ADIB مصرف أبوظبي الإسلامي

Separate Financial Statements and

The Auditors' Report thereon

For the period ended 30th June 2014

Allied for accounting and auditing
E & Y

Mansour & Co. Price water house Coopers
Public Accountants & consultants

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Independent Auditors' Report

To: The Board of Directors of Abu Dhabi Islamic Bank - Egypt S.A.E

Report on the Separate Financial Statements

We have audited the accompanying Separate Financial Statements of the Abu Dhabi Islamic Bank S.A.E, represented in the balance sheet as of June 30th ,2014 and the related separate statements of income, change in equity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Separate Financial Statements:

The Separate Financial Statements are the responsibility of the Banks management. Management is responsible for preparation and fair presentation of these Separate Financial Statements, in accordance with the instructions of preparation and presentation of Separate Financial Statements for Egyptian banks' issued by the Central Bank of Egypt on December 16th, 2008, as well as with relevant Egyptian laws and regulations. Management's responsibility include designing, implementing and maintaining internal control, relevant to the preparation and fair presentation of the Separate Financial Statements, that are free of material misstatement whether due to fraud or error. Management's responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibilities:

Our responsibility is to express an opinion on these Separate Financial Statements based on our audit. We conducted our audit in accordance with the Egyptian standards on auditing and applicable Egyptian laws. These standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that the Separate Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Separate Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Separate Financial Statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the entities preparation and fair presentation of the Separate Financial Statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. The audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management and evaluating the overall presentation of the Separate Financial Statements.

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

Opinion

In our opinion, the Separate Financial Statements give a true and fair view, in all material aspects of the financial position of Abu Dhabi Islamic Bank S.A.E and of its financial performance, cash flows for the year then ended in June 30th, 2014 accordance with the instructions of the preparation and the presentation of Separate Financial Statements of the Egyptian Banks issued by the Central Bank of Egypt on December 16th, 2008, as well as with relevant Egyptian laws and regulations.

Emphasis of Matter

Without qualifying our report, we draw your attention to the following:

1- Note (2-B) to the Consolidated financial statements, the Bank's accumulated losses as of June 30th 2014 have reached LE 3,272mn (December 31st 2013: LE 3,395mn) which exceeds half of the issued capital. In accordance to article no. 69 of the companies Law no. 159 of 1981, shareholders extraordinary general assembly meeting will be held to decide the continuity of the bank, which was held on 17th April 2014 and decided the continuity of the bank.

2- Note no. (35) To the Consolidated financial statements, At February 2012, The Bank raised legal case to proof un constitutional of tax on income form treasury bills as the bank incurred taxable losses for the years subjected to the legal case, According to legal and tax advisors estimation , the case has high probability of success.

Report on other Legal and Regulatory Requirements:

Nothing has come to our attention that causes us to believe that the Bank contravened any of the provisions on the Central Bank, Banking & Monetary System Law no. 88 of 2003 for the year then ended.

The Bank maintains proper accounting records that comply with the laws & the Banks articles of association & the Separate Financial Statements agree with the Bank's records.

Auditors

Hossam Zaki Nasr	**Ahmed Gamal Al-Atrees**
FESAA – FEST	FESAA - FEST
R.A.A (12254)	R.A.A (8784)
Allied for Accounting and Auditing E&Y	**Mansour & Co. Price water house Coopers**

Cairo, 12th August 2014.

Translation of Financial Statements originally issued in Arabic

Separate Balance sheet as at 30th June 2014

All amounts are in thousand Egyptian pounds

	Note	30 June 2014 LE 000's	31 December 2013 LE 000's
Assets			
Cash and due from Central Bank of Egypt (CBE)	14	**993,656**	1,694,008
Due from banks	15	**704,297**	1,272,051
Treasury bills	16	**3,737,225**	3,256,763
Conventional loans to customers (Net)	17/2	**284,788**	294,736
Financing to customers (Net)	17/2	**7,206,315**	6,308,586
Financial Investments:			
Available for sale	18/1	**1,576,937**	1,177,479
Held to maturity	18/2	**7,630**	12,181
Investments in associates & subsidiaries(Net)	19	**183,090**	170,326
Intangible assets(Net)	20	**5,472**	4,501
Other assets	21	**1,159,351**	1,016,448
Fixed assets (Net of accumulated depreciation)	22	**345,741**	231,426
Deferred tax asset	28	**874,892**	958,892
Total Assets		**17,079,394**	16,397,397
Liabilities :			
Due to banks	23	**582,632**	1,099
Customers' deposits	24	**14,350,109**	14,614,095
Subordinated financing	25	**355,658**	209,023
Other liabilities	26	**717,221**	724,258
Other provisions	27	**105,205**	83,493
Employees Benefits	34	**38,884**	30,559
Total liabilities		**16,149,709**	**15,662,527**
Equity:			
Issued and paid-up capital		**2,000,000**	2,000,000
Paid under capital increase	29/2	**1,861,418**	1,861,418
Reserves	29/3	**200,339**	214,649
Difference between face value and present value for subordinated financing	30	**140,341**	53,777
Accumulated losses	25	**(3,272,413)**	(3,394,974)
Total equity		**929,685**	734,870
Total liabilities and equity		**17,079,394**	16,397,397
Contingent liabilities & commitments		**1,107,001**	998,245

- The auditors' report is attached

-The accompanying notes are integral part of their financial statements..

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

Translation of Financial Statements originally issued in Arabic

Separate statement of Income for the period ended 30th June 2014

All amounts are in thousand Egyptian pounds

	Note	**Six Months Ended 30 June 2014**	Six Months Ended 30 June 2013	**Three Months Ended 30 June 2014**	Three Months Ended 30 June 2013
		LE 000's	LE 000's	**LE 000's**	**LE 000's**
Income from Murabaha, Musharaka, Mudaraba and other similar income	5	**680,419**	589,218	**352,762**	302,534
Cost of deposits and similar costs	5	**(399,901)**	(402,052)	**(205,169)**	(202,778)
Net profit income		**280,518**	187,166	**147,593**	99,756
Fee and commission income	6	**135,377**	58,176	**56,582**	35,704
Fee and commission expense	6	**(10,531)**	(608)	**(5,099)**	(360)
Net fee and commission income		**124,846**	57,568	**51,483**	35,344
Dividend income	7	**3,093**	2,527	**3,093**	2,377
Net trading income	8	**25,780**	18,686	**13,927**	11,231
Administrative expenses	9	**(274,246)**	(231,180)	**(137,346)**	(117,700)
Other operating expenses	10	**(35,950)**	(15,035)	**(8,120)**	(6,113)
Reversal of loan impairment charges	11	**69,380**	41,287	**24,796**	20,645
Gain from financial investments	18/3	**7,322**	(4,792)	**6,217**	(5,654)
Profit before income tax		**200,743**	56,227	**101,643**	39,886
Income tax	12	**(84,000)**	(22,347)	**(42,000)**	(17,401)
Net profit for the period		**116,743**	33,880	**59,643**	22,485
Basic earnings per share	13	**0.58**	0.17	**0.30**	0.11

- The accompanying notes are integral part of their financial statements..

Translation of Financial Statements originally issued in Arabic

Separate statement of change in equity for the period ended 30th June 2014

All amounts are in thousand Egyptian pounds

	Paid-up capital	Paid under capital increase	Reserves: Legal reserve	Reserves: General reserve	Reserves: Special reserve	Reserves: Investments available for sale fair value reserve	Reserves: General banking risk reserve	Difference between face value and present value of subordinated financing	Accumulated losses	Total
Balance at 1 January 2013 - as issued	2,000,000	1,861,418	22,878	42,522	26,257	23,703	106,114	64,189	(3,522,315)	624,766
Employees Benefits adjustments	-	-	-	-	-	-	-	-	(30,559)	(30,559)
Balance at 1 January 2013 - adjusted	2,000,000	1,861,418	22,878	42,522	26,257	23,703	106,114	64,189	(3,552,874)	594,207
Transfer to general banking risk reserve	-	-	-	-	-	-	(50,903)	-	50,903	-
Net change in fair value of available for sale investments	-	-	-	-	-	(24,054)	-	-	-	(24,054)
Difference between face value & present value for subordinated loan amortization	-	-	-	-	-	-	-	(5,093)	5,093	-
Net profit for the period	-	-	-	-	-	-	-	-	33,880	33,880
Balance at 30 June 2013	2,000,000	1,861,418	22,878	42,522	26,257	(351)	55,211	59,096	(3,462,998)	604,033
Balance at 1 January 2014 - as issued	2,000,000	1,861,418	22,878	42,522	26,257	61,568	61,424	53,777	(3,364,415)	765,429
Employees Benefits adjustments	-	-	-	-	-	-	-	-	(30,559)	(30,559)
Balance at 1 January 2014 - adjusted	2,000,000	1,861,418	22,878	42,522	26,257	61,568	61,424	53,777	(3,394,974)	734,870
Paid Under Capital increase	-	-	-	-	-	-	-	-	-	-
Transfer to general banking risk reserve	-	-	-	-	-	-	1,383	-	(1,383)	-
Net change in fair value for available for sale investments	-	-	-	-	-	(15,693)	-	-	-	(15,693)
Difference between face value & present value for subordinated loan amortization	-	-	-	-	-	-	-	(7,201)	7,201	-
Closure of subordinated loan given on 27 Dec. 2012	-	-	-	-	-	-	-	(51,038)	-	(51,038)
Difference between face value & present value for subordinated loan	-	-	-	-	-	-	-	144,803	-	144,803
Net profit for the period	-	-	-	-	-	-	-	-	116,743	116,743
Balance at 30 June 2014	2,000,000	1,861,418	22,878	42,522	26,257	45,875	62,807	140,341	(3,272,413)	929,685

- The accompanying notes are integral part of their financial statements..

Separate statement of Cash Flows for the period ended 30th June 2014

All amounts are in thousand Egyptian pounds

	Note	**30 June 2014 LE 000's**	30 June 2013 LE 000's
Cash flows from operating activities			
Profit before tax		**200,743**	56,227
Adjustments to reconcile profit before tax to cash flows from operating activities:			
Depreciation of fixed assets	22	**25,073**	22,482
Amortization of intangible assets	20	**8,440**	9,095
Impairment charges for credit losses and held to maturity investments	17/2-11	**13,345**	(5,354)
Other provisions charges	27	**30,005**	12,035
Loan loss provisions no longer required	17/2	**(82,725)**	(37,905)
Foreign currency revaluation of loan loss provisions	17	**393**	34,192
Foreign currency revaluation of other provisions	27	**63**	69
Foreign currency revaluation of held to maturity investments	18	**(150)**	(1,037)
Foreign currency revaluation of available for sale investments	18	**(495)**	(1,694)
Gain on sale of fixed assets	10	**(2,452)**	(5,440)
Gain on sale of assets reverted to the bank	10	**-**	(16,154)
Impairment losses of financial investment in sub& associated	3/18	**- 5,764.00**	5,764
Gain on sale of assets held for trading	8	**(129)**	(111)
Profit from sale of available for sale investments	18/3	**(77)**	-
Gain on sale of treasury bills	18/3	**(1,481)**	(972)
Dividends income	7	**(3,093)**	(2,527)
Amortization of subordinated loan using EIR method	25	**7,201**	5,093
Cash flows from operating activities before changes in operating assets and liabilities		**188,897**	73,763
Net decrease (increase) in assets & liabilities			
Due from banks		**628,870**	155,659
Treasury bills		**(84,149)**	1,211,918
Assets held for trading		**129.00**	110
Loans to customers		**(921,199)**	370,810
Other assets		**(43,826)**	(256,988)
Due to banks		**581,533**	20,846
Customers' deposits		**(213,558)**	(353,428)
Other liabilities		**175,736**	329,692
Employees benefits		**8,325.00**	-
Cash flows provided from operating activities		**320,758**	1,552,382
Used provisions - other than loans provision	27	**(8,356)**	(8,950)
Used provisions - loan provisions	17/2	**(2,228)**	(607,471)
Net cash flow from operations		**310,174**	935,961

Separate statement of Cash Flows for the period ended 30th June 2014 (Cont.)

All amounts are in thousand Egyptian pounds

	Note	30 June 2014	30 June 2013
Cash flows from investing activities			
Purchase of available for sale investments	18/2	(507,300)	(412)
Proceeds from sale of available for sale investments	18/2	92,721	7,382
Payments for the purchase of fixed assets	22	(134,488)	(34,099)
Payments for the purchase of intangible assets	20	(9,411)	(6,995)
Proceeds from sale of fixed assets		2,452	14,012
Payments to purchase investment in subsidiaries & Associate		(7,000)	-
Proceeds from redemption of Investment Held to Maturity	18/2	5,355	3,160
Proceeds from sale of treasury bills	18/3	1,481	972
Dividends income	7	3,093.00	2,527.00
Net cash flows used in investing activities		(553,097)	(13,453)
Cash flows from financing activities			
Proceeds from subordinated financing		-	24,997
Difference between face value and present value of subordinated financing		-	(5,093)
Net cash flows provided from financing activities		-	19,904
Net change in cash and cash equivalents during the period		(242,923)	942,412
Cash and cash equivalents at the beginning of the period		1,090,352	(130,262)
Cash and cash equivalents at the end of the period		847,429	812,150
Cash and cash equivalents at end of period are represented in :			
Cash and due from CBE	14	993,656	1,508,628
Due from banks	15	704,297	1,557,874
Treasury bills	16	3,737,225	2,795,633
Due from banks (matured more than 3 months)	15	(502,582)	(1,457,660)
Treasury bills (matured more than 3 months)		(4,085,167)	(3,592,325)
Cash and cash equivalents at end of the period	31	847,429	812,150

- The accompanying notes are integral part of their financial statements.

Notes to the separate the financial statements for the period ended 30th June 2014

1- General information:

Abu Dhabi Islamic Bank – Egypt S.A.E (formerly National Bank for Development) was established in 1974 in accordance with Investment Law No. 43 of 1974 and its executive regulations and the amendments thereon and is listed on the Egyptian Stock Exchange (EGX). The bank provides a full range of banking services to corporate, retail and micro finance clients through its head office located in Cairo and its 70 branches across all governorates and are served by 2,090 employees at 30th June 2014.

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

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

The separate financial statements for the period ended 30th June 2014 were approved by the bank's board of directors on 10 Aug 2014.

2- Summary of significant accounting policies:

A) Basis of preparation

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

There separate financial statements have been prepared in accordance with the requirements of related applicable Egyptian laws and regulations. The bank has also prepared consolidated financial statements for the bank and its subsidiaries in accordance with the central bank of Egypt (CBE) basis of preparation, which are companies in which the bank owns directly or indirectly more than half of the voting rights, or has the ability to control the financial and operational policies regardless of the type of activity.
The consolidated financial statement can be obtained from the bank management.
Investments in subsidiaries and associates are presented in the separate financial statements along with their accounting at cost less impairment loss.

Consolidated and separate financial statements are to be read together as of June 30th, 2014 to gather sufficient information to understand the banks' activities, results, cash flows and change in equity.

B) Significant accounting principle:

Although accumulated losses were **LE 3,272mn** at 30th June 2014 (31st December 2013: **LE 3,395mn**), which exceeds the paid up capital in addition to the effect of the shortfall of tax provisions the financial statements have been prepared on the going concern basis.

As per article no. 69 of company's law no. 159 for year 1981 an Extraordinary General Assembly meeting held on 17th April 2014 approved the bank's continuity as a going concern.

C) Associates and Subsidiary Companies:

C/1 Subsidiaries:

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

C/2 Associates:

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

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

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

D) Segment Reports:

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

The bank does not have any geographical sectors that operate in a different economic framework as at 30th June 2014.

E) Foreign Currency Transactions:

E/1 Trade and presentation currency

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

E/2 Transactions and balances in foreign currency

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

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

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

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

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

F) Financial assets:

The Bank classifies its financial assets into the following groups:

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

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

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

Financial assets include investments held for trading:

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

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

F-2 Financings and receivables

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

- That the bank intends to sell immediately or in the short term, which are classified as held for trading, or are classified as financial assets designated at fair value through the income statement account.

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

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

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

F-3 Investments held to maturity

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

F-4 Financial investments available for sale

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

The following principles are followed for financial assets:

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

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

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

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

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

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

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

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

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

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

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

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

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

- Debt instruments can be reclassified from available for sale investments to held to maturity investments at fair value when the bank has the intention and ability to hold to maturity including financings and bonds, Any related Income statement that were previously recognized are treated as follows:

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

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

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

G) Offset of financial assets and financial liabilities

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

H) Profit/Interest income and expenses

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

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

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

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

I) Fees and Commission Income

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

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

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

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

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

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

J) Dividends:

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

K) REPO and Reverse Repo agreements:

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

L) Impairments of financial assets:

L-1 Financial assets held with cost to depreciation:

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

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

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

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

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

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

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

- If there is objective evidence that an impairment loss on financings and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's 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 and are directionally consistent with 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.

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

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

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

M) Intangible Assets

M-1 Software (computer programs):

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

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

N) Fixed Assets:

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

Cost includes expenditures that are directly attributable to the acquisition of the items, subsequent costs are included in the assets carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial year in which they are incurred.

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

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

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

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

O) Impairment of non-financial assets:

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

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

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

P) Leasing

This is calculated as per law no. 95 for the year 1995, if the contract grants the right to the tenant to purchase the asset by a set date and a set value, in addition to contract covered more than 75% of estimated useful life, or if the existing rent represents more than 90% of the assets value. Other contracts represent operational rent contracts.

P-1 Rent

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

Q) Cash and cash equivalents

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

R) Other provisions

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

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

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

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

S) Taxes

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

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

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

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

I) Employees Benefits.

Employees saving insurance fund:

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

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

Legacy staff medical benefit plan

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

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

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T) Comparative figures

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

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

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 eliminated risk are as follows:

Collaterals:

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

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

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

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

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

Banks Rating	30 June 2014 Loans and Facilities	30 June 2014 Impairment loss	31 December 2013 Loans and facilities	31 December 2013 Impairment loss
Good debts	**77.68%**	**27.91%**	**76.74%**	**11.98%**
Regular Follow Up	**17.29%**	**13.04%**	**15.69%**	**14.93%**
Special Follow Up	**0.04%**	**0.66%**	**1.46%**	**3.18%**
Bad debts	**4.98%**	**58.39%**	**6.11%**	**69.91%**
	100.00%	**100.00%**	**100.00%**	**100.00%**

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

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

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

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

3/1/4 Model of General Risk Measurement

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

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

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

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

CBE rating	CBE rating Description	Required Provision %	Internal Rating	Internal Rating Description
1	Low risk	0%	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	2	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:

(All amounts are in thousand egyptian pounds)

	30 June 2014	31 December 2013
Balance sheet items exposed to credit risks		
Treasury bills	**3,900,448**	3,456,178
Financing to customers		
Retail loans		
- Overdraft	**1,509**	1,749
- Covered cards	**280,606**	143,854
- Personal financing	**3,576,135**	3,020,518
- Real estate mortgage	**3,300**	6,332
Corporate loans:		
- Overdraft	**896,919**	614,716
- Direct financing	**3,662,800**	3,446,222
- Syndicated financing	**286,998**	332,321
Financial investments:		
Debt instruments	**1,550,650**	1,149,033
Other assets	**1,159,351**	1,016,448
Total	**15,318,716**	13,187,371
Off balance sheet items exposed to credit risks		
Letters of credit (import & confirmed export)	**190,211**	288,566
Letters of guarantee	**393,062**	300,071
Documentary credit	**196,974**	75,711
Bank guarantees	**326,754**	333,897
Total (note 33)	**1,107,001**	998,245

The above table represents the maximum limit of risk to be exposed to at the end of March 31st, 2014 and without taking into consideration any guarantees, for balance sheet items, amounts stated depends on the net carrying amount shown in the balance sheet.

As shown in the preceding table **60.07** % (31st December 2013: **60.44**%) of the maximum limit exposed to credit risk results from financings and facilities to customers, while investments in debt instruments represents **10,70%** (31st December 2013: **9.18**%).

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:

- **94.97** % (31st December 2013: **92.43** %) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.

- **77.68** % (31st December 2013:**76.74** %) of the financing portfolio and facilities having no arrears or indicators of impairment.

- Financings and facilities valued on a separate basis amounting to LE **434mn** (31st December 2013: LE **462mn**) with impairment less than **4.98** % from its value against (31st December 2013: **6.11** %).

- The bank applied more prudential selection process on granting financings and facilities during the financial Period ended at 30th June 2014

- More than **99.94** % of investments in debt instruments and treasury bills represent debt instruments due from the Egyptian government.

3/1/6 Financing:

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

Value in LE 000's

	30 June 2014	31 December 2013
Loans and facilities	**Loans and facilities to customers**	Loans and facilities to customers
Not having arrears and not subject to impairment	**6,764,838**	5,806,147
Arrears not subject to impairment	**1,509,535**	1,297,449
Subject to impairment*	**433,894**	462,116
Total (note 18)	**8,708,267**	7,565,712
Less:		
Impairment loss provision **	**(242,257)**	(233,538)
Interest in suspense	**(35,826)**	(34,392)
Deferred profits	**(939,081)**	(694,460)
Net (note 2/17)	**7,491,103**	6,603,322

-Guaranteed financings are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees, Financings and facilities portfolio has increased as of 30th June 2014 by **15.10**% (31st December 2013: increased by **22.59**%).

* Financings and facilities to customers subjected to impairment representing the legacy facilities.

Notes to separate the Financial Statements for the period ended 30th June 2014(Cont.)

** The impairment loss provision for the legacy bad debts amounted 107 mm (107 mm as of 31 December 2013) because of bank wrote off some of legacy bad debts, the write off amounted 3,235,252 EGP

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3/1/6 Financing cont.
Financing to banks and customers:

Value in LE '000

30 June 2014

Rating	Retail				Corporate			Total
	Overdraft	Cash back Cards	Personal financing	Real Estate Mortgage	Overdraft	Direct facilities	Syndicated financing	
Good financing	**1,509**	**277,743**	**3,461,095**	**2,395**	**498,367**	**2,486,229**	**37,500**	**6,764,838**
Regular follow up	**-**	**2,433**	**30,545**	**64**	**398,502**	**824,611**	**249,498**	**1,505,653**
Special follow up	**-**	**366**	**3,403**	**-**	**50**	**63**	**-**	**3,882**
Bad debts	**-**	**64**	**81,092**	**841**	**-**	**351,897**	**-**	**433,894**
Total	**1,509**	**280,606**	**3,576,135**	**3,300**	**896,919**	**3,662,800**	**286,998**	**8,708,267**

Value in LE '000

31 December 2013

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

Financing having no arrears and not subject to impairment
The credit worthiness is rated for the financings and facilities portfolio that have no arrears and is not subject to impairment that is by reverting to the banks' internal rating.

3/1/6 Financing cont.
Financing having arrears and not subject to impairment:

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

Value in LE '000

30 June 2014	**Retail**				
	Overdraft	**Cash back Cards**	**Personal financings**	**Real Estate Mortgage**	**Total**
30 to 60 days arrears	**-**	**2,433**	**30,545**	**64**	**33,042**
60 to 90 days arrears	**-**	**366**	**3,403**	**-**	**3,769**
Total	**-**	**2,799**	**33,948**	**64**	**36,811**

31 December 2013	Retail				
	Overdraft	Cash back Cards	Personal financings	Real Estate Mortgage	Total
30 to 60 days arrears	-	1,149	31,919	4,650	37,718
60 to 90 days arrears	-	290	4,284	-	4,574
Total	-	1,439	36,203	4,650	42,292

Value in LE '000

30 June 2014	**Corporate**				
	Overdraft	**Direct financing**	**Syndicated financings**	**Others**	**Total**
30 to 60 days arrears	**398,502**	**824,611**	**249,498**	**-**	**1,472,611**
60 to 90 days arrears	**49**	**63**	**-**	**-**	**112**
Total	**398,551**	**824,674**	**249,498**	**-**	**1,472,723**

31 December 2013	Corporate				
	Overdraft	Direct financing	Syndicated financings	Others	Total
30 to 60 days arrears	190	854,158	294,821	-	1,149,169
60 to 90 days arrears	-	105,989	-	-	105,989
Total	190	960,147	294,821	-	1,255,158

At the first recognition of financings and facilities the fair value of the guarantees is re-evaluated on a regular basis taking into consideration market value in the subsequent events.

3/1/6 Financing cont.

Financing subject to individual impairment:

Financing to clients as follows:

Value in LE '000

30 June 2014	**Retail**			**Corporate**	**Total**
	Cash back Cards	**Personal Financing**	**Real Estate Mortgage**	**Direct financing**	
Financings subject to individual impairment	**63**	**81,092**	**841**	**351,896**	**433,892**

31 December 2013	Retail			Corporate	Total
	Cash back Cards	Personal Financing	Real Estate Mortgage	Direct financing	
Financings subject to individual impairment	119	80,392	1,211	380,394	462,116

Re-scheduled Financing

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

		Value in EGP '000
	30 June 2014	31 December 2013
Loans and Financing to customers		
Corporate		
Direct Financing	**210,472**	214,200

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

The following table represents breakdown of debt instruments and Treasury Bills, as per rating agencies at the end of the financial Period.

Value in LE '000

30 June 2014	Treasury Bills	Investments in Debt Instruments	Total
Less than A-	3,900,449	1,550,650	5,451,099

3/1/8 Geographical sectors:

Value in LE '000

	Arab Republic of Egypt			
	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Treasury bills	**4,335,077**	**-**	**-**	**4,335,077**
Debt instruments in AFS and HTM	**1,550,650**	**-**	**-**	**1,550,650**
Financing to customers				
Retail:				
Overdraft	**1,077**	**312**	**120**	**1,509**
Cash back cards	**280,606**	**-**	**-**	**280,606**
Personal Financing	**1,950,948**	**1,221,422**	**403,765**	**3,576,135**
Realestate mortgage	**3,300**	**-**	**-**	**3,300**
Corporate financing:				
Overdraft	**896,161**	**757**	**1.00**	**896,919**
Direct Financings	**3,661,005**	**1,787**	**8**	**3,662,800**
Syndicated Financings	**286,998**	**-**	**-**	**286,998**
Total as of 30 June 2014	**12,965,822**	**1,224,278**	**403,894**	**14,593,994**
Total as of 31 December 2013	10,778,094	1,060,051	332,778	12,170,923

3/2 Market Risk

Market risk is reflected in the fluctuation of the fair value or future cash flow, resulting from changes in market parameters. Market risk affects interest rates, foreign currency as well as equity products; each is exposed to general market movements.

Management of market risk, either related to trading or non-trading, is monitored by two separate teams, whereas reports are presented regularly to the board of directors.

Trading portfolios include direct dealing with clients and with the market, as for non-trading portfolios it is mainly established from management of assets interest rates or liabilities relating retail.

These portfolios include foreign exchange and equity instruments resulting from investments held to maturity and investments available for sale.

3/2/1 Market Risk Measurement Techniques

As a part of managing market risk, the bank has several hedging strategies and enters into several contracts for exchange of interest rate, that is to try to balance the risk of the debt instruments, long term financings with fixed interest in case of fair value implementation. Following are the major measurement methods used:

A. Value at risk

The bank implements value at risk method on portfolios held for trade, as well as non-trade. That is to evaluate the market risk and estimated maximum loss, depending on some predictions of the change in market conditions. The board of directors set limits to values at risk (for both trading and non-trading investments), which are monitored on a daily basis by the market risk department. The value at risk is the estimated calculated loss of the existing portfolio, this reflects the maximum loss that could occur but with a set ratio of 98%. Therefore there is a 2% probability of actual loss is more than the estimated loss. From the model of value at risk, ten day custody is expected, before closing all positions, Also, it is assumed that market movement within the ten days of custody will follow the same pattern, The market pattern is determined on a historical 5 year basis, used to predict ratios, prices, rates, outputs are closely monitored to evaluate the accuracy of the measurement method.

Using this method doesn't guarantee the value of loss to be within limits, especially if there is a major market movement, As the market risk impacts a major part of the banks business, the board of directors on a yearly basis set appropriate limitations for the value at risk (trading and non-trading) and are divided on the business sectors, comparing actual to estimated values, reviewed on a daily basis by the risk department, The daily value at risk within the financial period was LE **1,550,650** (31st December 2013: LE **1,149,033** K). The quality of the value at risk model is evaluated regularly, through testing results of portfolio held for trade; reports are presented after wards to management and board of directors.

B. Stress Testing:

Stress testing gives an indication of the loss that may arise from sharp change in circumstances. Stress testing is designed to understand the impact, using standard analysis for specific scenarios.

The bank undertakes various scenarios using risk analysis, such as compressing risk factors, by predicting crucial movements on each risk category, as well as developing country testing, due to special circumstances such as currency floating, Stress testing results are reviewed by management and the board of directors.

3/2/2 VAR summary

Value in LE '000

	6 months to 30 June 2014			12 months to 31 December 2013		
	Average	**High**	**Low**	Average	High	Low
Interest rate risk	**1,550,650**	**-**	**-**	1,149,033	-	-
Total value upon risk	**1,550,650**	**-**	**-**	1,149,033	-	-

There is a direct tie between the increase of value at risk and increase of interest rate risk in global markets, The 3 stated results (average, less, more) have been individually calculated.

The value calculated does not represent the total value at risk by the whole bank as a result of the diversified relation between different portfolios as well as different risk factors.

3/2/3 Foreign exchange risk:

The bank has exposure to foreign currency risk and cash flow, The board of directors has set limitations to the financial currency as a total value at the end of each day as well as monitoring it within the day. The following table below summarizes the group's exposure of the bank to foreign currency exchange rate risk at December 31st, 2013. Included in the table are the financial instruments at carrying amount, categorized by currency.

30 June 2014							Value in LE '000
	LE	USD	Euro	Sterling	Yen	Others	Total
Assets							
Cash and due from CBE	**976,170**	**12,459**	**845**	**1,846**	**18**	**2,318**	**993,656**
Due from banks	**9,676**	**622,436**	**22,497**	**23,570**	**733**	**25,385**	**704,297**
Treasury bills	**3,984,525**	**321,305**	-	**29,247**	-	-	**4,335,077**
Financial assets held for trading	-	-	-	-	-	-	-
Facilities to Banks	-	-	-	-	-	-	-
Loans and Financing to clients	**7,458,475**	**1,223,333**	-	**26,458**	-	**1**	**8,708,267**
Financial Investments							
Available for sale	**1,552,907**	**24,031**	-	-	-	-	**1,576,938**
Held to maturity	**7,629**	-	-	-	-	-	**7,629**
Investment in Associates & Subsidiaries	**183,088**	-	-	-	-	-	**183,088**
Other assets	**1,159,351**	-	-	-	-	-	**1,159,351**
Total Financial Assets	**15,331,821**	**2,203,564**	**23,342**	**81,121**	**751**	**27,704**	**17,668,303**
Liabilities							
Dues to banks	**447,305**	**132,509**	-	**2,722**	-	**96**	**582,632**
Customers deposits	**13,412,255**	**798,269**	**23,238**	**88,796**	**563**	**26,988**	**14,350,109**
Subordinated Financing	-	**355,658**	-	-	-	-	**355,658**
Total financial Liabilities	**13,859,560**	**1,286,436**	**23,238**	**91,518**	**563**	**27,084**	**15,288,399**
Net financial position	**1,472,261**	**917,128**	**104**	**(10,397)**	**188**	**620**	**2,379,904**
31 December 2013							
Total Financial Assets	13,274,716	2,667,745	22,774	114,536	558	26,711	16,107,040
Total financial Liabilities	13,647,233	957,572	23,017	118,901	549	26,517	14,773,789
Net financial position	(372,517)	1,710,173	(243)	(4,365)	9	194	1,333,251

3/2/4 Interest rate risk

The bank is exposed to fluctuation of interest rates, which reflects in the cash flow as well as fluctuation in the fair value of financial instruments, marginal Interest could increase as a result of fluctuations and profits could decrease. The board of directors has set limitations to the differences in interest ratings and re-pricing this is monitored on a daily basis by the risk department. The table below summarizes the book value of the financial instruments by type and the re-rating dates or maturity dates (which is nearest).

Value in EGP '000

30 June 2014	Up to 1 Month	1-3 months	3-12 Months	1-5 years	More than 5 years	Non - Profit Bearing	Total
Financial Assets							
Cash and due from CBE	-	-	-	875,510	-	118,146	993,656
Due from banks	704,297	-	-	-	-	-	704,297
Treasury bills	312,600	1,041,527	2,980,950	-	-	-	4,335,077
Loans and Financing to clients	509,948	1,199,184	2,288,344	4,213,733	497,058	-	8,708,267
Financial assets held for trading							
Financial Investments							
Available for sale	-	28,000	173,241	1,227,846	147,850	-	1,576,937
Held to maturity	-	-	-	7,630	-	-	7,630
Investments in subsidiaries & Associates	-	-	-	-	-	183,089	183,089
Total Financial Assets	1,526,845	2,268,711	5,442,535	6,324,719	644,908	301,235	16,508,953
Financial Liabilities							
Dues to banks	582,632	-	-	-	-	-	582,632
Customers deposits	2,003,893	871,119	1,630,993	8,825,752	1,018,352	-	14,350,109
Subordinated Financing	-	-	-	355,658	-	-	355,658
Total Financial Liabilities	2,586,525	871,119	1,630,993	9,181,410	1,018,352	-	15,288,399

3/3 Liquidity risk

Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements, when they fall due and at a reasonable price, this could lead to failing to meet deposits obligations to clients and financing commitments.

Liquidity risk management process

Liquidity management process, as carried out and monitored by a separate team in treasury, includes:

- Day – to – day funding, managed by monitoring future cash flows to ensure that requirements can be met. the capability of the bank to meet its liabilities, including payment upon maturity of financings.
- Maintaining a portfolio of highly marketable assets that guarantees flexibility in liquidation if needed to meet any unexpected fluctuations.
- Observation of liquidity ratios compared to the internal policies of the bank, and the CBE.

Regular assessment of the bank structural liquidity profile - daily, weekly and monthly – which are the main time spans to manage liquidity, risk department studies maturities of contracted financial liabilities as well as financial assets.

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, in order to provide wide range diversification in currencies, geographical location, sources products 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 clients. Moreover, some debt instruments, treasury bills is pledged to cover liabilities. The bank has the ability to meet unexpected net cash flows through selling securities, and finding other financing sources.

3/4 Capital Management

Basel II

The bank's objectives in managing its capital including elements other than 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 as per the regulations of the 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 share capital.
- Maintaining a ratio between capital elements, and asset and contingent liability elements.
- Capital to be greater than 10% of the weighted risk assets.

The capital adequacy ratio consists of the following two tiers:

Tier 1:

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

Tier 2:

Is the sub-ordinate capital comprising the equivalent of the general reserve according to CBE credit rating bases issued by CBE not in excess of 1.25 % of total assets and contingent liabilities (risk weights applied), subordinate 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.

On calculating the total numerator of capital adequacy, it is to be considered that tier 2 should not be greater than tier 1, and subordinate financings should not be greater than 50 % of Tier 1.

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:

Basel II

	30 June 2014 EGP '000	31 December 2013 EGP '000
Tier 1 - Part A		
Capital shares	**2,000,000.00**	2,000,000
Paid under capital increase	**1,861,418**	1,861,418
Reserves	**65,400**	65,400
Accumulated loss	**(3,576,709)**	(3,409,296)
Dedcut: Financial Institutions Investment	**(6,201)**	(978)
Total Tier 1 - Part A	**343,908**	516,544
Tier 1 - Part B		
Differnce between FV and PV for Sub ordinated Loan	**140,341.00**	53,777.00
Current Period Profit	**120,568.00**	-
Total Tier 1 - Part A	**260,909**	53,777
Total qualifying Tier 1 (Part A+B)	**604,817**	570,321
Tier 2		
General Provision	**87,904.00**	70,331.00
Subordinated Loan	**302,408**	209,023
45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates	**49,025**	53,438
45% of Special Reserve	**7,724**	7,724
Total qualifying Tier 2	**447,061**	340,516
Capital Base (Tier 2 +Tier2)	**1,051,878**	910,837
Risk Weighted Assets	**8,570,773.00**	8,057,828.00
Market Risk	**59,986**	52,690
Operation Risk	**647,672**	647,672
Total Risk - Weighted assets	**9,278,431**	8,758,190
Capital Adequacy ratio (%) *	**11.34%**	10.40%

- Based on consolidated Banking group as per The CBE instructions issued on 24 December 2012.

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 and the following are the related estimations and judgments.

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) The impairment equity instruments Available for Sale

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

C) Financial Investments Held to Maturity

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

5- Net profit income

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2013 LE 000's
Profit on Financing and similar income				
Facilities to banks	**-**	309	**-**	81.00
Loans and Financing to customers	**396,263**	304,963	**208,828**	158,605
Treasury bills and bonds	**283,350**	281,750	**143,631**	142,622
Deposits and current accounts	**806**	2,196	**303**	1,226
Total	**680,419**	589,218	**352,762**	302,534
Cost of Deposits and similar Costs				
Deposits and Current Accounts:				
To Banks	**(21,919)**	(35,015)	**(15,001)**	(20,554)
To Customers	**(377,982)**	(367,037)	**(190,168)**	(182,224)
Total	**(399,901)**	(402,052)	**(205,169)**	(202,778)
Net	**280,518**	187,166	**147,593**	99,756

6- Net fees & commission income

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2013 LE 000's
Fees and commissions income:				
Fees and commissions related to Financing	**13,456**	13,928	**6,377**	9,511
Corporate finance	**87,829**	23,271	**35,441**	15,277
Other fees	**34,092**	20,977	**14,764**	10,916
Total	**135,377**	58,176	**56,582**	35,704
Fees and commissions expenses:				
Other fees paid	**(10,531)**	(608)	**(5,099)**	(360)
Net	**124,846**	57,568	**51,483**	35,344

7- Dividend income

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2014 LE 000's
Available for sale investments	**627**	2,377	**627**	2,377
Sanable Fund dividend	**-**	150	**2,466.00**	-
Investments in Associates & Subsidiaries	**2,466**	-	**-**	-
Total	**3,093**	2,527	**3,093**	2,377

8- Net trading income

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2014 LE 000's
Foreign currencies operations				
Gain from foreign currencies exchange	**25,651**	18,575	**13,798**	11,231
Gain on sale of Held for Trading	**129**	111	**129**	-
Total	**25,780**	18,686	**13,927**	11,231

9- Administrative expenses

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2014 LE 000's
Salaries and wages*	**(132,925)**	(130,226)	**(65,635)**	(66,749)
Social insurance	**(6,137)**	(6,019)	**(3,095)**	(3,090)
Employees Benefits:				
Defined Contribution Plan	**(3,541)**	-	**(3,541)**	-
Defined Benefit Plan	**(2,966)**	(3,141)	**(1,347)**	(1,503)
Depreciation and amortization	**(33,514)**	(31,181)	**(17,004)**	(15,202)
Other administrative expenses	**(95,163)**	(60,613)	**(46,724)**	(31,156)
Total	**(274,246)**	(231,180)	**(137,346)**	(117,700)

* Salaries and wages for the period ended 30th June 2014 includes an amount of LE **9,596k** (for the period ended 31st March 2013: LE **4,368k**) which represents average total top 20 salaries paid during the period.

10- Other operating expenses

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2014 LE 000's
Gain on sale of assets reverted to Bank	**-**	16,154	**-**	15,959
Gain on sale of fixed assets	**2,452**	5,440	**891**	440
Software cost	**(2,083)**	(1,828)	**(1,569)**	(1,144)
Operating lease	**(9,173)**	(25,352)	**(4,662)**	(13,488)
Other provisions	**(30,005)**	(12,035)	**(4,007)**	(9,001)
Others	**2,859**	2,586	**1,227**	1,121
Total	**(35,950)**	(15,035)	**(8,120)**	(6,113)

11- Cost of credit

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2014 LE 000's
Impairment loss Banks(1/17)	**-**	19	**-**	20
Impairment Reversal / (loss) customers(2/17)	**68,727**	41,899	**24,690**	20,905
Impairment loss recovery of HTM investment	**653**	(631)	**106**	(280)
Total	**69,380**	41,287	**24,796**	20,645

12- Tax

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2013 LE 000's
Deferred Tax *	**(84,000)**	(22,347)	**(42,000)**	(17,401)
Total	**(84,000)**	(22,347)	**(42,000)**	(17,401)

* Additional Information on the deferred tax is detailed in note no. 29.

13- Net profit per share

The Net Income per share during the Period was calculated by using the weighted average method for the numbers of the outstanding shares during the Period.

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's	**Three Months Ended 30 June 2014 LE 000's**	Three Months Ended 30 June 2014 LE 000's
Net Profit for the period	**116,743**	33,880	**59,643**	22485
Weighted average for the issued common stocks	**200,000**	200,000	**200,000**	200,000
Net Profit Per Share	**0.58**	0.17	**0.30**	0.11

* 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 June 2014 EGP '000	31 December 2013 EGP '000
Cash	**118,473**	173,310
Due From Central Bank (reserve requirements)	**875,183**	1,520,698
Total	**993,656**	1,694,008
Non-interest bearing balances	**993,656**	1,694,008

15- Due from banks

	30 June 2014 EGP '000	31 December 2013 EGP '000
Current accounts	**201,715**	140,598
Deposits	**502,582**	1,131,453
Total	**704,297**	1,272,051
Central bank (including the required reserve percentage)	**95,596**	93,584
Local banks	**85,283**	229,527
Foreign banks	**523,418**	948,940
Total	**704,297**	1,272,051
Non profit bearing balances	**202,177**	141,060
Fixed profit balances	**502,120**	1,130,991
Total	**704,297**	1,272,051

16- Treasury bills

	30 June 2014 EGP '000	31 December 2013 EGP '000
91 days maturity	**194,375**	15,000
182 days maturity	**514,200**	78,025
274 days maturity	**1,437,525**	1,524,650
364 days maturity	**2,188,977**	2,597,608
	4,335,077	4,215,283
Unearned revenues	**(163,223)**	(199,415)
Total	**4,171,854**	4,015,868
Repo's		
Repo's matured during 1 week	**(434,629)**	(759,105)
Total (1+2)	**3,737,225**	3,256,763

17- Facilities to banks and customers

17-1 Facilities to banks

	30 June 2014 EGP '000	31 December 2013 EGP '000
Syndicated loan	**-**	-
less		
Allowance for impairment	**-**	-
Total	**-**	-

Facilities to bank loan loss provision movement

	30 June 2014 EGP '000	31 December 2013 EGP '000
Balance at the beginning of the period	**-**	19
Impairment charged	**-**	1
Provisions no longer required	**-**	(20)
Balance at the end of the period	**-**	-

17 -Facilities to banks and customers(Cont.)

17/2 Financing to customers

	30 June 2014 EGP '000	31 December 2013 EGP '000
Retail		
Overdraft	**1,509**	1,749
Cash back cards	**280,606**	143,854
Personal Financing	**3,576,135**	3,020,518
Real Estate Mortgage	**3,300**	6,332
Total (1)	**3,861,550**	3,172,453
Corporate (including SMEs)		
Overdraft	**896,919**	614,716
Direct Financing *	**3,662,800**	3,446,222
Syndicated Financing	**286,998**	332,321
Total (2)	**4,846,717**	4,393,259
Total loans & facilities (1 + 2)	**8,708,267**	7,565,712
Impairment loss for financings	**(242,257)**	(233,538)
Profit in suspense **	**(35,826)**	(34,392)
Deferred profit	**(939,081)**	(694,460)
Net	**7,491,103**	6,603,322
Net distributed as follows:		
Conventional loans (Net)	**284,788**	294,736
Financing (Net)	**7,206,315**	6,308,586
Net	**7,491,103**	6,603,322

Impairment loss Provision	**30 June 2014 EGP '000**	31 December 2013 EGP '000
Balance at the beginning of the period	**233,538**	3,505,882
Impairment loss charge for the period	**13,998**	12,163
Recoveries during the period	**78,110**	-
Usage during the period	**(2,228)**	(3,235,252)
Transferred to other liabilities	**1,171**	(1,951)
Provision no longer required	**(82,725)**	(79,090)
Foreign currency revaluation differences	**393**	31,786
Balance at the end of period	**242,257**	233,538

* During 2013, the bank wrote off some of legacy bad debts, the write off amounted 3,235,252 EGP.

** Profit in suspense was accumulated according to the credit rating issued by the CBE.

17/2 – Financing to customers (continued)

Impairment losses for financing movement

Movement for impairment losses for financing as per type:

30 June 2014

Value in EGP '000

Retail	**Overdraft**	**Caovered Cards**	**Personal Financing**	**Real Estate Mortgage**	**Total**
Balance at 1 January 2014	**-**	**431**	**92,263**	**1,214**	**93,908**
Impairment loss charge within the period	**-**	**(28)**	**549**	**(290)**	**231**
Usage during the period *	**-**	**(22)**	**(1,301)**	**-**	**(1,323)**
Recoveries during the period	**-**	**58**	**151**	**-**	**209**
provision no longer required	**-**	**(58)**	**(468)**	**-**	**(526)**
Balance at 30 June 2014	**-**	**381**	**91,194**	**924**	**92,499**

31 December 2013

Retail	Overdraft	Caovered Cards	Personal Financing	Real Estate Mortgage	Total
Balance at 1 January 2013	-	46	288,468	1,622	290,136
Impairment loss charge within the year	-	1,131	13,799	(409)	14,521
Usage during the year	-	(746)	(209,923)	-	(210,669)
Recoveries during the year	-	-	(81)	-	(81)
Foreign currency revaluation differences	-	-	-	-	-
Balance at 30 June 2013	-	431	92,263	1,213	93,907

30 June 2014

Corporate	**Overdraft**	**Direct Financing**	**Syndicated Financing**		**Total**
Balance at 1 January 2014	**1,196**	**130,029**	**8,406**	**-**	**139,631**
Impairment loss charge within the period	**1,018**	**13,539**	**(790)**	**-**	**13,767**
Usage during the period *	**-**	**(905)**	**-**	**-**	**(905)**
Recoveries during the period	**-**	**77,901**	**-**	**-**	**77,901**
provision no longer required	**-**	**(82,199)**	**-**	**-**	**(82,199)**
Foreign currency revaluation differences	**-**	**380**	**13**	**-**	**393**
Balance at 30 June 2014	**2,214.00**	**139,916**	**7,629**	**-**	**149,759**

31 December 2013

Corporate	Overdraft	Direct Financing	Syndicated Financing		Total
Balance at 1 January 2013	2,979	3,203,140	9,627	-	3,215,746
Impairment loss charge within the year	(1,783)	1,117	(1,692)	-	(2,358)
Usage during the year	-	(3,024,583)	-	-	(3,024,583)
Provisions not required	-	(79,009)	-	-	(79,009)
Transferred from other provisions	- -	1,951	-	-	(1,951)
Foreign currency revaluation differences	-	31,315	471	-	31,786
Balance at 30 June 2013	1,196	130,029	8,406	-	139,631

18- Financial investments

	30 June 2014 LE 000's	31 December 2013 LE 000's
18/1 Available for Sale Investment		
Debt instruments - at Fair value		
Listed	**1,550,520**	1,143,699
Equity instruments - at fair value		
Unlisted	**26,417**	33,780
Total available for sale investments (1)	**1,576,937**	1,177,479
18/2 Financial Investment Held to maturity		
Debt Instruments- at amortized cost		
Listed	**130**	5,334
Sanabel Fund (*)	**7,500**	6,847
Total Investments held to maturity (2)	**7,630**	12,181
Total Financial Investments (1 + 2)	**1,584,567**	1,189,660
Categorized as follows:		
Current	**1,550,650**	1,149,033
Non-Current	**33,917**	40,627
Total	**1,584,567**	1,189,660
Categorized as follows:		
Fixed Income debt instruments	**1,547,690**	1,140,377
Variable Income debt instruments	**10,460**	15,503
Variable Income equity instruments	**26,417**	33,780
Total	**1,584,567**	1,189,660

(*) Sanabel Islamic Mutual Fund:

The investments held to maturity include the bank's investment in sanabel Islamic mutual fund in association with ABC bank, managed by HC Company.

The number of bank's certificates share is **LE 75k** certificates with a par value of **LE 100**. The acquisition cost amounted to LE **7,635k.**

The value per certificate as 30th June 2014 amounted of LE **101.75** (December 31st, 2013: LE **79.82**)

18- Financial investments (continued)

Value in LE 000's

	Financial Investment AFS	Financial Investment HTM	Total
Balance at 1 January 2014	**1,177,479**	**12,181**	**1,189,660**
Additions	**507,300**	**-**	**507,300**
Disposals (sales/redemption)	**(92,644)**	**(5,355)**	**(97,999)**
Foreign currency revaluation difference	**495**	**150**	**645**
Change in the fair value	**(15,693)**	**-**	**(15,693)**
Impairment loss recoveries	**-**	**653**	**653**
Balance at 30 June 2014	**1,576,937**	**7,629**	**1,584,566**
Balance at 1 January 2013	1,075,038	18,754	1,093,792
Additions	322,550	-	322,550
Disposals (sales/redemption)	(259,495)	(8,321)	(267,816)
Foreign currency revaluation difference	1,521	888	2,409
Change in the fair value	37,865	-	37,865
Impairment loss	-	860	860
Balance at 30 June 2013	1,177,479	12,181	1,189,660

18/3 Gain from financial investment

	Six Months Ended 30 June 2014 LE 000's	Six Months Ended 30 June 2013 LE 000's
Gain on Sale of Investments Available for Sale	**77**	-
Gain on sale of treasury bills	**1,481**	972
Impairment loss of Investments in Associates & Subsidiaries	**5,764**	(5,764)
	7,322	(4,792)

Notes to separate the Financial Statements for the year ended 30th June 2014(Cont.)

19- Financial investments in subsidiaries and associates (Net)

(All amounts are in thousand egyptian pounds)	30 June 2014		31 December 2013	
	Value	**Share %**	Value	Share %
Investments in subsidiaries				
National cristal & glass company*	**10,036**	**5.4%**	10,036	5.4%
Cairo national company for investment	**76,797**	**64.8%**	76,797	64.8%
National company for trading and development (Entad)	**19,206**	**40.0%**	19,206	40.0%
Assuit islamic national for trading and development	**23,477**	**40.0%**	23,477	40.0%
ADI Holding Company	**4,980**	**99.6%**	4,980	99.6%
ADI Capital Company	**125**	**2.5%**	125	2.5%
ADI Properities	**13**	**5.0%**	13	5.0%
ADILease leasing company	**31,649**	**60.1%**	31,648	60.1%
Total subsidiaries companies	**166,283**		166,282	
Investments in associated				
Cairo national company for brokerage & securities	**538**	**32.0%**	538	32.0%
Youth Company For Investment and General Services (SERVICO)	**126**	**1.8%**	126	1.8%
Alexandria National Company for Financial Investments	**2,181**	**9.0%**	2,181	9.0%
Arab Mashriq Company for Takaful Insurance	**20,000**	**20.0%**	13,000	20.0%
Total associates companies	**22,845**		15,845	
Investment in subsidiaries and associated companies	**189,128**		182,127	
Less: impairment loss	**(6,038)**		(11,801)	
Net investment in subsidiary and associated companies (1)	**183,090**		170,326	
Investment in subsidiaries and associated companies - fully impaired	**37,852**		37,852	
Less: impairment loss	**(37,852)**		(37,852)	
Net investment in subsidiaries and associated companies - fully impaired (2)	**-**		-	
Investment in subsidiary and associated companies (Net) (1+2)	**183,090**		170,326	

*The bank sold (**77.46%**) of National Cristal & Glass Company to Abu Dhabi Islamic Holding (Subsidiary Company) with a fair value of L.E 164,185k and completed the legality transfer process on 23 January 2014 .

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

20- Intangible assets (Net)

	30 June 2014 EGP '000	31 December 2013 EGP '000
Computer software		
Net Book value at the beginning of period	**4,501**	11,325
Additions	**9,411**	9,463
Amortization for the period	**(8,440)**	(16,287)
Net book value at end of period	**5,472**	4,501

21- Other assets

	30 June 2014 EGP '000	31 December 2013 EGP '000
Accrued revenues	**141,809**	122,669
Pre-paid expenses	**73,993**	84,138
Down payments under purchase fixed assets	**6,510**	11,412
Assets reverted to the bank in settlement of debts (Net of Impairment)	**114,007**	10,028
Deposits & custody	**4,262**	2,887
Due from related Parties*	**337,923**	346,179
Due from tax authority **	**332,928**	271,010
Other debit balances	**147,919**	168,125
Total	**1,159,351**	1,016,448

Due from related parties consists of

	30 June 2014 EGP '000	31 December 2013 EGP '000
Abu Dhabi Islamic Bank(Emirates)	**511**	425
ADI Holding(33/4)	**187,703**	187,089
ADI properties	**145,062**	154,349
ADI Lease	**67**	116
ADI capital	**4,580**	4,200
Total	**337,923**	346,179

* On June 23rd, 2013, Assets reverted to the bank which cost amounted to LE 138,148 thousands and fair value of LE 154,066 thousand were sold to ADI Properties Co. resulting in a gain on sale of LE 15,918 thousand and transferring an amount of EGP 50.8 mn from the risk reserve bank to accumulated losses (Note 30/3).

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

22- Fixed assets (Net of accumulated depreciation)

	Land & Premises	Machinery & Equipment	Other Assets	Total
				Value in EGP '000
Net Book value at 1 January 2014	**30,863**	**1,774**	**198,789**	**231,426**
Additions	**107,179**	**93**	**32,116**	**139,388**
Disposals	**(593)**	**-**	**-**	**(593)**
Depreciation	**(2,728)**	**(176)**	**(22,169)**	**(25,073)**
Depreciation related to disposal	**593**	**-**	**-**	**593**
Net Book value at 30 June 2014	**135,314**	**1,691**	**208,736**	**345,741**
Cost	**160,649**	**4,641**	**451,827**	**617,117**
Accumulated depreciation	**(25,335)**	**(2,950)**	**(243,091)**	**(271,376)**
Net Book value at 30 June 2014	**135,314**	**1,691**	**208,736**	**345,741**

	Land & Premises	Machinery & Equipment	Other Assets	Total
				Value in EGP '000
Net Book value at 1 January 2013	19,093	1,404	223,587	244,084
Additions	22,944	667	18,096	41,707
Disposals	(10,799)	-	(139)	(10,938)
Depreciation	(2,497)	(297)	(42,782)	(45,576)
Depreciation related to disposal	2,122	-	27	2,149
Net Book value at 31 December 2013	30,863	1,774	198,789	231,426
Cost	54,063	4,548	419,711	478,322
Accumulated depreciation	(23,200)	(2,774)	(220,922)	(246,896)
Net Book value at 31 December 2013	30,863	1,774	198,789	231,426

- Fixed Assets after depreciation include EGP **8.43mn** (31st December 2013: **EGP 10.3mn**) represent cost of assets not registered yet. Legal procedures are under progress for them to be registered.

- Fully depreciated assets as of 30th June 2014 and still in use have amounted to EGP 108mn

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

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

On 30th march 2009 the bank signed sale and financial leasing contract of a group of fixed assets owned by the bank's 29 branch of the bank with Al-Tawfeik company for financial leasing with a net book value amounted to 20 million Egyptian pounds compared to the total value of selling amounted to 214 million LE with a capital profit of 194 million Egyptian pounds.

The bank has to pay the amount of 171 million LE of the total selling value represents the rental value for the first five years of financial lease agreement with Al-Tawfeik company for a period of ten years starting from April 30, 2009 for a total rental value of EGP 321 mn paid in ten annual installments (120 monthly installments) with the option to give the bank the right to buy rental properties subject of the contract in whole or in part at any time during the duration of the contract.

The bank used the profit mentioned on the approval of Central Bank of Egypt in reducing losses of activity achieved for the first financial period of the year 2009 instead of recording it in capital reserve and amortizing it during the period of financial leasing with a condition of not financing the financial lease company to complete the sale process.

23- Due to banks

	30 June 2014 EGP '000	31 December 2013 EGP '000
Current accounts	**135,632.00**	1,099
Deposits	**447,000**	-
Total	**582,632**	1,099
Local banks	**447,210**	185
Foreign banks	**135,422**	914
Total	**582,632**	1,099

24- Customers' deposits

	30 June 2014 EGP '000	31 December 2013 EGP '000
Demand deposits	**2,647,879**	2,380,866
Time deposits & call accounts	**2,116,251**	3,511,273
Term saving certificates	**5,466,563**	5,014,688
Savings deposits	**3,819,682**	3,508,599
Other deposits	**299,734**	198,669
Total	**14,350,109**	14,614,095
Classified as follows:		
Corporate deposits	**3,065,387**	4,149,118
Retail deposit	**11,284,722**	10,464,977
Total	**14,350,109**	14,614,095
Profit free balances	**1,706,220**	1,521,046
Variable Profit balances	**12,643,889**	13,093,049
Total	**14,350,109**	14,614,095
Current balances	**8,883,546**	9,599,406
Non-current balances	**5,466,563**	5,014,689
Total	**14,350,109**	14,614,095

25- Subordinated financing

	30 June 2014 EGP '000	31 December 2013 EGP '000
Balance at the beginning of financial period(face value of the loan)	**209,023**	180,777
Cost of subordinated loan using EIR	**7,201**	10,411
Foreign currency valuation differences	**9,528**	17,835
Closure of subordinated loan given in 27-dec-2012	**(212,316)**	-
Difference of face value from present value of subordinated loan	**342,222**	-
Total	**355,658**	209,023

The subordinated financing by amount of USD 70mn equivalent to LE 487mn granted by ADIB- UAE under Wakala investment agreement for tenor of seven years starts on March 27th, 2014 with a profit rate of 0.125% form the investment amount and the expected profit equals to Libor USD on any extension period after seven years. Where the Abu Dhabi Islamic Bank - UAE transferred $ 32125 thousand U.S. dollars, equivalent to 206167 thousand Egyptian pounds and reduce the amounts owed to him by the same amount within the above due to related parties.

The bank have recognize the subordinated financing by the present value using discount rate of 5.17% and the difference between the face value and the present value in the agreement date by an mount EGP 144803K was added to equity statement as per the CBE regulations .

26- Other liabilities

	30 June 2014 EGP '000	31 December 2013 EGP '000
Accrued revenues	**38,334**	47,580
Unearned revenues from the sale & leaseback assets	**-**	0
Accrued expenses	**63,465**	59,909
Due to Tax Authority *	**332,928**	271,010
Due to related party *	**44,142**	226,023
Other credit balances	**238,352**	119,736
Total	**717,221**	724,258

* Represents amounts under settlements in dispute with the Tax Authority (Note 35).
* Due to related parties represents the amount due to Abu Dhabi-Islamic bank-Emirates.

27- Other provisions

Value in EGP '000

	Provision for Contingent Claims	Provision for Tax	Provision for Contingent Liabilities	Total
Balance at 1 January 2014	**8,805**	**62,723**	**11,965**	**83,493**
Formed during the period	**4,389**	**26,047**	**(431)**	**30,005**
Amount used during the period	**(1,592)**	**(6,764)**	**-**	**(8,356)**
Foreign currencies revaluation difference	**-**	**-**	**63**	**63**
Balance at 30 June 2014	**11,602**	**82,006**	**11,597**	**105,205**
Balance at 1 January 2013	9,650	15,800	9,206	34,656
Formed during the year	922	62,945	2,763	66,630
Amount used during the year	(1,650)	(16,139)	-	(17,789)
Foreign currencies revaluation difference	-	-	(4)	(4)
Transferred from Contingent Liabilities to tax provision	(117)	117	-	-
Balance at 31 December 2013	8,805	62,723	11,965	83,493

28- Deferred tax

The deferred tax has been calculated on the differences based on the liability using the actual tax rate of 25%.

	30 June 2014 EGP '000	31 December 2013 EGP '000
	Assets / (Liabilities)	Assets / (Liabilities)
Fixed Assets	**(24,276)**	(26,054)
Provisions (other than the impairment loss for loans)	**5,800**	5,119
Profit in suspense	**8,956**	8,598
Retained tax losses	**884,412**	971,229
Net tax of which an asset arises	**874,892**	958,892

Movement of deferred tax assets and liabilities method:

Beginning balance	**958,892**	810,866
Addition	**2,839**	330,474
Disposals	**(86,839)**	(182,448)
Closing Balance	**874,892**	958,892

-Deferred tax assets resulting from accumulated tax losses aren't recognized until the existence of future taxable profits is likely to happen through which the bank can benefit from the accumulated tax losses in the short term.

- The bank did not recognized Deferred tax assets amounted 174 978 kEGP , which resulted from change tax rate from 25% to 30% for the above mentioned items, because of absence of reasonable assurance that future tax profits will absorb the increase in above mentioned deferred tax assets.

29- Capital

29/1 Authorized capital

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

29/2 Issued and paid in capital:

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

29/3 Amounts paid under capital increase

- During the last 4 years ADIB – UAE deposited **LE 1,662k** in cash directly as amounts paid under capital increase**,** on December 28th, 2011 ADIB – UAE approved to transfer the full amount of subordinated financing of **LE 199, 020K** to amounts paid under capital increase. Which resulting that total amount paid under capital increase become LE **1,861k**.

30- Reserves and accumulated losses

Reserves	30 June 2014 EGP '000	31 December 2013 EGP '000
Legal reserves	**22,878**	22,878
General reserves	**42,522**	42,522
Special reserves	**26,257**	26,257
Fair value reserves - investments available for sale	**45,875**	61,568
General banking risk reserve	**62,807**	61,424
Total Reserves	**200,339**	214,649

30/1 Special reserves*

	30 June 2014 EGP '000	31 December 2013 EGP '000
Adjustments for change in the measurement policy for AFS Investments related to previous periods	**17,165**	17,165
Adjustments for change in the measurement policy of impairment loss for loans and facilities for pervious periods	**9,092**	9,092
	26,257	26,257

* Distribution from this reserve is only allowed with CBE approval.

30/2 Fair value reserve – available for sale investments *

	30 June 2014 EGP '000	31 December 2013 EGP '000
Beginning balance	**61,568**	23,703
Change in fair value	**(13,970)**	37,135
Loss transferred to income statement for AFS disposals	**(1,723)**	730
	45,875	61,568

*Distribution from this reserve is only allowed with CBE approval.

30/3 General Banking Risk Reserves

	30 June 2014 EGP '000	31 December 2013 EGP '000
Beginning balance	**61,424**	106,114
Adjustments for change in the measurement policy of impairment loss for financings and facilities	**1,383**	6,122
Transferred from reserves to accumulated losses	**-**	(50,812)
	62,807	61,424
Balance of general Bank risk reserve		
General bank risk reserve for loans & facilities	**62,807**	61,424
	62,807	61,424

- The CBE instructions require the Bank to provide general bank reserves to guarantee any differences in impairment loss measurement methods for financings/facilities and assets reverted to the Bank between the old and new CBE methodologies, Distribution from this reserve is only allowed with CBE approval.

*Distribution from this reserve is only allowed with CBE approval.

30/4 Accumulated Loss

	30 June 2014 EGP '000	31 December 2013 EGP '000
Balance at the beginning of the period / Year	**(3,394,974)**	(3,552,874)
Net profit for the period / Year	**116,743**	102,798
Transferred to general banking risk reserve	**(1,383)**	44,690
Cost of the subordinated loan using EIR	**7,201**	10,412
	(3,272,413)	(3,394,974)

31- Cash and cash equivalent

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

	Six Months Ended 30 June 2014 EGP '000	Six Months Ended 30 June 2013 EGP '000
Cash and due from CBE	**993,656**	1,508,628
Due from banks	**704,297**	1,557,874
Treasury bills	**3,737,225**	2,795,633
Due from banks maturities more than3 months	**(502,582)**	(1,457,660)
Treasury bills maturities more than 3 months	**(4,085,167)**	(3,592,325)
	847,429	812,150

32- Contingent liabilities and commitments

A- Capital commitments

The Banks contracts for capital commitments reached **LE 4,423 k** as of 30th June 2014 (31st December 2013: **LE 4,694k**). Representing purchases of fixed assets and the management is adequately confident that finance shall be made available for covering these commitments.

B- Contingent Liabilities

	30 June 2014 EGP '000	31 December 2013 EGP '000
Letters of credit	**190,211**	288,566
Letters of guarantee	**393,062**	300,071
Documentary credit	**196,974**	75,711
Bank guarantees	**326,754**	333,897
	1,107,001	998,245

C- Operating Lease commitment

	30 June 2014 EGP '000	31 December 2013 EGP '000
From 1 year up to 5 yaers	**39,479**	42,906
More than 5 years	**21,012**	23,082
	60,491	65,987

33- Related party transactions

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

	Directors EGP '000	*Subsidiaries and Associates EGP '000*	*Major shareholder EGP '000*	*Total EGP '000*
30 June 2014				
Financing to customers	**-**	**276,926**	**-**	**276,926**
Due from banks	**-**	**-**	**92,340**	**92,340**
Other assets	**-**	**337,346**	**511**	**337,856**
	-	**614,272**	**92,851**	**707,122**
Due to banks	**-**	**-**	**482**	**482**
Customers' deposits	**-**	**97,567**	**-**	**97,567**
Other liabilities	**-**	**35**	**1,861,418**	**1,861,453**
Subordinated financing	**-**	**-**	**352,682**	**352,682**
Paid under capital increase	**-**	**-**	**44,142**	**44,142**
Difference between face value and present value (Subordinated Financing)	**-**	**-**	**143,316**	**143,316**
	-	**97,603**	**2,402,040**	**2,499,642**
31 December 2013				
Financing to customers	-	69,366	-	69,366
Due from banks	-	-	60,455	60,455
Other assets	-	341,155	425	341,580
	-	410,521	60,880	471,401
Due to banks	-	-	914	914
Customers' deposits	-	20,432	-	20,432
Paid under capital increase	-	-	1,861,418	1,861,418
Subordinated financing	-	-	209,023	209,023
Other liabilities	-	-	226,023	226,023
	-	20,432	2,297,378	2,317,810

33- Related party transactions - continued

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

	Directors	*Subsidiaries and Associates*	*Major shareholder*	*Total*
	EGP '000	*EGP '000*	*EGP '000*	*EGP '000*
30 June 2014				
Income from Murabaha, Musharaka, Mudaraba and other similar income	**-**	**9,826**	**-**	**9,826**
Cost of deposits and similar costs	**-**	**217**	**-**	**217**
Salaries and short term benefits	**888**	**-**	**-**	**888**
Cost of subordinated loan using the effective interest rate	**-**	**-**	**7,201**	**7,201**
30 June 2013				
Income From Murabaha, Musharaka, Mudaraba and Other Similar Income	-	23	-	23
Cost of Deposits and Similar Costs	-	(7)	-	(7)
Salaries and short term benefits	(1,239)	-	-	(1,239)
Cost of subordinated loan using the effective interest rate	-	-	(5,093)	(5,093)

34- Employees benefits:

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 at 14 January 2014 with No. (884) , The first of July 2014 was the first working date of the fund. The employees in the head office and all branches are committed to the fund regulations

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

Legacy staff medical benefit plan

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

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

- Death rate from British table A49-ULT52
- Discount rate 17%
- Inflation rate 11%
- (projected unit credit method)

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

Tax position

Corporate Tax:

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

- Preparation and presenting the tax return for the years till 2012 have been presented to tax authority as per law no. 91 for the year 2005.

- Preparation and presenting the tax return for the years 2009/ 2010.

On February 2012 and based on legal and tax advisors opinion, the bank stopped paying tax on Egyptian treasury bills income and related penalties. The bank filed a legal case claiming that tax on treasury bills income is not constitutional as the bank did not achieve any tax profit during the years under conflict. According to legal and tax advisor its probable that the bank will win the case and the judgment and inspection of this case was postponed till 29 November 2014 to check the experts' report.
During the first quarter of 2014 the bank Covered the provision of tax gap of L.E **42MN** .

Salary tax:

- Tax inspections and internal committee for the years prior 2008 have been fully completed and there was no due tax for this period
- The years 2009 to 2011 are currently being inspected.
- The payroll taxes are being paid on the due dates as stated by law.

Stamp duty tax:

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

- Inspections of all Upper Egypt branches (18 branches) have been finalized from opening of the branches to 31/7/2006 with all tax liabilities settled.

- Inspections of 14 out of 19 East Delta branches have 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 16 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 6 branches are still under settlement after tax disputes.

- An appeal in the court is in process For 44 branch for which the tax liability was determined. Partial settlement of these liabilities was made to avoid delay penalties since the court appeal does not stop the tax liability.

- As for the remaining 11 bank branches, coordinating between tax authorities is in process to start inspection for years prior to 31/7/2006.

Second: In light of law no. 143 for the year 2006 (amendment of law no. 111)

- Inspections of the bank branches for the years starting 1/8/2006 to 31/12/2007. Have been finalized from opening of the branch to 31/7/2006. An appeal on the amount is in process and an internal committee of the tax authorities has been set up to study the issue.

Sales tax:

- Inspections of the bank branches up to 31/12/2006 and due tax was paid.
- Years 1/1/2007 to 31/12/2012 is currently under preparation for future inspection.