investment
ADI Lease for Financial Lease	77.76%	Financial Lease
Abu Dhabi Islamic holding company	99.85%	Holding
Abu Dhabi Islamic Capital	98.62%	Investment
Abu Dhabi Islamic Properties	97.88%	Real estate
Alexandria National Company for Financial Investments	56.61%	Financial Investment
Cairo National Company for Brokerage & Securities	42.65%	Financial Investment

Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets.

Accounting policies of subsidiaries are changed when necessary to comply with the group's accounting policies.

C/2 Transactions with Non-controlling interests:

The group considers transactions with non-controlling interests as transactions with external parties. Gains and losses due to sale to non-controlling interests are recognized in the income statement. Purchase from non-controlling interests results in goodwill which represents the difference between consideration given and book value of subsidiary's net assets.

C/3 Associates:

Associates are entities over which the group has significant influence; usually the group's ownership represents 20% to 50% of the voting power. Investment in associates is initially measured at cost and is accounted for subsequently using equity method. Investment in associates includes goodwill (less impairment loss) which was recognized at acquisition.

The group's share in associates' profit or loss post acquisition is recognized in the income statement while the group's share in changes in associates' equity pre acquisition is recognized in the group's equity. The book value of investment in associates in adjusted with the post-acquisition accumulated changes. If the group's share of the associates' loss exceeds its book value the group does not recognize further losses.

Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets.

Gains and losses that result from changes in ownership structure of associates are recognized in income statement.

C/4 Inventory:

Inventory is measured at the lower of cost or net realizable value, Inventory costs include all costs incurred in bringing the inventory to its present location and condition as follows:

- Raw materials, spare parts, packing tools and fuel.
- Purchase costs using moving average method.
- Finished and Simi-finished products.
- Manufacturing costs, direct-labor costs and in-direct costs based on normal activity rates.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Provision for obsolete and slow moving items is formed when necessary.

C/5 Real Estate Investment:

Gains or losses arising from changes in the fair value of real estate investments are recognized in the profits and losses of the year when they were realized.

The fair value of real estate investments is the exchange value of a particular asset between parties each of them has a desire to exchange and aware of the standing facts, dealing with free willing and this estimate of the fair value, in particular, does not include the estimated price inflation or deflation with special conditions or certain conditions such as unusual funding or the special arrangements of sale, Re-lease, The particular amounts or concessions granted by any party related to the sale.

The property determines the fair value without making any deduction for the transaction costs that may be incurred by the facility in the process of selling or the other exclusion.

C/6 Projects under construction:

Costs incurred to acquire fixed assets are recognized as projects under construction. These assets are transferred to fixed assets when it becomes ready for use, depreciation starts at the date of transfer.

C/7 Defined benefit system:

The National Company for Glass and Crystal gives end of service benefits for employees of the company, the right to obtain these benefits is calculated based on the last salary and length of service for employees.

C/8 Segment reporting:

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

The bank does not have any geographical sectors that operate in a different economic framework as at September 30th, 2015.

D) Foreign Currency Transactions:

D/1 Trade and presentation currency:

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

D/2 Transactions and balances in foreign currency:

The banks' accounting records are maintained in Egyptian pounds, transactions in other foreign currencies are recorded at rates of exchange ruling on the transaction date. Monetary assets and the liabilities in foreign currencies are revaluated into Egyptian pounds at the rates of exchange ruling at the balance sheet date, any resultant gain or loss is then 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 profit and loss 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 profit and loss in "Profit/Interest and similar income"
- Differences due to changes in foreign currencies exchange rates; these are recognized through profit and loss in "Other operating income / Expense"
- Differences due to change in fair value of the instrument which re 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" .

E) Financial assets:

The bank classifies its financial assets into the following groups:

- Financial assets designated at fair value through profit and loss.
- 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.

E-1 Financial assets designated at fair value through profit and loss

Financial assets include:

- Investments held for trading
- Financial instrument are recorded as held for trading if it is acquired for resale in short term, or if it represents a part of specific financial instrument portfolio that are managed together and there is an evidence for actual recent transactions refers to the gain of income in short term.

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

E-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 that classified as financial assets designated at fair value through profit and loss.

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

E-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 amounts unless the sale is in an emergency situation

E-4 Financial investments available for sale

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

The following principles are followed for the financial assets:

- Purchases or sales of financial assets designated at fair value through profit and loss, 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 profit and loss at initial measurement are recognize at fair value plus directly attributable costs of acquisition or issue while financial assets designated at fair value through profit and loss at initial measurement are recognized only at fair value, any directly attributable acquisition or issue costs are 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, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

- Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value.

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

- Profit and loss due to changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred.

- Profit 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 entities 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 the 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 profit and loss 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. Profit and loss 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.

F) 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 represent by net in balance sheet under treasury bills caption.

G) 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.

H) 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 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.

I) Dividends:

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

J) 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.

K) Impairments of financial assets:

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

K-2 Financial investments available for sale and held to maturity date in associates 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.

L) Intangible assets

Software (computer programs):

- Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period 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.

M) Fixed assets:

Lands and buildings comprise the head office premises and branches. 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 period in which they are incurred.

Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method to the extent of their estimated residual values based on the following annual rates

Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method to the extent of their estimated residual values 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.

N) Leased assets

Leased assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses.
The assets are depreciated using the straight line method according to the useful life of the assets starting from the date of usage.

O) Investment property

Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity.
The following are examples of investment property:

- **a.** Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.
- **b.** A building that is vacant but is held to be leased out under one or more operates leases.

P) 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.

Q) 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.

O-1 Rent

As for leasing contracts, the expense of rent in addition to maintenance, is recognized as expenses in the under income statement. If the bank decides upon the usage of its right in purchasing the rented assets, the expenses of purchase is capitalized and depreciated over the remaining useful life.

The payments are recognized under operational rent decreased by the amount of any payments received within the stated period, registered in the income statement as steady installments.

R) 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.

S) 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.

T) Taxes

Taxes include income taxes and deferred taxes, both 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 expense 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 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 consolidated 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 period 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 period.

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.

U) 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.

U) Employees Benefits Continued

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; these payments hit the income statement in employee’s benefits item.

V) Comparative figures

Comparative figures are reclassified, where necessary, for consistency with changes in the current year's presentation (Note 39).

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

<u>Financings and facilities to clients</u>

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 bank's 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 3/1/1).

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 eliminate 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.

Master netting arrangements:

The bank minimizes credit risk through arrangements made between major clients representing high portfolios and the bank, master netting arrangements doesn't result in netting between assets and liabilities within the balance sheet, because the settlement is normally set on total value. This leads to a lower risk rate for the bank, because in case of non-performing financings settlements are in favor of the bank. Due to fluctuations the bank's risk weight can differ due to circumstances.

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 period balance sheet are extracted from the categorized weight risk rating. Provisions are mainly calculated for credits holding the lowest category. The following table clarifies the percentage upon which the provisions are calculated:

	30 September 2015		31 December 2014	
Banks rating	**Loans and facilities**	**Impairment loss provisions**	Loans and facilities	Impairment loss provisions
Assets	**%**	**%**	%	%
Good debts	**84%**	**26%**	84%	20%
Regular follow up	**12%**	**12%**	12%	12%
Special follow up	**0%**	**2%**	0%	1%
Bad debts	**3%**	**60%**	4%	67%
	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 on 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 32) and shows the movement on the general reserve for banking risks during the financial period.

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	Regular Follow up
7	Risk needs special attention	5%	3	Special Follow up
8	Substandard	20%	4	Bad debts
9	Doubtful debts	50%	4	Bad debts
10	Bad debts	100%	4	Bad debts

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

5/A Maximum limit for credit risk before guarantees:

	30 September 2015	31 December 2014
Balance sheet items exposed to credit risks		
Treasury bills	**3,288,579**	4,340,778
Loans and financing to customers and banks		
Retail loans		
- Overdraft	**11,366**	1,407
- Covered cards	**620,909**	398,482
- Personal financing	**4,179,010**	3,928,311
- Real estate mortgage	**167**	1,164
Corporate Loans:		
- Overdraft	**1,176,813**	1,097,024
- Direct financing	**5,308,287**	4,119,929
- Syndicated financing	**529,727**	270,787
Financial investments:		
Debt instruments	**4,005,531**	1,594,426
Total	**19,120,389**	15,752,308
Off balance sheet items exposed to credit risks		
Letters of credit (Import & confirmed export)	**308,046**	359,913
Letters of guarantee	**417,408**	423,305
Documentary credit	**76,465**	184,965
Bank guarantees	**431,021**	196,209
Total (Note 36)	**1,232,940**	1,164,392

The above table represents the maximum limit of risks to be exposed to at the end of September 30th, 2015 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, **61.87** %(December 31st, 2014: **62.32** %) of the maximum limit exposed to credit risk results from financings and facilities to customers.

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:

- **96** % (December 31st, 2014: **95.67**%) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.
- **83.16** % (December 31st, 2014: **83**%) of the financing portfolio and facilities having no arrears or indicators of impairment.

- Financings and facilities valued on a standalone basis amounting to LE **404mn** (December 31st, 2014: LE **416mn**) with impairment less than **3.57%** from its value against (December 31st, 2014: LE **4.24**%).

- The bank applied more prudential selection process on granting financings and facilities during the financial Period ended at September 30th, 2015.

- More than **99.90**% of investments in debt instruments and treasury bills represent debt instruments due from the Egyptian government.

3/1/6 Financing and facilities:

The status of balances of financing in terms of credit rating is as follows:

	30 September 2015	31 December 2014
	Financing to customers	Financing to customers
Neither past due nor impaired	**9,814,726**	8,148,148
Past due not impaired	**1,586,244**	1,252,618
Subject to impairment*	**425,309**	416,338
Total (note 18)	**11,826,279**	9,817,104
Less:		
Impairment loss provision**	**(281,582)**	(251,061)
Interest in suspense	**(19,754)**	(21,918)
Deferred profits	**(1,354,566)**	(1,116,312)
Net (note 18)	**10,170,377**	8,427,813

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

** The impairment loss provision for non-performing portfolio amounted to LE 101 mm as of 30 September 2015 (31 December 2014: LE 113mn).

- 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 **15.18**% as of 30th September 2015 (31st December 2014: increased by **34.66**%).

3/1/6 Financing and facilities Continued

Financing to customers and banks

Value in EGP '000

Rating	Retail				Corporate			Total
30 September 2015	Overdraft	Covered cards	Personal financing	Real estate mortgage	Overdraft	Direct financing	Syndicated financing	
Good debts	**11,366**	**612,084**	**4,022,424**	**73**	**1,021,756**	**4,046,542**	**100,481**	**9,814,726**
Regular follow up	**-**	**6,301**	**53,657**	**59**	**155,040**	**893,592**	**429,246**	**1,537,895**
Special follow up	**-**	**1,743**	**11,266**	**17**	**8**	**35,315**	**-**	**48,349**
Bad debts	**-**	**781**	**91,663**	**18**	**9**	**332,838**	**-**	**425,309**
Total	**11,366**	**620,909**	**4,179,010**	**167**	**1,176,813**	**5,308,287**	**529,727**	**11,826,279**

Value in EGP '000

Rating	Retail				Corporate			Total
31 December 2014	Overdraft	Covered cards	Personal financing	Real estate mortgage	Overdraft	Direct financing	Syndicated financing	
Good debts	1,407	393,135	3,806,934	61	953,813	2,912,610	80,188	8,148,148
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	4,119,929	270,787	9,817,104

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 Continued

Financing and facilities past due but not impaired:
They are financing 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 and fair value of related guarantees are represented as follows:

Value in EGP '000

30 September 2015			**Retail**		
	Overdraft	**Covered cards**	**Personal financing**	**Real estate mortgage**	**Total**
30 to 60 days arrears	**-**	**6,301**	**53,657**	**59**	**60,017**
60 to 90 days arrears	**-**	**1,743**	**11,266**	**17**	**13,026**
Total	**-**	**8,044**	**64,923**	**76**	**73,043**

31 December 2014			Retail		
	Overdraft	Covered cards	Personal financing	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

Value in EGP '000

30 September 2015			**Corporate**		
	Overdraft	**Direct financing**	**Syndicated financing**		**Total**
30 to 60 days arrears	**155,039**	**893,592**	**429,246**	**-**	**1,477,877**
60 to 90 days arrears	**8**	**35,315**	**-**	**-**	**35,323**
Total	**155,047**	**928,907**	**429,246**	**-**	**1,513,200**

Value in EGP '000

31 December 2014			Corporate		
	Overdraft	Direct financing	Syndicated financing		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

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.

Financings subject to individual impairment:

Financings to clients and banks as follows:

Value in EGP '000

30 September 2015	**Retail**			**Corporate**		**Total**
	Covered cards	**Personal financing**	**Real estate mortgage**	**Overdraft**	**Direct financing**	
Financings subject to individual impairment	**781**	**91,664**	**27**	**9**	**332,828**	**425,309**

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

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 Period.

Value in EGP '000

30 September 2015	**Treasury bills**	**Investments in debt instruments**	**Total**
Less than B-	3,288,579	4,005,531	**7,294,110**
	3,288,579	**4,005,531**	**7,294,110**

3/1/8 Collateral acquisition:

During the current period, assets reverted to bank are:

	30 September 2015 Book value	31 December 2014 Book value
Asset nature		
Real estate	-	114,412
Total	**-**	114,412

The 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

30 September 2015	***Wholesale Banking***	***Capital Banking***	***Retail Banking***	***Other Operation***	***Total***
Revenue and expense according to activities sector					
Revenue from activity sectors	**464,466**	**238,711**	**544,361**	**(233,823)**	**1,013,715**
Expenses of activity sectors	**(61,170)**	**(7,156)**	**(413,339)**	**(83,934)**	**(565,599)**
Profit before tax for the Period	**403,296**	**231,555**	**131,022**	**(317,757)**	**448,116**
Tax	**(114,248)**	**(65,635)**	**(36,919)**	**(84,164)**	**(300,966)**
Profit for the Period	**289,048**	**165,920**	**94,103**	**(401,921)**	**147,150**
Assets and liabilities according to activity sector					
Assets related to activity sectors	**7,535,003**	**8,750,169**	**4,811,452**	**-**	**21,096,624**
Non-Classified assets	**-**	**-**	**-**	**1,974,297**	**1,974,297**
Total assets	**7,535,003**	**8,750,169**	**4,811,452**	**1,974,297**	**23,070,921**
Liabilities of activity sectors	**6,270,066**	**1,512,058**	**13,000,911**	**-**	**20,783,035**
Non-classified liabilities	**-**	**-**	**-**	**1,155,286**	**1,155,286**
Total liabilities	**6,270,066**	**1,512,058**	**13,000,911**	**1,155,286**	**21,938,321**

Value in LE '000

31 December 2014	*Wholesale Banking*	*Capital Banking*	*Retail Banking*	*Other Operation*	*Total*
Revenue and expense according to actovity sectors					
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)	(579,189)	(1,408,450)
Profit before tax for the Period	313,079	594,413	(228,796)	(255,568)	423,128
Tax	-	-	-	(160,792)	(160,792)
Profit for the Period	313,079	594,413	(228,796)	(416,360)	262,336
Assets and liabilities according to activity sectors					
Assets related to activity sectors	5,940,855	6,949,609	4,329,364	-	17,219,828
Non-Classified assets	-	-	-	2,325,056	2,325,056
Total assets	5,940,855	6,949,609	4,329,364	2,325,056	19,544,884
Liabilities of activity sectors	4,429,842	996,335	12,171,886	-	17,598,063
Non-classified liabilities	-	-	-	946,489	946,489
Total liabilities	4,429,842	996,335	12,171,886	946,489	18,544,552

3/1/10 Geographical sectors:

Value in EGP '000

	Arab republic of Egypt				Other countries	
	Cairo	*Alex, Delta & Sinai*	*Upper Egypt*	*Total*		*Total*
Treasury bills	**3,288,579**	**-**	**-**	**3,288,579**	**-**	**3,288,579**
Financial assets held for trading	**808,001**	**-**	**-**	**808,001**	**-**	**808,001**
Investments in debt instruments	**4,005,531**	**-**	**-**	**4,005,531**	**-**	**4,005,531**
Financing to customers						
Retail:						
Overdraft	**10,916**	**334**	**116**	**11,366**	**-**	**11,366**
Covered cards	**620,909**	**-**	**-**	**620,909**	**-**	**620,909**
Personal financing	**2,455,632**	**1,271,282**	**452,096**	**4,179,010**	**-**	**4,179,010**
Real estate mortgage	**167**	**-**	**-**	**167**	**-**	**167**
Corporate						
Overdraft	**1,176,696**	**117**	**-**	**1,176,813**	**-**	**1,176,813**
Direct financing	**5,273,684**	**33,609**	**994**	**5,308,287**	**-**	**5,308,287**
Syndicated financing	**529,727**	**-**	**-**	**529,727**	**-**	**529,727**
Total as of 30 September 2015	**18,169,842**	**1,305,342**	**453,206**	**19,928,390**	**-**	**19,928,390**
Total as of 31 December 2014	14,056,953	1,249,794	464,620	15,771,367	-	15,771,367

3/1/11 Activities sectors:

Value in LE '000

	Financial institution	*Manufacturing institution*	*Services*	*Wholesale and Retail*	*Governmental sector*	*Retail*	*Total*
Treasury bills	**-**	**-**	**-**	**-**	**3,279,079**	**-**	**3,279,079**
Assets held for trading:							
Equity instruments	**-**	**-**	**-**	**-**	**791,824**	**-**	**791,824**
Loans and facilities to customers							
Consumer loans:							
Overdrafts	**-**	**-**	**-**	**-**	**-**	**11,366**	**11,366**
Covered cards	**-**	**-**	**-**	**-**	**-**	**620,909**	**620,909**
Personal financing	**-**	**-**	**-**	**-**	**-**	**4,179,010**	**4,179,010**
Mortgage financing	**-**	**-**	**-**	**-**	**-**	**167**	**167**
Corporate loans							
Overdrafts	**-**	**404,445**	**278**	**59,744**	**712,346**	**-**	**1,176,813**
Directs financing	**168,053**	**2,770,252**	**1,014,113**	**1,473,975**	**402,070**	**-**	**5,828,463**
Syndicated financing	**-**	**100,481**	**-**	**-**	**429,246**	**-**	**529,727**
Financial investments							
Debt instruments	**1,481**	**-**	**-**	**-**	**3,998,075**	**-**	**3,999,556**
Total as of 30 September 2015	**169,534**	**3,275,178**	**1,014,391**	**1,533,719**	**9,612,640**	**4,811,452**	**20,416,914**
Total as of 31 December 2014	57,300	1,997,095	55,396	1,885,065	7,439,647	4,329,364	15,763,867

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.

3/2/1Market 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

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 EGP '000

	30 September 2015			31 December 2014		
	Average	**High**	**Low**	Average	High	Low
Interest rate risk	**4,791,380**	**-**	**-**	1,586,926	-	-
Total value upon interest rate risk	**4,791,380**	**-**	**-**	1,586,926	-	-

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.

3/2/3Foreign 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 period.

The following table includes the carrying amounts of the financial instruments in their currencies:

30 September 2015							**Value in EGP '000**
	LE	**USD**	**Euro**	**Sterling**	**Yen**	**Others**	**Total**
Assets							
Cash and due from CBE	**681,974**	**12,069**	**69**	**1,921**	**10**	**3,618**	**699,661**
Due from banks	**372,537**	**1,027,640**	**18,894**	**118,505**	**6,502**	**32,181**	**1,576,259**
Treasury bills	**2,927,450**	**309,204**	**-**	**51,925**	**-**	**-**	**3,288,579**
Financial assets held for trading	**808,001**	**-**	**-**	**-**	**-**	**-**	**808,001**
Financing and facilities to customers	**9,096,630**	**2,722,839**	**528**	**6,282**	**-**	**-**	**11,826,279**
Financial investments							
Available for sale	**4,075,572**	**22,868**	**-**	**-**	**-**	**-**	**4,098,440**
Held to maturity	**11,030**	**-**	**-**	**-**	**-**	**-**	**11,030**
Investments in associates	**41,307**	**-**	**-**	**-**	**-**	**-**	**41,307**
Total Financial Assets	**18,014,501**	**4,094,620**	**19,491**	**178,633**	**6,512**	**35,799**	**22,349,556**
Liabilities							
Due to banks	**1,525**	**1,281,761**	**-**	**-**	**-**	**295**	**1,283,581**
Customers' deposits	**17,605,568**	**1,401,925**	**20,173**	**173,318**	**6,394**	**31,635**	**19,239,013**
Long-term financing	**-**	**228,478**	**-**	**-**	**-**	**-**	**228,478**
Total Financial Liabilities	**17,607,093**	**2,912,164**	**20,173**	**173,318**	**6,394**	**31,930**	**20,751,072**
Net financial position	**407,408**	**1,182,456**	**(682)**	**5,315**	**118**	**3,869**	**1,598,484**

31 December 2014							
Total Financial Assets	14,974,926	3,249,806	21,331	176,031	302	30,330	18,452,726
Total Financial Liabilities	15,373,036	1,976,559	21,271	176,222	596	28,412	17,576,096
Net Financial Position	(398,110)	1,273,247	60	(191)	(294)	1,918	876,630

3/2/4 Profit rate risk

The Bank is exposed to profit rate risk which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Fair value profit 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. Profit 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

30 September 2015	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	122,435	142,945	-	434,281	-	699,661
Due from banks	1,570,858	-	5,401	-	-	1,576,259
Treasury bills	886,231	810,466	1,591,882	-	-	3,288,579
Financial assets held for trading	-	-	16,177	791,824	-	808,001
Financing and facilities to customers	772,411	2,070,316	4,522,040	3,773,390	688,122	11,826,279
Financial investments						
Available for sale	1,200,649	-	116,901	260,252	2,520,638	4,098,440
Held to maturity	-	-	-	-	11,030	11,030
Investments in associates	-	-	-	-	41,307	41,307
Other financial assets	235,046	116,157	1,986,593	1,233,510	592,562	4,163,868
Total financial assets	4,787,630	3,139,884	8,238,994	6,493,257	3,853,659	26,513,425
Financial liabilities						
Dues to banks	618,791	-	664,790	-	-	1,283,581
Customers deposits	3,172,372	1,347,988	3,416,738	9,121,167	2,180,748	19,239,013
Subordinated financing	-	-	-	-	228,478	228,478
Other financial liabilities	354,549	177,211	3,397,363	908,989	922,439	5,760,551
Total financial liabilities	4,145,712	1,525,199	7,478,891	10,030,156	3,331,665	26,511,623
Interest re-pricing	641,918	1,614,685	760,103	(3,536,899)	521,995	1,802

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.

Liquidity risk management process

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, balances 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 bank risk reserve in accordance with CBE credit rating deposits not more than 1.25 % of total assets and contingent liabilities (weighted credit risk rates), 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 type of 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 capital requirements within the last two years. Following is a table summarizing capital and capital adequacy ratio:

3/4 Capital management Continued

Basel II	30 September 2015 EGP '000	31 December 2014 EGP '000
Tier 1 - part A		
Going concern capital		
Capital shares	**1,999,503**	2,000,000
Paid under capital increase	**1,861,418**	1,861,418
Reserves	**65,400**	65,400
Accumulated loss	**(3,224,978)**	(3,136,166)
Dedcut: Financial institutions investment	**(8,293)**	(3,819)
Total Tier 1 - Part A - Going concern capital	**693,050**	786,833
Tier 1 - Part B Gone concern capital		
Difference between FV and PV for subordinated financing	**64,805**	73,137
Current Period profit	**159,142**	-
Total Tier 1 - Part B - Going concern capital	**223,947**	73,137
Total qualifying tier 1 (Part A+B)	**916,997**	859,970
Tier 2		
Impairment losses related to financing, facilities, performing contingent liabilities	**112,297**	86,571
Subordinated financing	**228,478**	203,210
45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates	**33,092**	38,541
45% of special reserve	**7,724**	7,724
Total qualifying Tier 2	**381,591**	336,046
Capital base (Tier 2 +Tier2)	**1,298,588**	1,196,016
Contingent assets and liabilities weighted risk	**10,698,458**	8,795,255
Capital requirement for market risk	**322,706**	303,129
Capital requirement for operation risk	**1,141,608**	1,141,608
Total assets and contingent liabilities weighted risk , Market and operations	**12,162,772**	10,239,992
***Capital adequacy ratio (%)**	**10.68%**	11.68%

- Based on consolidated Banking group with its financial institutions and in accordance with The CBE instructions issued on 24 December 2012.

3/5 Leverage Financial Ratio:

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 on special supervisory instructions related to leverage ratio which maintain a minimum level of leverage ratio of 3% to be reported in quarterly basis as following:

-Guidance ratio starting from reporting period September 2015 till December 2017.

-Obligatory ratio started from year 2008.

This ratio will be included in Basel requirement tier 1 in order to maintain the Egyptian Banking System strong and safe, as long to keep up with the best international regulatory treatments.

Leverage financial ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

Ratio Elements:

I-The numerator elements

The numerator consists of tier 1 for capital that is used in capital adequacy ratio (After Exclusions) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

II-The denominator elements:

The denominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called “Bank exposure” which include total the following:

1-On balance sheet exposure items after deducting some of tier 1 exclusions for capital base.

2-Derivatives contracts exposures.

3-Financing financial papers operations exposures.

4-Off-balance sheet items (weighted by credit conversion factor).

3/5 Leverage Financial Ratio Continued

The tables below summarize the leverage financial ratio:

	30 September 2015 EGP '000
Tier 1 capital after exclusions	916,998
Cash and due from Central Bank of Egypt (CBE) (Reserves and other balances)	1,340,682
Banks current accounts and deposits	932,906
Treasury bills	3,152,392
Financial investments held for trading	807,929
Financial investments available-for-sale	4,106,023
Financial investments held to maturity	11,030
Investments in subsidiaries and associates	107,710
Loans and credit facilities to customers	10,656,335
Fixed assets (Net of Accumulated depreciation & Credit loss Provsions)	346,736
Other assets	1,568,531
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	(267,889)
Total on-balance sheet exposures items after deducting some of tier 1 exclusions for capital base	22,762,385
Total on-balance sheet exposures, Derivatives contracts and financing financial securities	22,762,385
Import L/Cs	60,643
Export L/Cs	966
L/Gs	207,690
L/Gs according to foreign banks	215,511
Contingent liabilities for general collaterals for financing facilities and similar collaterals	2,028
Bank acceptance	76,465
Total contingent liabilities	563,303
Liquidity facilities	
Capital commitments	5,897
Legal claims	
Operating lease commitments	58,471
Loan commitments to clients /banks (unutilized part) original maturity period: Revocable without any conditions at any time by the bank and without past notifications, or include conditions for self-revocable because of downgrading credit risk rating for clients	441,562
Total commitments	505,930
Total exposures off-balance sheet	1,069,233
Total exposures on-balance sheet and off-balance sheet	23,831,618
Leverage financial ratio	3.85%

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 revenue from funds

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	**Three Months Ended 30 September 2015 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Profit on financing and similar income				
Financing and facilities to customers	**802,356**	**611,384**	**287,303**	223,002
Treasury bills and bonds	**551,796**	431,259	**206,835**	147,586
Deposits and current accounts	**28,494**	1,172	**3,220**	360
Total	**1,382,646**	1,043,815	**497,358**	370,948
Cost of deposits and similar costs				
Deposits and current accounts:				
To banks	**(20,715)**	(29,881)	**(9,442)**	(7,962)
To customers	**(662,108)**	(576,344)	**(230,597)**	(200,566)
Total	**(682,823)**	(606,225)	**(240,039)**	(208,528)
Net	**699,823**	437,590	**257,319**	162,420

6- Net fees and commission income

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	**Three Months Ended 30 September 2015 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Fees and commissions income:				
Fees and commissions related to financing	**40,243**	23,031	**17,577**	9,575
Fees related to corporate finance	**86,140**	124,460	**24,100**	36,631
Other fees	**57,137**	50,117	**19,412**	15,941
Total	**183,520**	197,608	**61,089**	62,147
Fees and commissions expenses:				
Other fees paid	**(4,472)**	(10,177)	**(3,177)**	354
Net	**179,048**	187,431	**57,912**	62,501

7- Dividends income

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	**Three Months Ended 30 September 2015 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Investments held for trading	**306**	298	**238**	222
Available for sale investments	**5,129**	4,275	**95**	9
Mutual fund certificates	**43**	138	**-**	126
Investments in associates	**-**	2,465	**-**	-
Total	**5,478**	7,176	**333**	357

8- Net trading income

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	Three Months Ended 30 September 2015 EGP '000	Three Months Ended 30 September 2014 EGP '000
Foreign currencies operations:				
Gain from foreign currencies exchange	**92,408**	47,939	**24,158**	22,336
Loss on revaluation of assets and liabilities by foreign currency for trading	**(2,503)**	1,979	**196**	70
Gain on sale of held for trading investments	**767**	1,090	**111**	551
Total	**90,672**	51,008	**24,465**	22,957

9- General and administrative expenses

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	Three Months Ended 30 September 2015 EGP '000	Three Months Ended 30 September 2014 EGP '000
Salaries and wages*	**(251,982)**	(210,987)	**(91,843)**	(73,936)
Social insurance	**(11,203)**	(9,389)	**(4,029)**	(3,070)
Employees benefits				
Defined contribution plan	**(19,439)**	(5,738)	**(6,379)**	(2,197)
Defined benefit plan	**(9,328)**	(5,673)	**(3,933)**	(2,707)
Depreciation and amortization	**(70,495)**	(61,430)	**(23,266)**	(27,429)
Other administrative expenses	**(201,906)**	(162,043)	**(72,100)**	(63,806)
Total	**(564,353)**	(455,260)	**(201,550)**	(173,145)

* Salaries and wages for the period ended 30 September 2015 includes an amount of LE 16,600 which represents average total top 20 salaries paid during the period

10- Other operating expenses

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	Three Months Ended 30 September 2015 EGP '000	Three Months Ended 30 September 2014 EGP '000
Profit & Loss from revaluations of monetary assets & liabilities other than trading	**90,229**	**32,416**	**30,312**	-
Gain on sale of assets reverted to bank	**1,567**	-	**1,567**	
Gain on sale of fixed assets	**26,652**	2,813	**(2,021)**	120
Gain on sale of inevestment properties	**1,528**	-	**570**	-
Gain from sale of Leased Assets	**20**	-	**-**	-
Software cost	**(4,701)**	(4,226)	**(714)**	(2,143)
Operating lease	**(16,730)**	(14,052)	**(6,405)**	(4,879)
Early retirement costs	**-**	(1,861)	**-**	(1,861)
Impairment of other provision	**(105,437)**	(30,268)	**(94,439)**	47
Others	**47,384**	36,859	**27,312**	21,467
Total	**40,512**	21,681	(43,818)	12,751

Notes to Consolidated Financial Statements for the Period ended 30 September 2015 Cont.

11- Impairment loss

11-Cost of credit

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	**Three Months Ended 30 September 2015 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Financing and facilities to customers net	**(19,278)**	67,293	**17,947**	(1,434)
Impairment (loss) recovery of HTM investments	**(1,525)**	653	**(917)**	-
Total	**(20,803)**	67,946	**17,030**	(1,434)

12- Tax

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	**Three Months Ended 30 September 2015 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Income tax	**(111,809)**	(116)	**(1,591)**	(17)
Deferred tax *	**(189,157)**	(110,640)	**(93,041)**	(26,640)
	(300,966)	(110,756)	**(94,632)**	(26,657)
The settlement actual price for income tax				
Income before tax	**448,116**	324,292	**121,168**	91,524
Current Tax Rate	**23%**	30%	**23%**	30%
Income tax based on applied tax price	**100,826**	97,288	**27,263**	39,096
Taxable effect Per each of :				
Non-deductible expenses	**(506)**	6,054	**4,291**	6,745
Unrealized tax losses	**86,331**	7,414	**82,217**	(19,184)
Other taxes	**114,315**	-	**5,382**	-
Taxable income	**300,966**	110,756	**119,152**	26,657
Income tax according to effective tax rate	**67%**	34%	**98%**	29%

Additional information about deferred tax is presented in note 32. 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.

- ON August, 20 2015, The law no. 96 for the year 2015 had been issued amending the provisions of the income tax law no. 91 for the year 2005, also amending the law no. 44 for the year 2015 with the imposition of a temporary additional income tax, And it has necessitated the re-measurement of deferred tax assets and liabilities using tax rate of (22.5%) provided in the law above-referred , And it has resulted in an additional consumption of the deferred tax assets with amount of L.E 45 million as at September 30,2015.

13- Earnings per share

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

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	Three Months Ended 30 September 2015 EGP '000	Three Months Ended 30 September 2014 EGP '000
Net profit for the Period	**139,922**	211,369	**27,825**	64,280
Weighted average of ordinary shares	**199,950**	199,950	**199,950**	199,950
Earning Per Share	**0.70**	1.06	**0.14**	0.32

* 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

	30 September 2015 EGP '000	31 December 2014 EGP '000
Cash	**124,234**	153,322
Due from Central Bank (mandatory reserve)	**575,427**	1,165,627
	699,661	1,318,949
Non-profit bearing balances	**699,661**	1,318,949
	699,661	1,318,949

15- Due from banks

	30 September 2015 EGP '000	31 December 2014 EGP '000
Current accounts	**276,749**	124,171
Deposits	**1,299,510**	1,090,759
Total	**1,576,259**	1,214,930
Central bank (including the required reserve percentage) of the foreign currencies balances	**642,578**	504,144
Local banks	**492,844**	284,586
Foreign banks	**440,837**	426,200
Total	**1,576,259**	1,214,930
Profit free balances	**776,382**	124,171
Fixed profit balances	**799,877**	1,090,759
Total	**1,576,259**	1,214,930

16- Treasury bills

	30 September 2015 EGP '000	31 December 2014 EGP '000
91 days maturity	**2,650**	28,050
182 days maturity	**171,200**	161,950
273 days maturity	**1,118,325**	1,406,425
364 days maturity	**1,996,404**	2,744,353
	3,288,579	4,340,778
Unearned revenues	**(136,187)**	(198,067)
Subtotal	**3,152,392**	4,142,711
REPO	**-**	-
Total	**3,152,392**	4,142,711

17- Financial assets held for trading

	30 September 2015 EGP '000	31 December 2014 EGP '000
Debit Instruments		
Governmental Bonds	**791,824**	-
	791,824	-
Equity Instruments		
Domestic companies shares	**11,063**	15,218
Mutual funds	**5,114**	3,841
Total	**16,177**	19,059
	808,001	19,059

-The bank classifies the investment in the governmental bonds as assets held for trading, as short term trading is the main purpose of holding these investments.

18- Financing and Facilities to customers

Financing and facilities to customers

	30 September 2015 EGP '000	31 December 2014 EGP '000
Retail		
Overdraft	**11,366**	1,407
Covered cards	**620,909**	398,482
Personal financing	**4,179,010**	3,928,311
Real estate mortgage	**167**	1,164
Total (1)	**4,811,452**	4,329,364
Corporate (including SMEs)		
Overdraft	**1,176,813**	1,097,024
Direct financing*	**5,308,287**	4,119,929
Syndicated financing	**529,727**	270,787
Total (2)	**7,014,827**	5,487,740
Total financing and facilities	**11,826,279**	9,817,104
Impairment losses	**(281,582)**	(251,061)
Profit in suspense	**(19,754)**	(21,918)
Deferred profit	**(1,354,566)**	(1,116,312)
Net	**10,170,377**	8,427,813
Net distributed as follows:		
Conventional financing to customers (Net)	**231,128**	227,952
Islamic financing to customers (Net)	**9,939,249**	8,199,861
Net	**10,170,377**	8,427,813

Impairment losses for financing movement

	30 September 2015 EGP '000	31 December 2014 EGP '000
Impairment loss provision		
Balance at the beginning of the Period	**251,061**	229,180
Impairment loss charged during the Period	**35,037**	36,613
Recoveries during the Period	**15,877**	94,635
Utilized during the Period	**(5,218)**	(11,757)
Transferred from other provisions	**(118)**	3,171
No longer required	**(15,759)**	(101,250)
Foreign currency revaluation differences	**702**	469
Balance at the end of Period	**281,582**	251,061

18- Total Financing and facilities to customers (Net of Deferred Profit) – Continued

	30 September 2015 EGP '000	31 December 2014 EGP '000
Retail		
Overdraft	**11,363**	1,407
Covered cards	**197,125**	111,036
Personal financing	**3,316,612**	3,124,576
Real estate mortgage	**167**	1,164
Total (1)	**3,525,267**	3,238,183
Corporate (including SMEs)		
Overdraft	**1,176,813**	1,097,036
Direct financing	**5,239,906**	4,094,786
Syndicated financing	**529,727**	270,787
Total (2)	**6,946,446**	5,462,609
Total financing	**10,471,713**	8,700,792
Impairment losses for loans	**(281,582)**	(251,061)
Profit in suspense **	**(19,754)**	(21,918)
Net	**10,170,377**	8,427,813
Net distributed as follows:		
Conventional financing (Net)	**231,128**	227,952
Islamic financing (Net)	**9,939,249**	8,199,861
Net	**10,170,377**	8,427,813

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

18-Financing and facilities to customers – Continued

Movement for impairment losses for financing as per type

Value in EGP '000

30 September 2015			**Retail**		
	Overdraft	**Covered cards**	**Personal financing**	**Real estate mortgage**	**Total**
Balance at 1 January 2015	**-**	**553**	**93,578**	**236**	**94,367**
Impairment loss charged during the Period	**-**	**2,046**	**17,469**	**(198)**	**19,317**
Utilized during the Period	**-**	**(201)**	**(4,588)**	**-**	**(4,789)**
Recoveries during the Period	**-**	**426**	**615**	**-**	**1,041**
No longer required	**-**	**(426)**	**(615)**	**-**	**(1,041)**
Total	**-**	**2,398**	**106,459**	**38**	**108,895**

31 December 2014			Retail		
	Overdraft	Covered cards	Personal financing	Real estate mortgage	Total
Balance at 1 January 2014	-	431	92,263	1,213	93,907
Impairment loss charged during the Period	-	649	4,470	(480)	4,639
Utilized during the Period	-	(527)	(2,838)	(497)	(3,862)
Recoveries during the Period	-	110	241	-	351
Provisions no longer required	-	(110)	(558)	-	(668)
Total	-	553	93,578	236	94,367

30 September 2015			**Corporate**		
	Overdraft	**Direct financing**	**Syndicated financing**	**Others**	**Total**
Balance at 1 January 2015	**6,651**	**145,305**	**4,738**	**-**	**156,694**
Impairment loss charged during the Period	**1,870**	**9,699**	**4,151**	**-**	**15,720**
Utilized during the Period	**-**	**(428)**	**-**	**-**	**(428)**
Recoveries during the Period	**-**	**14,836**	**-**	**-**	**14,836**
Provisions no longer required	**-**	**(14,718)**	**-**	**-**	**(14,718)**
Foreign currency valuation differences	**-**	**701**	**-**	**-**	**701**
Total	**8,521**	**155,277**	**8,889**	**-**	**172,687**

31 December 2014			Corporate		
	Overdraft	Direct financing	Syndicated financing	Others	Total
Balance at 1 January 2014	1,196	125,671	8,406	-	135,273
Impairment loss charged during the Period	5,455	30,207	(3,688)	-	31,974
Utilized during the Period	-	(7,895)	-	-	(7,895)
Recoveries from written off provisions	-	94,284	-	-	94,284
Transferred from other provisions	-	3,171	-	-	3,171
Provisions no longer required	-	(100,582)	-	-	(100,582)
Foreign currency valuation differences	-	449	20	-	469
Total	6,651	145,305	4,738	-	156,694

19- Financial investments

	30 September 2015	31 December 2014
	EGP '000	EGP '000
19/1 Available for sale investment		
Debt instruments - at fair value		
Listed	3,999,501	1,586,871
Equity instruments - at fair value		
Listed	48,271	55,262
Unlisted	50,668	52,339
Total available for sale investments (1)	4,098,440	1,694,472
19/2 Financial investment held to maturity		
Debt instruments- at amortized cost		
Listed	55	55
Sanabel Fund (*)	5,975	7,500
El-Naharda Fund (**)	5,000	5,000
Total investments held to maturity (2)	11,030	12,555
Total financial investments (1 + 2)	4,109,470	1,707,027
Categorized as follows:		
Current	4,047,827	1,642,188
Non-current	61,643	64,839
Total	4,109,470	1,707,027
Categorized as follows:		
Fixed profit debt instruments	3,998,075	1,584,953
Variable profit debt instruments	12,456	14,473
Variable profit equity instruments	98,939	107,601
Total	4,109,470	1,707,027

Mutual fund:
(*) 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 Prime for Investment, on 25 December 2011 the fund management was transferred to HC Company.

The number of bank's certificates share is LE75k certificates of par value LE100. The acquisition cost amounted to LE 7,635k.

The residual value of the certificate as 30th September 2015 amounted of LE 101.82 (December 31st, 2014: LE 104.51)

(**) 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 of par value LE 100.
The residual value of the certificate as 30th September 2015 amounted of LE 102.63 (31 December 2014: LE 100.96).

19- Financial investments – Continued

Value in EGP '000

	Financial investment AFS	Financial investment HTM	Total
Balance at 1 January 2015	**1,694,472**	**12,555**	**1,707,027**
Additions	**3,922,498**	**-**	**3,922,498**
Disposals (sales/redemption)	**(1,506,234)**	**-**	**(1,506,234)**
Foreign currency revaluation difference	**1,448**	**-**	**1,448**
Change in the fair value	**(13,257)**	**-**	**(13,257)**
Impairment loss recoveries	**(487)**	**(1,525)**	**(2,012)**
Balance as at 30 September 2015	**4,098,440**	**11,030**	**4,109,470**
Balance at 1 January 2014	1,252,372	12,181	1,264,553
Additions	645,596	5,000	650,596
Disposals (sales/redemption)	(174,054)	(5,429)	(179,483)
Foreign currency revaluation difference	495	150	645
Change in the fair value	(28,922)	-	(28,922)
Impairment loss	(1,015)	653	(362)
Balance at 31 December 2014	1,694,472	12,555	1,707,027

19/3 Profit from financial investment

18/3 Profit from financial investment

	Nine Months Ended 30 September 2015 EGP '000	Nine Months Ended 30 September 2014 EGP '000	**Three Months Ended 30 September 2015 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Gain from sale of available for sale investments	**10,585**	77	**2,459**	-
Impairment loss of AFS investment	**(489)**	(1,015)	**(326)**	(1,015)
Gain on sale of treasury bills	**1,215**	1,918	**452**	437
Gain on sale of investments in associates	**-**	-	**-**	-
Impairment loss of Investments in associates	**(301)**	-	**163**	-
Impairment loss of HTM Investments				
	11,010	980	**2,748**	(578)

Notes to Consolidated Financial Statements for the Period ended 30 September 2015 Cont.

20- Investments in associates (Net)

	30 September 2015		31 December 2014	
	Value	Share %	Value	Share %
Arab Mashriq Company for Takaful insurance	**37,443**	**20%**	30,714	20%
Upper Egypt National Company for Construction	**332**	**23%**	633	23%
Assuit National Company for Agricultural Development	**3,010**	**22%**	3,010	22%
United Group for Trading and Engineering	**522**	**24%**	522	24%
Investment in associated companies	**41,307**		34,879	

21- Intangible assets

<u>Computer software</u>	30 September 2015 EGP '000	31 December 2014 EGP '000
Net book value at the beginning of the Period	**4,482**	5,685
Additions	**20,272**	20,662
Depreciation for the Period	**(16,361)**	(21,865)
Net book value at the end of the Period	**8,393**	4,482

22- Other assets

	30 September 2015 EGP '000	31 December 2014 EGP '000
Accrued revenues	**254,638**	153,846
Pre-paid expenses	**84,387**	69,926
Down payments under purchase fixed assets	**13,453**	34,656
Assets reverted to the bank in settlement of debts (Net of impairment)	**105,592**	115,137
Deposits and custody	**11,246**	6,316
Due from tax authority - Debit balances*	**271,828**	398,277
Settlement account- leasing	**15,412**	12,611
Inventory	**35,510**	45,064
Other debit balances	**164,855**	188,177
Total	**956,921**	1,024,010

* Represents amounts under settlements in dispute with the tax authority

23- Projects under construction

	30 September 2015 EGP '000	31 December 2014 EGP '000
Balance for beginning of the Period	**18,730**	24,955
Additions	**(2,324)**	4,726
Transfer to fixed assets	**(339)**	(10,951)
Net at the end of the Period	**15,866**	18,730

24- Fixed assets – Net of accumulated depreciation

Value in EGP '000

	Land& premises	*Machinery & equipment*	*Other assets*	*Total*
Net book value at 1 January 2015	**205,470**	**73,842**	**266,976**	**546,288**
Additions	**3,678**	**39,163**	**63,352**	**106,193**
Disposals	**(9,909)**	**(16,426)**	**(22,792)**	**(49,127)**
Depreciation	**(5,294)**	**(6,868)**	**(37,363)**	**(49,525)**
Depreciation related to disposals	**2,009**	**11,952**	**22,793**	**36,754**
Net book value at 30 September 2015	**195,954**	**101,663**	**292,966**	**590,583**
Cost	**206,809**	**110,625**	**404,581**	**722,015**
Accumulated depreciation	**(10,855)**	**(8,962)**	**(111,615)**	**(131,432)**
Net book value at 30 September 2015	**195,954**	**101,663**	**292,966**	**590,583**

Value in EGP '000

	Land& premises	*Machinery & equipment*	*Other assets*	*Total*
Net book value at 1 January 2014	107,236	77,283	244,001	428,520
Additions	107,444	2,889	73,839	184,172
Disposals	(3,198)	(453)	(158)	(3,809)
Depreciation	(6,682)	(6,330)	(50,778)	(63,790)
Depreciation related to disposals	670	453	72	1,195
Net book value at 31 December 2014	205,470	73,842	266,976	546,288
Cost	213,040	87,888	364,021	664,949
Accumulated depreciation	(7,570)	(14,046)	(97,045)	(118,661)
Net book value at 31 December 2014	205,470	73,842	266,976	546,288

- Fixed Assets not registered to the name of the bank amounted to LE 8.43mn (31st December 2014: EGP 8.43mn) as of 30 September 2015. Legal registration procedures are under progress.
- Fully depreciated assets as of 30th September 2015 and still in use amounted to LE 108mn (31 December 2014: LE 101mn)

24- Fixed assets – Net of accumulated depreciation Continued

- **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 LE 115 million the bank recorded as fixed asset with the same value 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.

25- Investment property (Net)

Value in EGP '000

	Land	*Premises*	*Others*	*Total*
Balance as at 1 January 2015	**34,725**	**88,113**	**547**	**123,385**
Disposals	**(400)**	**(16,248)**	**-**	**(16,648)**
Depreciation expense	**-**	**(4,498)**	**(103)**	**(4,601)**
Depreciation expense related to disposals	**-**	**1,267**	**-**	**1,267**
30 September 2015	**34,325**	**68,634**	**444**	**103,403**
Balance at 1 January 2014	34,765	94,028	650	129,443
Disposals	(40)	(2,313)	-	(2,353)
Depreciation expense	-	(4,238)	(103)	(4,341)
Depreciation expense related to disposals	-	636	-	636
Net book value at 31 December 2014	34,725	88,113	547	123,385

26- Financial leased assets (Net)

	30 September 2015 EGP '000	31 December 2014 EGP '000
Cost		
Beginning balance	**228,290**	197,568
Additions	**121,033**	70,913
Disposals	**(30,790)**	(40,191)
Total	**318,533**	228,290
Accumulated depreciation		
Beginning balance	**(95,721)**	(87,440)
Period's depreciation	**(55,235)**	(47,885)
Disposals	**29,785**	39,604
	(121,171)	(95,721)
Net book value at the end of the Period	**197,362**	132,569

27- Due to banks

	30 September 2015 EGP '000	31 December 2014 EGP '000
Current accounts	**4,249**	29,641
Deposits	**1,279,332**	763,485.00
Total	**1,283,581**	793,126
Local banks	**179,755**	170,923
Foreign banks	**1,103,826**	622,203
	1,283,581	793,126
Non-profit bearing balances	**4,249**	29,641
Fixed profit bearing balances	**1,279,332**	763,485.00
	1,283,581	793,126

28- Customers' deposits

	30 September 2015 EGP '000	31 December 2014 EGP '000
Demand deposits	**4,461,519**	3,434,692
Time deposits and call accounts	**3,497,699**	3,024,934
Term saving certificates	**6,494,853**	5,773,466
Savings deposits	**4,243,059**	3,943,351
Other deposits	**541,883**	403,318
Total	**19,239,013**	16,579,761
<u>Classified as follows:</u>		
Corporate deposits	**6,238,102**	4,407,875
Retail deposit	**13,000,911**	12,171,886
	19,239,013	16,579,761
Non-profit balances	**3,064,086**	2,096,352
Variable profit balances	**16,174,927**	14,483,409
	19,239,013	16,579,761
Current balances	**12,744,160**	10,806,295
Non-current balances	**6,494,853**	5,773,466
Total	**19,239,013**	16,579,761

29- Subordinated financing

	30 September 2015 EGP '000	31 December 2014 EGP '000
Subordinated Financing	**228,478**	203,209
Total		
Subordinated Financing		
Face value of the subordinated financing	**203,209**	209,023
Amortization of subordinated using EIR method	**8,331**	10,278
Foreign exchange difference	**16,938**	5,557
Closure of subordinated financing given on 27 Dec 2012	**-**	(212,316)
Present value of subordinated financing	**-**	190,667
Total	**228,478**	203,209

- The Bank obtained subordinated financing of total amount USD 39mn equivalent to LE 294mn from ADIB- UAE under Wakala investment agreement of tenor of seven years started on 27 March, 2014 with a profit rate of 0.125% form the investment amount and the expected profit equals to Libor USD on any extension period after those seven years.

- The bank recorded the subordinated financing by its present value using discount rate of 5.17% and the difference between the face value and the present value of total amount LE 80,676k recorded in the equity caption.

30- Other liabilities

	30 September 2015 EGP '000	31 December 2014 EGP '000
Accrued profit	**61,690**	28,426
Unearned revenues from the sale & leaseback assets	**87**	113
Accrued expenses	**134,310**	100,688
Down payment - leasing clients	**39,947**	29,105
Due to tax authority - Credit balances *	**271,828**	398,277
Other credit balances	**460,344**	265,268
Total	**968,206**	821,877

* Represents amounts under settlements in dispute with the Tax Authority (Note 40)

31- Other provisions

Value in EGP '000

	Provision for* Contingent Claims	Provision for Tax	Provision for Contingent Liabilities	Other Provision	Total
Balance as at 1 January 2015	**22,607**	**43,106**	**12,388**	**1,358**	**79,459**
Provisions charged during the Period	**99,721**	**3,149**	**951**	**1,241**	**105,062**
Provisions used during the Period	**(18,707)**	**-**	**-**	**-**	**(18,707)**
Foreign exchange difference	**-**	**-**	**344**	**-**	**344**
Balance as at 30 September 2015	**103,621**	**46,255**	**13,683**	**2,599**	**166,158**
Balance at 1 January 2014	10,158	65,236	11,965	839	88,198
Provisions charged during the Period	14,133	26,167	449	581	41,330
Provisions used during the Period	(1,646)	(48,297)	-	(62)	(50,005)
Provision no longer required	(38)	-	-	-	(38)
Foreign exchange difference	-	-	(26)	-	(26)
Balance as at 31 December 2014	22,607	43,106	12,388	1,358	79,459

* Reference to ADIB Egypt General Assembly meeting Minutes dated October,18 2015, as Abu Dhabi Islamic Bank – UAE representative stated that " Abu Dhabi Islamic Bank – UAE reserves its right to claim the repayment of its dues from ADIB Egypt SAE and any other party Based on that up until year ending 2014, ADIB Egypt's financial statements correctly reflected the translation impact on the US Dollar deposits received from ADIB UAE. However, during Q1 2015, ADIB UAE was made aware that the Central Bank of Egypt (CBE) has instructed ADIB Egypt to restate its audited financial statements for the years 2012, 2013 and 2014 by treating the US dollar deposits placed by ADIB UAE, as Egyptian Pounds deposits since inception, which might result in potential claim in case that Abu Dhabi Islamic Bank –UAE claims with the amounts mentioned above, and according to external legal Advisor opinion on probability of loss, the Bank decided to build a provision based on the loss probability.

32- Deferred tax

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

	30 September 2015 EGP '000 Assets / (Liabilities)	31 December 2014 EGP '000 Assets / (Liabilities)
Fixed assets	**(25,734)**	(27,366)
Provisions (other than the impairment loss for financing)	**8,700**	8,723
Profit in suspense	**4,445**	5,479
Tax losses carried forward	**652,519**	842,220
Net tax resulted in assets	**639,930**	829,056

Movement of deferred tax assets and liabilities method:

	30 September 2015	31 December 2014
Beginning balance	**829,056**	899,097
Additions	**1,415**	4,222
Disposals	**(190,541)**	(74,263)
Ending Balance	**639,930**	829,056

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.

Deferred Tax Assets of LE 1,622k related to ADILease (subsidiary), were not recognized due to absence of reasonable assurance that the company will achieve future taxable profits which the company can benefit from on the short term

33- Capital

33/1Authorized capital

The authorized capital amounts to LE **4.0**bn (December 31st, 2014: LE **4.0**bn)

33/2 Issued and paid-In capital:

The issued and paid in capital amounted to LE **1,9**Bn (December 31st, 2014: LE **1,9**Bn) represented by **199.5**mn shares with a nominal value of LE 10 each after eliminate the shares owned by minority interest

33/3 Amounts paid under capital increase

ADIB – UAE made cash deposit LE 1,662k 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 199mn to amounts paid under capital increase, Accordingly balance of total amounts paid under capital increase reached LE 1,861mn (31 December 2014 LE 1,861mn).

34- Reverses and retained earnings

Reserves	30 September 2015	31 December 2014
	EGP '000	EGP '000
Legal reserves	22,878	22,878
General reserve	42,522	42,522
Special reserves	26,257	26,257
Fair value reserve – available for sale investments	62,277	75,533
General Banking Risk Reserve	88,069	83,434
Total Reserves	242,003	250,624

34/1 Special reserves

	30 September 2015	31 December 2014
	EGP '000	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

34/2 Fair value reserve – Available for sale investments

	30 September 2015	31 December 2014
	EGP '000	EGP '000
Beginning balance	75,533	104,356
Change in fair value	(13,554)	(27,101)
Losses (Profit) transferred to income statement related to AFS disposals	297	(1,722)
	62,276	75,533

34/3 General banking risk reserves

	30 September 2015	31 December 2014
	EGP '000	EGP '000
Beginning balance	**83,434**	61,425
Adjustments related to change in the measurement policy of impairment loss for loans and facilities	**4,167**	21,901
10% provision based on the value of assets reverted to the bank	**468**	108
	88,069	83,434
Balance of general banking risk reserve		
General Banking Risk Reserve for financing and facilities	**87,493**	83,326
General Banking Risk Reserve related to assets reverted to the Bank	**576**	108
	88,069	83,434

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.

34/4 Accumulated losses

	30 September 2015	31 December 2014
	EGP '000	EGP '000
Balance at the beginning of the Period	**(3,201,676)**	(3,424,801)
Net income for the Period	**139,922**	255,944
Transferred to general banking risk reserve	**(4,635)**	(22,009)
Amortization of the subordinated financing	**8,331**	10,277
Prior years adjustment - Subsidiaries	**-**	(21,087)
	(3,058,058)	(3,201,676)

35- 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.

	30 September 2015 EGP '000	30 September 2014 EGP '000
Cash and due from CBE	**699,661**	1,058,941
Due from banks	**1,576,259**	684,174
Treasury bills	**3,152,392**	4,164,956
Due from banks maturities more than3 months	**(1,299,145)**	(522,638)
Treasury bills maturities more than 3 months	**(3,154,461)**	(4,096,630)
	974,706	1,288,803

36- Contingent liabilities and commitments

36/1 Capital commitments:

The banks contracts for capital commitments reached LE **6,990K** as of September 30th, 2015 (December 31st, 2014: LE **4,078**k), representing purchases of fixed assets and the management is adequately confident that net profit shall be realized and finance shall be made available to cover these commitments when due.

36/2 Contingent liabilities

	30 September 2015 EGP '000	31 December 2014 EGP '000
Letter of credit (Import- Export)	**308,046**	359,913
Letter of guarantee	**417,408**	423,305
Documentary credit	**76,465**	184,965
Bank guarantees	**431,021**	196,209
	1,232,940	1,164,392

36/3 Operating lease commitment

	30 September 2015 EGP '000	31 December 2014 EGP '000
From 1 year up to 5 years	**31,361**	27,653
More than 5 years	**27,111**	20,761
	58,472	48,414

37- Related party transactions

37/1 The related party balances included in the consolidated financial statement were as follows

	Directors EGP '000	Subsidiaries and associates EGP '000	Major shareholder EGP '000	Total EGP '000
30 September 2015				
Due from banks	-	-	22,224	22,224
Other assets	-	-	1,375	1,375
	-	-	23,599	23,599
Due to banks	-	-	667,075	667,075
Customers' deposits	-	82,356	-	82,356
Subordinated financing	-	-	228,478	228,478
Paid under capital increase	-	-	1,861,418	1,861,418
Difference between face value and present value of subordinated loan	-	-	64,807	64,807
	-	82,356	2,821,777	2,904,133
31 December 2014				
Due from banks	-	-	17,961	17,961
Other assets	-	-	734	734
	-	-	18,695	18,695
Due to banks	-	-	635,249	635,249
Customers' deposits	-	87,802	-	87,802
Other liabilities	-	-	2,117	2,117
Subordinated financing	-	-	203,209	203,209
Paid under capital increase	-	-	1,861,418	1,861,418
Difference between face value and present value of subordinated loan	-	-	73,139	73,139
	-	87,802	2,775,132	2,862,934

37/2 During the period significant transactions with related parties included in the consolidated income statement are as follows:

	Directors	Subsidiaries	Major	Total
	EGP '000	EGP '000	EGP '000	EGP '000
30 September 2015				
Salaries and short term benefits	**(12,994)**	**-**	**-**	**(12,994)**
Cost of subordinated loan using EIR	**-**	**-**	**(8,331)**	**(8,331)**
30 June 2014				
Salaries and short term benefits	(6,986)	-	-	(6,986)
Cost of subordinated loan using EIR	-	-	(7,733)	(7,733)

38- Employees Benefits

Retirement benefits obligations

	30 September 2015	31 December 2014
	EGP '000	EGP '000
Liabilities listed on balance sheet:		
Pension benefits	**-**	14,461
Medical benefits after retirement	**52,885**	52,659
	52,885	67,120
Amounts recognized in the income statement		
Pension benefits	**(19,439)**	(5,738)
Medical benefits after retirement	**(9,328)**	(5,673)
	(28,767)	(11,411)

38/1 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.

38/2 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 15%
- Inflation rate 12%
- (projected unit credit method)

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

38/3 End of service fund - Defined benefit plan for employees in National Company for Glass and Crystal

The national company for Crystal and Glass has End of service Defined benefit plan for workers. The company has assigned an independent actuarial expert to estimate the obligations resulting from the end of service mentioned above applying the total present value method of end of service reward discharged when the employees stay at work until they reach the legal age of retirement or death prior to that calculated in accordance with the terms of the actual service until 12/31/2014 and inserted at an annual salary until the end of the service.

38- Employees Benefits Continued

The main assumptions used by the actuarial expert were represented as follows:

- The life rate according to the British table A67-70ULT of life rates.
- Discount rate 12%
- According to the restated labor law which were decided to have a minimum annual premium of 7% has been considered that rate of 7% calculated annually
- Legal retirement age is 60 years.

The expense of the liability was charged to the accumulated losses according to the Egyptian accounting standard No. 5 (Accounting policies and changes in accounting estimations and faults).

39- 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 1 Jan 2013 and 1 Jan 2014.

		Note	31 December 2014 Before adjustment	Increase /Decrease	31 December 2014 After adjustment
			EGP '000	EGP '000	EGP '000
Other assets	**Assets**	22	1,035,207	**(11,197)**	1,024,010
Investment property, Net	**Assets**	25	123,476	**(91)**	123,385
			1,158,683	**(11,288)**	19,544,884
Accumulated Loss	**Equity**	34/3	(3,180,588)	**(21,088)**	(3,201,676)
Non controllable interest	**Equity**		7,525	**9,800**	17,325
			(3,173,063)	**(11,288)**	(3,184,351)

40- Re-issuance of the financial statements (31 December 2014)

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	**959,926**	(59,795)	**900,131**
		959,926	(59,795)	**900,131**
Other liabilities	liabilities	**780,788**	(239,184)	**541,604**
Accumulated losses	Equity	**(3,598,501)**	179,388	**(3,419,113)**
		(2,817,713)	(59,796)	**(2,877,509)**
CAR%		**10.40%**	1.65%	**12.05%**
Income statement items				
Net trading income	Income	**60,211**	163,793	**224,004**
Tax	Expense	**146,975**	(59,795)	**87,180**
		207,186	103,998	**311,184**

	Item type	31 December 2014 Before adjustment 000" LE	Debit/(Credit) 000" LE	31 December 2014 After adjustment 000" LE
Deferred tax assets	Assets	**898,383**	(69,327)	**829,056**
		898,383	(69,327)	**829,056**
Subordinated loan	liabilities	**364,736**	(161,527)	**203,209**
Other liabilities	liabilities	**866,043**	(44,166)	**821,877**
Difference between PV and FV of subordinated loan	Equity	**131,238**	(58,100)	**73,138**
Accumulated losses	Equity	**(3,396,142)**	194,466	**(3,201,676)**
		(2,034,125)	(69,327)	**(2,103,452)**
CAR%		**12.08%**	-0.40%	**11.68%**
Income statement items				
Cost of deposits and similar Costs	Expense	**(829,730)**	6,028	**(823,702)**
Net trading income	Income	**73,439**	32,415	**105,854**
Tax	Expense	**(151,260)**	(9,532)	**(160,792)**
		(907,551)	28,911	**(878,640)**

41- Tax position

41- 1 Tax position for ADIB - EG

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

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

- 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 15 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.

41- Tax position Continued

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

- 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.

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.

41-2 Tax position for National Glass

Corporate tax:

- Tax inspections for the years prior 2006 have been fully completed and all due taxes have been paid.
- Company books have not been inspected from beginning of their activities from 2007 till 2013.

Sales tax:

- Tax inspections for the years prior 2007 have been fully completed and all due taxes have been paid.
- Tax inspections for the years from 2008 to 2012 have been fully completed and there are no claims till now.
- Company books have not been inspected for year ended 2013 knowing that there is accumulated tax losses..

Salary tax:

- Tax inspections for the years prior 2004 have been fully completed and all due taxes have been paid.
- Company books have not been inspected from 2005 till 2013.

Stamp duty tax:

- Tax inspections for the years prior 2006 have been fully completed and all due taxes have been paid.
- Company books have not been inspected from 2007 till 2013.

41-3 Tax position for national company for trading and development (ENTAD):

Sales tax:

- Tax inspection has been completed up to 31 December 2011. The company received form (15) which includes the inspection results and presented checks to pay all due amounts.

Stamp duty tax:

- Tax inspection for the periods prior to 31 June 2006 has been fully completed and all due taxes have been paid.

41- Tax position Continued

Salary tax

- Tax inspection for the periods prior to 31 December 2004 has been fully completed and all due taxes have been paid.
- Tax inspection from 1 January 2005 till 31 December 2013 is being set for tax inspection.

Corporate tax:

- Period from the beginning of the activity till 31 December 2004 (Except years 1999/ 2001):
  There is a final tax claim amounted to LE 4.7mn excluding delay fines and the company paid LE 1.7mn as a down payment and the rest is under settlement amounted to LE 3mn.
- Tax inspection for the periods from 1 January 1999 to 31 December 2001 has been fully completed and an appeal has been filed. Disputes are being studied by the court.
- In the Other debit balances there is 1 million LE withholding taxes for the tax years under the current account to be settled with the tax authority.

41 -4Tax position for Cairo national company for investment

Income tax:

- Tax inspection from 1995 to 2004 has been fully completed and all due taxes have been paid.
- The tax return was prepared and delivered to tax authority from 2005 to 2013 and the Tax inspection for the previous periods have not been inspected

Salary tax:

- Tax inspection from 1995 till 2011 has been fully completed and all due taxes have been paid.
- The taxes paid monthly and in regular basis.

Stamp duty tax:

- Tax inspection from 1995 to 2010 has been fully completed and all due taxes have been paid.

41- Tax position Continued

41 -5 Tax position for Assiut Islamic company for trading and development

Income tax:

From 1989 till 1991:
- Tax inspections for the years have been fully completed and all due taxes have been paid.

From 1992 till 1995:
- Processing by the experts committee.

For the years 1996 and 1997:
- Processing by an appeal committee.

From 1998 till 2002:
- Processing by an internal committee.

For 2003 till 2004:

- Tax inspection for these years has not been inspected.

For 2005 till 2013:

- Tax inspection has been fully completed and all due taxes have been paid according to law No. 91 for the year 2005.

Salary tax:

- Tax inspections have been fully completed and all due taxes have been paid till 31 December 1994.
- The taxes paid monthly and in regular basis

Withholding tax:

- All due taxes have been paid till 30 September 2005.
- The taxes paid quarterly and in regular basis.

Stamp duty tax:

- Tax inspection has been completed up to 31 December 2010.

- Tax inspection for 2011 till 2013 has not been inspected.

Sales Tax:

- The company is not subjected to this tax.

Social insurance:

- The insurance paid in regular basis.

41- Tax position Continued

41 -6 Tax position for ADI lease

Corporate tax

- Tax inspections till year ended 2000 have been fully completed and all due taxes have been settled.
- Tax inspections from 1/1/2001 till 31/12/2009 have been fully completed and the company notified of the tax inspection result with form (19) and objected on legal due dates to the result of the tax inspection and the internal committee is currently considering the tax dispute.
- No tax inspection has been carried out from 2010 up till now.

Salary tax

- Salary tax inspections till 2001 have been fully completed and the company objected to the result of the tax inspection and the internal committee was notified and all due taxes have been settled.
- Salary tax inspections from 1/1/2002 till 31/12/2009 have been fully completed and the internal committee was held and all due taxes have been settled.
- No tax inspection has been carried out from 2010 up till now.

Stamp tax

- Tax inspections till 31/12/2010 have been fully completed and all due taxes have been settled.
- No tax inspection has been carried out from 2011 up till now.

41 -7 Tax position for ADI Holding

Corporate tax

- No tax inspection has been carried out up till date.

Salary tax

- Salary tax is paid on regular monthly payments.

Stamp tax

- No tax inspection has been carried out up till date.

Income tax

- The company is subjected to the tax of financial institutions. The company refers to an expert to estimate the provision for income tax and when there are differences between the actual results and the primary ones these differences affects the provision for income tax and the deferred tax for these periods.

41- Tax position Continued

41 -8 Tax position for ADIB capital

Commercial & Industrial income tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- No tax inspection has been carried out up till date.

Stamp tax

- Company is subject to tax law no. 143 year 2006 and its amendments.

41 -9 Tax position for ADI properties

Commercial and manufacturing profits tax

- The company is subject to the corporate tax No.91 for 2005 and its amendments.
- There is no tax inspection has taken place for the period from the inception date till date.

Stamp duty taxes

- The company is subject to the corporate tax No.143 for 2006 and its amendments.

41- Tax position Continued

41 -10 Tax position for Cairo national company for brokerage and securities:

Corporate tax:

- Tax inspections from 1995 to 2004 have been fully completed and all due taxes have been settled.
- Years from 2005 to 2013 tax returns have been sent on time according to law regulations 1991 – 2005 and settled.

Salary tax:

- Tax inspections from 2002 to 2012 have been fully completed and all due taxes have been settled.
- Tax inspections for 2013 have been fully inspected.

41 -11 Tax position for Alexandria national company for investment:

Corporate tax:

- Tax inspections from the beginning of the activity till 31 December 2004 have been fully completed and all due taxes have been settled.
- Years from 31 December 2005 to 31 December 2013 No tax inspection has been carried out, Tax returns have been sent on time and no tax dues have been recognized.

Movable values tax:

- Years from the beginning of the of the company's activity till 31 December 1999 no agreement has been set with the tax authority regarding the tax pools for 1996/1999 and a court case was raised without judgment till now.

- Tax inspections from 1 January 2000 to 31 December 2004 have been fully completed and all due taxes have been settled.

Salary tax:

- Tax inspections till 2006 have been fully completed and all due taxes have been settled.
- Tax inspections from 2007 till 2009 have been fully completed.
- Salary tax is paid to tax authority on regular monthly payments.

Stamp tax:
- Tax inspections till 2010 have been fully completed and all due taxes have been settled.
- No tax inspection has been carried out from 1 January 2011 till 31 December 2013.

42- Translation

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